



PENSION RESERVE FUND

Quarterly Executive Report as of September 2017

EXECUTIVE SUMMARY

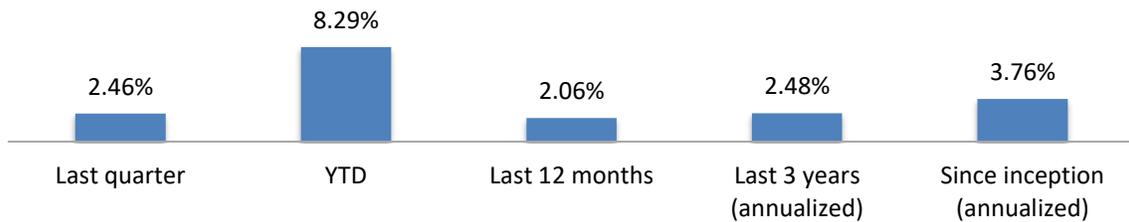
Third Quarter 2017

Market Value
US\$ 9.8 billion

Withdrawals
US\$ 313.9 million

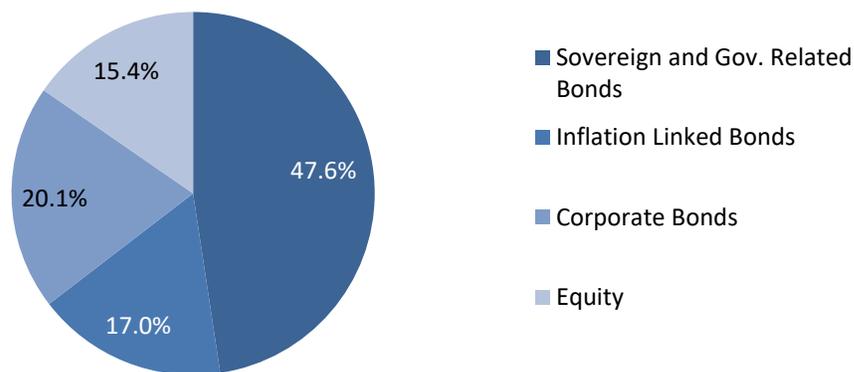
Net Income
US\$ 245.0 million

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)

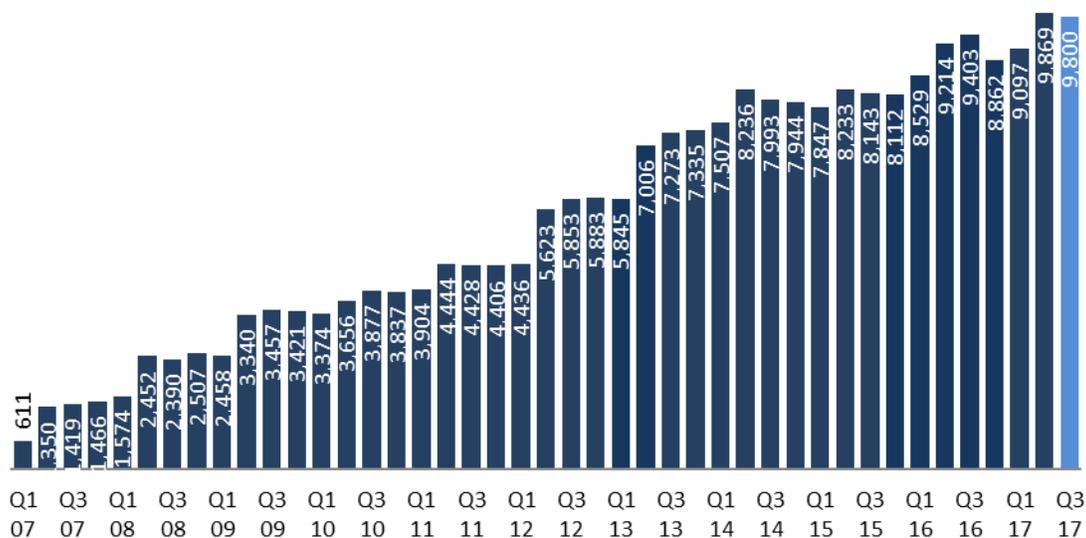
Changes in Market Value (US\$ million)	2016		2017		Since Inception ^(a)
	Q4	Q1	Q2	Q3	
Starting Market Value	9,403.4	8,862.1	9,097.0	9,868.7	0.0
Contributions	0.0	0.0	505.2	0.0	8,371.7
Withdrawals	0.0	0.0	0.0	-313.9	-313.9
Accrued Interest	45.6	51.4	52.5	53.2	1,377.8
Capital Gains (Losses)	-586.1	184.6	215.3	192.9	388.0
Admin., Custody and Other Costs ^(b)	-0.9	-1.1	-1.2	-1.0	-23.8
Final Market Value	8,862.1	9,097.0	9,868.7	9,799.7	9,799.7

(a) The PRF was established with an initial contribution of US\$ 604.5 million on December 28, 2006.

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

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

Figure 1: Evolution of the PRF market value
(millions of dollars)



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

II. Returns

Table 2: Performance by asset class²
(percent)

Returns ^(a)	Last 3 months	YTD	Last 12 months	Last 3 years (annualized)	Since Inception (annualized) ^(b)
Sovereign and Government Related Bonds	1.71%	6.50%	-2.87%	0.92%	
Inflation Indexed Sov. Bonds	2.43%	5.89%	0.38%	1.42%	
Corporate Bonds	2.22%	7.39%	2.82%	2.61%	
Equities	5.25%	17.50%	18.94%	7.81%	
Total Portfolio	2.46%	8.29%	2.06%	2.48%	3.76%
Exchange rate (CLP)	-3.97%	-4.56%	-3.37%	1.91%	1.59%
Return in CLP^(c)	-1.61%	3.35%	-1.38%	4.44%	5.41%

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

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

(c) Returns 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.

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

Table 3: Excess returns
(basis points)

Asset Class	Last 3 months	YTD	Last 12 months	Last 3 years (annualized)	Since Inception (annualized) ^(a) _{(b) (c)}
Sovereign portfolio	5	8	8	9	0
Corporate Bonds	-3	-15	-22	-6	0
Equities	-5	-23	-33	-22	0
Total Portfolio	2	10	12	0	-28

(a) Excess returns without waiver.

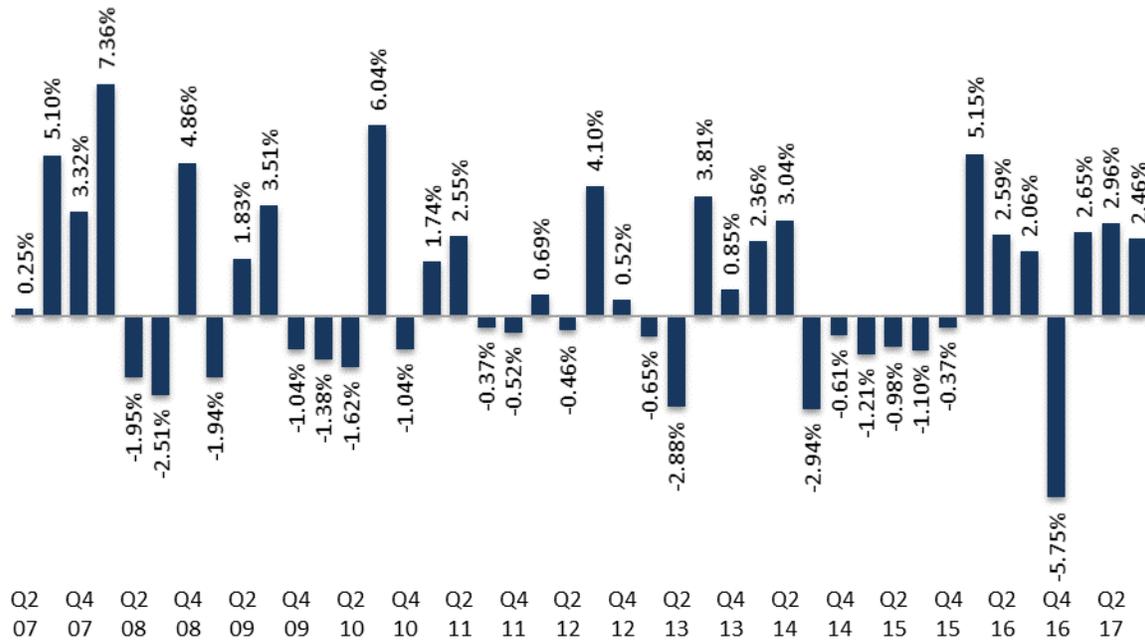
(b) Returns by asset class are unavailable before January 17, 2012.

(c) It is 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 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.

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



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

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

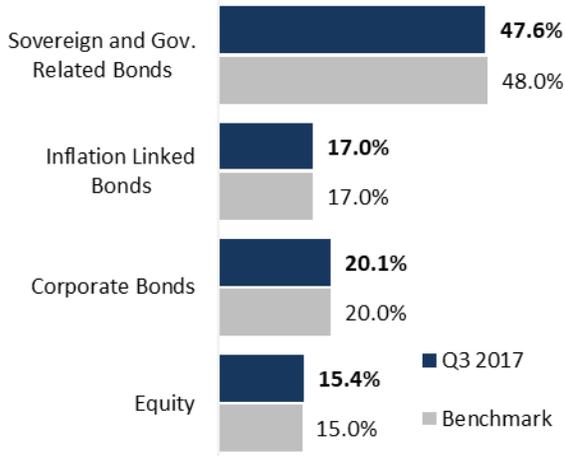


Source: Ministry of Finance, based on information provided by JPMorgan.

III. Portfolio Allocation

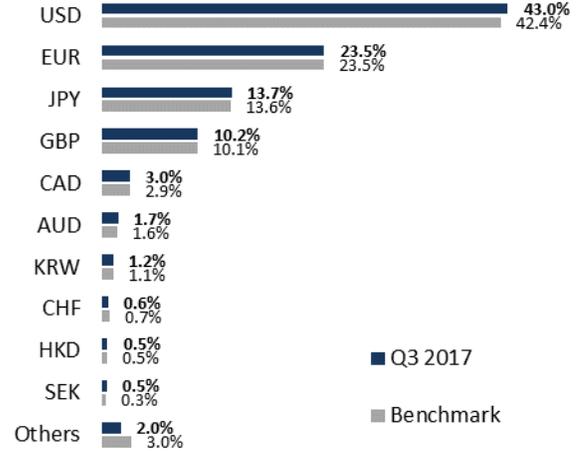
III.1. Total portfolio

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



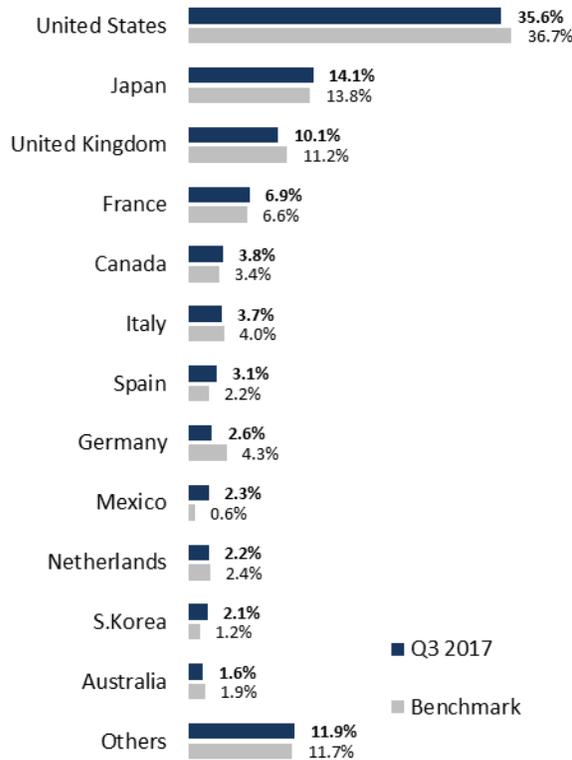
Source: Ministry of Finance, based on information provided by JPMorgan.

Figure 5: Investment by currency
(percent of total)



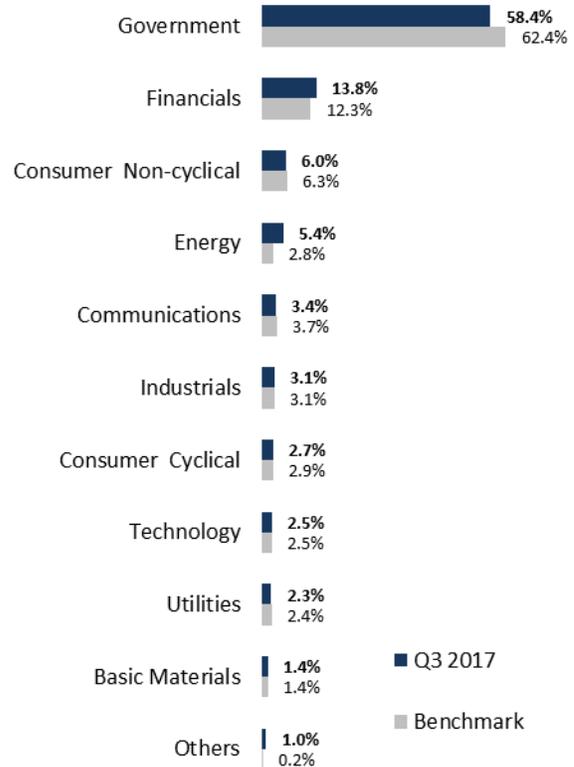
Source: Ministry of Finance, based on information provided by JPMorgan.

Figure 6: Investments by country
(percent of total)



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

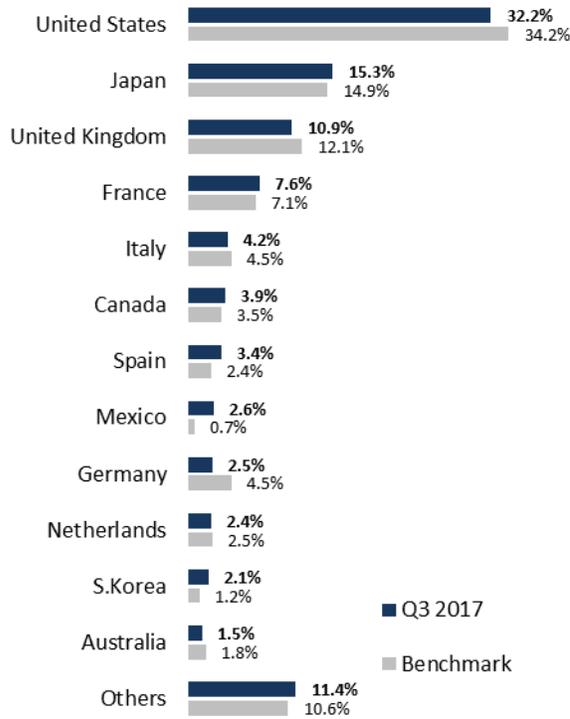
Figure 7: Investment by economic sector
(percent of total)



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

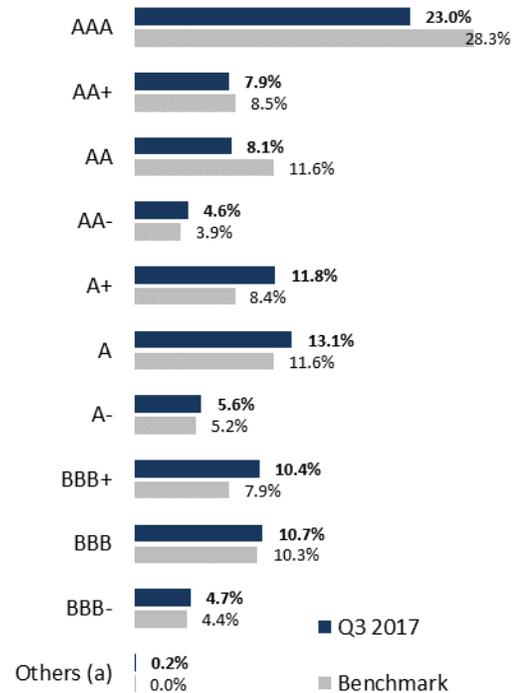
III.2. Fixed-Income portfolio

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



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

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



(a) Includes cash and cash equivalents.

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

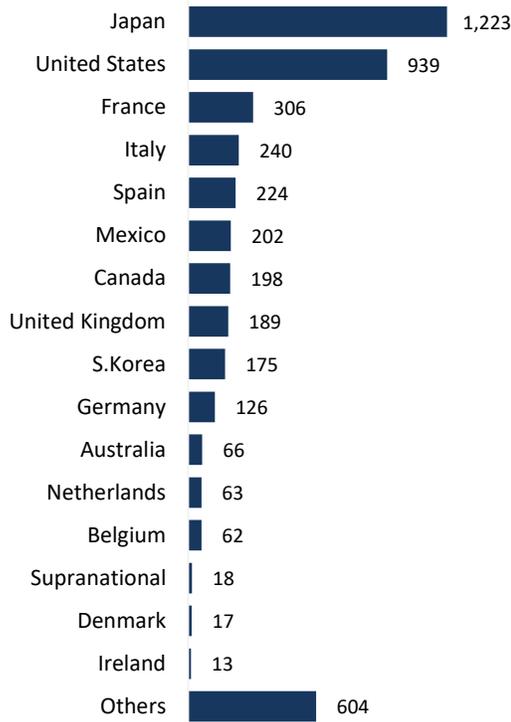
Table 4: Portfolio by issuer credit rating
(percent of the fixed-income portfolio)

Rating	Sovereign and Government Related Bonds	Inflation Indexed Sov. Bonds	Corporate Bonds	Total Fixed Income
AAA	12.7%	9.9%	0.4%	23.0%
AA+	2.2%	5.5%	0.3%	7.9%
AA	4.6%	3.2%	0.3%	8.1%
AA-	3.4%	0.0%	1.2%	4.6%
A+	9.2%	0.0%	2.6%	11.8%
A	9.8%	0.1%	3.2%	13.1%
A-	1.6%	0.0%	4.1%	5.6%
BBB+	4.8%	0.4%	5.1%	10.4%
BBB	6.4%	1.0%	3.2%	10.7%
BBB-	1.5%	0.0%	3.2%	4.7%
Others ^(a)	0.0%	0.0%	0.1%	0.2%
Total	56.3%	20.0%	23.7%	100.0%

(a) Includes cash, cash equivalents and unliquidated transactions.

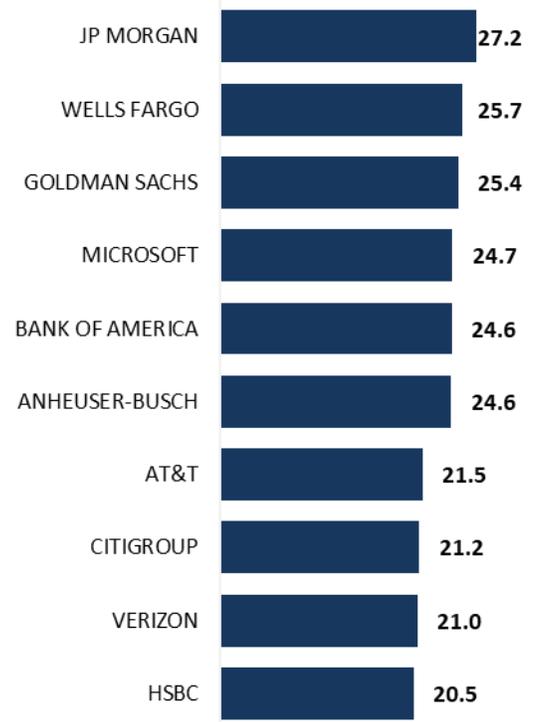
Source: Ministry of Finance, based on information provided by JPMorgan.

Figure 10: Principal exposures to sovereign bonds
(millions of dollars)



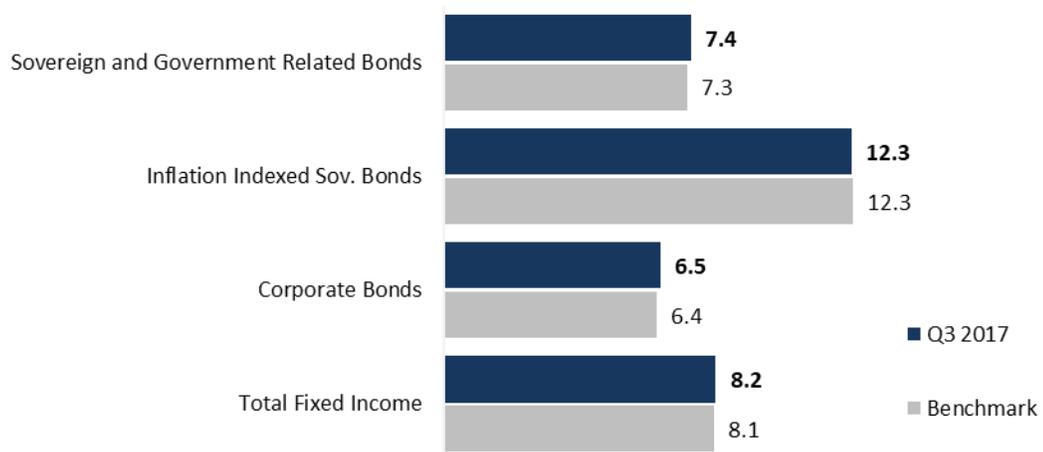
Source: Ministry of Finance, based on information provided by JPMorgan.

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



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

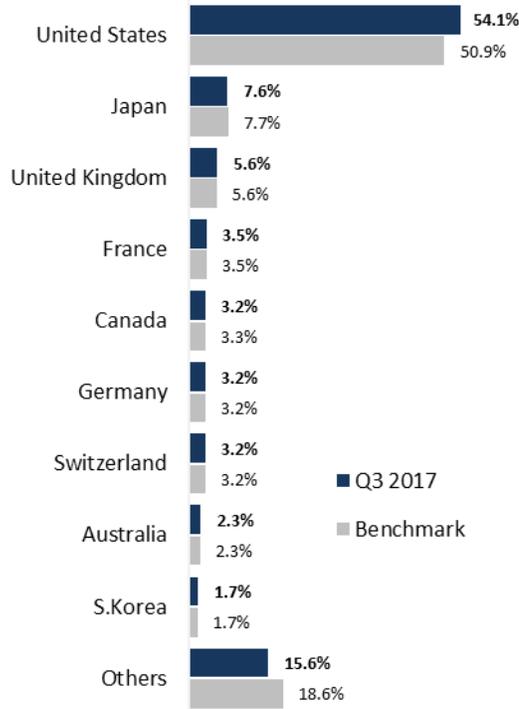
Figure 12: Duration
(years)



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

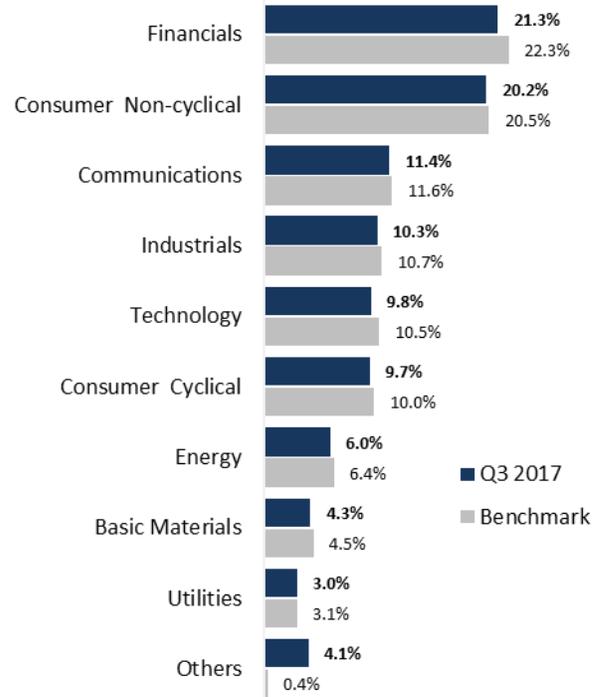
III.3. Equities

Figure 13: Allocation by country
(percent of equity portfolio)



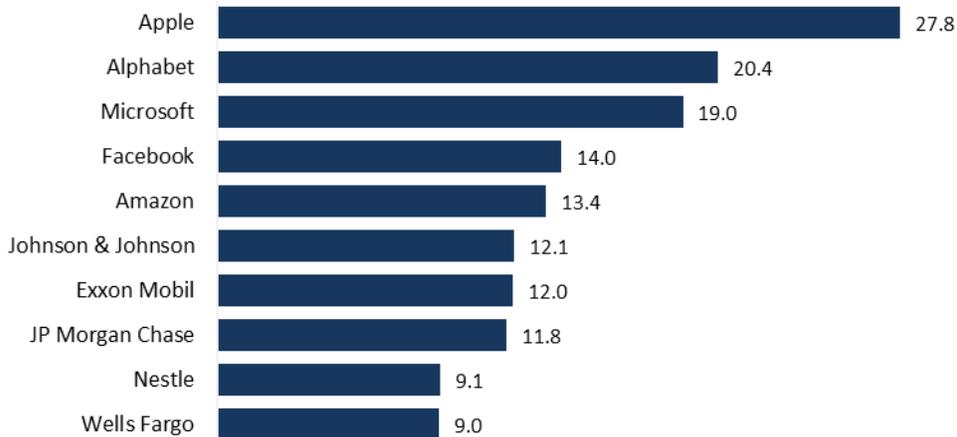
Source: Ministry of Finance, based on information provided by JPMorgan.

Figure 14: Allocation by economic sector
(percent of equity portfolio)



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

Figure 15: Principal equity exposures
(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 4.91%³. The tracking error ex-post, an indicator used to measure the degree of how close the portfolio tracks the return of benchmark, was 14 basis points⁴ at the quarter end.

Table 5: Standard deviation and tracking error ex-post

	Q3 2017 ^(a)
Standard Deviation	4.91%
Tracking error ex-post (basis points)	14

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\$726,619 during the quarter, while expenses associated with the custody service⁶ were US\$270,107. Additionally there was a payment associated with Horwath HB Auditores Consultores Limitada for a total of US\$49,425. Meanwhile, the securities lending program generated revenues of US\$63,894 during the same period (see table 6).

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

	Q3 2017
Outflow	
Administration	726,619
Custody	270,107
Others	49,425
Total	1,046,152
Inflows	
Securities Lending	63,894
Others	0
Total	63,894

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

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

⁴ Corresponds to the standard deviation of annualized monthly excess 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 (65% of the fund), while Mellon Capital Management Corporation and BlackRock Institutional Trust Company for the investment of the equity portfolios (15%), and Rogge Global Partners Plc and BlackRock Institutional Trust Company for the corporate bond portfolios (20%). The entities responsible for investing portfolios of equities and corporate bond portfolios were selected in 2011.

⁶ The custodian bank is J.P. 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:

Asset Class	Percent of total portfolio	Benchmarks
Sovereign and Government Related Bonds ^(a)	48%	Barclays Capital Global Aggregate: Treasury Bond Index (unhedged)
		Barclays Capital Global Aggregate: Government-Related (unhedged)
Inflation Indexed Sov. Bonds	17%	Barclays Capital Global Inflation-Linked Index (unhedged)
Corporate Bonds	20%	Barclays Capital Global Aggregate: Corporates Bond Index (unhedged)
Equities	15%	MSCI All Country World Index (unhedged with reinvested dividends)

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