



# ECONOMIC AND SOCIAL STABILIZATION FUND

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Monthly Executive Report as of July 2014

## I. Market Value as of July, 2014

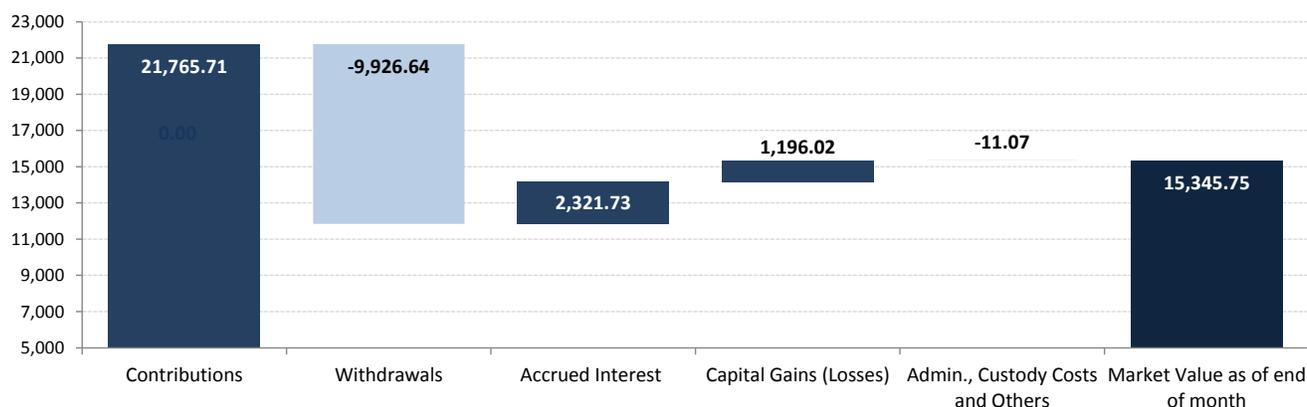
The market value of the Economic and Social Stabilization Fund (ESSF) totaled US\$15,345.7 million as of July of 2014. The market value changed during this month due to: (i) accrued interest of US\$14.6 million, (ii) capital losses on investments of US\$182.7 million and (iii) administrative, custody and others costs of US\$ 0.2 million.

| Changes in Market Value (US\$ million)         | 2007             | 2008             | 2009             | 2010             | 2011             | 2012             | 2013             | 2014             | 2014             | 2014             | Since Inception <sup>(1)</sup> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------------------------|
|  |                  |                  |                  |                  |                  |                  |                  | Q1               | Q2               | July             |                                |
| Starting Market Value                          | 0.00             | 14,032.61        | 20,210.68        | 11,284.78        | 12,720.10        | 13,156.64        | 14,997.52        | 15,419.13        | 15,724.43        | 15,514.02        | 0.00                           |
| Contributions                                  | 13,100.00        | 5,000.00         | 0.00             | 1,362.33         | 0.00             | 1,700.00         | 603.39           | 0.00             | 0.00             | 0.00             | 21,765.71                      |
| Withdrawals                                    | 0.00             | 0.00             | -9,277.71        | -150.00          | 0.00             | 0.00             | 0.00             | 0.00             | -498.93          | 0.00             | -9,926.64                      |
| Accrued Interest                               | 326.15           | 623.95           | 404.27           | 227.63           | 236.99           | 201.89           | 184.10           | 49.79            | 52.40            | 14.56            | 2,321.73                       |
| Capital Gains (Losses)                         | 606.81           | 556.08           | -50.83           | -3.51            | 200.71           | -59.71           | -363.71          | 256.12           | 236.73           | -182.66          | 1,196.02                       |
| Admin., Custody and Other Costs <sup>(2)</sup> | -0.35            | -1.96            | -1.62            | -1.13            | -1.16            | -1.30            | -2.17            | -0.60            | -0.60            | -0.17            | -11.07                         |
| <b>Final Market Value</b>                      | <b>14,032.61</b> | <b>20,210.68</b> | <b>11,284.78</b> | <b>12,720.10</b> | <b>13,156.64</b> | <b>14,997.52</b> | <b>15,419.13</b> | <b>15,724.43</b> | <b>15,514.02</b> | <b>15,345.75</b> | <b>15,345.75</b>               |

<sup>(1)</sup> 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.

<sup>(2)</sup> It includes costs associated with consultants and others.

### Changes in Market Value Since Inception (US\$ million)



| By Asset Class (US\$ million)    | 2007             | 2008             | 2009             | 2010             | 2011             | 2012             | 2013 <sup>(1)</sup> | 2014             | 2014             | 2014             |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|---------------------|------------------|------------------|------------------|
|                                  |                  |                  |                  |                  |                  |                  |                     | Q1               | Q2               | July             |
| Money Market <sup>(2)</sup>      | 4,216.29         | 5,957.12         | 3,373.66         | 3,773.50         | 3,939.33         | 4,488.14         | 5,107.57            | 5,236.27         | 5,091.13         | 5,225.69         |
| Sovereign Bonds                  | 9,323.73         | 13,583.62        | 7,508.85         | 8,501.34         | 8,755.83         | 9,987.37         | 8,524.08            | 8,584.55         | 8,828.75         | 8,432.09         |
| Sovereign Inflation Linked Bonds | 492.59           | 669.93           | 402.27           | 445.26           | 461.48           | 522.01           | 541.64              | 643.85           | 431.17           | 539.19           |
| Equities                         | -                | -                | -                | -                | -                | -                | 1,245.83            | 1,259.76         | 1,162.97         | 1,148.78         |
| <b>Market Value</b>              | <b>14,032.61</b> | <b>20,210.68</b> | <b>11,284.78</b> | <b>12,720.10</b> | <b>13,156.64</b> | <b>14,997.52</b> | <b>15,419.13</b>    | <b>15,724.43</b> | <b>15,514.02</b> | <b>15,345.75</b> |

<sup>(1)</sup> In August a new investment policy that includes equities was implemented.

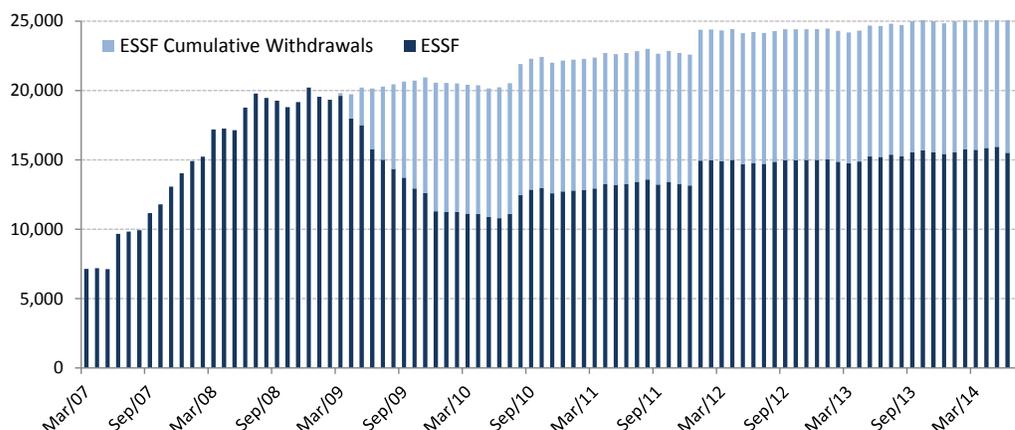
<sup>(2)</sup> Includes sovereign bills and commercial money market.

| By Risk Exposure (US\$ million) | 2007             | 2008             | 2009             | 2010             | 2011             | 2012             | 2013 <sup>(1)</sup> | 2014             | 2014             | 2014             |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|---------------------|------------------|------------------|------------------|
|                                 |                  |                  |                  |                  |                  |                  |                     | Q1               | Q2               | July             |
| Sovereigns                      | 9,283.19         | 16,617.20        | 8,913.96         | 10,112.22        | 10,949.50        | 12,746.00        | 11,450.71           | 11,973.43        | 11,390.48        | 11,178.60        |
| Banks                           | 4,216.29         | 3,593.47         | 2,370.82         | 2,607.88         | 2,207.14         | 2,251.52         | 2,722.58            | 2,491.23         | 2,960.58         | 3,018.36         |
| Agencies                        | 533.12           | 0.00             | 0.00             | 0.00             | 0.00             | 0.00             | -                   | -                | -                | -                |
| Equities                        | -                | 0.00             | 0.00             | 0.00             | 0.00             | 0.00             | 1,245.83            | 1,259.76         | 1,162.97         | 1,148.78         |
| <b>Market Value</b>             | <b>14,032.61</b> | <b>20,210.68</b> | <b>11,284.78</b> | <b>12,720.10</b> | <b>13,156.64</b> | <b>14,997.52</b> | <b>15,419.13</b>    | <b>15,724.43</b> | <b>15,514.02</b> | <b>15,345.75</b> |

<sup>(1)</sup> In August a new investment policy that includes equities was implemented.

**Market Value**

(US\$ million)

**II. Return as of July 2014**

Return in July was -1.09% in US dollars and 2.53% in Chilean pesos. Cumulative return during the year totaled 2.73% in US dollars and 11.66% in Chilean pesos. Annualized return since inception was 3.60% in US dollars and 4.37% in Chilean pesos.

| Returns <sup>(a)</sup>              | Month         | Last 3 Months | Year to Date  | Last 12 Months | Last 3 Years (Annualized) | Since Inception (Annualized) <sup>(b)</sup> |
|-------------------------------------|---------------|---------------|---------------|----------------|---------------------------|---|
| Money Market and Sovereign Bonds    | -1.08%        | -0.37%        | 2.52%         |                |                           |   |
| Sovereign Inflation Linked Bonds    | -1.04%        | 0.32%         | 2.41%         |                |                           |   |
| Equities                            | -1.22%        | 2.82%         | 5.03%         |                |                           |   |
| <b>Return in USD</b>                | <b>-1.09%</b> | <b>-0.08%</b> | <b>2.73%</b>  | <b>2.99%</b>   | <b>0.17%</b>              | <b>3.60%</b>                                |
| Exchange Rate (CLP)                 | 3.62%         | 1.78%         | 8.93%         | 10.92%         | 7.75%                     | 0.77%                                       |
| <b>Return in CLP <sup>(c)</sup></b> | <b>2.53%</b>  | <b>1.70%</b>  | <b>11.66%</b> | <b>13.91%</b>  | <b>7.92%</b>              | <b>4.37%</b>                                |

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

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

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

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. With a view to meeting high standards of transparency and providing 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 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 currency. 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.

## II. Portfolio Composition and Duration as of July 2014

| Portfolio by Country and Credit Exposures        | US\$ million     | % of Total    |
|--|------------------|---------------|
| <b>Nominal Sovereign Exposure</b>                |                  |               |
| U.S.A.   | 4,644.70         | 30.3%         |
| Japan  | 2,926.57         | 19.1%         |
| Germany  | 1,921.67         | 12.5%         |
| Switzerland                                      | 1,146.46         | 7.5%          |
| <b>Total Nominal Sovereign Exposure</b>          | <b>10,639.41</b> | <b>69.3%</b>  |
| <b>Sovereign Inflation Linked Exposure</b>       |                  |               |
| U.S.A.   | 386.09           | 2.5%          |
| Germany  | 153.10           | 1.0%          |
| Others <sup>(1)</sup>                            | -                | 0.0%          |
| <b>Total Sovereign Inflation Linked Exposure</b> | <b>539.19</b>    | <b>3.5%</b>   |
| <b>Banking Exposure</b>                          |                  |               |
| France   | 1,098.02         | 7.2%          |
| Denmark  | 425.89           | 2.8%          |
| Germany  | 314.62           | 2.1%          |
| Japan  | 311.41           | 2.0%          |
| United Kingdom                                   | 257.51           | 1.7%          |
| Belgium  | 231.44           | 1.5%          |
| Netherlands                                      | 175.61           | 1.1%          |
| Sweden   | 172.22           | 1.1%          |
| Hong Kong  | 26.02            | 0.2%          |
| Australia  | 5.00             | 0.0%          |
| Others <sup>(1)</sup>                            | 0.62             | 0.0%          |
| <b>Total Banking Exposure</b>                    | <b>3,018.36</b>  | <b>19.7%</b>  |
| <b>Equities Exposure</b>                         |                  |               |
| U.S.A.   | 586.13           | 3.8%          |
| United Kingdom                                   | 89.71            | 0.6%          |
| Japan  | 85.87            | 0.6%          |
| Canada   | 44.57            | 0.3%          |
| Germany  | 40.36            | 0.3%          |
| Hong Kong (China)                                | 38.93            | 0.3%          |
| France   | 38.93            | 0.3%          |
| Switzerland                                      | 36.54            | 0.2%          |
| Australia  | 33.69            | 0.2%          |
| South Korea                                      | 20.09            | 0.1%          |
| Spain  | 14.98            | 0.1%          |
| Brazil   | 14.02            | 0.1%          |
| Sweden   | 12.33            | 0.1%          |
| Netherlands                                      | 11.82            | 0.1%          |
| Italy  | 10.53            | 0.1%          |
| Others <sup>(1)</sup>                            | 70.29            | 0.5%          |
| <b>Total Equities Exposure</b>                   | <b>1,148.78</b>  | <b>7.5%</b>   |
| <b>Portfolio Total</b>                           | <b>15,345.75</b> | <b>100.0%</b> |

<sup>(1)</sup> includes cash and cash equivalents

| Duration                         | Years      |
|----------------------------------|------------|
| Sovereign Bills and Bonds        | 6.1        |
| Sovereign Inflation Linked Bonds | 5.1        |
| Banking                          | 0.3        |
| <b>Portfolio Total</b>           | <b>4.9</b> |

| Portfolio by Asset Classes       | US\$ million     | % of Total    |
|----------------------------------|------------------|---------------|
| Sovereign and Banking            | 13,657.77        | 89.0%         |
| Sovereign Inflation Linked Bonds | 539.19           | 3.5%          |
| Equities                         | 1,148.78         | 7.5%          |
| <b>Portfolio Total</b>           | <b>15,345.75</b> | <b>100.0%</b> |

| Portfolio by Issuer Credit Rating |              |              |                    |
|-----------------------------------|--------------|--------------|--------------------|
| Credit Rating                     | Sovereigns   | Banking      | Fixed Income Total |
| AAA                               | 58.1%        | 0.0%         | 58.1%              |
| AA+                               | 0.0%         | 0.0%         | 0.0%               |
| AA                                | 0.0%         | 3.2%         | 3.2%               |
| AA-                               | 20.6%        | 0.0%         | 20.6%              |
| A+                                | 0.0%         | 6.6%         | 6.6%               |
| A                                 | 0.0%         | 11.5%        | 11.5%              |
| A-                                | 0.0%         | 0.0%         | 0.0%               |
| Others                            | 0.0%         | 0.0%         | 0.0%               |
| <b>Fixed Income Total</b>         | <b>78.7%</b> | <b>21.3%</b> | <b>100.0%</b>      |