



PENSION RESERVE FUND

Quarterly Executive Report as of September 2021

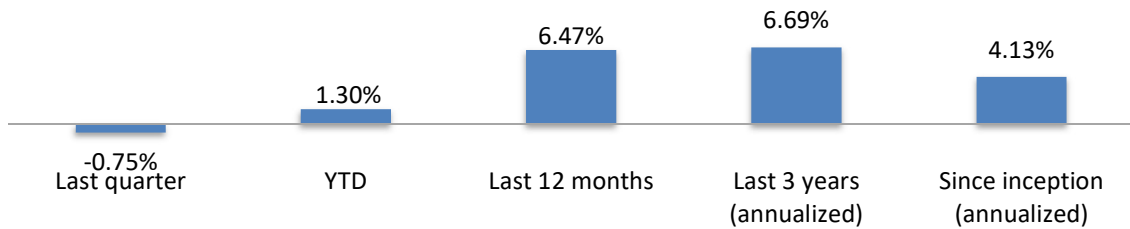
EXECUTIVE SUMMARY

Third Quarter 2021

Market Value
US\$ 7,331 million

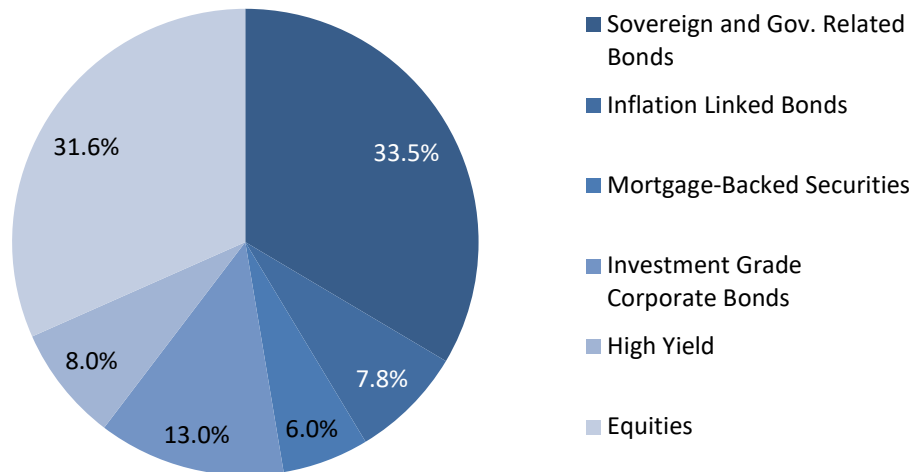
Net Losses
US\$ 55 million

Return in dollars¹



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

Portfolio composition



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

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)

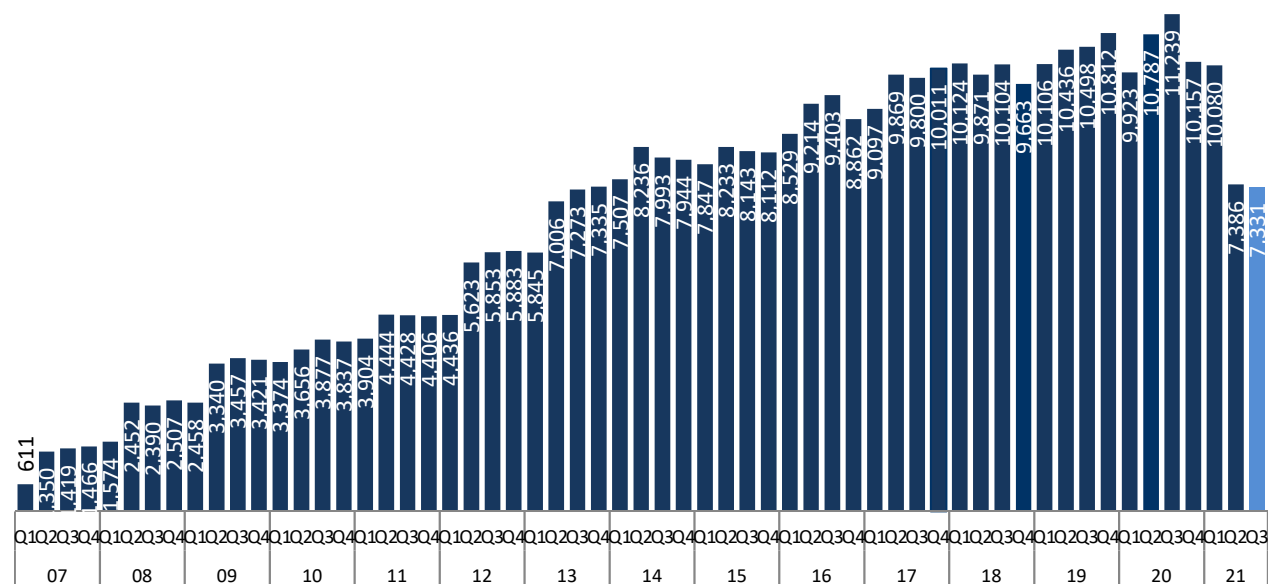
Changes in Market Value (US\$ million)	2020		2021		Since Inception ^(a)
	Q4	Q1	Q2	Q3	
Starting Market Value	11,239.2	10,156.8	10,080.1	7,386.5	0.0
Contributions	0.0	0.0	0.0	0.0	9,477.1
Withdrawals	-1,576.5	0.0	-2,959.8	0.0	-5,951.8
Accrued Interest	36.5	37.8	39.7	36.6	2,249.8
Capital Gains (Losses)	460.5	-112.9	228.0	-90.7	1,606.4
Admin., Custody and Other Costs ^(b)	-2.9	-1.6	-1.6	-1.0	-50.2
Final Market Value	10,156.8	10,080.1	7,386.5	7,331.4	7,331.4

^(a) The PRF was established with an initial contribution of US\$ 604.5 million on December 28, 2006. Also, US\$ 0.09 million were contributed corresponding to the accrued interest experienced in 2006.

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

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

Figure 1: PRF market value development
(millions of dollars)



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

II. Returns

Table 2: Performance net of fees by asset class²
(percent)

Returns ^(a)	Last 3 months	YTD	Last 12 months	Last 3 years (annualized)	Since Inception (annualized)	Inception
Sovereign and Government Related Bonds	-1.06%	-4.86%	-1.71%	4.15%	1.24%	01-Jan-12
Inflation Indexed Sov. Bonds	0.66%	-0.04%	4.89%	6.38%	3.35%	01-Jan-12
US Agencies MBS	0.25%	-0.47%	-0.16%	-	3.50%	22-Jan-19
Corporate Bonds	-0.76%	-2.53%	1.59%	5.94%	3.71%	17-Jan-12
High Yield Bonds	-0.44%	1.60%	9.10%	-	6.20%	22-Jan-19
Equities	-1.03%	11.20%	27.25%	12.32%	11.32%	17-Jan-12
Total Long Term	-0.75%	1.81%	9.06%	7.55%	4.31%	01-Apr-07
Total Composite ^(b)	-0.75%	1.30%	6.47%	6.69%	4.13%	01-Apr-07
Exchange rate (CLP)	9.29%	12.98%	2.44%	6.70%	2.79%	01-Apr-07
Return in CLP^(c)	8.48%	14.45%	9.06%	13.84%	7.04%	01-Apr-07

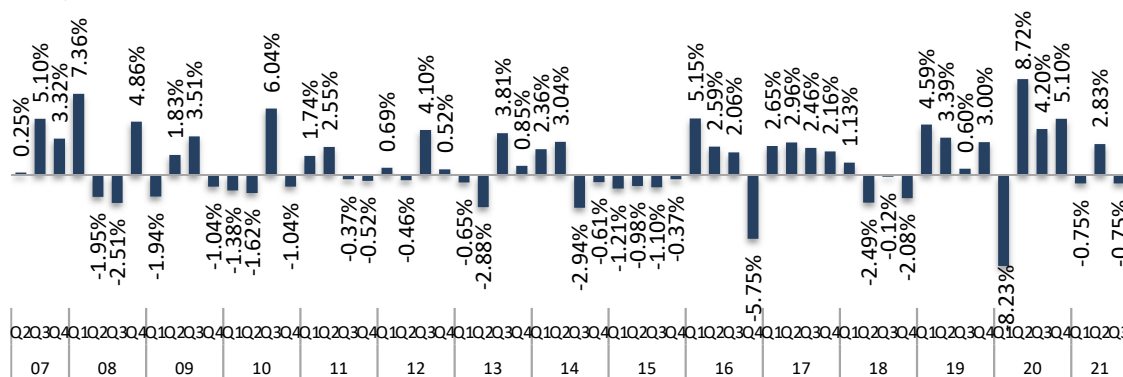
^(a) Time Weighted Return (it is calculated as the growth rate of the funds that were invested throughout the period).

^(b) Includes the Short-Term portfolio which begins on October 1, 2020 and ends on June 8, 2021.

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

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

Figure 2: Quarterly net returns in dollars (TWR)
(percent)



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

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.

Table 3: Excess returns
(basis points)

Asset Class	Last 3 months	YTD	Last 12 months	Last 3 years (annualized)	Since Inception (annualized)	Inception
Sovereign and Government Related Bonds	-3	12	0	26	-1	01-01-2012
Inflation Indexed Sov. Bonds	5	-2	3	-10	15	01-01-2012
US Agencies MBS	16	21	27	-	6	22-01-2019
Corporate Bonds	0	-8	-13	-5	-25	17-01-2012
High Yield Bonds	-7	-10	-39	-	-25	22-01-2019
Equities	-8	-30	-73	-85	-56	17-01-2012
Total Long Term	-5	29	18	-28	-25	01-04-2007
Total Composite^(a)	-3	-6	-20	-41	-28	01-04-2007

^(a) Includes the Short-Term portfolio which begins on October 1, 2020 and ends on June 8, 2021.

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

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

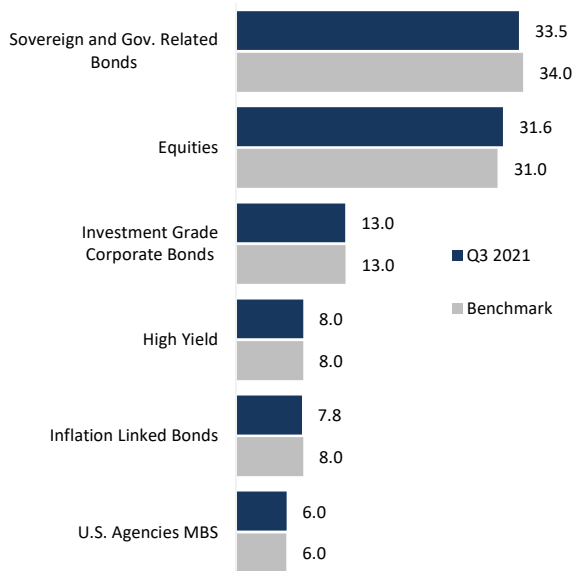


Source: Ministry of Finance, based on information provided by JPMorgan.

III. Long Term Investment Portfolio (LTIP)

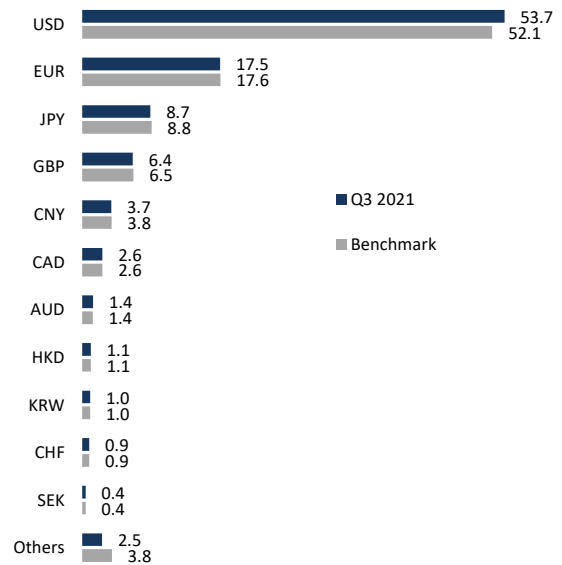
III.1. Total portfolio

Figure 4: Investment by asset class
(percent of LTIP)



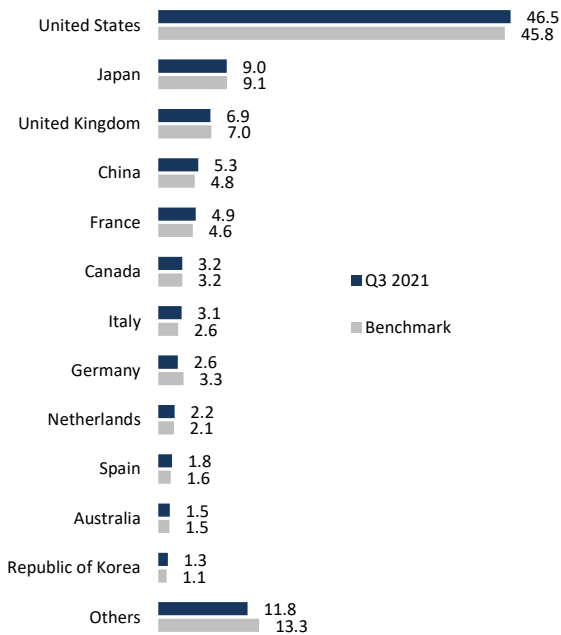
Source: Ministry of Finance, based on information provided by JPMorgan.

Figure 5: Investment by currency
(percent of LTIP)



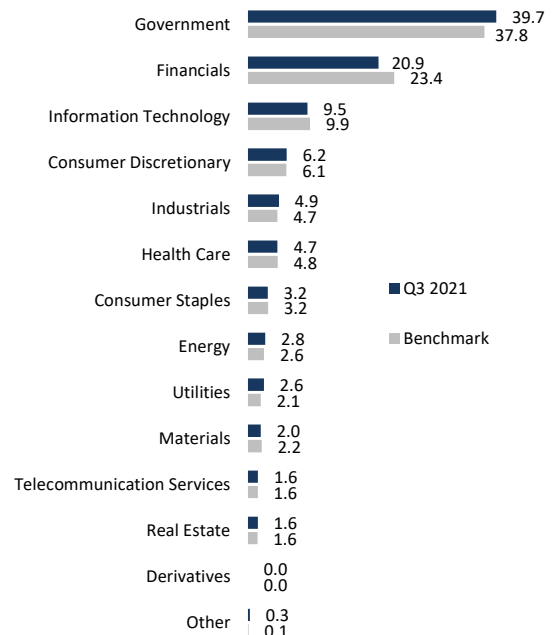
Source: Ministry of Finance, based on information provided by JPMorgan.

Figure 6: Investments by country
(percent of LTIP)



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

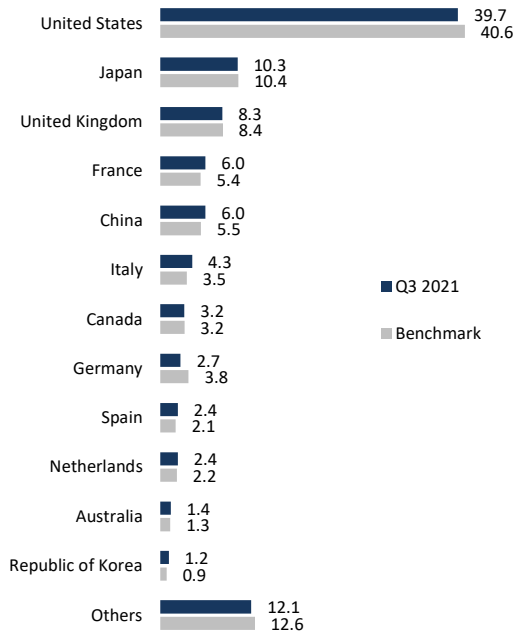
Figure 7: Investment by economic sector
(percent of LTIP)



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

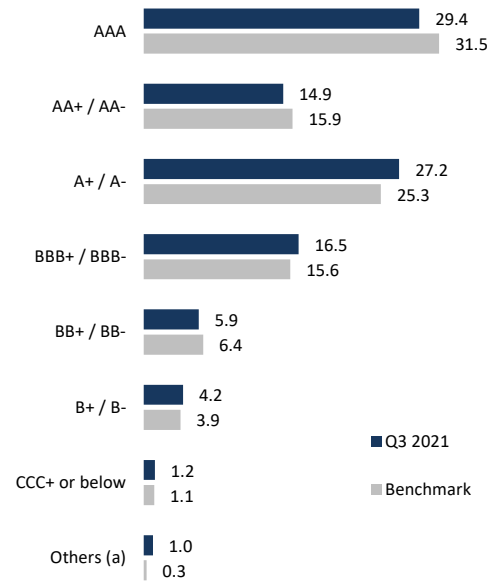
III.2. Fixed-Income portfolio

Figure 8: Allocation by country
(percent of LTIP fixed-income portfolio)



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

Figure 9: Portfolio allocation by Credit Risk
(percent of LTIP fixed-income portfolio)



(a) Includes cash and cash equivalents.

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

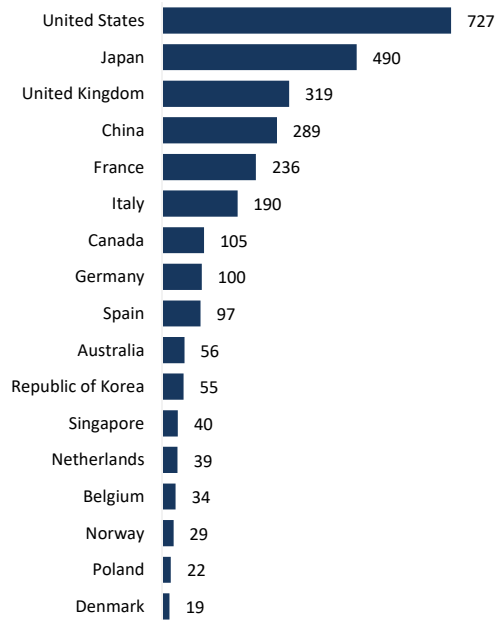
Table 4: Portfolio by issuer credit rating
(percent of the LTIP fixed-income portfolio)

	Sovereign and Government Related Bonds	Inflation Indexed Sov. Bonds	US Agencies MBS	Corporate Bonds	High Yield Bonds	Total Fixed Income
AAA	15.4%	5.0%	8.8%	0.2%	0.0%	29.4%
AA+ / AA-	8.7%	5.1%	0.0%	1.1%	0.0%	14.9%
A+ / A-	19.8%	0.4%	0.0%	7.1%	0.0%	27.2%
BBB+ / BBB-	5.2%	1.0%	0.0%	10.4%	0.0%	16.5%
BB+ / BB-	0.0%	0.0%	0.0%	0.1%	5.7%	5.9%
B+ / B-	0.0%	0.0%	0.0%	0.0%	4.3%	4.2%
CCC+ or below	0.0%	0.0%	0.0%	0.0%	1.2%	1.2%
Others ^(a)	0.0%	0.0%	0.0%	0.2%	0.5%	1.0%
Total	49.1%	11.5%	8.8%	19.0%	11.7%	100.0%

(a) It includes cash, cash equivalents and unliquidated transactions. Also, in the case of High Yield Bonds, it includes bonds with rating over BB+.

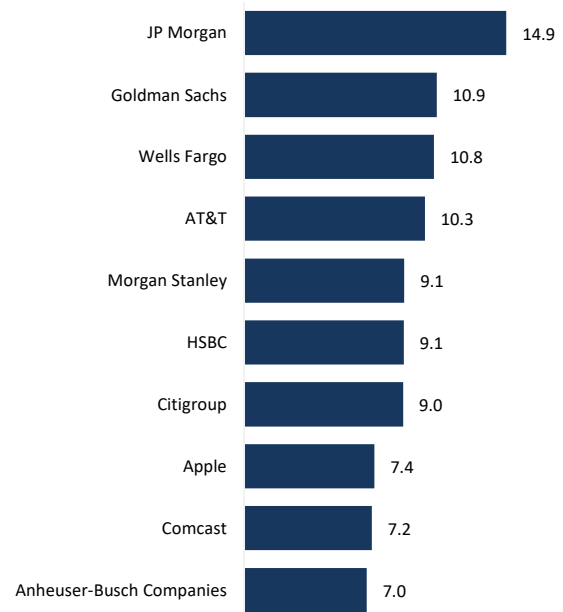
Source: Ministry of Finance, based on information provided by JPMorgan

Figure 10: Largest exposures to sovereign and Gov. Related bonds and inflation indexed sovereign bonds (millions of dollars)



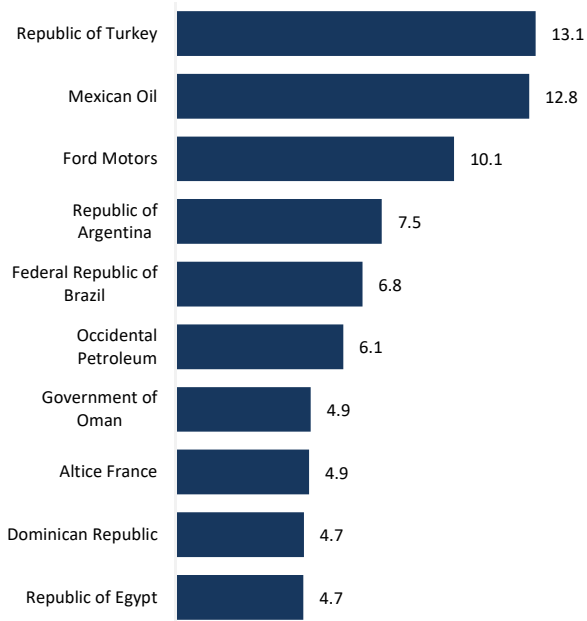
Source: Ministry of Finance, based on information provided by JPMorgan.

Figure 11: Largest exposures to corporate bonds (millions of dollars)



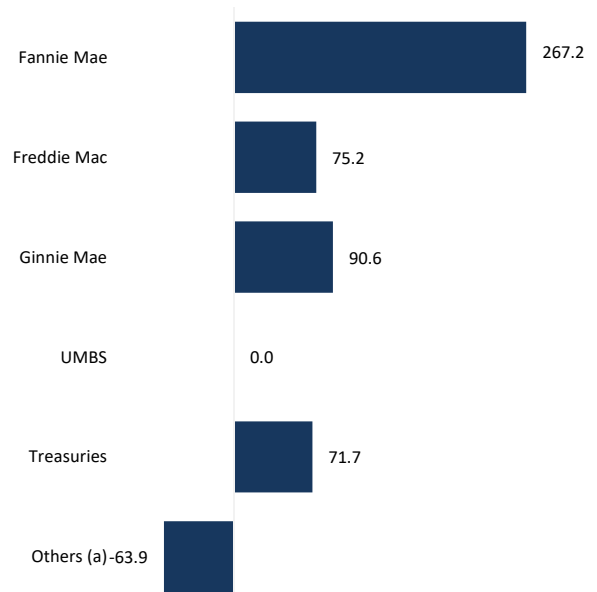
Source: Ministry of Finance, based on information provided by JPMorgan

Figure 12: Largest exposures to high yield bonds (millions of dollars)



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

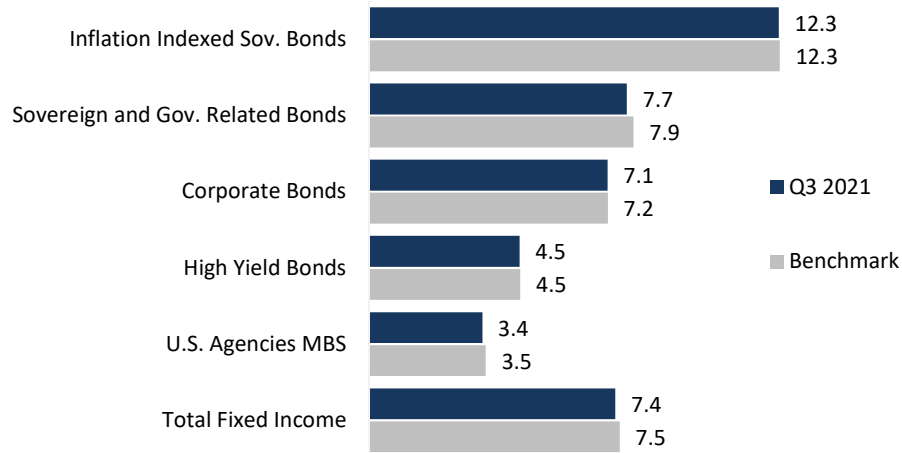
Figure 13: Largest exposures to US Agencies MBS (millions of dollars)



(a) Includes cash, cash equivalent and payables.

Source: Ministry of Finance, based on information provided by JPMorgan

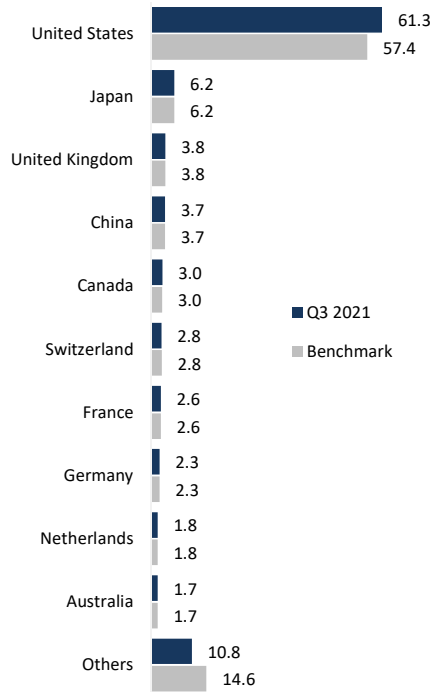
Figure 14: Duration
(years)



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

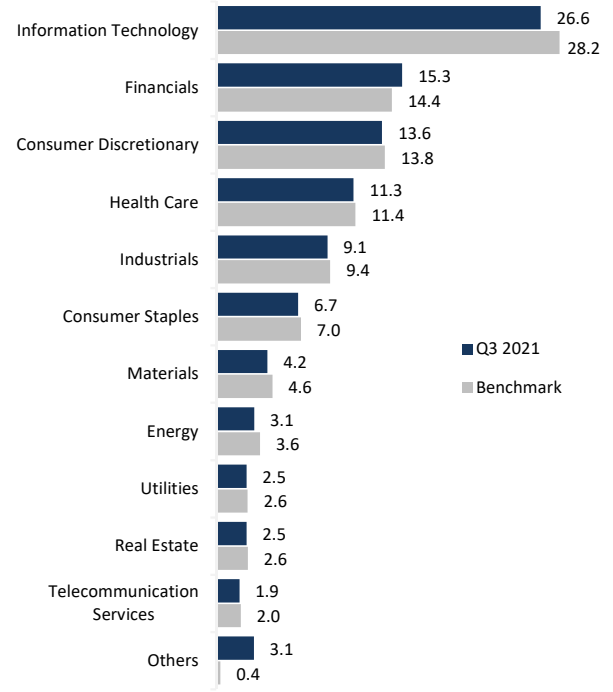
III.3. Equities

Figure 15: Allocation by country
(percent of equity portfolio)



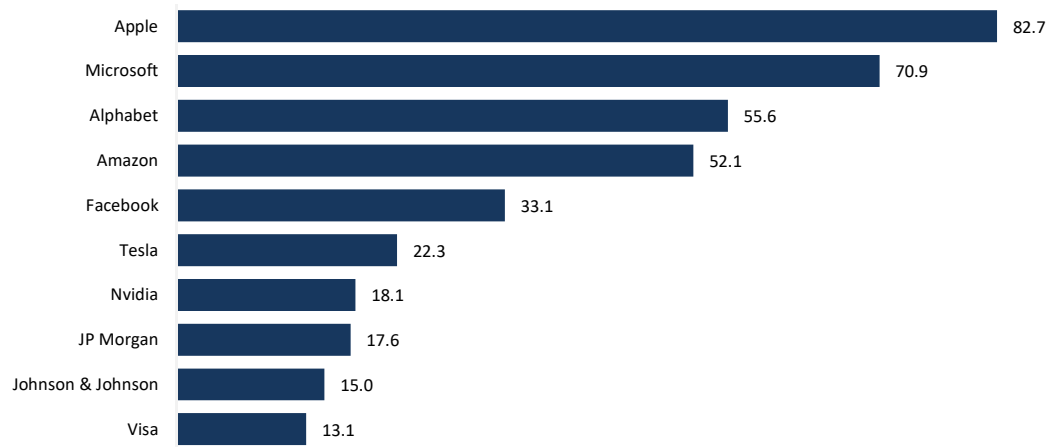
Source: Ministry of Finance, based on information provided by JPMorgan.

Figure 16: Allocation by economic sector
(percent of equity portfolio)



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

Figure 17: Largest equities investments
(millions of dollars)



Source: Ministry of Finance, based on information provided by JPMorgan

iv. Other indicators

An indicator commonly used for monitoring the market risk of the portfolio is the return volatility. In the quarter, the standard deviation of returns of the PRF was 7.27%.³ The tracking error ex-post, an indicator used to measure the degree of how close the portfolio tracks the return of benchmark, was 35 basis points⁴ at the quarter end.

Table 5: Standard deviation and tracking error ex-post

	Q3 2021
Standard Deviation	7.27%
Tracking error ex-post (basis points)	35

Source: Ministry of Finance, based on information provided by JPMorgan

v. Securities Lending Income and Administration Cost

The cost associated with the management of the fund by those responsible for the investment⁵ was US\$827,903 during the quarter, while expenses associated with the custody service⁶ were US\$100,346, and the cost associated to others⁷ were US\$20,205. Meanwhile, the securities lending program generated revenues of US\$89,234 during the same period (see table 6).

Table 6: Other flows in the quarter (in dollars)

	Q3 2021
Outflow	
Administration	872,903
Custody	100,346
Others	20,205
Total	993,454
Inflows	
Security Lending	89,234
Others	0
Total	89,234

Source: Ministry of Finance, based on information provided by JPMorgan and the Central Bank of Chile

³ Standard deviation of annualized monthly gross returns of the past three years.

⁴ Standard deviation of annualized monthly excess gross returns of the portfolio against the benchmark in the past three years.

⁵ The Central Bank of Chile is responsible for the investment of the sovereign fixed-income portfolio (42% of the fund) and for the US Agencies MBS portfolio (6% of the fund). In the case of the last, the administration is delegated to BNP Paribas and Western Asset Management. The investment of the equities portfolio (31%) is responsibility of Mellon Capital Management Corporation and UBS Asset Management (UBS), while the investment of the corporate bonds portfolio (13%) is responsibility of Credit Suisse and UBS, and the investment of the High Yield portfolio (8%) is responsibility of Nomura Asset Management and BlackRock Institutional Trust Company. The entities responsible for investing portfolios of equities were selected in 2011 in the case of Mellon and in 2020 in the case of UBS, and the corporate bond portfolio managers were selected at the end of 2020, while the entities responsible for investing portfolios of US Agencies MBS and High Yield bonds were selected at the beginning of 2019.

⁶ The custodian bank is J.P. Morgan.

⁷ Corresponds to other expenses, for example, consulting, overdraft fees, among others.

vi. Appendix

Benchmarks⁸

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

VI.1. Long term portfolio

Asset Class	Percent of total portfolio	Benchmarks
Sovereign and Government Related Bonds ^(a)	34%	Bloomberg Barclays Global Aggregate: Treasury Bond Index (USD unhedged)
		Bloomberg Barclays Global Aggregate: Government-Related (USD unhedged)
Inflation Indexed Sov. Bonds	8%	Bloomberg Barclays Global Inflation-Linked Index (USD unhedged)
US Agencies MBS	6%	Bloomberg Barclays US Mortgage Backed Securities (MBS) Index (USD unhedged)
Corporate Bonds	13%	Bloomberg Barclays Global Aggregate: Corporates Index (USD unhedged)
High Yield Bonds	8%	Bloomberg Barclays Global High Yield Index (USD unhedged)
Equities	31%	MSCI All Country World Index ⁹ (USD unhedged with reinvested dividends)

^(a) For this asset class, the subindexes are weighted by relative capitalization.

⁸ This benchmark is used since January 17th, 2020 for the long term portfolio and since October 1st, 2020 for the short term portfolio.

⁹ Exclude Chile
