

Perseverance

“Persistence in doing something despite difficulty or delay in achieving success”

Foundations of the Chilean Capital Markets
Chile Day
London, June 2017

Agenda

I. Macro Context

- I. Chile within Latin America
- II. Economy
- III. Institutions
- IV. Social development

II. Capital Markets

- I. Availability of Capital
- II. Demand for Capital
- III. Intermediaries

III. Where Chile stands

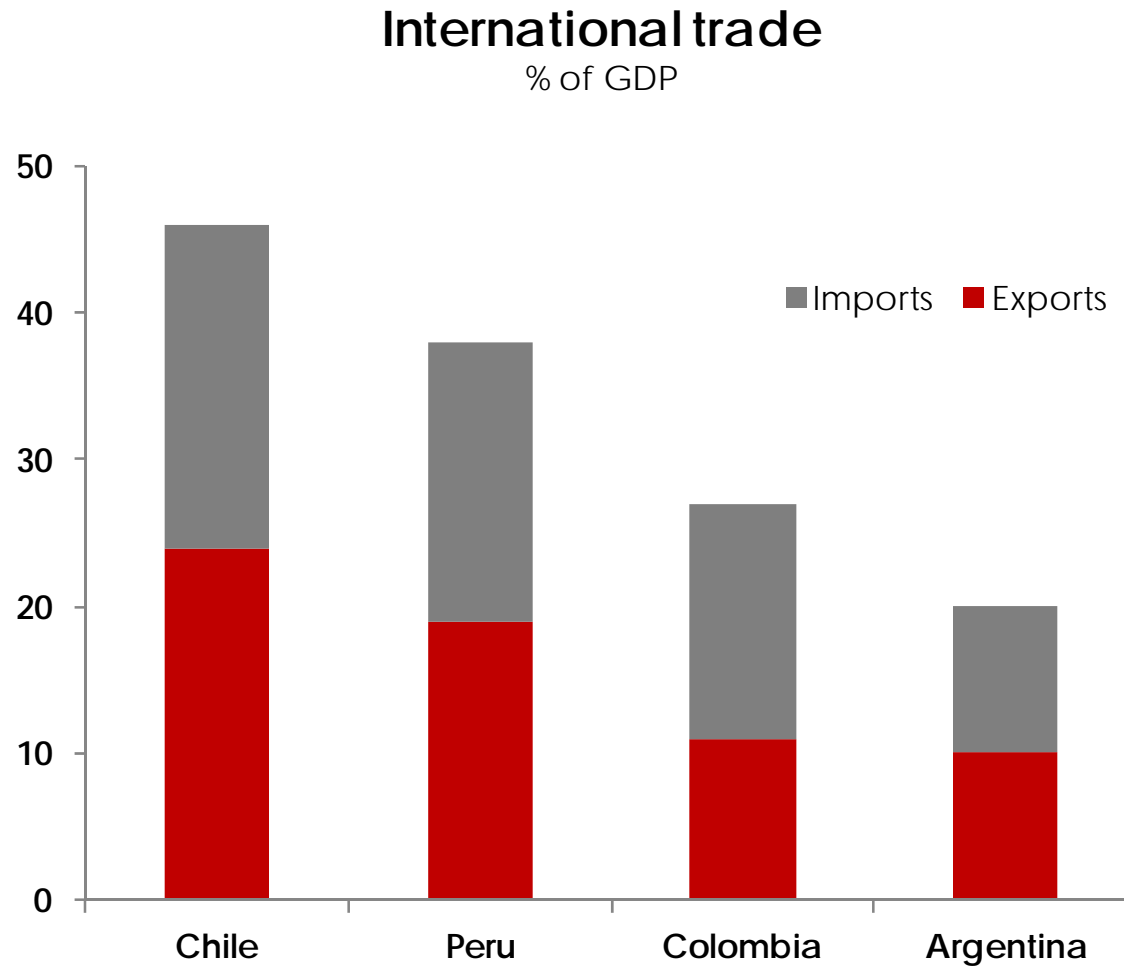
Agenda

Brazil and Mexico are “natural” candidates to be international financial centers due to their size, leaving space for an “Andean” Financial Center

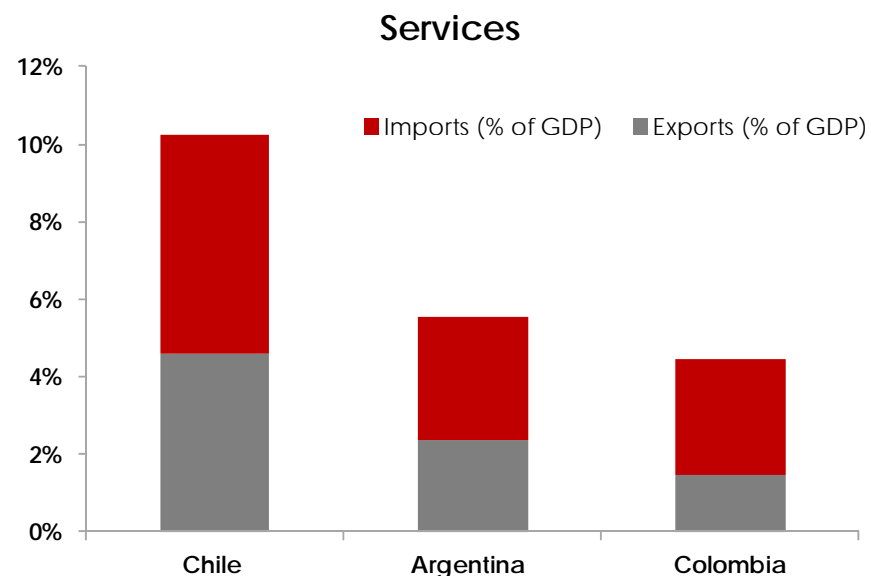
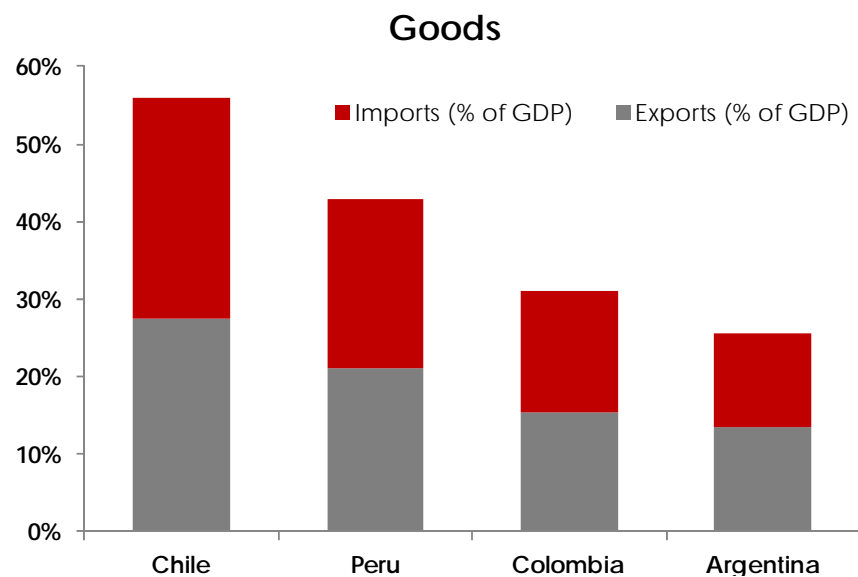
	Brazil	Mexico	Andeans
Population (Mn)	206	122	142
Nominal GDP 2016 USD billion	1,799	1,046	1,270
Equity Market Cap USD billion	797	416	514
Equity Market Cap % GDP	44	40	40
Bond Market Outstanding	1,157	630	555

Argentina + Chile + Colombia + Peru

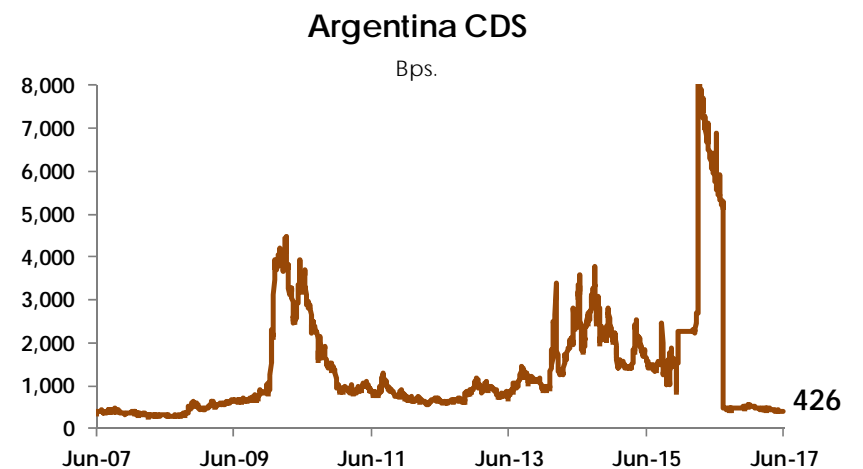
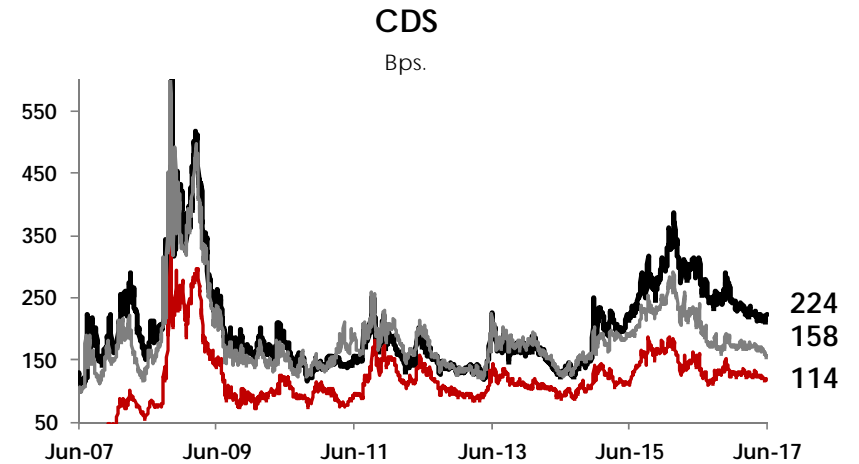
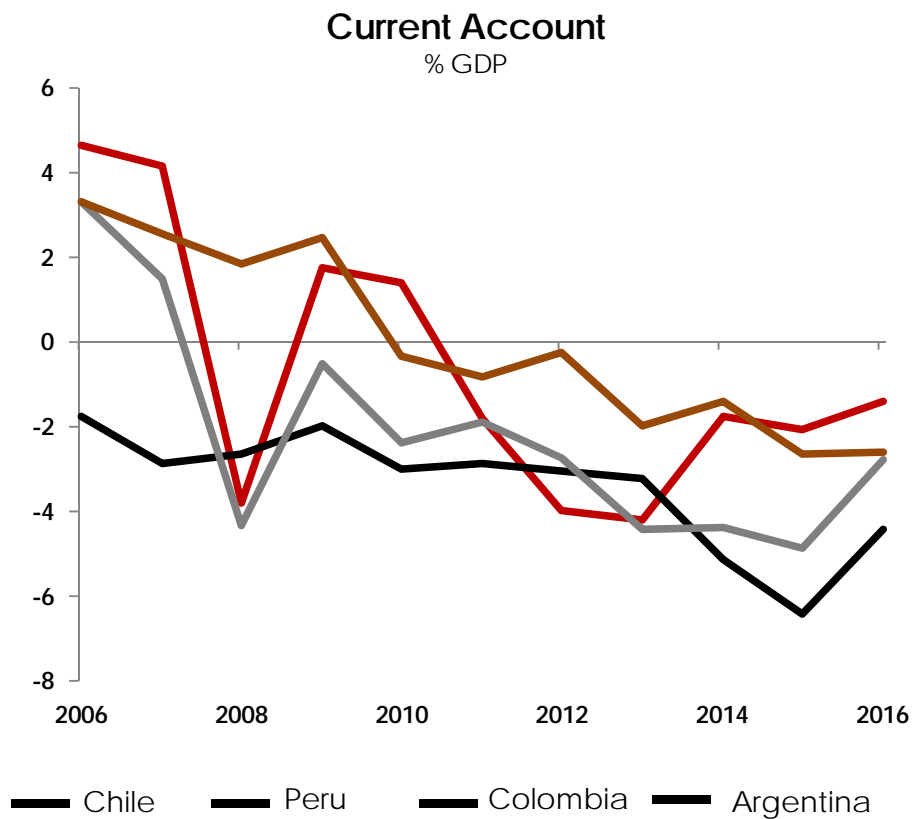
Chile is already a very open economy where International trade drives a significant portion of economic activity



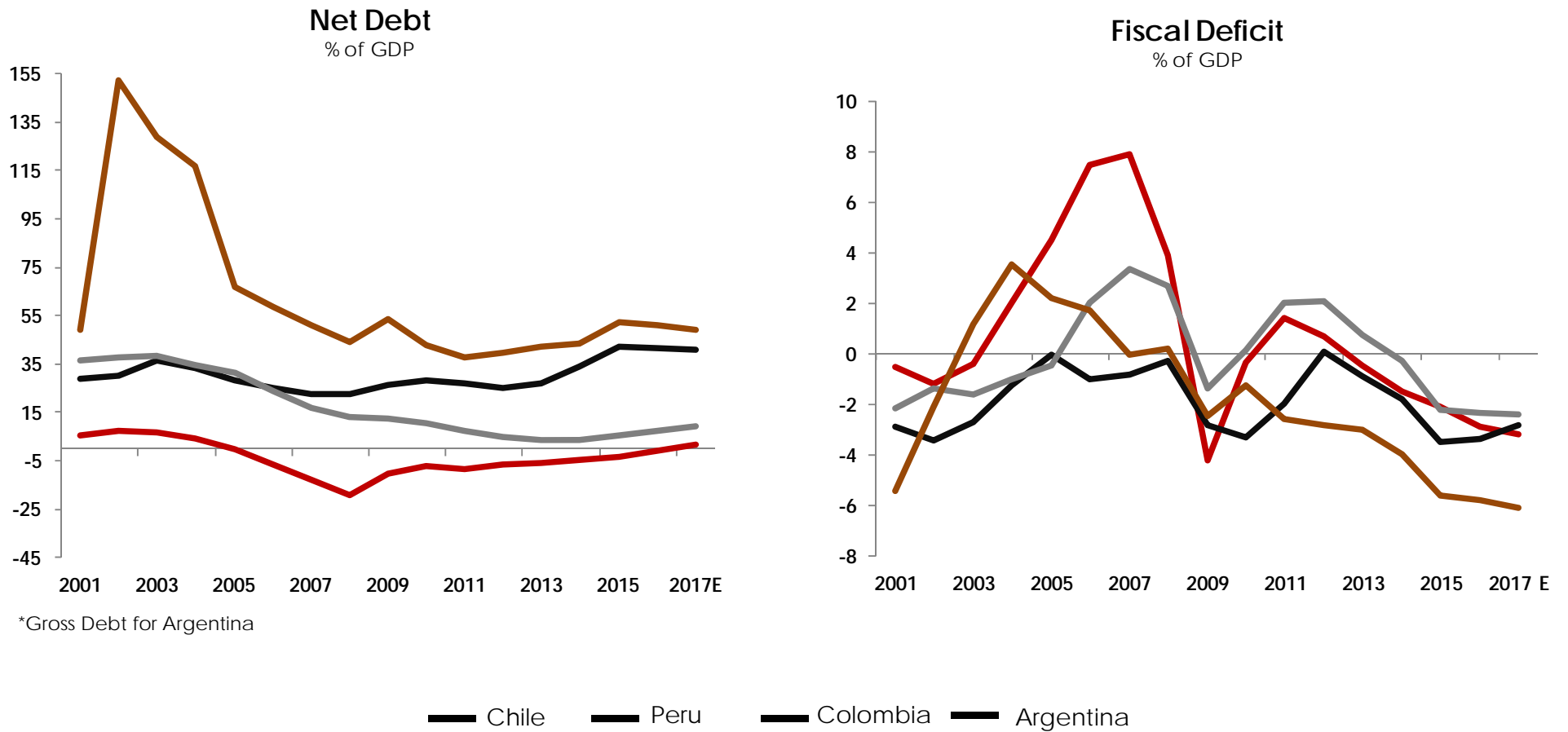
And the service sector exports a larger share of GDP than its Andean partners



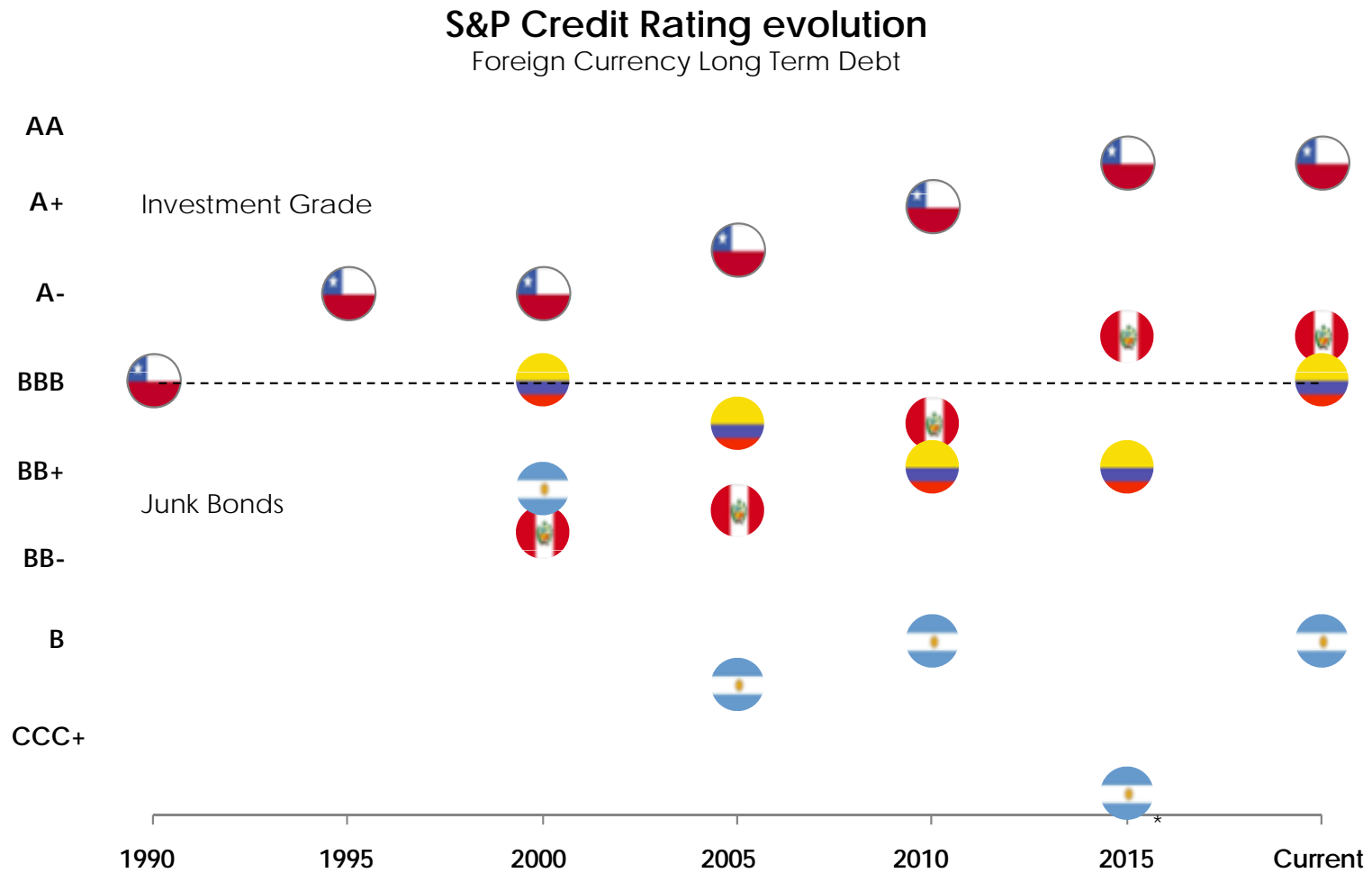
Chile shows strong fiscal discipline given Structural Fiscal Balance Rule...hopefully this does not change anytime soon



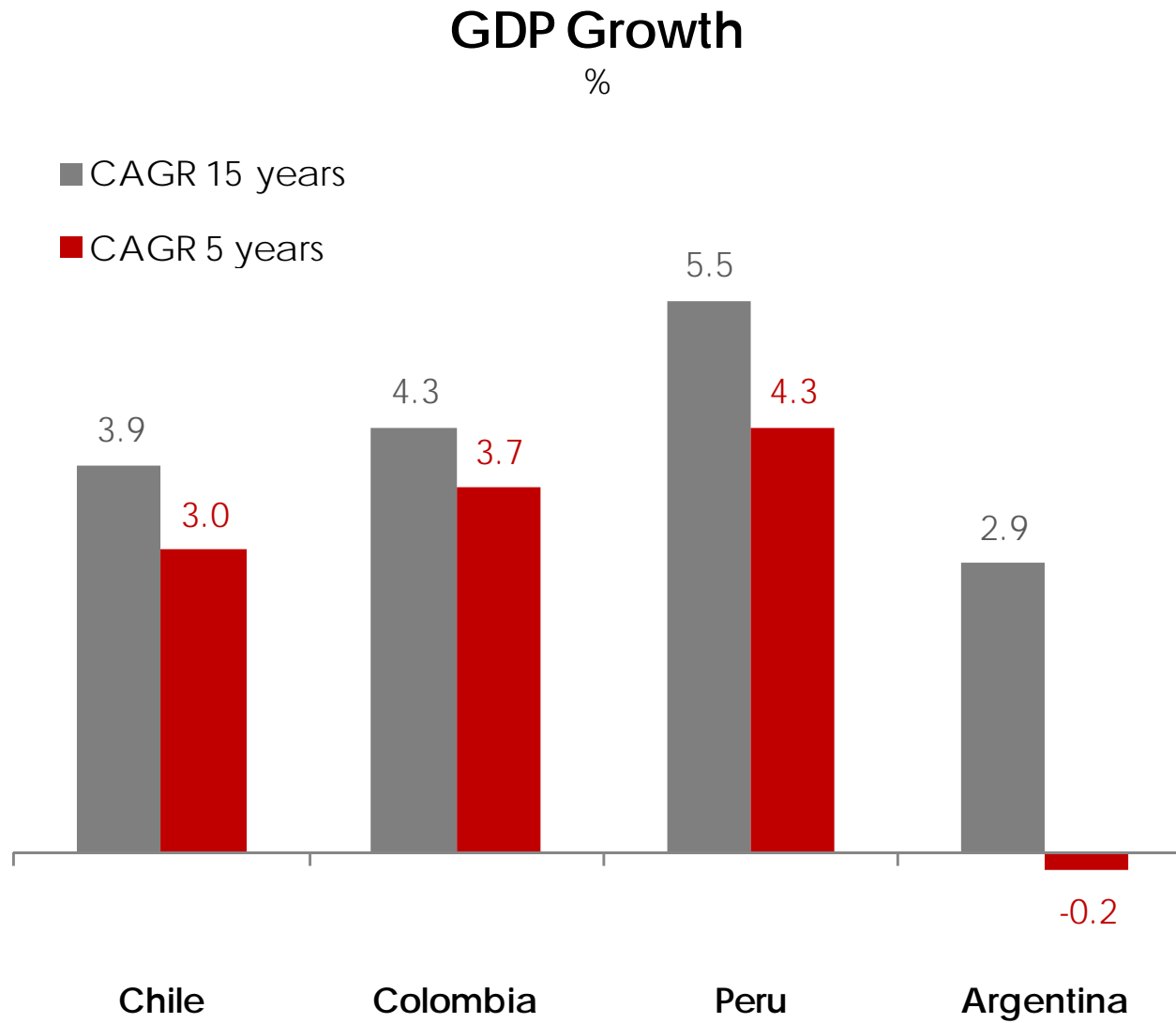
Chile's Net Debt Position has been deteriorating as the fiscal situation worsened, but is still very low



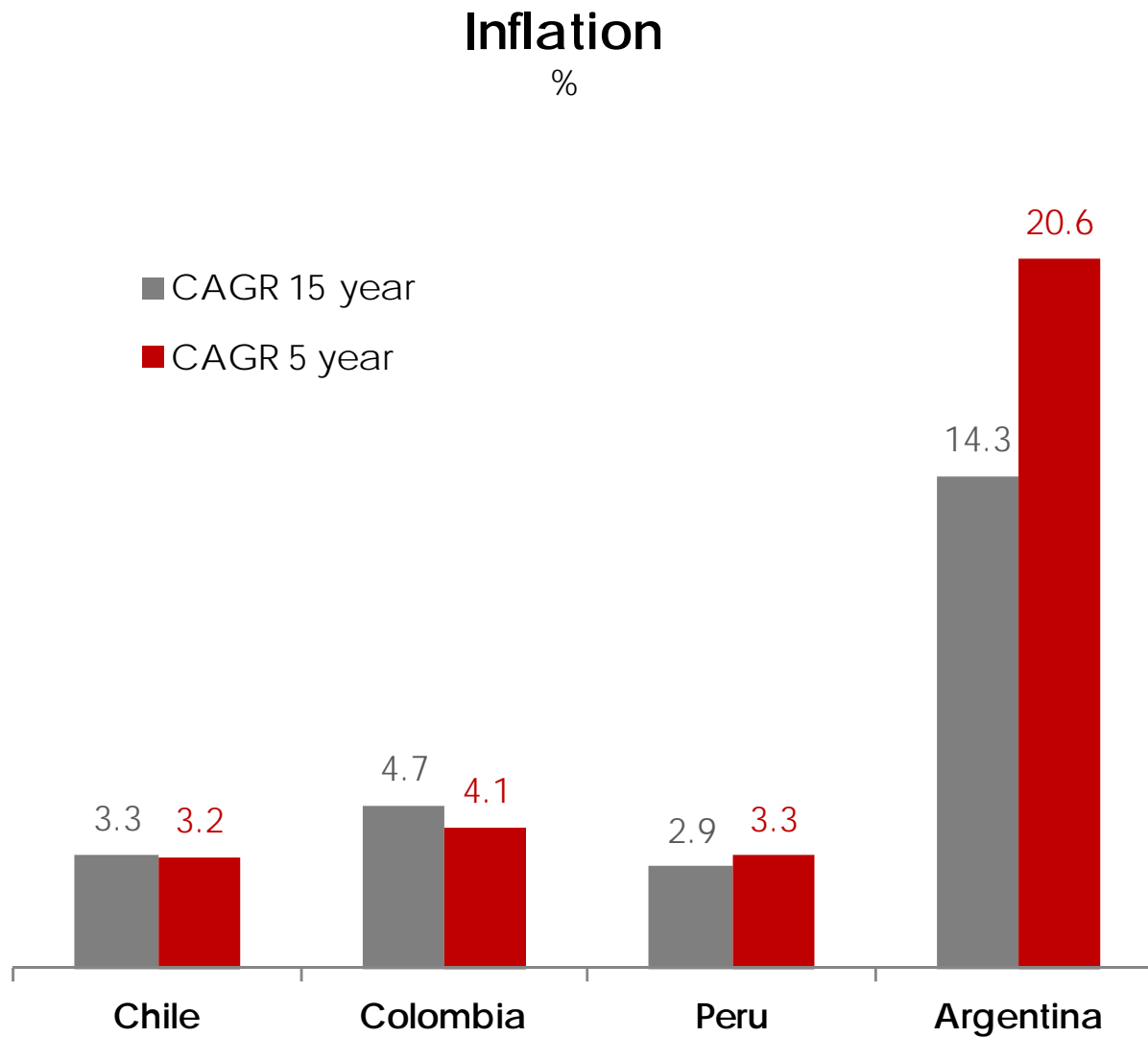
Historical improvement in Sovereign Credit Rating at risk but still the best of the pack



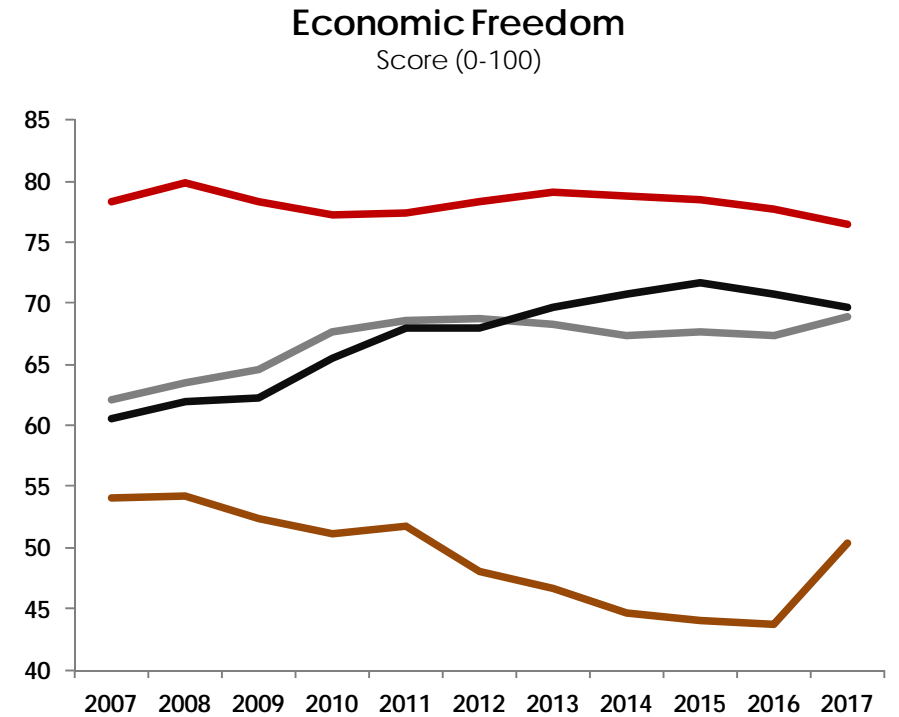
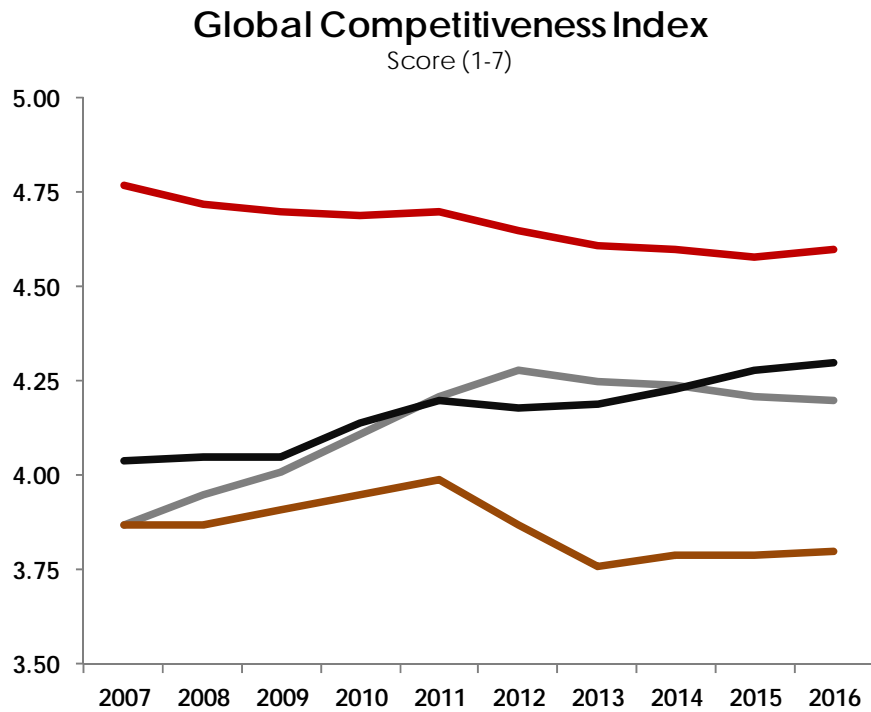
GDP Growth slowing down from an already lower rate compared with Colombia and Perú



Price stability is still a staple of the Chilean Economy based on a very strong Central Bank independence



Other measures of institutional strength also show Chile in a leading position among its Andean partners...even though momentum is weak

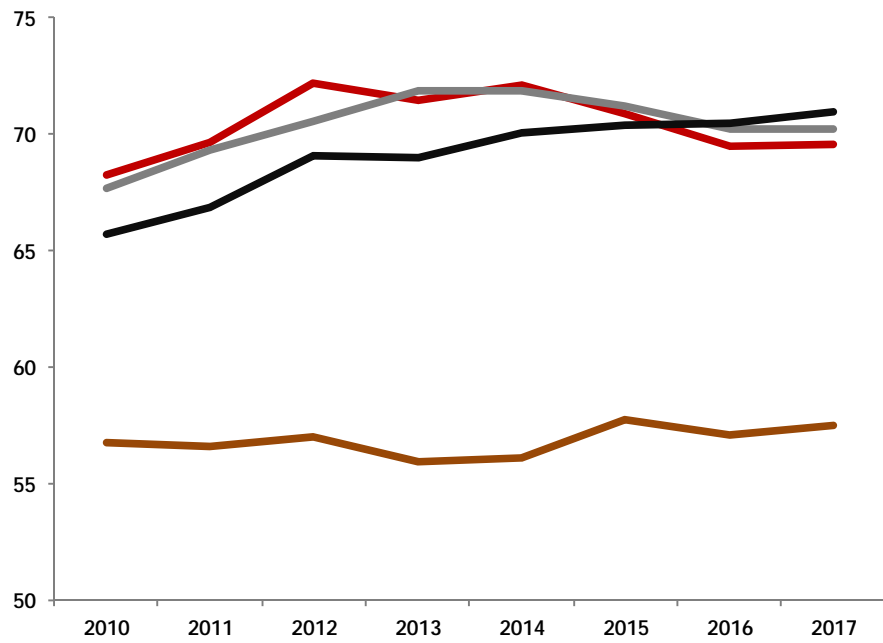


— Chile — Peru — Colombia — Argentina

Institutional strength weakening but still solid

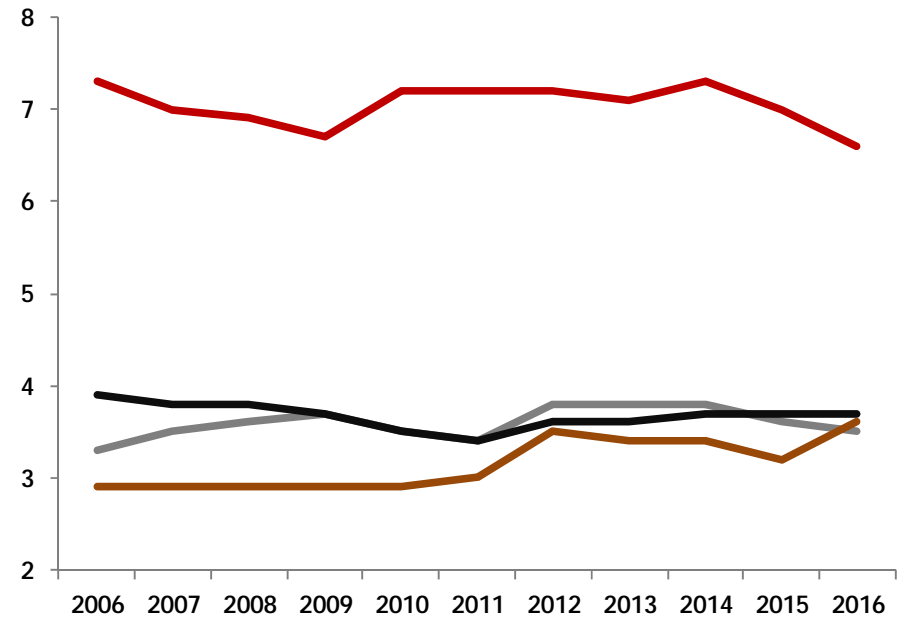
Doing Business

Score (0-100)



Transparency International Index

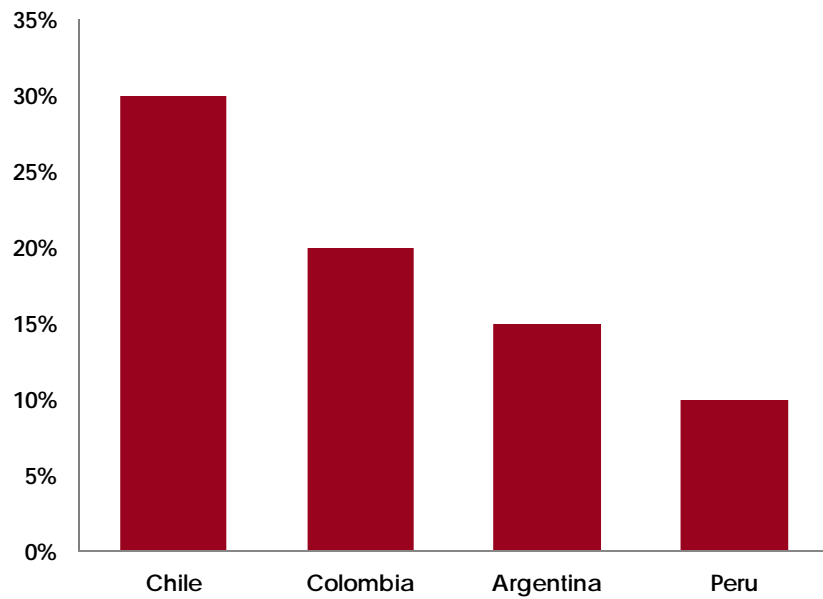
Score (1-10)



Chile
 Peru
 Colombia
 Argentina

In terms of Human capital, two sides of a coin

Latin America Top 20 MBA
% of universities in the ranking



CFA Program

	Charterholders	Candidates
Argentina	136	275
Chile	97	313
Peru	135	848
Colombia	86	325

Labor Market Flexibility

Doing Business

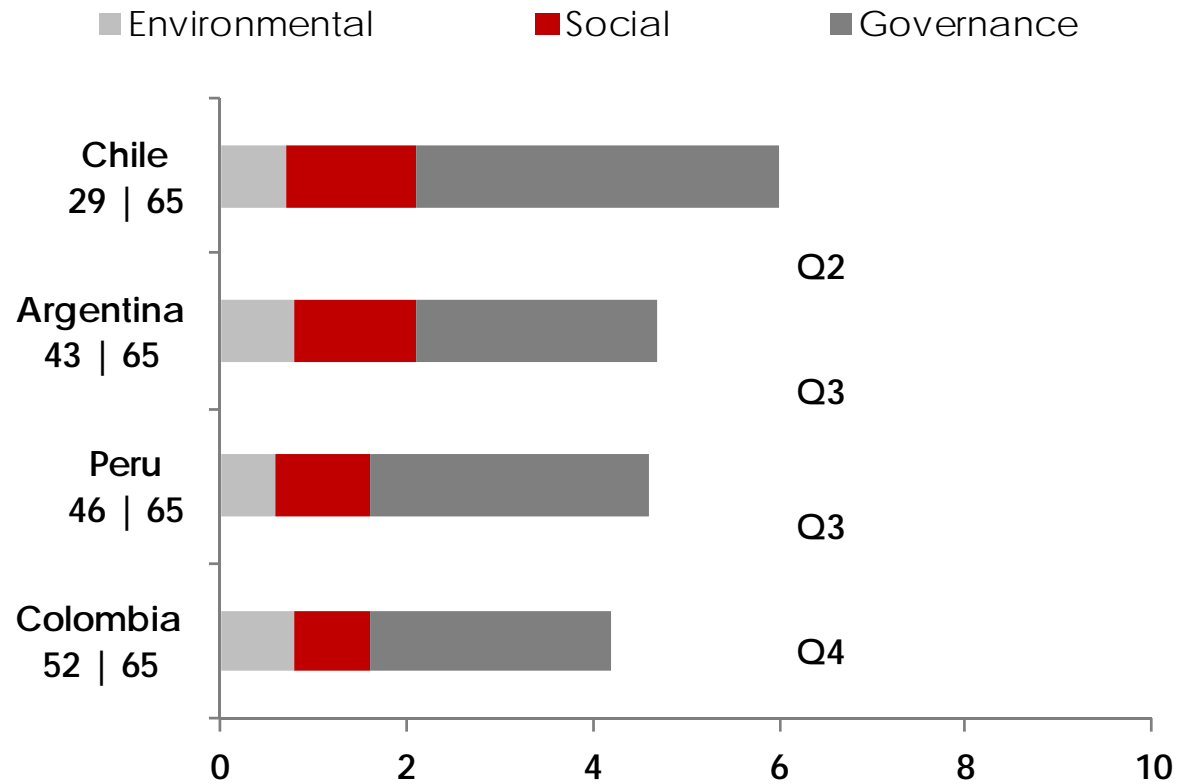
	Ranking	Quartile
Colombia	101	3
Chile	122	4
Peru	130	4
Argentina	133	4

Out of 138 countries

Chile stands as the strongest of pack in terms of Sustainability

Country sustainability ranking

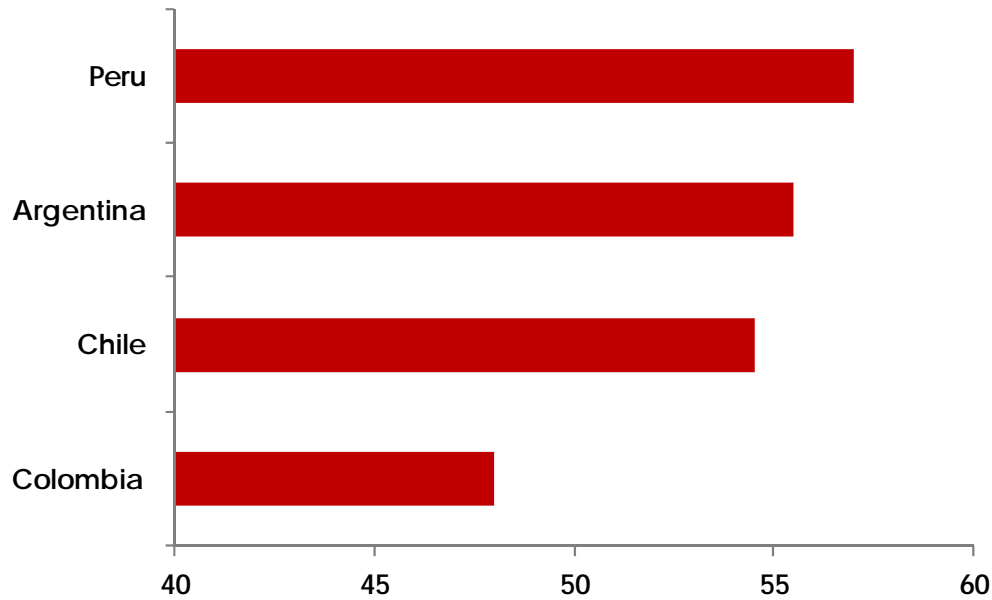
Score (1-10)



Still lots to do in terms of Reputation / Brand Recognition

Favorable opinion of the country

% of favorable answers



Survey based on responses of 1,017 people in the United States

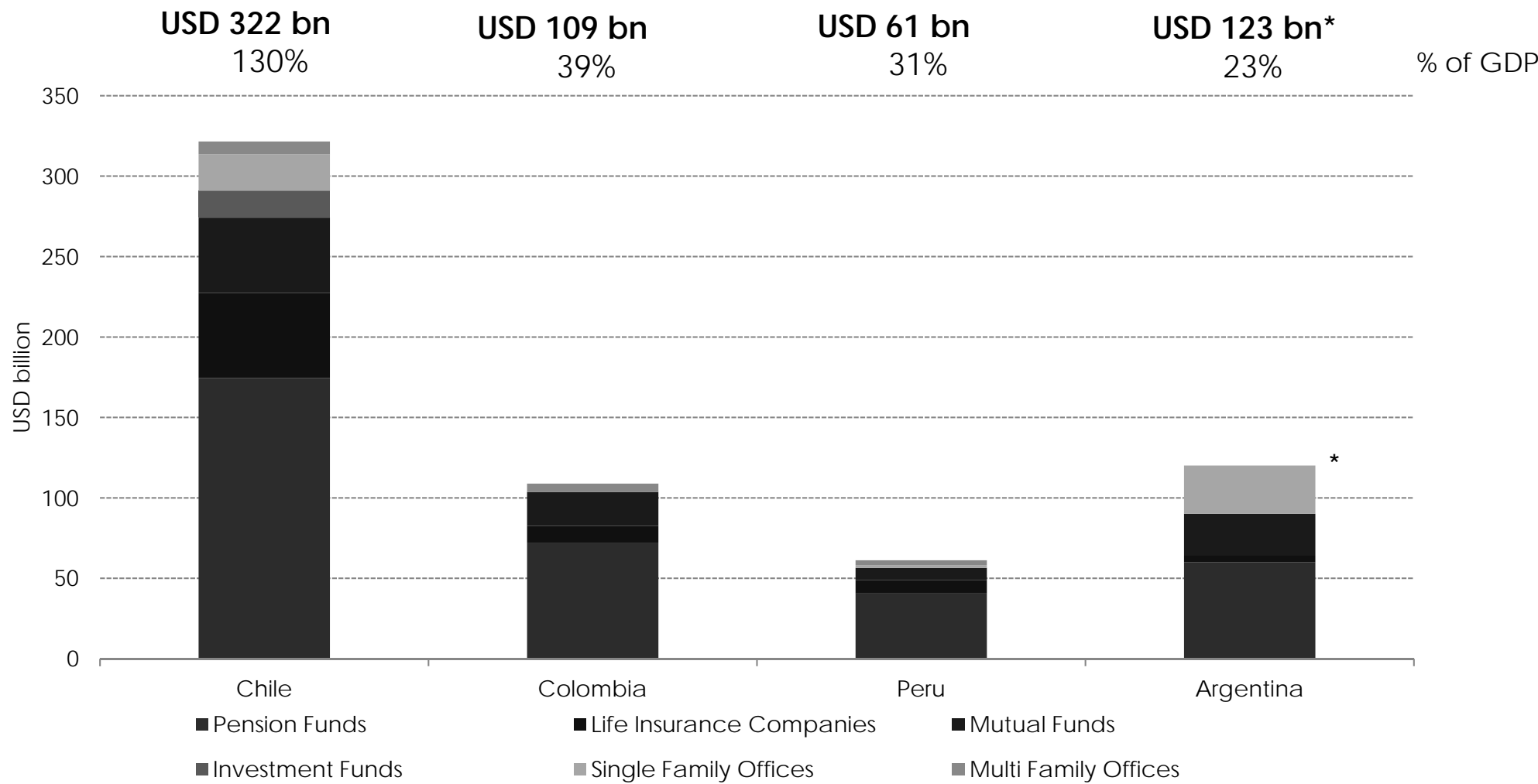
Nation Brand Index

GfK

	Ranking
Argentina	25
Chile	35
Peru	37
Colombia	44

Out of 50 countries
Measures the power and quality of each country's 'brand image'

Availability of Capital managed by institutional investors is significant in absolute and relative terms

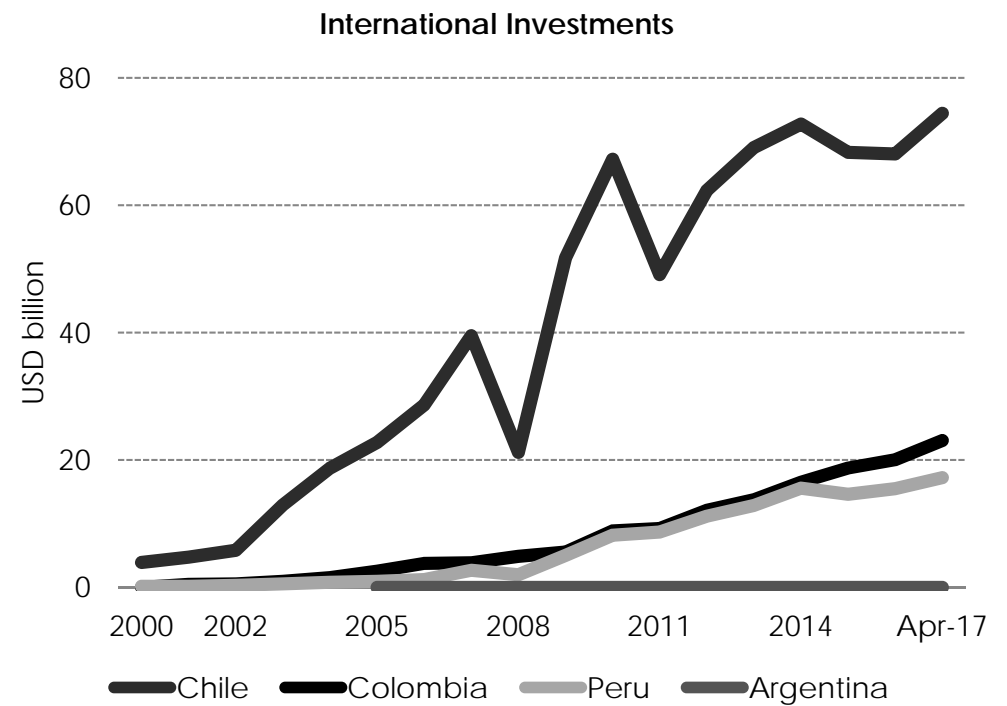
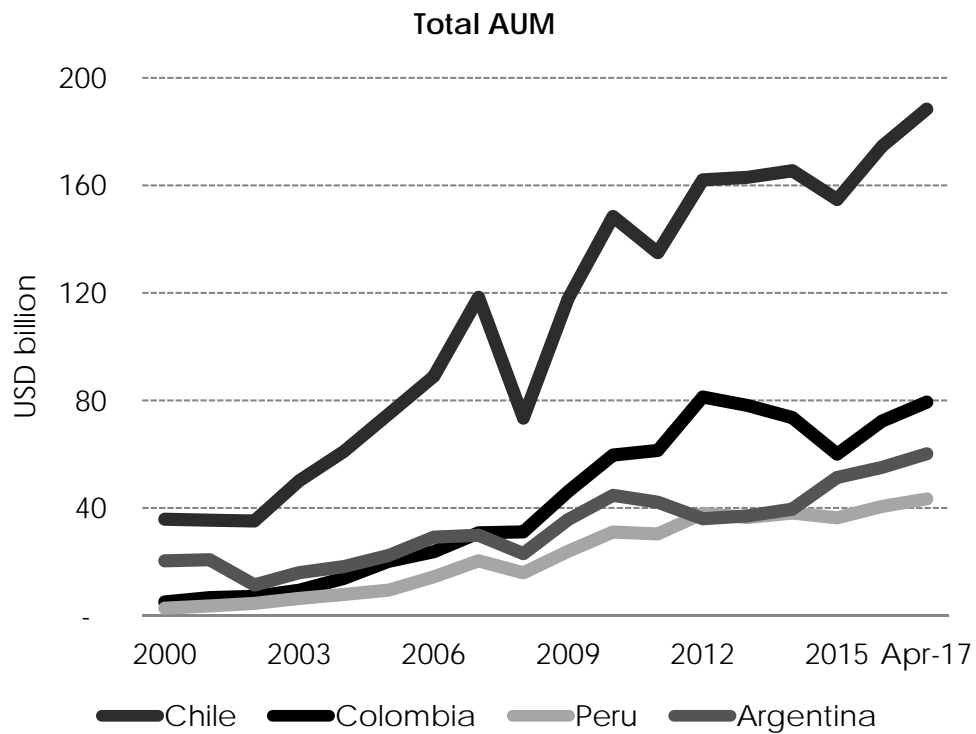


* Does not include Tax Amnesty Capital of app. USD 120 bn

Source: SAFF, SVS, SBS, SFC & Compass Group

Data as of December 2016

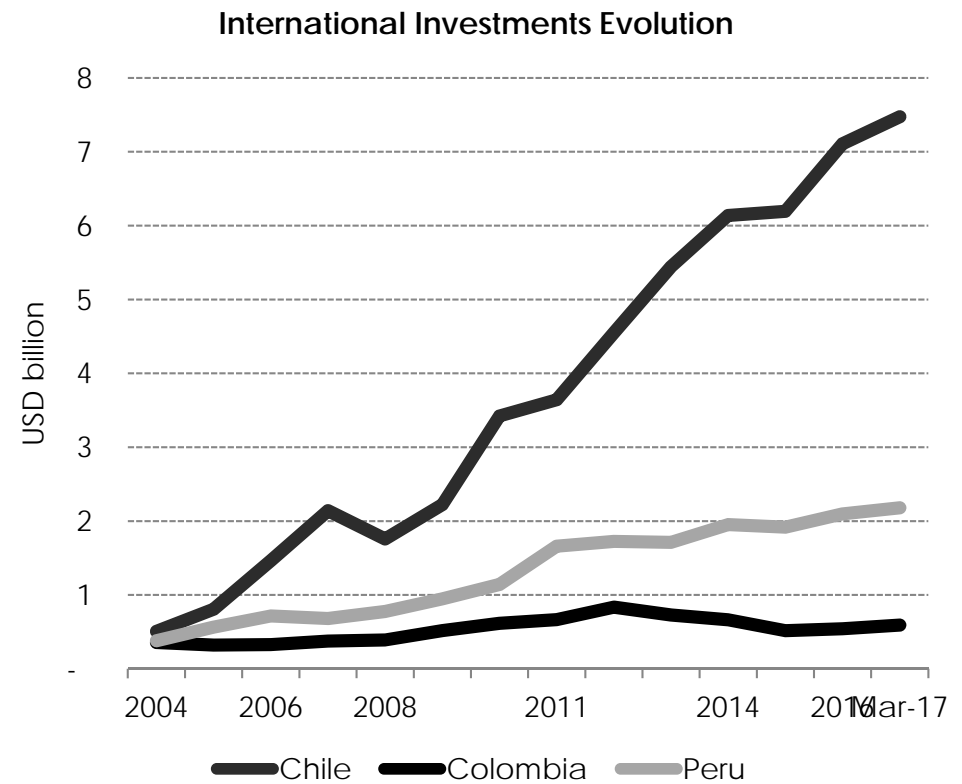
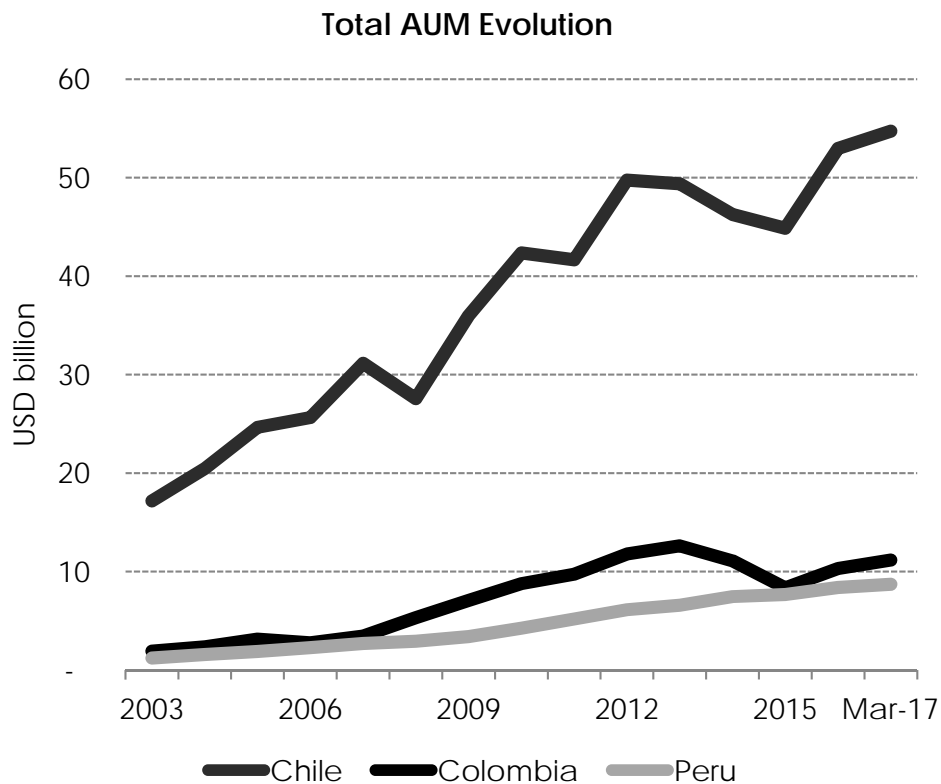
Pension Funds continue to provide one of the largest institutionally managed savings pool in the region



Source: SAFP, SVS, SBS, SFC, SAFJP, ANSES & Compass Group

Data as of December 2016

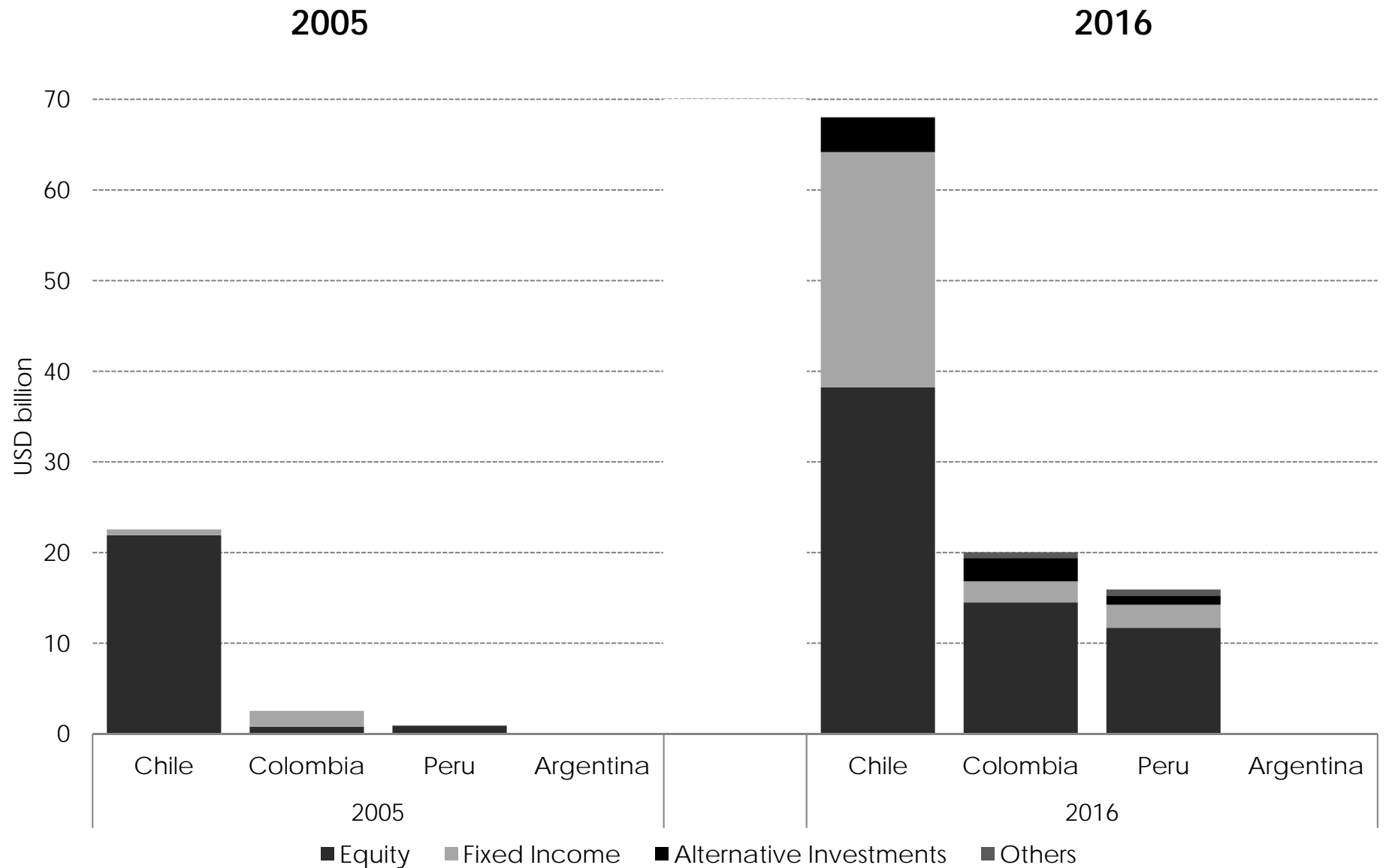
And Life Insurance Companies have grown significantly, enriching the “diversity” of the eco system as the reserves are mostly invested in LDI



Source: SAFP, SVS, SBS, SFC & Compass Group

Data as of March 2017

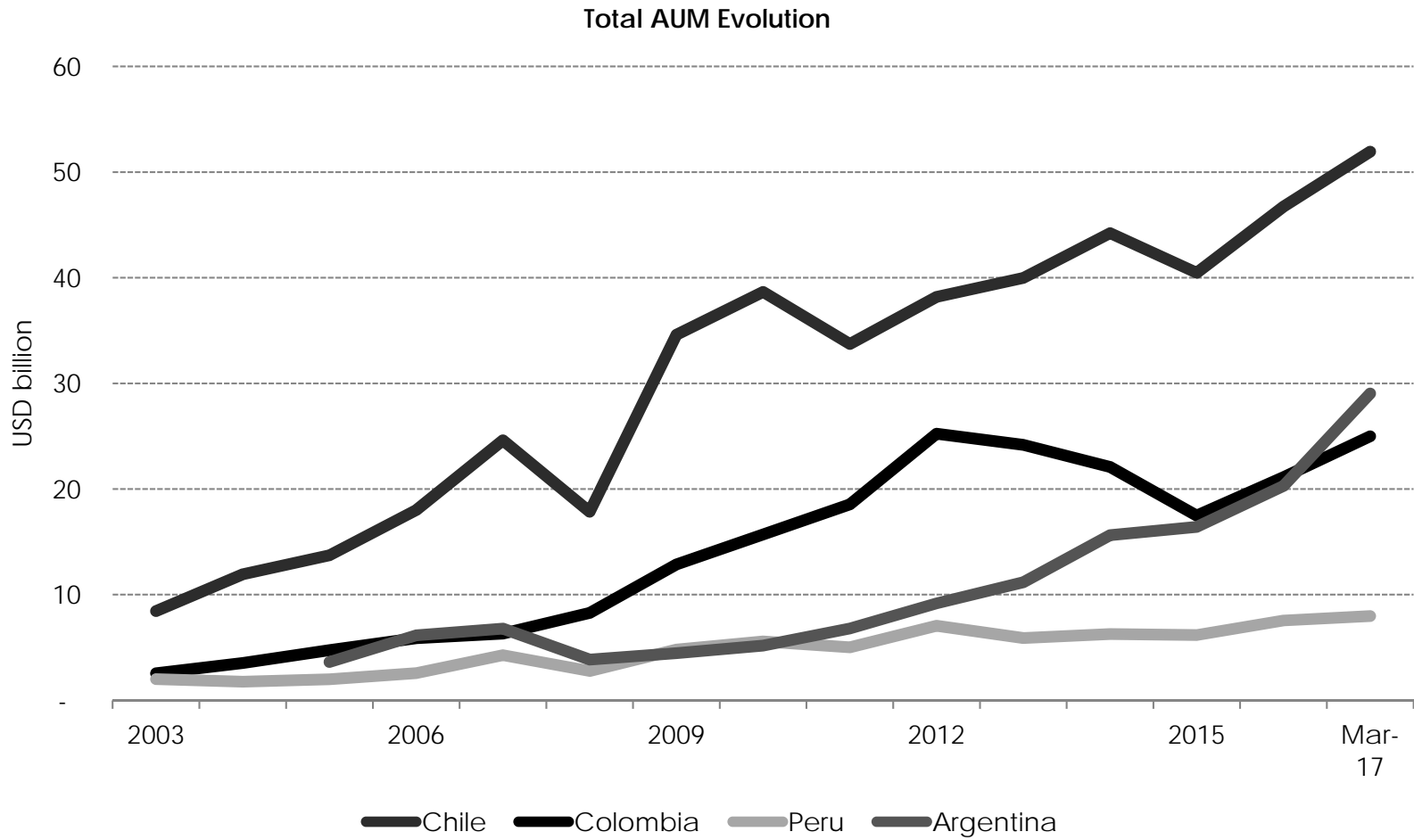
International diversification of institutional portfolios has trebled in the last decade



Source: SAFP, SVS, SBS, SFC & Compass Group

Data as of December 2016

The domestic mutual fund industry has also grown significantly



Source: SAFP, SVS, SBS, SFC & Compass Group

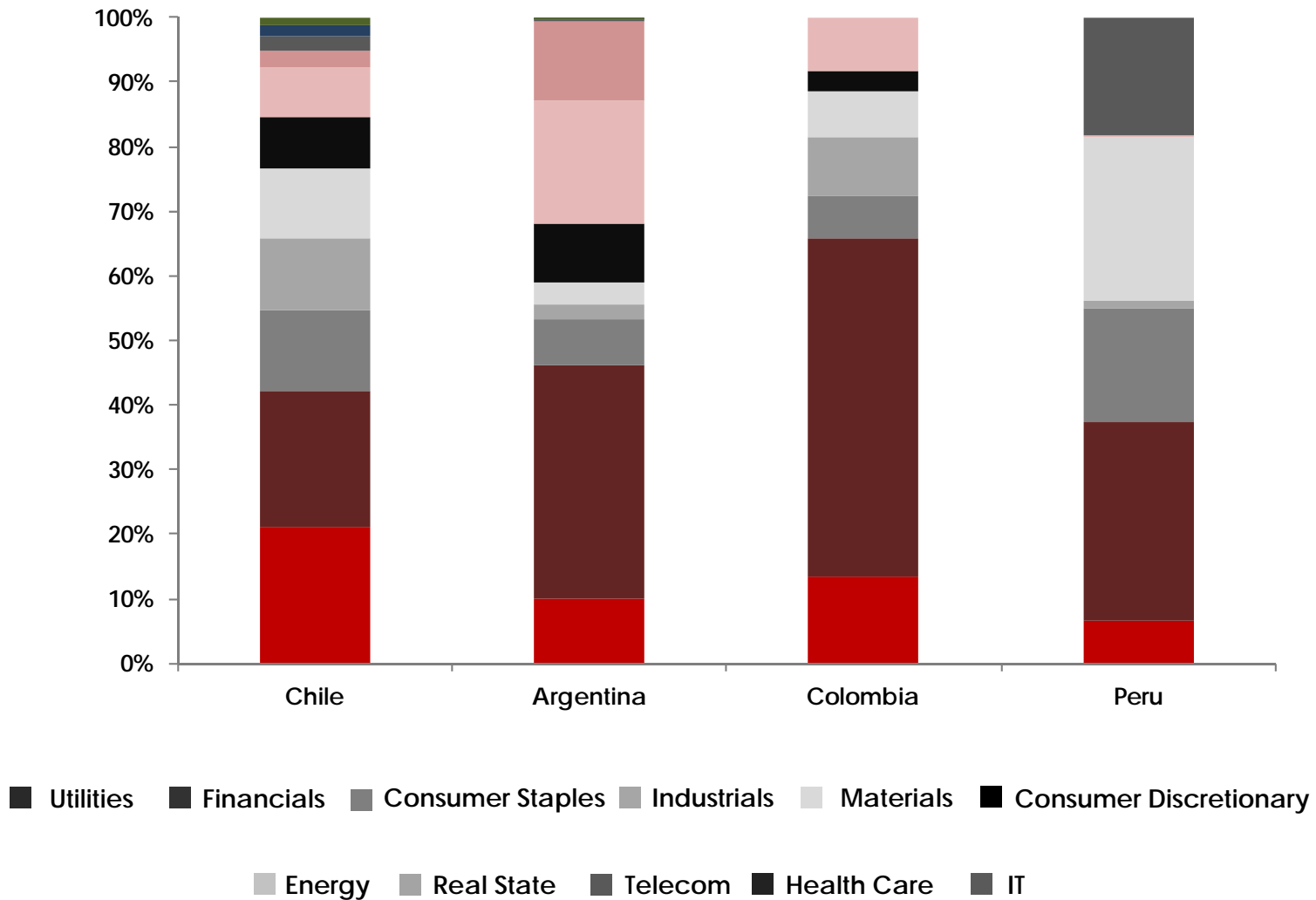
Data as of March 2017

Chile´s Equity Market is relatively large and diversified

Equity Market	Chile	Argentina	Colombia	Peru
Number of listed companies	262	100	69	258
Market Capitalization				
USD, billion	237	84	104	89
% of GDP	96	13	36	46
% of top 5 companies	30	76	51	68
Average Daily Traded Volume				
YTD 2017 USD million	112	25	53	21
% of top 5 companies	46	65	41	18

Source: World Exchanges, countries' central banks, stock exchanges, financial regulators and finance ministries, Compass Group

And sector diversification is higher

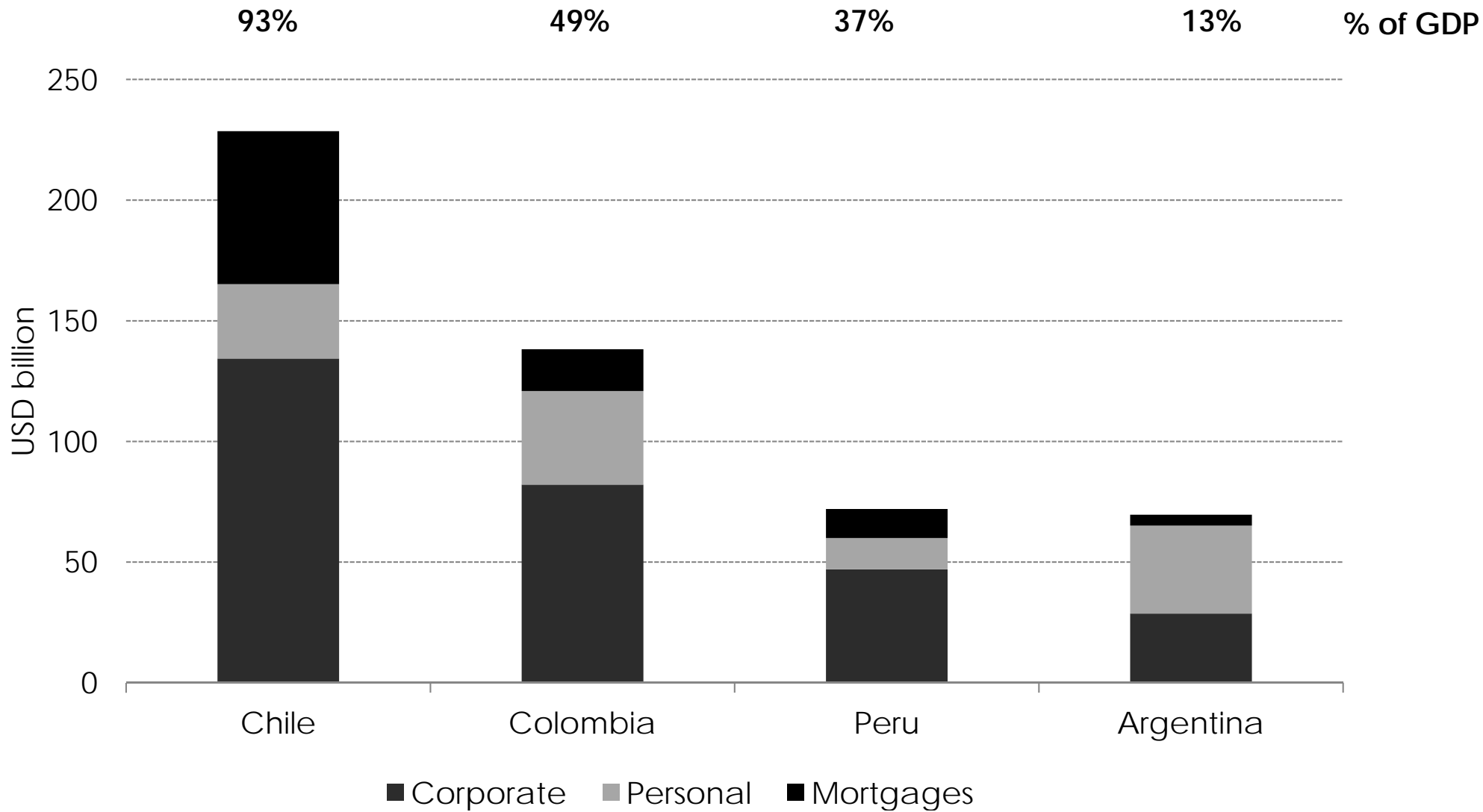


Source: Bloomberg, sectorial composition according to GICS

Demand for Capital – Fixed Income Market

Fixed Income Market	Chile	Argentina	Colombia	Peru
Bond Market Issuers	385	132	140	70
Bond Market Outstanding	213	110	139	61
USD billion				
International Corporate Bonds	44	28	25	29
Corporate Bonds	37		18	7
Bank Bond	62		10	2
Government	70	82	87	23

Chile's banking system is large, well capitalized and diversified



Source: SBIF, ASBANC, SFC, BCRA

Diversity of Chile´s intermediary Ecosystem is higher than its partners

	Chile		Colombia		Peru		Argentina	
	Number of participants	Concentration*	Number of participants	Concentration*	Number of participants	Concentration*	Number of participants	Concentration*
AFP's	6	73%	4	92%	4	97%	1	100%
Life Insurance Companies	36	46%	19	49%	13	64%	20	
Mutual Funds	44	38%	40	48%	8	81%	40	33%
Single Family Offices	61		3		2			
Banks	20	50%	25	64%	16	71%	20	31%

*% of total AUM held by the 3 largest entities

Where Chile stands

(1 best, 3 worst)

	Argentina	Chile	Colombia	Peru
Macro Context				
Size	1	3	2	3
Global integration	3	1	2	2
Economic policy	3	1	2	2
Institutions	3	1	2	2
Human capital	1	2	3	3
Country brand	1	3	2	1
Capital Market				
Size & Depth	3	1	3	2
Capital Availability	3	1	2	2
Demand for Capital	3	1	2	2
Intermediaries	1	1	2	2
AVG. RANK	2.2	1.5	2.2	2.0

Rank levels: 1: High 2: Medium 3: Low

“Small”, prosperous financial centers are not necessarily unequal

