



ECONOMIC AND SOCIAL STABILIZATION FUND

Quarterly Executive Report as of September 2017

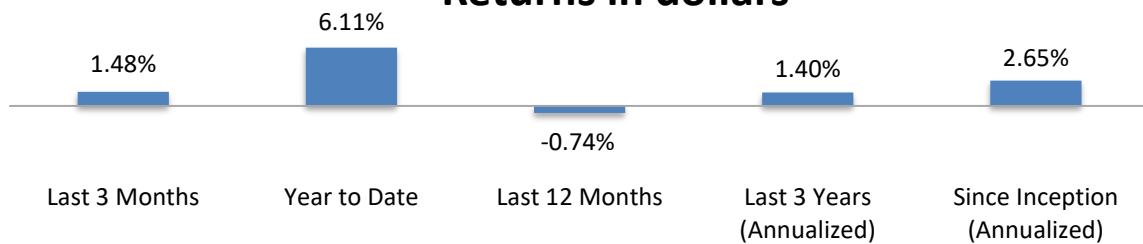
EXECUTIVE SUMMARY

Third Quarter 2017

Market Value
US\$14.6 billions

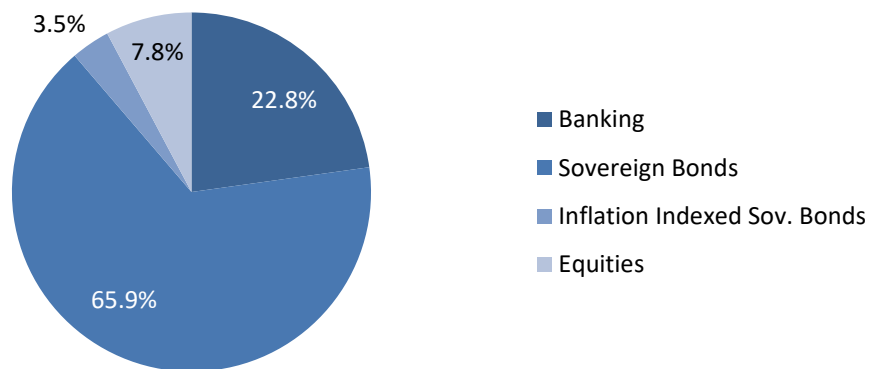
Net Income
**US\$ 214.2
millions**

Returns in dollars¹



Source: Ministry of Finance based on information provided by JP Morgan.

Portfolio Composition



¹ Returns reported in this document correspond to the Time Weighted Rate of Return (TWR), unless otherwise stated. Returns for periods greater than one year are annualized. For periods of less than one year, the return corresponds to the change during the period. Net returns reported are net of management fees.

I. Market Value of the Fund

Table 1: Quarterly change in market value
(millions of dollars)

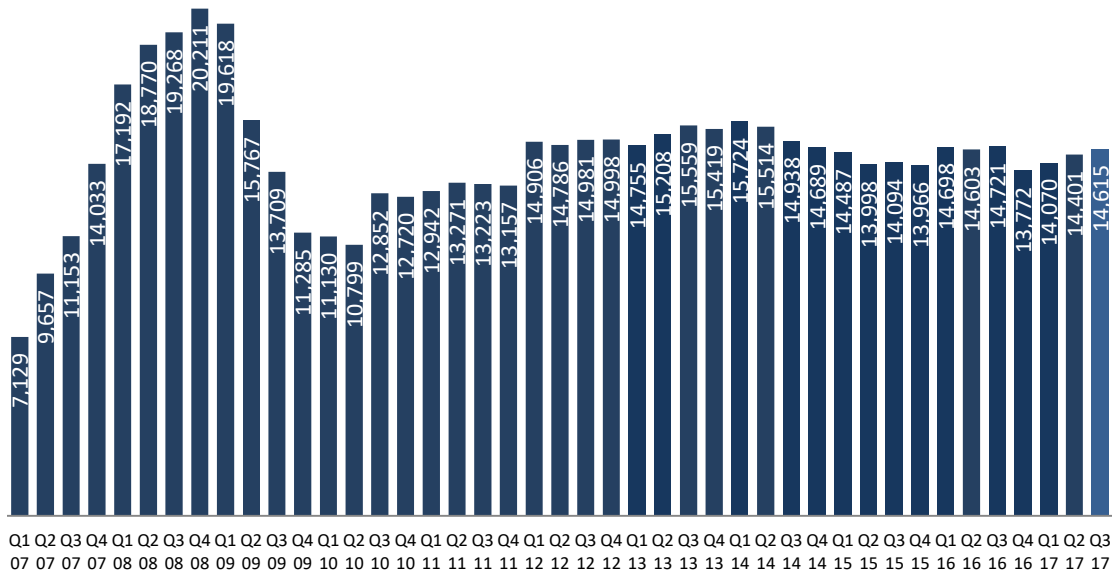
Changes in Market Value (US\$ million)	2016		2017		Since Inception ^(a)
	Q4	Q1	Q2	Q3	
Starting Market Value	14,720.83	13,772.06	14,070.31	14,400.90	-
Contributions	0.00	0.00	0.00	0.00	21,765.71
Withdrawals	0.00	0.00	0.00	0.00	-10,852.81
Accrued Interest	36.54	34.91	40.82	38.95	2,836.60
Capital Gains (Losses)	-984.71	263.95	290.52	175.82	885.40
Admin., Custody and Other Costs ^(b)	-0.60	-0.61	-0.76	-0.61	-19.84
Final Market Value	13,772.06	14,070.31	14,400.90	14,615.06	14,615.06

^(a) The ESSF was established by the merger of the fiscal assets saved under Decree Law N° 3.653 (1981) with those of the Copper Income Compensation Fund. The first payment into the new fund was made on March 6, 2007.

^(b) It includes costs associated with consultants and others.

Source: Ministry of Finance, based on information provided by JP Morgan.

Figure 1: Evolution of ESSF market value
(millions of dollars)



Source: Ministry of Finance, based on information provided by JP Morgan.

II. Returns

Table 2: Performance by asset class²
(percent)

Returns ^(a)	Last 3 Months	Year to Date	Last 12 Months	Last 3 Years (Annualized)	Since Inception (Annualized) ^(b)
Money Market and Sovereign Bonds	1.15%	5.17%	-2.46%	0.83%	
Sovereign Inflation Linked Bonds	1.86%	4.19%	1.40%	0.45%	
Equities	5.25%	17.45%	18.88%	7.89%	
Return in USD	1.48%	6.11%	-0.74%	1.40%	2.65%
Exchange Rate (CLP)	-3.97%	-4.56%	-3.37%	1.91%	1.59%
Return in CLP ^(c)	-2.55%	1.27%	-4.09%	3.34%	4.29%

^(a) Time Weighted Return (it's calculated as the growth rate of the funds that were invested throughout the period).

^(b) It's calculated from March 31, 2007, when the performance of Central Bank of Chile started to be measured.

^(c) CLP return corresponds to the sum of the percentage change of the CLP/USD exchange rate and the USD return.

Source: Ministry of Finance, based on information provided by JP Morgan.

Table 3: Excess returns
(basis points)

Excess Returns ^(a)	Last 3 Months	Year to Date	Last 12 Months	Last 3 Years (Annualized)	Since Inception (Annualized) ^(b)
Money Market and Sovereign Bonds	1	3	5	4	
Sovereign Inflation Linked Bonds	2	5	-4	-7	
Equities	-4	-28	-38	-14	
Total Portfolio	1	8	12	2	-6

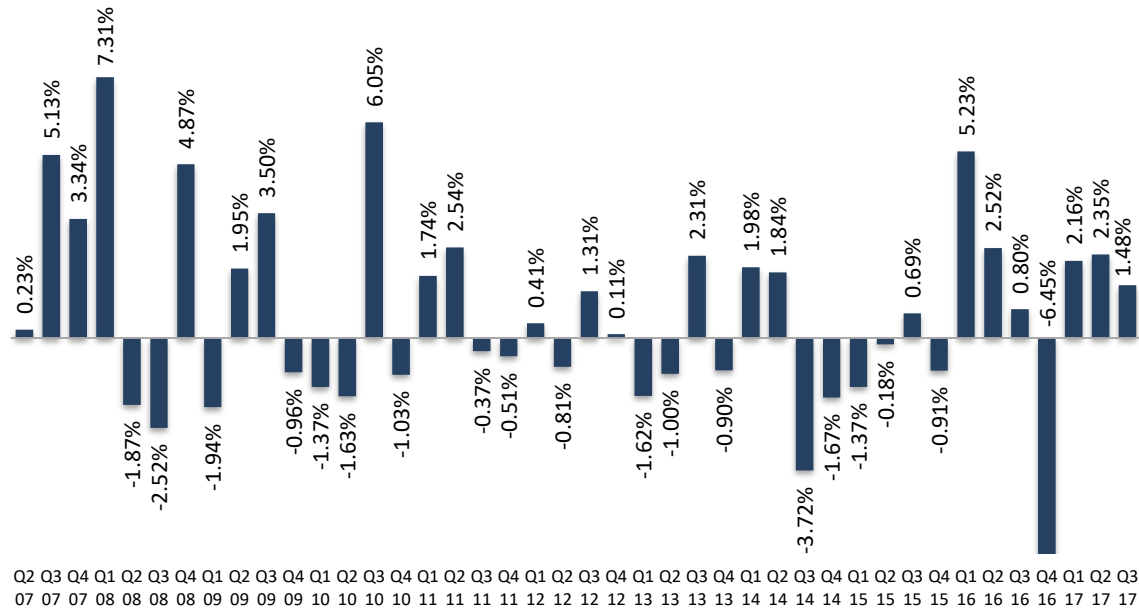
^(a) Time Weighted Return (it's calculated as the growth rate of the funds that were invested throughout the period).

^(b) It's calculated from March 31, 2007, when the performance of Central Bank of Chile started to be measured.

Source: Ministry of Finance, based on information provided by JP Morgan.

² Returns for periods of more than one year are compound annualized rates while those for less than a year correspond to the change as seen in the stated period. To meet high standards of transparency and provide a better assessment of the gains or losses on investments, the Ministry of Finance discloses the fund's return in different time horizons and currencies. With respect to the time horizon, it is important to note that, in keeping with the medium-and long term investment policy, the return assessment should focus on that period, disregarding fluctuations that may occur monthly or quarterly. With regard to returns expressed in different currencies, the return in US dollars allows for an assessment which is more in line with the investment policy given that the fund's resources are wholly invested abroad and in foreign currencies. The return in Chilean pesos is also disclosed. This return reflects changes in the peso-dollar exchange rate and, therefore, may experience greater fluctuations. Finally, as with any investment, returns obtained in the past do not guarantee future positive results.

Figure 2: Quarterly returns in dollar (TWR)
(percent)



Source: Ministry of Finance, based on information provided by JP Morgan.

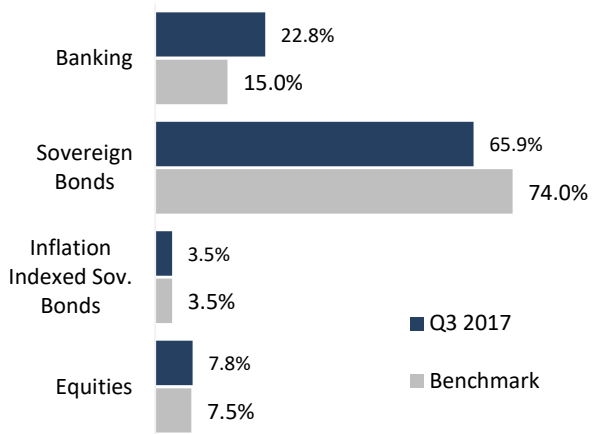
Figure 3: Internal rate of return (IRR)
(percent)



Source: Ministry of Finance, based on information provided by JP Morgan.

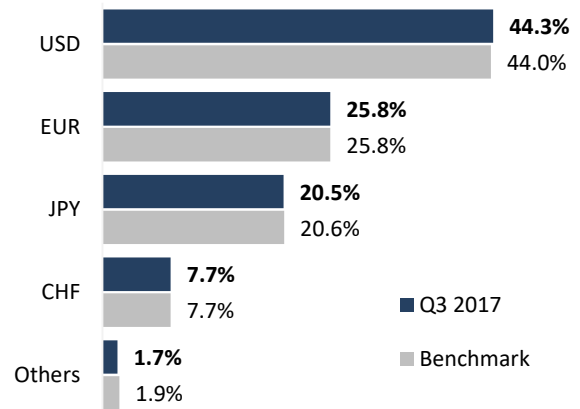
III. Portfolio Allocation

Figure 4: Investments by asset class
(percent of total)



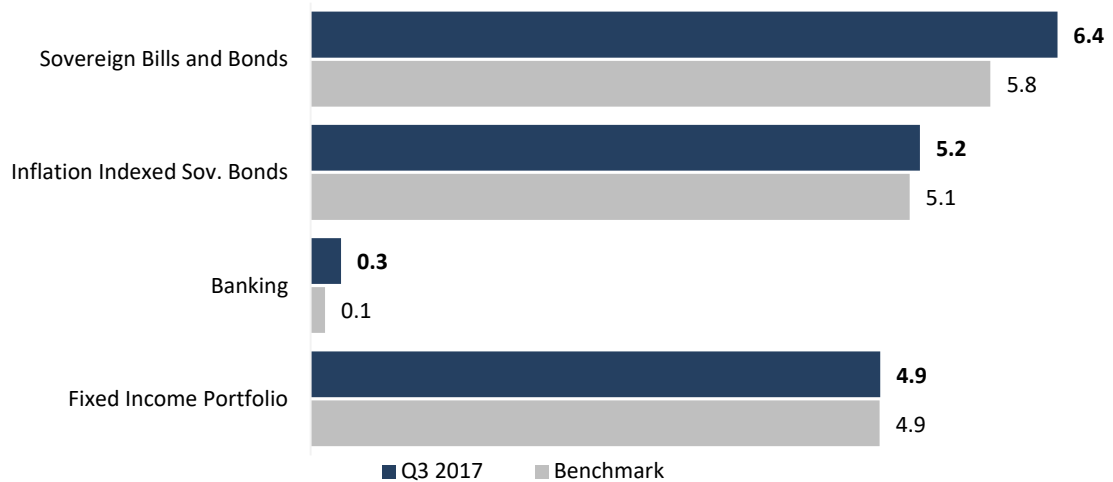
Source: Ministry of Finance, based on information provided by JP Morgan.

Figure 5: Investments by currency
(percent of total)



Source: Ministry of Finance, based on information provided by JP Morgan.

Figure 6: Fixed income portfolio duration
(years)



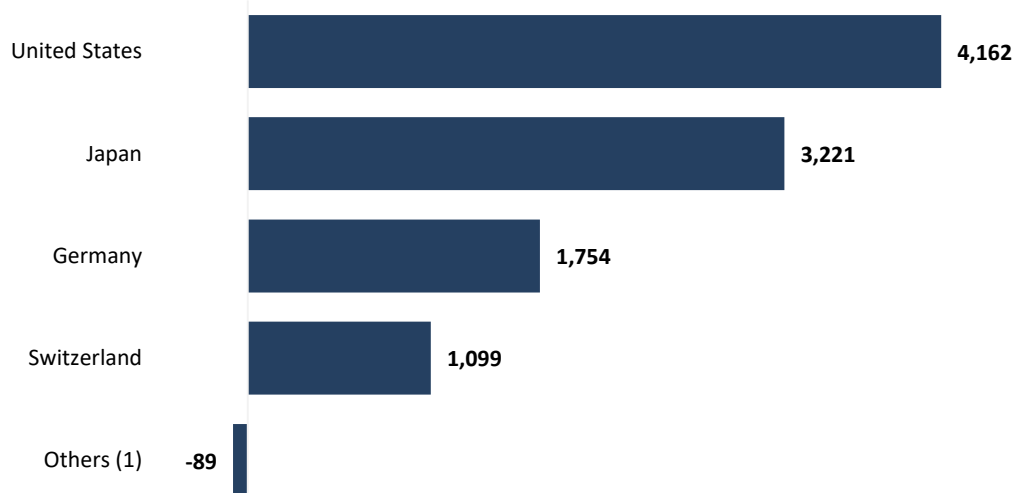
Source: Ministry of Finance, based on information provided by JP Morgan.

Figure 7: Exposure by type of risk
(millions of dollars)



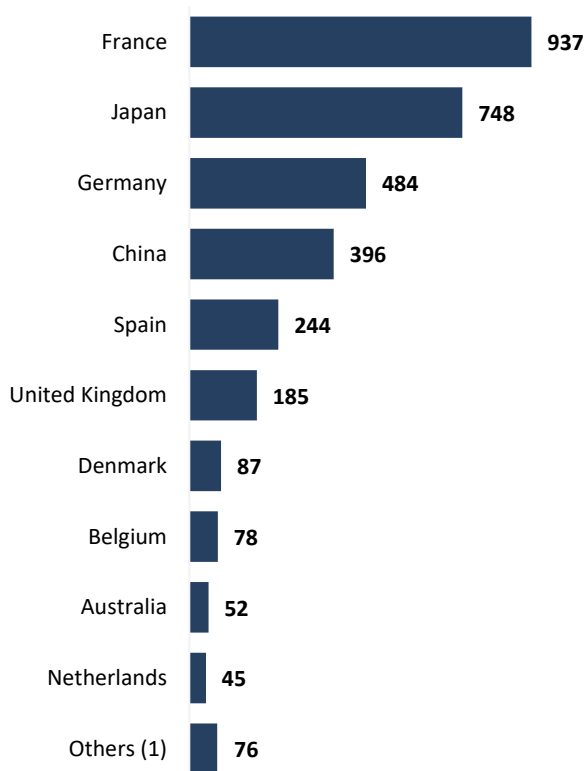
Source: Ministry of Finance, based on information provided by JP Morgan.

Figure 8: Sovereign bonds exposure by countries
(millions of dollars)



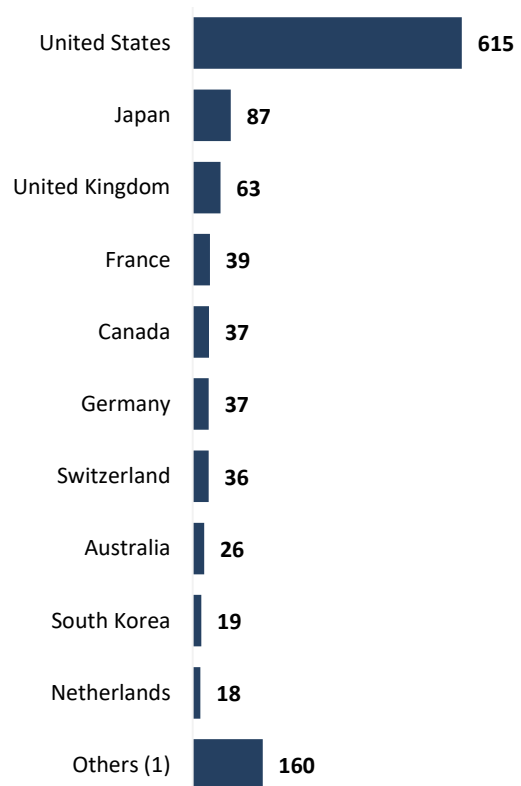
(1) includes cash, cash equivalents and unsettled transactions.
Source: Ministry of Finance, based on information provided by JP Morgan.

Figure 9: Banking exposure by countries
(millions of dollars)



(1) includes cash, cash equivalents and unsettled transactions.
Source: Ministry of Finance, based on information provided by JP Morgan.

Figure 10: Equity exposure by countries
(millions of dollars)



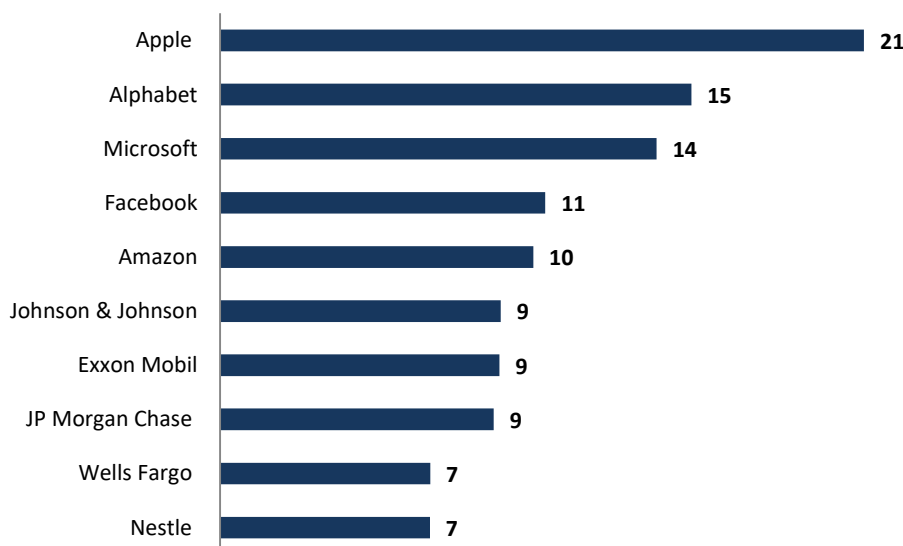
(1) includes cash, cash equivalents and unsettled transactions.
Source: Ministry of Finance, based on information provided by JP Morgan.

Table 4: Portfolio by issuer credit rating
(percent of the fixed-income portfolio)

Fixed Income Portfolio by Issuer Credit Rating			
Credit Rating	Sovereigns	Banking	Total
AAA	51.6%	0.0%	51.6%
AA+	0.5%	0.0%	0.5%
AA	0.0%	0.2%	0.2%
AA-	0.0%	2.4%	2.4%
A+	23.9%	5.5%	29.4%
A	0.0%	12.2%	12.2%
A-	0.0%	4.7%	4.7%
Otros ⁽¹⁾	-0.7%	-0.2%	-0.9%
Total	75.3%	24.7%	100.0%

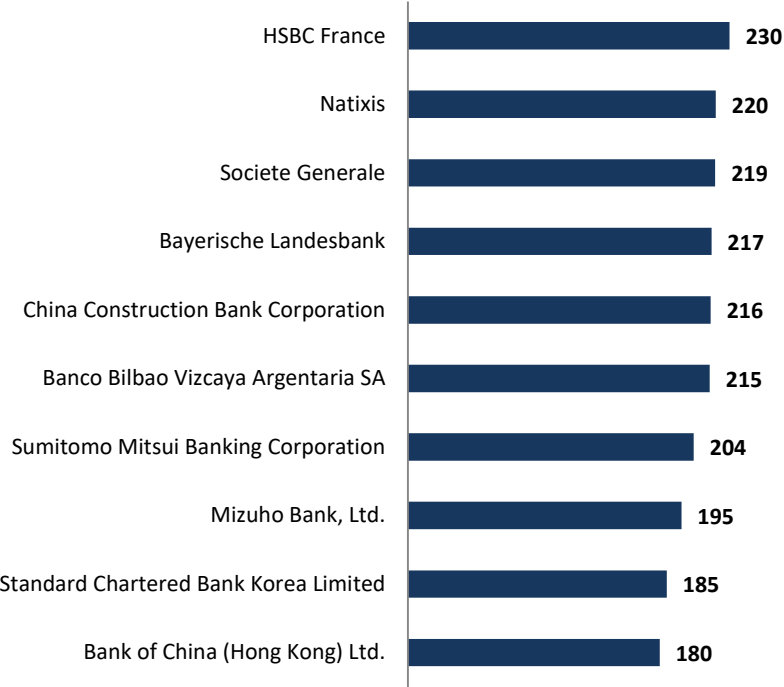
⁽¹⁾ includes cash, cash equivalents and unsettled transactions.
Source: Ministry of Finance based on information provided by JP Morgan.

Figure 11: Major equity exposures
(millions of dollars)



Source: Ministry of Finance based on information provided by JP Morgan.

Figure 12: Major bank deposit exposures
(millions of dollars)



Source: Ministry of Finance based on information provided by JP Morgan.

IV. Other Indicators

A commonly used indicator for monitoring the market risk of the portfolio is the return volatility. In the third quarter of 2017, the standard deviation of returns of the ESSF was 4.86%.³ The tracking error ex-post, an indicator used to measure how closely the portfolio returns track the returns of benchmark, was 8 basis points at the quarter end.⁴

Table 5: Standard deviation and tracking error

	Q3 2017 ^(a)
Standard deviation (percentage)	4.86%
Tracking error ex-post (basis points)	8

^(a) Calculated using monthly returns of the last 3 years, annualized.

Source: Ministry of Finance, based on information provided by JP Morgan.

V. Securities Lending Income and Administration Costs

The cost associated with the management of the fund by those responsible for the investment⁵ was US\$374,864 during the quarter, while expenses associated with the custody service⁶ were US\$207,452. There also was a payment for audit services to Horwarth HB Auditores Consultores Limitada of US\$24,344. The securities lending program generated revenues of US\$828,477 during the quarter.

Table 6: Summary of other flows for the quarter

(in dollars)

	Q3 2017
Outflows	
Administration	374,864
Custody	207,452
Others	24,344
Total	606,659
Inflows	
Securities Lending	828,477
Others	0
Total	828,477

Source: Ministry of Finance, based on information provided by JP Morgan.

³ Corresponds to the standard deviation of annualized monthly returns for the past three years.

⁴ Corresponds to the standard deviation of annualized monthly excess returns of the portfolio against the benchmark for the past three years.

⁵ The Central Bank of Chile is responsible for the investment of portfolio.

⁶ The Custodian bank is JP Morgan.

VI. Appendix

Benchmarks

A benchmark is defined for each asset class of the strategic asset allocation, and corresponds to a representative index of the corresponding market.

<i>Benchmark</i>	Total
Merrill Lynch Libid 3 Month Average USD	5.0%
Merrill Lynch Libid 3 Month Average EUR	6.0%
Merrill Lynch Libid 3 Month Average JPY	4.0%
Banking	15.0%
Merrill Lynch Treasury Bills Index USD	6.0%
Merrill Lynch Treasury Bills Index EUR	7.0%
Merrill Lynch Treasury Bills Index JPY	6.0%
Sovereign Bills	19.0%
Barclays Capital Global Treasury: U.S. 7-10 Yrs	26.5%
Barclays Capital Global Treasury: Germany 7-10 Yrs	11.0%
Barclays Capital Global Treasury: Japan 7-10 Yrs	10.0%
Barclays Capital Global Treasury: Switzerland 5-10 Yrs	7.5%
Sovereign Bonds	55.0%
Sovereign Bills and Bonds	74.0%
Barclays Capital Global Inflation-Linked: U.S. TIPS 1-10 Yrs	2.5%
Barclays Capital Global Inflation-Linked: Germany 1-10 Yrs	1.0%
Sovereign Inflation Linked Bonds	3.5%
Equity: MSCI All Country World Index (ex Chile) (unhedged with reinvested dividends)	7.5%
Total	100.0%