



PENSION RESERVE FUND

Quarterly Executive Report as of September 2023

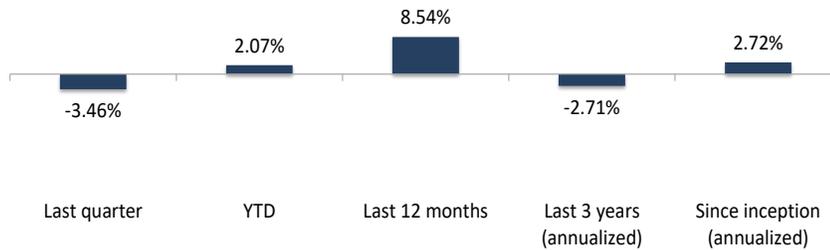
EXECUTIVE SUMMARY

Third Quarter 2023

Market Value
US\$ 8,196
million

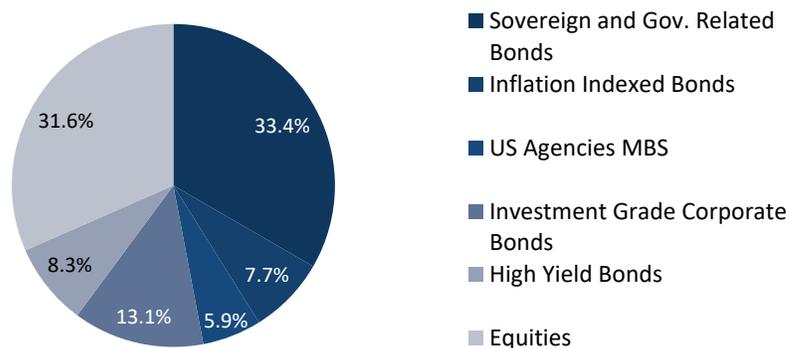
Net Losses
US\$ 294
million

Net return in dollars¹



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

Portfolio composition



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

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. The net returns that are reported are net of management fees.

I. MARKET VALUE OF THE FUND

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

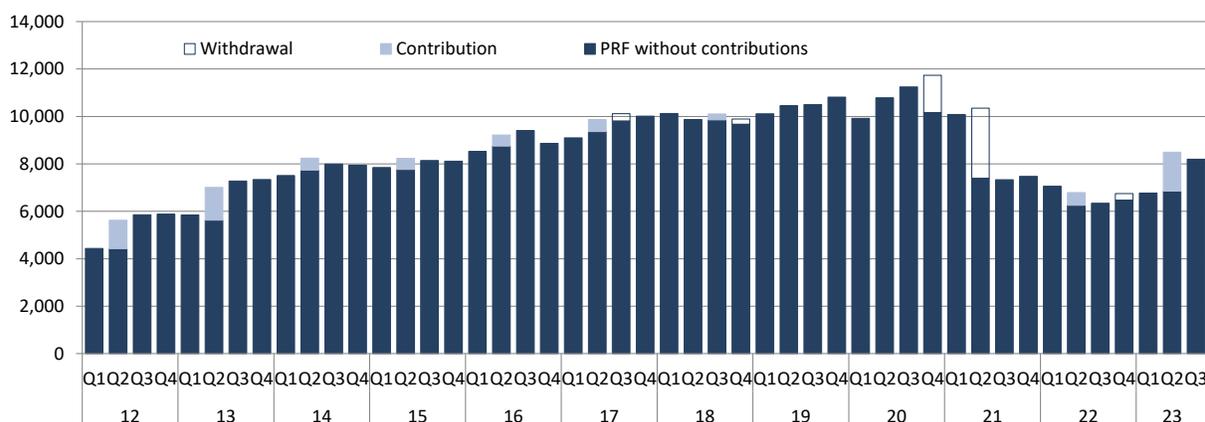
Changes in Market Value MM US\$)	2022				2023			Since Inception ^(a)
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Starting Market Value	7,472.9	7,059.4	6,789.5	6,336.0	6,475.3	6,766.6	8,489.9	0.0
Contributions	0.0	531.6	0.0	0.0	0.0	1,640.5	0.0	11,649.3
Withdrawals	0.0	0.0	0.0	-268.9	0.0	0.0	0.0	-6,220.7
Accrued Interest	36.8	38.8	39.7	41.0	41.5	45.4	53.9	2,584.4
Capital Gains (Losses)	-448.4	-839.5	-491.7	368.6	251.5	38.5	-346.6	244.9
Admin., Custody and Other Costs ^(b)	-1.9	-0.8	-1.4	-1.4	-1.7	-1.1	-1.2	-61.8
Final Market Value	7,059.4	6,789.5	6,336.0	6,475.3	6,766.6	8,489.9	8,196.0	8,196.0

^(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, accounting adjustments and others.

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

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



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

II. RETURNS

Table 2: Net performance by assets class²
(percent)

Returns ^(a)	Last 3 months	YTD	Last 12 months	Last 3 years (annualized)	Since Inception (annualized)	Inception
Sovereign and Government Related Bonds	-4.12%	-3.52%	0.81%	-7.68%	-0.87%	01-Jan-2012
Inflation Indexed Sov. Bonds	-5.02%	-2.49%	1.18%	-6.63%	0.58%	01-Jan-2012
US Agencies MBS	-4.09%	-2.29%	-0.22%	-5.07%	-1.25%	22-Jan-2019
Corporate Bonds	-2.73%	0.77%	6.22%	-5.33%	1.50%	17-Jan-2012
High Yield Bonds	-0.26%	5.09%	13.30%	-0.16%	1.56%	22-Jan-2019
Equities	-3.37%	10.28%	20.99%	7.08%	8.97%	17-Jan-2012
Total Long Term	-3.46%	2.07%	8.54%	-1.93%	2.87%	01-Apr-2007
Total Composite ^(b)	-3.46%	2.07%	8.54%	-2.71%	2.72%	01-Apr-2007
Exchange rate (CLP)	12.98%	5.51%	-6.12%	4.95%	3.20%	01-Apr-2007
Return in CLP ^(c)	9.07%	7.69%	1.89%	2.10%	6.00%	01-Apr-2007

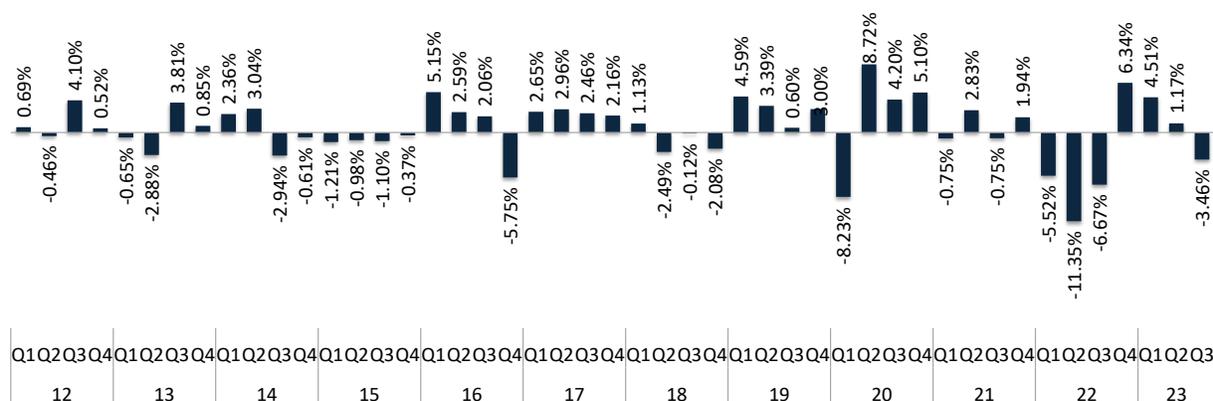
^(a) Time Weighted Return (it is calculated as the growth rate of the funds that were invested throughout the period).

^(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 JP Morgan.

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



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

² The 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. Regarding 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: Net 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	-30	-43	-65	3	0	01-Jan-2012
Inflation Indexed Sov. Bonds	6	9	-23	21	17	01-Jan-2012
US Agencies MBS	-3	-2	-4	1	-2	22-Jan-2019
Corporate Bonds	0	7	9	-3	-20	17-Jan-2012
High Yield Bonds	-8	4	-11	-6	-10	22-Jan-2019
Equities ⁽¹⁾	-7	-22	-43	-32	-49	17-Jan-2012
Total Long Term	-14	-24	-43	-6	-24	01-Apr-2007
Total Composite	-14	-24	-43	-9	-25	01-Apr-2007

⁽¹⁾ Excess returns for periods longer than one year are highly influenced by the withdrawals made to the fund during the pandemic. If excluded the days in which waivers are granted to managers to deviate from the benchmark due to the impact that contributions and withdrawals have on their portfolios, the excess return in the last 3 years and since inception was -20 basis points and -22 basis points, respectively.

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

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

^(a) The PRF portfolio has a start date of April 1th, 2007.

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

III. LONG TERM INVESTMENT PORTFOLIO (LTIP)³

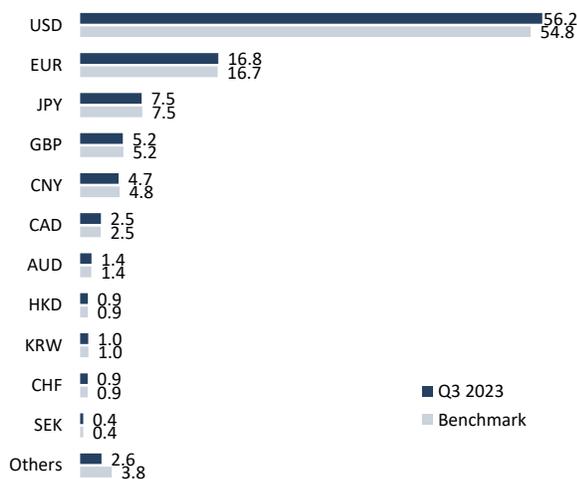
III. 1. Total Portfolio

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



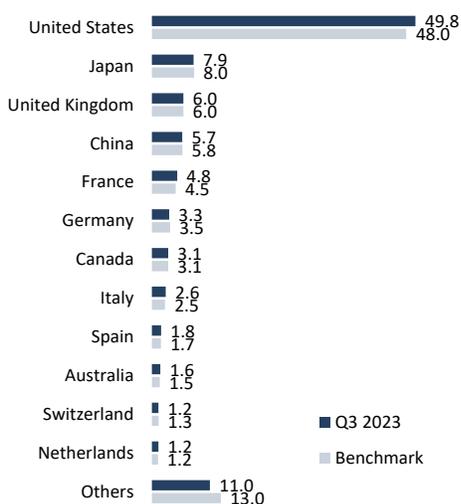
Source: Ministry of Finance, based on information provided by JP Morgan.

Figure 5: Investment by currency
(percent of LTIP)



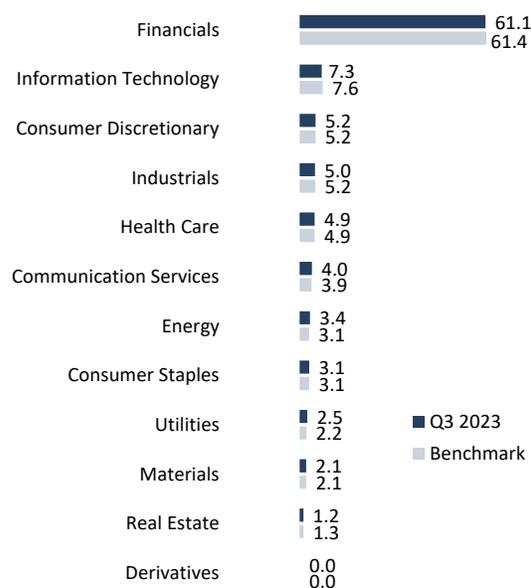
Source: Ministry of Finance, based on information provided by JP Morgan.

Figure 6: Investment by country
(percent of LTIP)



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

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

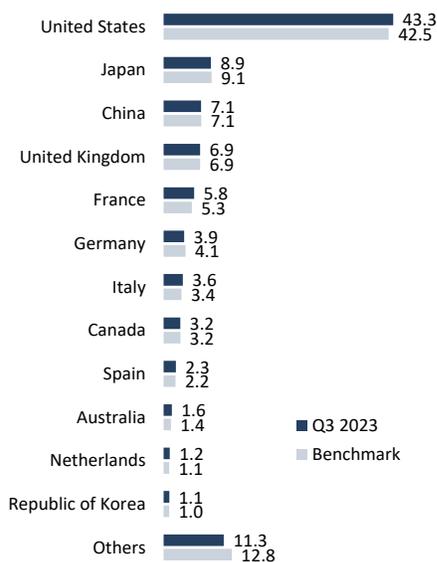


Source: Ministry of Finance, based on information provided by JP Morgan.

³Between October 1, 2020 and June 8, 2021, the "Short-Term Investment Portfolio" existed, which is no longer part of the Pensión Reserve Fund.

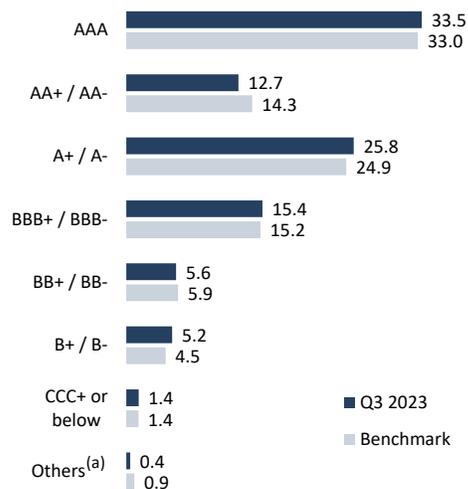
III. 2. Fixed-Income Portfolio

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



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

Figure 9: Allocation by credit risk
(percent of LTIP fixed-income portfolio)



^(a) Includes cash, cash equivalents and payables.

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

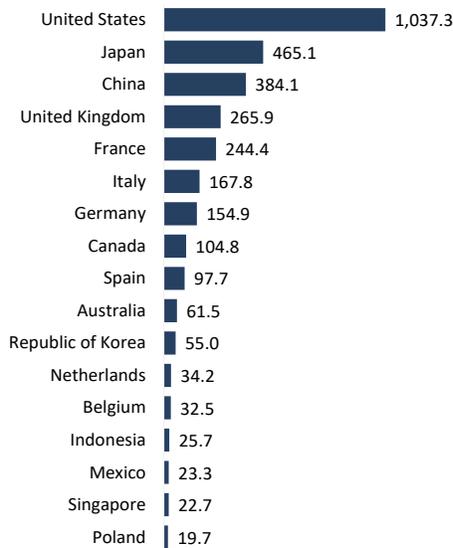
Table 4: Portfolio by issuer credit rating
(percent of the LTIP fixed-income portfolio)

	Sovereign and Government Related Bonds	Inflation Indexed Sov. Bonds	U.S. Agencies MBS	Corporate Bonds	High Yield Bonds	Total Fixed Income
AAA	18.6%	6.1%	8.6%	0.1%	0.0%	33.5%
AA+ / AA-	7.4%	3.8%	0.0%	1.5%	0.0%	12.7%
A+ / A-	18.0%	0.3%	0.0%	7.5%	0.0%	25.8%
BBB+ / BBB-	4.4%	1.1%	0.0%	9.6%	0.2%	15.4%
BB+ / BB-	0.2%	0.0%	0.0%	0.3%	5.1%	5.6%
B+ / B-	0.0%	0.0%	0.0%	0.0%	5.2%	5.2%
CCC+ or below	0.0%	0.0%	0.0%	0.0%	1.4%	1.4%
Others ^(a)	0.1%	0.0%	0.0%	0.2%	0.2%	0.4%
Total	48.8%	11.3%	8.6%	19.2%	12.1%	100.0%

^(a) It includes cash, cash equivalents and unliquidated transactions. Also, in the case of High Yield Bonds, it includes bonds with no credit rating.

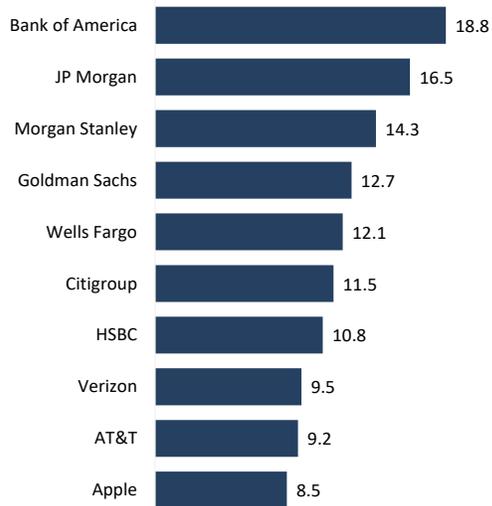
Source: Ministry of Finance, based on information provided by JP Morgan.

Figure 10: Largest exposures to sovereign and gov. related bonds and inflation indexed sovereign bonds (million of dollars)



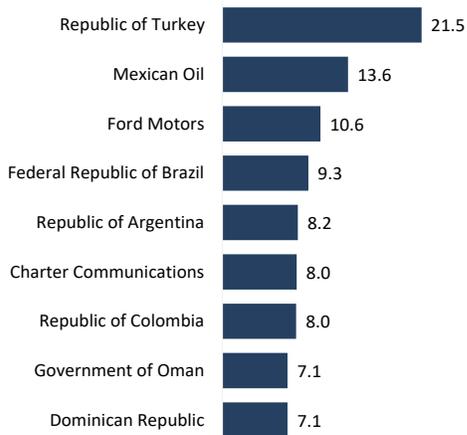
Source: Ministry of Finance, based on information provided by JP Morgan.

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



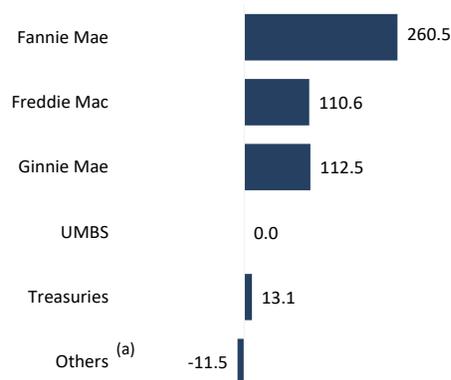
Source: Ministry of Finance, based on information provided by JP Morgan.

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



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

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



^(a) Includes cash, cash equivalents and payables.

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

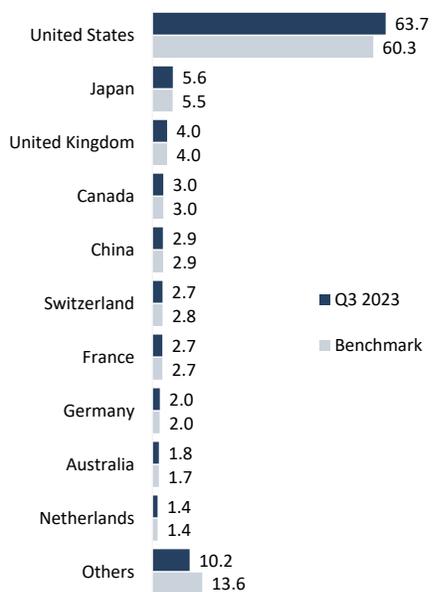
Figure 14: Duration (years)



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

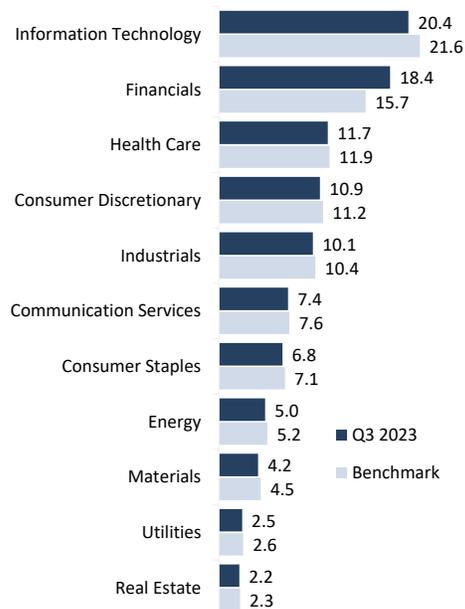
III. 3. Equities

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



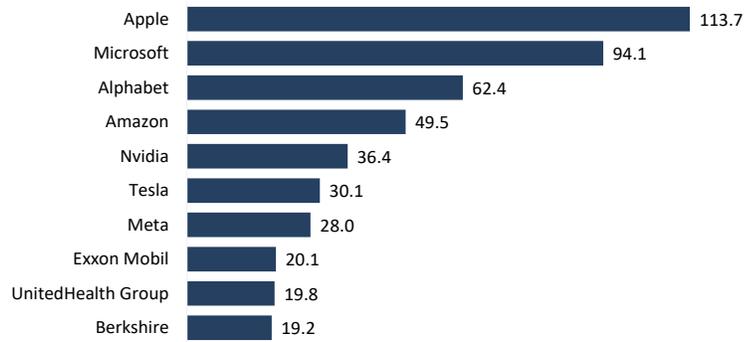
Source: Ministry of Finance, based on information provided by JP Morgan.

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



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

Figure 17: Largest equities investments
(million of dollars)



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

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 10.03%⁴. The tracking error ex-post⁵, an indicator used to measure the degree of how close the portfolio tracks the return of the benchmark, was 21 basis points at the quarter end.

Table 5: Standard deviation and tracking error ex-post

	Q3 2023
Standard deviation	10.03%
Tracking error ex-post (basis points)	21

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

V. SECURITIES LENDING INCOME AND ADMINISTRATION COST

The cost associated with the management of the fund by those responsible for the investment⁶ was US\$ 820,308 during the quarter, while expenses associated with the custody service⁷ were US\$ 271,305, and the cost associated to others⁸ was US\$ 80,767. Meanwhile, the securities lending program generated revenues of US\$ 160,396 during the same period (see table 6).

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

	Q3 2023
Outflows	
Administration	820,308
Custody	271,305
Others	80,767
Total	1,172,380
Inflows	
Securities Lending	160,396
Others	-
Total	160,396

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

⁴ Standard deviation of annualized monthly gross returns of the past three years.

⁵ Standard deviation of annualized monthly excess gross returns of the portfolio against the benchmark in the past three years.

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

⁷ The Custody bank is JP Morgan.

⁸ Corresponds to other expenses, for example, consulting, and overdraft fees, among others.

VI. APPENDIX

Benchmarks⁹

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	Benchmark
Sovereign and Government Related Bonds ^(a)	34.0%	Bloomberg Global Aggregate: Treasuries Index (USD unhedged)
		Bloomberg Global Aggregate: Government-Related Index (USD unhedged)
Inflation Indexed Sov. Bonds	8.0%	Bloomberg Global Inflation-Linked Index (USD unhedged)
US Agencies MBS	6.0%	Bloomberg US Mortgage Backed Securities (MBS) Index (USD unhedged)
Corporate Bonds	13.0%	Bloomberg Global Aggregate: Corporates Index (USD unhedged)
High Yield Bonds	8.0%	Bloomberg Global High Yield Index (USD unhedged)
Equities	31.0%	MSCI All Country World Index ^(b) (USD unhedged with reinvested dividends)
Total	100.0%	

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

^(b) Exclude Chile.

⁹ This benchmark is used since January 17th, 2020 for the long-term portfolio. The short-term portfolio was terminated on June 8th, 2021.