

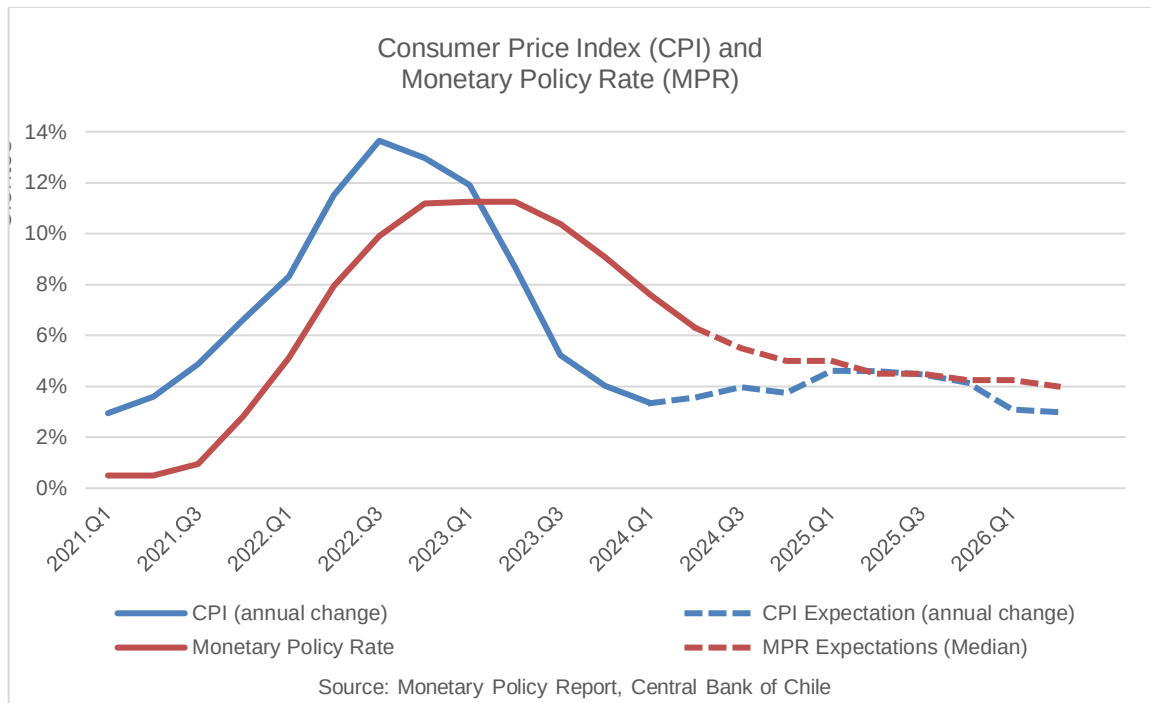


Chile Country Report 2024

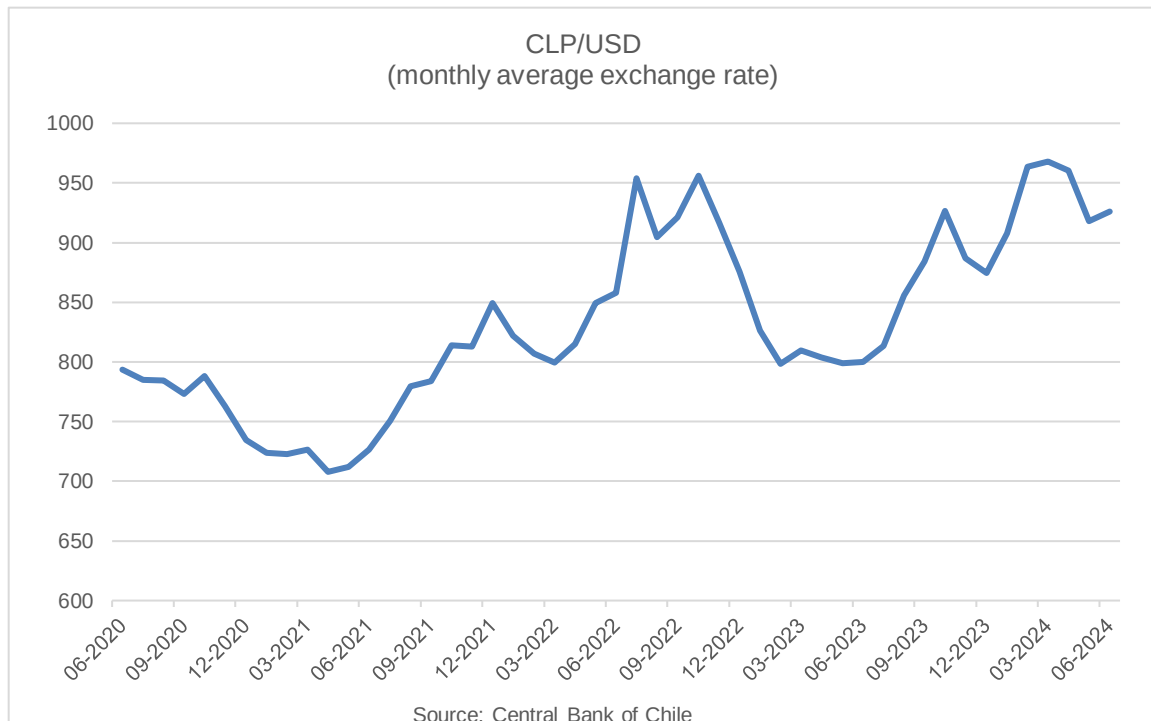
1. Economic and Financial Background

Main Economic and Financial Indicators				
	2021	2022	2023	Jun. 2024
Nominal GDP (Million USD)	315,377	302,757	335,999	310,048
Real GDP Growth (%)*	11.3	2.1	0.2	1.3
Inflation Rate (%)*	7.2	12.8	3.9	4.2
Exchange Rate (CLP/USD)	759.27	872.33	839.07	940.58**
(*) Annual change, (**) 6 month average, (***) calculations made from four quarters. Source: Central Bank of Chile (CBC)				

The Gross Domestic Product (GDP) of Chilean economy grew by 0.2% in 2023. Tighter monetary policy and fiscal spending restrictions stunted last year's growth, with a noticeable drop in activities related to wholesale and retail trade and mining. In the past two years, both government and monetary authority had to focus their efforts on managing inflationary pressures caused by post-pandemic macroeconomic imbalances. The regulators restrictive conditions achieved their goal, with the annual inflation declining to 4.2% in June 2024, above the CBC's target range, but moving away from the double-digit inflation measurements observed in late 2022 and early 2023.



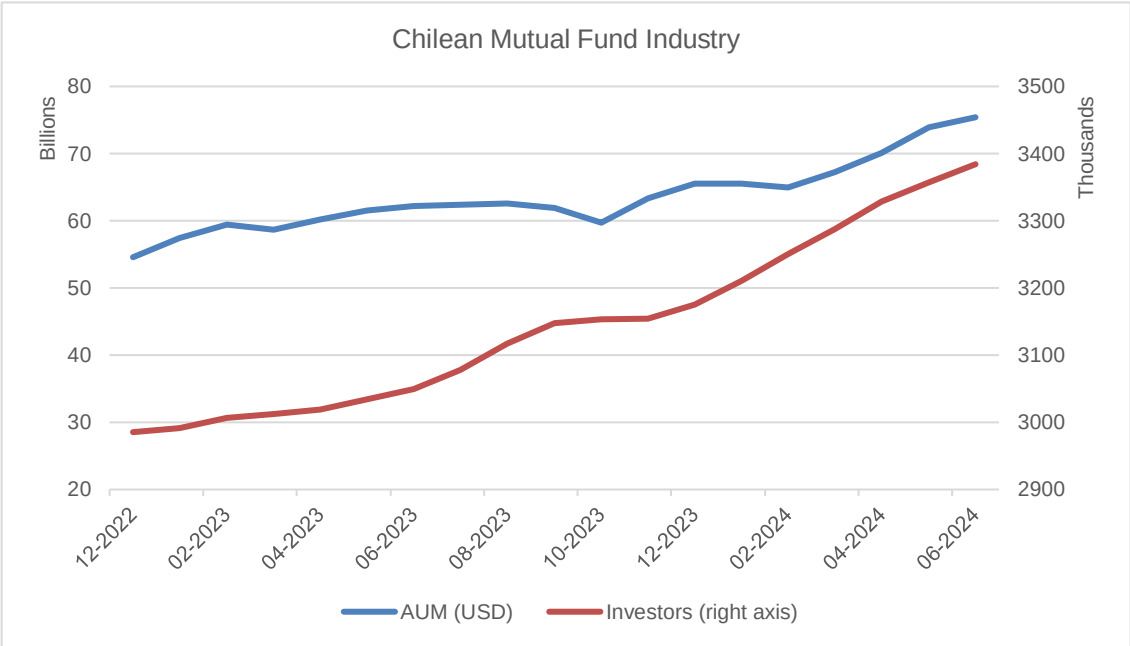
The exchange rate volatility has raised since the pandemic, fluctuating the USD between 700 and 1000 Chilean pesos (CLP), from 2020 to 2023. During late 2023 and 2024, the Central Bank of Chile (CBC) has been lowering the MPR. In this context, with the delayed United States Federal Reserve (Fed) rate cuts, the shrinking differential of rates has been pushing up the currency depreciation since the second quarter of 2023. The Fed fund's rate had been held in 5.25-5.50% while the CBC has cut its monetary policy rate from 11.25% in June 2023 to 5.75% in June 2024.



2. Data on funds under management and portfolios

Industry Evolution 2022-2023

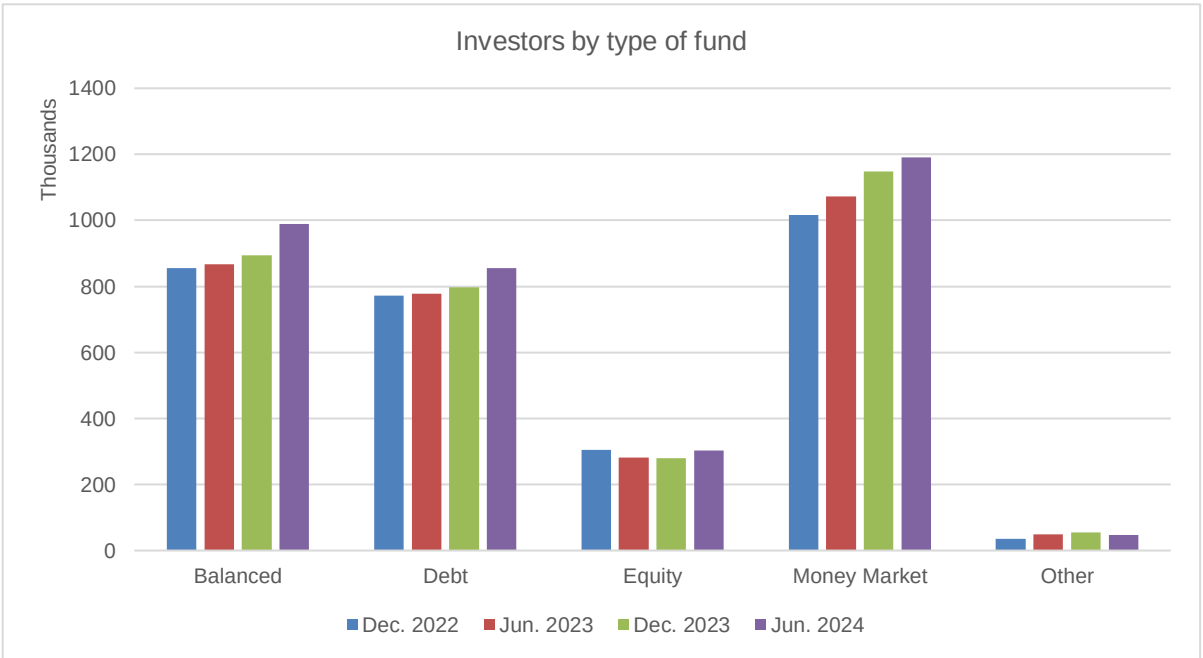
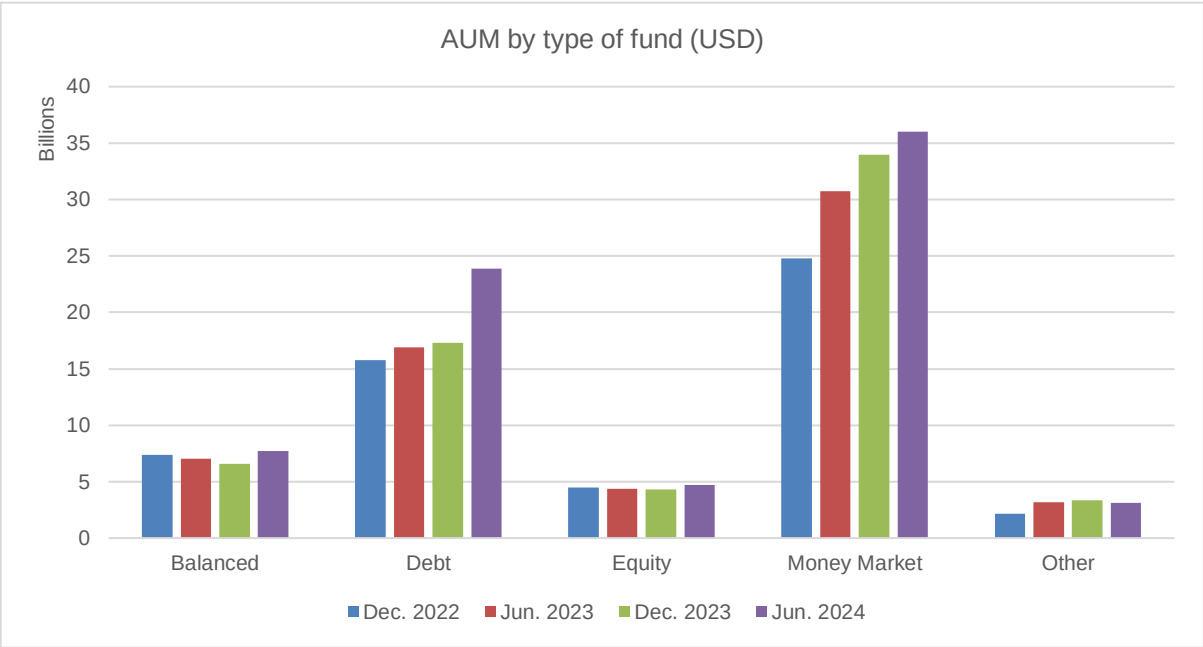
Since late 2022, the assets under management increased by more than 20 billion USD and reached 75,4 billion USD in mid-2024. AUM grew by 19.9% in 2023 and 21.9% YTD in 2024. The AUM to GDP ratio of the mutual funds industry rose from 18% in December 2022 to 24% in June 2024. The investors in the mutual funds industry rose 3,384,223, its historical maximum. Investors expanded 6.8% in 2023 and 6.6% YTD (2024). These growth rates resulted in a net increase of more than 350,000 investors since 2022 to mid-2024.



Chilean Mutual Fund Industry			
	Dec. 2022	Dec. 2023	Jun. 2024
AUM (Million USD)	54,576	65,500	75,413
AUM (% GDP)	18%	20%	24%
Investors	2,985,397	3,174,829	3,384,223

Industry Structure

The structure of the Chilean mutual fund industry has undergone some minor changes. While the Assets Under Management (AUM) in Equity and Balanced funds have remained stable, their share of the total AUM has been declining in favor of Money Market and Debt Funds. From December 2022 to June 2024, Debt Funds grew by more than \$8 billion USD, and Money Market Funds increased by over \$10 billion USD. Currently, Money Market Funds hold 48% of the AUM share and 35% of the investor share in the mutual fund industry.



Industry Investment Allocation

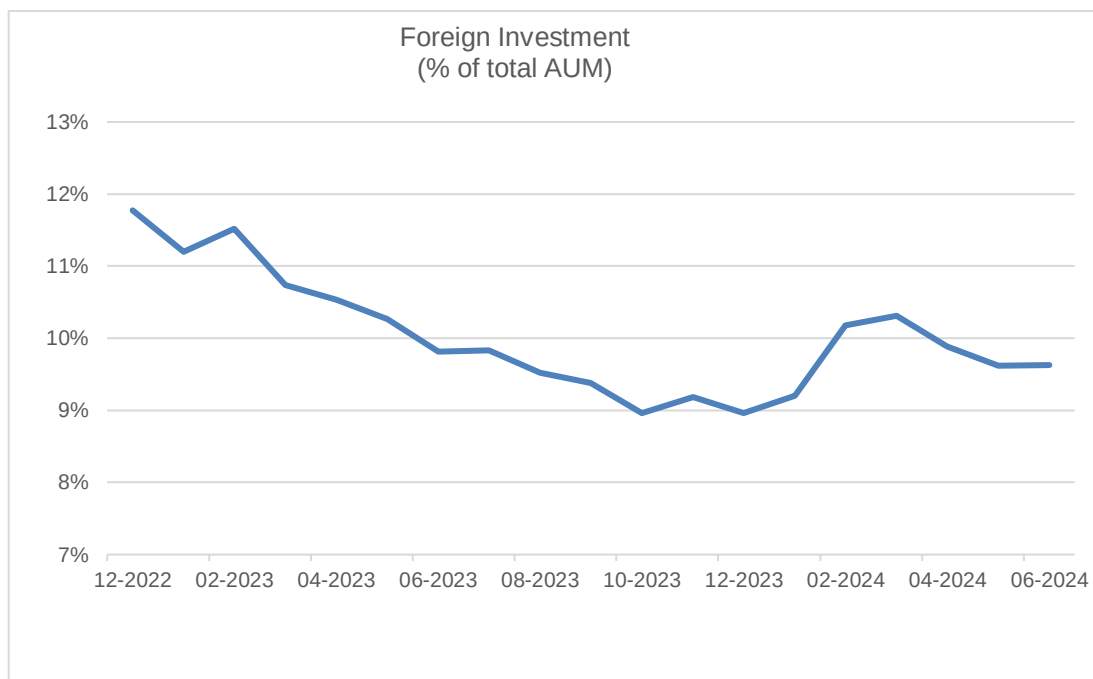
Looking over the industry investment allocation, most of the investment goes to short term assets, such as fixed deposits and central bank commercial papers. As seen in the table below, corporate bonds, mutual funds and government and central bank bonds stand out as the most relevant local securities. Overall, resources were mainly invested in local securities, concentrated in central bank commercial papers and fixed deposits. Meanwhile, foreign investment is concentrated in mutual funds, ETF and Government & Central Bank Bonds.

AUM investment, securities distribution (millions USD)				
Foreign Securities	Dec. 2022	Jun. 2023	Dec. 2023	Jun. 2024
Equity Shares	238	224	221	271
Government & Central Bank Bonds	215	131	145	456
Corporate Bonds	218	183	137	121
ETF	2,737	2,583	2,551	3,361
Mutual Funds	2,868	2,884	2,710	2,939
Investment Funds	12	11	10	13
Others	12	17	18	23

Local Securities	Dec. 2022	Jun. 2023	Dec. 2023	Jun. 2024
Equity Shares	1,142	1,281	1,252	1,511
Government & Central Bank Bonds	1,988	2,133	2,135	3,919
Corporate Bonds	10,334	12,127	12,932	15,823
Fixed Deposits	16,175	18,987	17,996	22,282
Mutual Funds	4,570	4,471	4,473	6,499
Investment Funds	811	722	712	580
Others	202	75	75	90
Central Bank Promissory Notes	11,580	15,161	18,720	16,027
Corporate Promissory Notes	413	493	506	712

As said before, industry resources were mainly invested in Chile (90% as of June 2024). Over the past few months, foreign investment has exhibited a downward trend since December 2022, currently concentrating

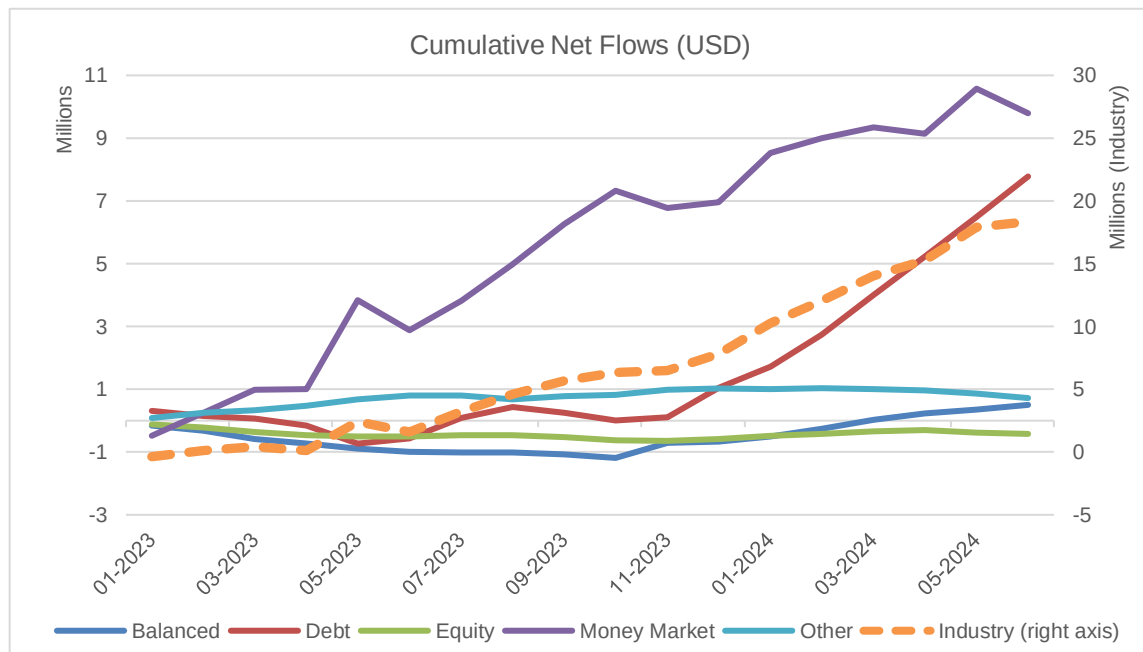
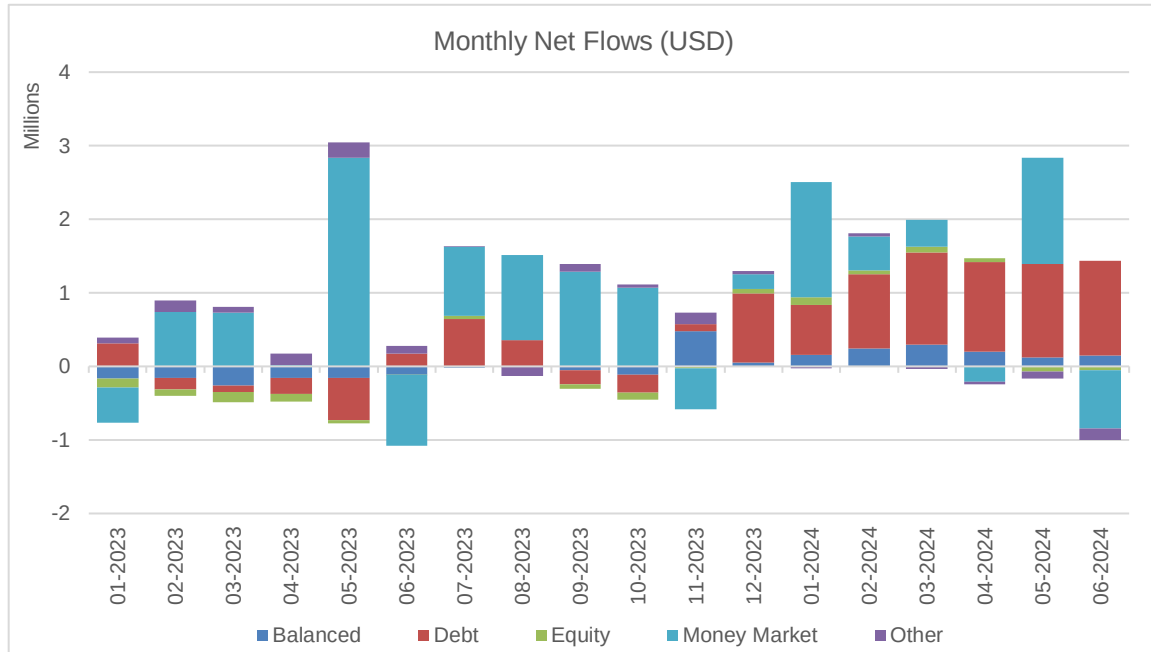
10% of the industry assets. The foreign investment was made mostly through balanced and equity funds. Analyzing the foreign investment, most of the industry resources are allocated in the USA. A table below shows foreign investment by region.



Foreign investment by region, million USD				
Region	Dec. 2022	Jun. 2023	Dec. 2023	Jun. 2024
North America	3,179	2,612	3,006	4,309
East Asia & Pacific	949	897	720	731
Europe & Central Asia	736	775	761	883
Latin America & Caribbean	682	616	591	593
Other	738	776	830	1,112

3. Key trends in flows and assets under management

In line with the evolution of AUM, the industry overall has experienced positive net flows. The main drivers of positive net flows are debt fund flows (in the first half of 2024) and money market fund flows (mainly in 2023). Over the reporting period (2023 to mid-2024), the industry has accumulated positive net flows of over 18 billion USD. Money Market funds have accumulated 9.8 billion USD between January 2023 and June 2024 and debt funds accumulated 7.8 billion USD during the same period. The only type of fund that accumulated negative net flows corresponds to equity funds, with -0.4 billion USD in the period.



4. Product developments

ESG

There is growing awareness around sustainability, which has led the industry to adopt a variety of investment commitments aligned with ESG principles. Currently, 93% of the financial institutions associated with the Chilean Association of Mutual Fund Managers adhere to the Principles for Responsible Investment (PRI), with some also adopting additional climate-related standards established by various non-governmental organizations.

The Association's Sustainability Committee conducted an ESG survey among all its members to gather information on how asset management firms (AMFs) manage sustainable investments and to identify areas for improvement. The survey highlighted progress in ESG implementation, with 82% of AMFs having a formal document that defines the company's sustainable investment policies. However, the diversity of approaches presents challenges in establishing common frameworks and making meaningful comparisons.

The main conclusion of the survey was the continued commitment of members to integrating ESG factors into their processes, ensuring that these considerations are present before translating them into products with sustainable objectives.

Funds Comparison Tool.

A fund comparison tool has been developed by the Association for retail investors with basic financial knowledge. The tool provides easy access to key information such as risk, risk-adjusted returns, historical performance, investment costs, and entry requirements like minimum investment amounts. It also highlights specific features, such as whether a fund is aimed at voluntary pension savings or only allows contributions through digital platforms. Furthermore, it ensures that funds are compared within the same category, preventing inappropriate comparisons.



Fondo	AGF	RUN	Serie	Categ. AFM	Riesgo	Anual	5Años	TAC	(MS)	APV	Digital	RAR
All	All	All	All	All	All	All	All	All	All	All	All	All
Conservador												
Lifetime 2030	Principal	8252	B	Balanceado Agresivo	R4	11,40%	36,60%	1,74%	0	Si	No	
Lifetime 2040	Principal	8600	B	Balanceado Agresivo	R5	13,49%	42,57%	1,74%	0	Si	No	3 Estrelli
Portafolio Conservador	Scotia	8886	CLASICA	Balanceado Conservador	R4	4,91%	16,50%	1,74%	0	No	No	2 Estrelli
Cartera Dinámica Conservadora	BCI	8638	CLASI	Balanceado Conservador	R4	6,46%	22,01%	1,75%	5	No	No	4 Estrelli

Product Trend

In the most recent period, we observe the stability of debt funds, particularly money market funds, which account for around 48% of total AUM. It is also important to highlight short-term debt funds, specifically those with durations of less than one year, which have experienced annual growth in AUM and the number of investors of 156% and 20%, respectively. This growth can be attributed to the current interest rate environment, its trajectory, and the decreasing appeal of term deposits.

5. Regulatory and self-regulatory developments

5.1 Regulatory

In line with the market development and depth that the mutual fund industry represents for the economy, now accounting for 22.3% of GDP, funds have become a target for strengthened regulation by the regulator. Additionally, following the enactment of the Fintech Law, which aims to foster competition within the financial industry and, at the same time, regulate the financial services provided by financial technology institutions, as well as their organization, operation, and functioning, the need for increased oversight has grown. The primary goals of this law include ensuring consumer protection and financial system stability, while also promoting competition and financial inclusion. In line with these objectives, the regulator has issued a series of regulations on the subject, establishing the regulatory and supervisory framework for the Fintech Law.

As a result, in recent months there has been an intense regulatory agenda, focusing on:

Corporate Governance and Risk Management (NCG 507; 510)

These regulations aim to strengthen the requirements for corporate governance and comprehensive risk management in various areas, such as operational risk, information security and cybersecurity, business continuity, outsourcing of services, reporting of operational incidents, among others. These rules raise the required standards to date and reinforce the regulator's control mechanisms.

Minimum Content for Related-Parties Transactions (NCG 501)

This regulation seeks to enhance the standards for transactions with related parties by refining the criteria that entities must consider when assessing whether specific operations are customary and part of the ordinary course of business. It establishes minimum requirements for policies on recurring transactions and regulates the public disclosure of related-parties transactions that have been conducted.

Accreditation and suitability of individuals and systems related to the Fintech Law.

The regulator issued an update to the regulations, redefining the requirements for certifying the competence and knowledge of financial professionals. This regulation, which will take effect in January 2025, incorporates improvements proposed by the AFM, focusing on the importance of continuous knowledge updates and

aligning with international standards that combine initial exams with periodic refreshers. As part of the accreditation process, candidates must pass an initial exam that assesses both technical knowledge and an understanding of ethical business standards. Additionally, a continuous training program is required, which must be periodically approved to maintain active accreditation.

It is important to note that these requirements are extended to all participants in the financial market under the framework of the Fintech Law, including influencers.

Open Finance (NCG 514)

Regulations have been published that establish the general framework for the implementation of an Open Finance System, which aims to promote interoperability and the secure, transparent, and customer-centric exchange of financial data. This system will empower consumers of financial services to have greater control over their data and facilitate competition and innovation in the financial sector. The implementation of this system will be gradual, depending on the role of each participant. By the end of 2027, the transfer of information from banks and card issuers will operate, and by mid-2029, it will be operational for the rest of the participants, including mutual fund administrators. The regulatory development for the technical aspects of implementation is currently underway.

ESG Information Disclosure Standards (NCG 461)

This regulation establishes new information requirements for securities issuers regarding environmental, social, and governance (ESG) criteria. It aims for companies to disclose how these factors are integrated into their business strategy, risk management, and performance. Specifically, it requires companies to publish information related to their environmental impacts, sustainability policies, corporate governance, and social aspects, in order to enhance transparency and facilitate decision-making for investors who consider ESG criteria in their analyses. This regulation will take effect for fund administrators for the annual report 2024 to be published in 2025.

Capital Markets Resilience Law

In addition to this regulatory agenda from the authority, the Capital Markets Resilience Law was published, along with the development of the REPO operations market, as part of a series of structural reforms aimed at modernizing and strengthening the Chilean financial system, particularly following the lessons learned from past crises (such as the pandemic or global financial crises). These measures seek to enhance the stability, liquidity, and efficiency of the capital markets in Chile, as well as promote competitiveness and integration with international markets.

The central objective of the law is to strengthen the ability of the Chilean capital markets to withstand external shocks and ensure their continuous operation, even in crisis situations. Key measures include:

- Strengthening supervision and regulation
- Increasing market liquidity
- Promoting international financial integration
- Modernizing financial infrastructure
- Establishing the foundations for the development of the REPO market

The Economic Crimes Law in Chile

This law was enacted in August 2023 and represents a significant reform of the country's economic criminal system, aimed at combating economic and corporate crimes with greater rigor. This law imposes stricter penalties and establishes clearer responsibilities for both individuals and legal entities (companies).

5.2 Self-regulatory

Self-Regulation of Structured Funds:

New self-regulation standards have been established for the dissemination of information regarding structured mutual funds (those funds that, according to their investment policy as outlined in their Internal Regulations, aim to achieve a predetermined, fixed (nominal or real) and/or variable return over a specific period, based on the conditions defined in their Internal Regulations). Furthermore, these funds may or may not be structured, provided they meet the requirements set forth by the CMF, which must be specified in their internal regulations.

In this regard, a new agreement seeks to ensure that the target returns offered by these funds—whether structured or not—are clearly stated in the text with immediate visibility and equal prominence as the fund's structuring term for calculating such returns. Additionally, a proportional return on an annual basis must be indicated in cases where the projected investment and the basis for calculating the offered return are for a longer term. This agreement was discussed and developed in late 2023 for formalization and implementation in 2024.

6. Corporate governance – major developments

6.1 ESG

The association participated and made progress on the following ESG-related items:

Creation of AFM Sustainability Committee

A Sustainability Committee was formed to raise concerns and anticipate eventualities affecting the industry. This committee has the support and supervision of Board member and begun sessions in March 2023.

Green finance roundtable

The Ministry of Finance followed up on the commitments of the different market players subscribed to in the green agreement. On 2023, this instance resumed its activities on July 6, 2023. The aim is to continue the collaborative work of this initiative and follow up on the commitments acquired under the Green Agreement. In recent months, the "Green Finance Roundtable" has been making progress through Thematic Working Groups (TWG), which address specific topics to distribute the workload and advance efficiently:

- Support for the Implementation of the Taxonomy
- Green Financial Products and Debt
- Decarbonization
- ESG Risk Management
- Disclosure and Compliance

ESG labeling

Due to the absences of standards, a significant aspect is the need to establish common elements regarding ESG that facilitate, for the industry, access to complete and comparable information. In this regard, the Association is working on a self-regulatory agreement that aims for an ESG labelling criteria. This labelling

will be essential to provide transparency to investors, facilitate comparisons between funds and ensure that ESG practices are consistent and verifiable throughout the market.

6.2 New standards and control mechanisms on corporate governance, integral risk management, and operational risks (<https://www.cmfchile.cl/portal/principal/613/w3-article-81134.html>)

Regulations on corporate governance and integral risk management set forth requirements regarding roles and responsibilities of the Board of Directors or its equivalent; on entities' policies and procedures and govern risk management and internal audit functions, among other matters.

- **General Rule No. 507**, which applies to General Fund Managers (GFMs), involves updating current rules and regulations. Rule states that such entities perform adequate risk management on issues like security information and cybersecurity; business continuity; externalization of services; and reporting operational incidents and losses. This aims to have a more robust securities market and safeguard the stability of the financial system, including participating clients.
- **General Rule No. 510** gives instructions on operational risk management for GFMs, Stock and Commodity Exchanges; Financial Instruments Clearing and Settlement System Management Companies; and Securities Depository and Custody Companies.

7. Fund governance

As part of its self-regulatory commitment, the Association developed a fund categorization system in 2007 based on effective investment strategies and similar investment policies, aiming to provide a more solid foundation for comparing funds. This system has evolved alongside the growth of the industry and is currently being updated to reflect the latest market changes. This update will ensure that the categorization remains relevant and effective for investors, enhancing the clarity of information and facilitating informed decision-making that aligns with their financial goals.

8. Other major issues and developments

8.1 Education and information

Financial education is a priority for the Association of Mutual Funds, not only as a manifestation of our social responsibility, but also for the sustainability of the industry. Over the years, various initiatives have been developed, intensifying our commitment to this matter. We want to reduce the rates of financial illiteracy of the population, since such illiteracy generates a gap between the market and its products, resulting in people making erroneous financial decisions and impacting their wellbeing and quality of life. With our initiatives, we try to reach different age groups and conditions. To date, the AFM has elaborated collaboration proposals for more than 300 education institutions and municipalities, working or expecting to work closely with them in financial education activities.

Educational campaigns for schools:

Since 2015, the Association of Mutual Funds (AFM) has made available to schools a financial education program called “A Fondo en mi Futuro” (“A Fund for My Future”), which has been successfully implemented to teach children and young people the importance of saving.

In this workshop, participants learn about financial planning and budgeting, the role of financial institutions and organizations in the market, available saving and investment instruments, their characteristics and relationship with risk, as well as responsible borrowing and spending. Additionally, they are informed about their rights as financial consumers and about aspects of cybersecurity to protect against risks. The course has been conducted in 13 of the 16 regions of the country, including Tarapacá, Antofagasta, Coquimbo, Valparaíso, Santiago, O'Higgins, Maule, Biobío, Los Ríos, Los Lagos, La Araucanía, Aysén, and Magallanes.

This year, we have experienced a 24% increase compared to 2023. It is important to mention that this program is provided at no cost to schools.

Digital Media

Since 2014, the AFM has been present on the Facebook pages of AFondochile and FondosmutuosCL, respectively, and on the LinkedIn page called Fondos Mutuos Chile. At the same time, progress has been made in establishing an active presence on Instagram with the association's account, @fondosmutuoschile, where financial education content is disseminated. On the website www.afondochile.cl, financial education is addressed using simple and clear language, in addition to covering various key aspects associated with investing or saving through mutual funds.

This association has a new statistics portal with improvements in the graphical interface and a direct connection to the regulator's (CMF) database. Soon, we will launch a new main website, updating technologies to stay at the forefront of current technological trends.

Financial Education Award (PEF, by its acronym in Spanish):

For ten years, the Association has organized the PEF (Financial Education Award by its acronym in English), which recognizes excellence, rigor, and quality in financial journalism, with a specific focus on articles related to savings and investment. This award highlights the importance of high-quality reporting in the financial sector and celebrates the contributions of journalists who provide valuable knowledge and information to the public. By recognizing the work of those who contribute to financial education through the dissemination of quality information, the PEF award reinforces the Association's mission to foster a culture of financial literacy that benefits society.

Mystery shopper study:

In order to enhance the availability and clarity of information, we have once again conducted the mystery shopper study, a practice we undertake every two years. The purpose of this study is to provide useful tools to asset managers to optimize the investment experience, both for investors who visit an institution in person and for those who conduct their transactions through digital platforms (websites and mobile applications). Simply put, we aim to ensure that the investment process is intuitive and that key information is always accessible, particularly in digital channels, given their current significance. Additionally, we seek to ensure that suitability elements are properly implemented in the new platforms, enabling investors to navigate and make informed decisions.