

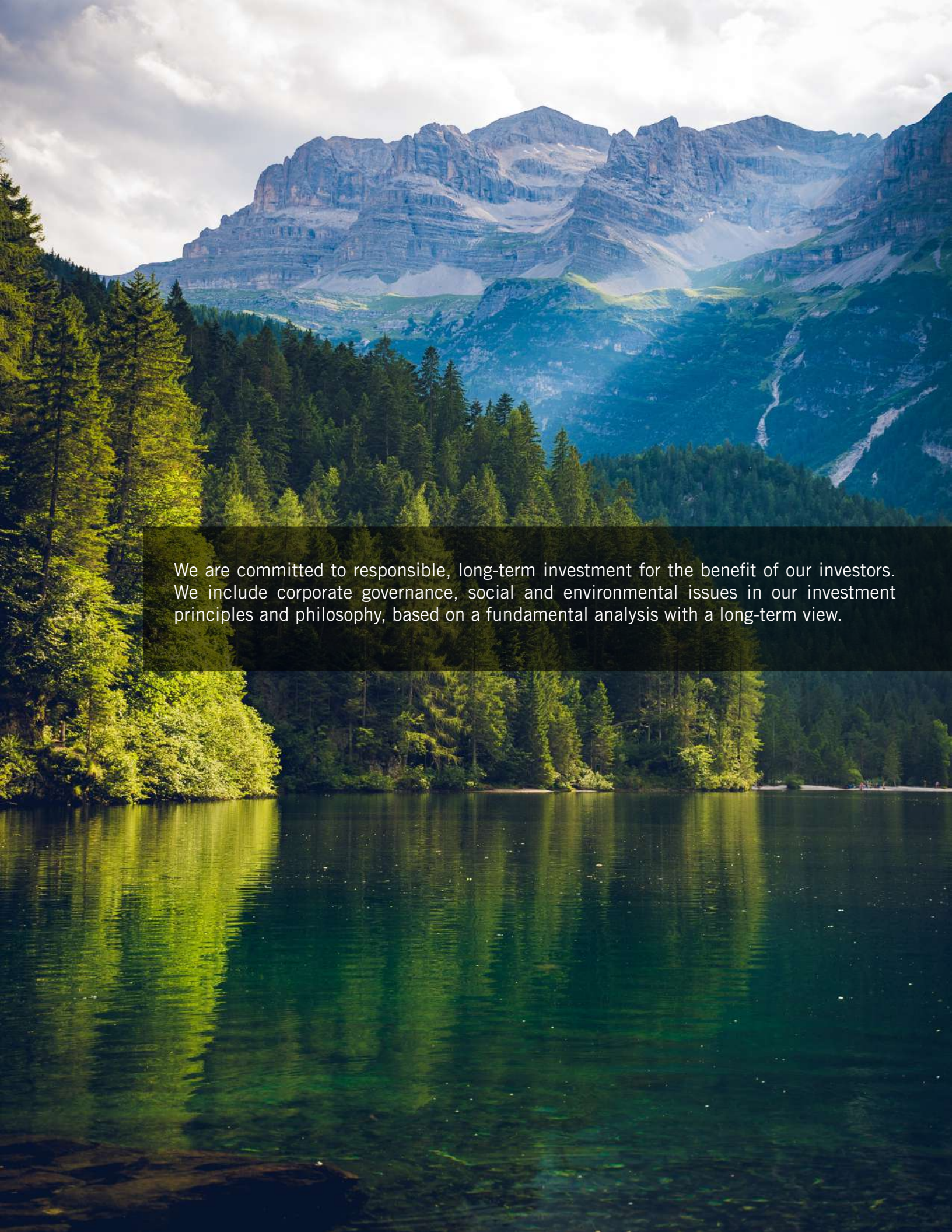


MONEDA | 25
ASSET MANAGEMENT AÑOS

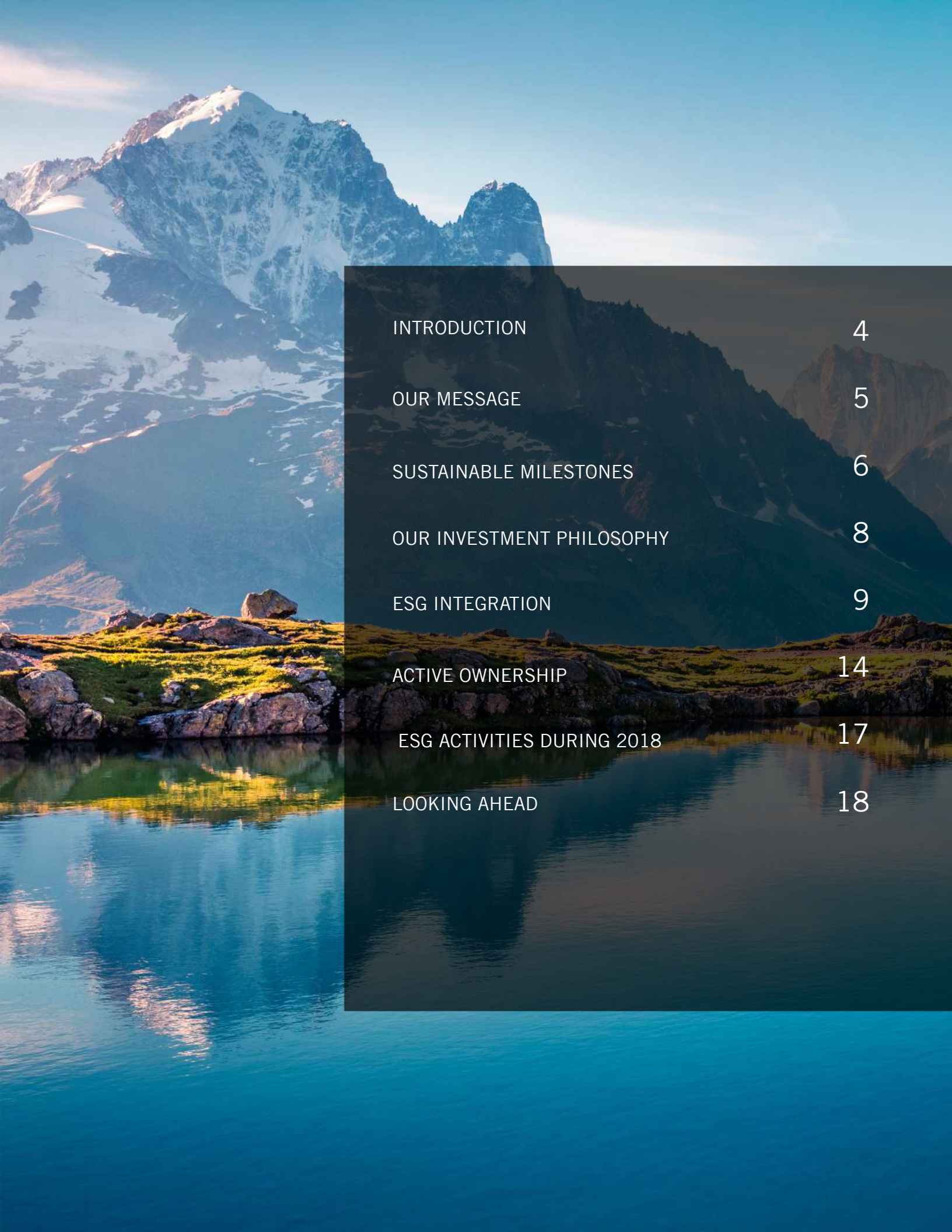
ANNUAL RESPONSIBLE INVESTMENT REPORT 2018

OUR COMMITMENT TO ESG





We are committed to responsible, long-term investment for the benefit of our investors. We include corporate governance, social and environmental issues in our investment principles and philosophy, based on a fundamental analysis with a long-term view.



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INTRODUCTION

MONEDA ASSET MANAGEMENT is a specialist asset manager with a regional focus on LATAM and a track record of 25 years. We are the largest independent asset manager in Chile, currently managing USD 10 billion assets on behalf of our clients.

Our investment philosophy is based on a long-term approach to fundamental analysis, including ESG - environmental, social and corporate governance-issues and it is implemented by one of the region's largest dedicated investment teams.

Our clients include private and institutional investors -pension funds, insurance companies, sovereign funds, family offices, amongst others- in Chile, Latin America and the rest of the World.

We have a track record as an active investor committed to sustainability, good corporate governance, and socially responsible practices. We are the first asset manager in Chile to become a signatory of the UN supported Principles of Responsible Investment, and through this pledge we are committed to continue developing the inclusion of corporate governance, environmental and social issues within our investment analyses as well as promoting such practices in Chile and throughout the region.

This report explains our commitment to responsible investment and how we integrate ESG in our investment process. You will find our approach to ESG integration, a summary of our engagement, as well as specific engagement cases. This report summarizes Moneda's activities during 2018.

OUR MESSAGE

Dear clients,

At Moneda Asset Management (“Moneda”), we are honored to present to you our first Annual Responsible Investment Report.

We are long-term investors with an extensive track record on the fulfillment of our fiduciary duty. When investing with a long-term horizon, evaluating the financial and non-financial risks of such investments is fundamental. Therefore, at Moneda, we believe that a responsible investment strategy necessarily entails considering environmental, social, and governance (ESG) issues in our investment decisions to mitigate risks and generate sustainable returns over time. Climate change, environmental emissions, working conditions, employee diversity, corruption, and aggressive fiscal strategies are ever more significant in the performance (and continuity) of companies embedded in a globalized world.

2018 was a year filled with learning experiences, great achievements, and milestones that will become an important part of our history. This past year, we set up to strengthen our responsible investment strategy, and so we expanded the internal human resources dedicated exclusively to the analysis of ESG matters and we partnered with Sustainalytics® for our external research. In April, we became the first Chilean asset manager to sign the UN-supported Principles for Responsible Investment (PRI) and we were invited to join the PRI’s Latam (ex. Brazil) Advisory Committee. We developed proprietary tools that allowed for the systematization of our analyses and we increased the number of ESG topics discussed during company dialogues to better understand their overall behavior. For all of this, in addition to our efforts in the last few years, we were won all categories in the 2018 ALAS20 awards.

We firmly believe that responsible investment is no longer a niche philosophy and in the coming years it will become a fundamental aspect of global investment strategies. Through the PRI, more than 2,300 signatories with over USD 86 trillion assets under management have committed to continue investing these assets through responsible investment principles. Furthermore, the latest Global Sustainable Investment Review, published by the Global Sustainable Alliance, points out that nearly half of the assets in Europe, Canada, and Australia/New Zealand are managed under a responsible investment approach and that responsible investing assets in developed markets have grown by 60% between 2014 and 2018.

We still have a long road ahead of us in Latin America, even though there has been an increase of clients and investors who are concerned with ESG issues. On the other hand, we know that the number of companies that have started considering and evaluating their ESG performance has increased, although many of them are not publicly reporting it.

Our commitment for 2019 is to continue to evaluate companies under ESG standards and include this analysis within our investment processes. We are confident that by doing this we will generate a virtuous cycle where more companies will incorporate sustainable practices and at the same time more investors will consider these factors in their investment decisions. Local and global institutional investors are ever more demanding on manager selection and their integration of ESG issues on investment analyses and decisions. We take this as a motivating challenge that drives us towards continuous improvement.

We are proud to be leading the movement towards responsible investment at a local level, to encourage companies to integrate ESG aspects in their business strategy, and to continue working side by side with the PRI in promoting responsible investment in Latin America.

Moneda Asset Management



SUS TAI NABLE MI LES TONES

1993

Moneda is co-founded with the IFC of the World Bank

Since our inception, we have focused on governance issues.

1996

Chispas Case

We consider this to be our first approach to active ownership and specifically to minority shareholder's rights, as we led the opposition to this transaction with other shareholders.

2000

Public Takeover BID (PTB) Law in Chile

Moneda executives participated in the congressional discussion in favor of a new PTB Law in Chile that sought to increase the transparency of takeover bids and control the use of privileged information.

2016

Formalization of our ESG Policy

We formalized our inclusion of environmental, social and governance factors through our ESG Policy our ESG Policy.

ALAS20 Awards

Moneda won the award for best Board Director of Leading Institutional Investor in Responsible Investment.

2018

February

Team exclusively dedicated to ESG

2018

April

Signature of Principles of Responsible Investment

Moneda becomes the first Chilean Asset Manager to sign the Principles for Responsible Investment (PRI).

2018

May

**Contract with Sustainalytics®
Internal ESG questionnaire**

2018

August

Signatory of the PRI's Statement on ESG in Credit Ratings

Moneda becomes the first Latin American PRI signatory to sign the ESG in Credit Risk Ratings Initiative.

2018

September

Part of the Latin American Advisory Committee for PRI

Moneda is part of this Committee alongside seven other signatories of the region, participating in at least three meetings per year, to promote and support responsible investment in the region.

2018

December

Leading institutional investor in responsible investment ALAS20 awards

Moneda won all categories concerning Chilean institutional investors in the ALAS20 awards, a sustainable leaders agenda that promotes and recognizes companies, investors and professionals who actively contribute to sustainable development in Latin America.

2019

May

First Annual Responsible Investment Report is released



OUR INVESTMENT PHILOSOPHY

We invest in companies across their capital structure, searching for investment ideas throughout the region with a country and industry agnostic approach. Our mission is to create value for our clients through higher-than-market returns over the long term. To accomplish this, we base our investment decisions on fundamental bottom-up company analysis with a long-term approach.

As long-term owners, our company analysis involves in-depth knowledge of companies, their economics, industry dynamics, ownership structure and management, as well as an understanding of the competitive environment in which firms conduct their business.

Also, given our long-term approach, we take into consideration a broad base of risks and opportunities in our investment analysis, including environmental, social and governance (ESG) aspects, which under our consideration contribute to generate a solid conviction when making an investment decision.

We incorporate ESG factors in our investment analysis as we believe that a company's social impact, environmental practices and governance are key to protect and potentially enhance its profitability over the long run. Moreover, we consider that ignoring these factors implies overlooking risks and opportunities that may significantly affect long term growth and cash flow predictability.

		GREAT	OK	BAD
BUSINESS	ROI vs WACC ROE vs KE	ROI >> WACC ROE >> Ke	ROI = WACC ROE = Ke	ROI << WACC ROE << Ke
	Competitive Advantages	Identifiable & Sustainable	Identifiable but fading	Not detected
	Business Model	Pricing power	Market pricing	Price taker
	Growth prospects	Value Additive	Neutral	Value destroyer
	Capital Structure	Efficient	Average	Inefficient
	Cash Flow Volatility	Low	Medium	High
	Refinancing /Liquidity	Low Risk	Medium Risk	High Risk
	VALUATION	Events	Low dependency	Dependant
Valuation		Fair	Discount	Avoid / Large Discount
Assets Disposal		Good Value	Ok Value	Large impairment
ESG	Environment	Friendly	Neutral	Unfriendly
	Character / Alignment of Interests	Superior	Average	Poor
	Social	Positive impact	Minor Impact	Negative Impact
	Governance	Good practices	Standard Practices	Bad Practices





ESG INTE GRA- TION

The integration of ESG factors within our investment decisions is done across all funds and asset classes. We do not focus our efforts in one specific ESG fund or asset class. Instead, we aspire to achieve full ESG integration into all our investments, whether they are part of an equities or fixed income strategy. We understand this to be a process that will certainly be beneficial in the long run for our clients and that is why we believe in the gradual, but steady development of our ESG integration strategy.

The results of the analysis are summarized in our proprietary investment analysis framework (above), which favors companies with sustainable competitive advantages over long periods of time. Overlooking ESG-related corporate practices may eventually deteriorate the economics of the underlying business and hinder management's ability to foresee, and mitigate, non-financial risks.

WHAT DO WE MEAN BY ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE?

1. ENVIRONMENTAL

- Environmental management
- Environmental emissions
- Climate change
- Biodiversity
- Environmental supply chain management



2. SOCIAL

- Health & safety management
- Diversity and discrimination
- Human rights & child labor
- Labor and community relations
- Social supply chain management



3. CORPORATE GOVERNANCE

- Board functioning & independence
- Business ethics
- Executive compensation
- Minority shareholder's rights
- Management of ESG risks



ESG ANALYSIS

Currently, we carry out our ESG analysis at an issuer level, regardless of asset class, and the process is divided into two main phases:

PHASE I: DATA COLLECTION AND INITIAL ANALYSIS



PHASE II: ESG PERFORMANCE AND MAIN ESG ISSUES



COMPANY LEVEL ESG REPORT

We develop an ESG report for each company which includes an ESG Score, red flags, general behavior for each ESG pillar, specific behavior in ESG issues affecting the company's sector and historic matters that have affected the company.

EXAMPLE: COMPANY A ESG ANALYSIS

ESG SUMMARY

Red Flags: Minority Shareholders' Rights

Outlook: Neutral

Risk: Negligible / Low / Medium / High / Severe

Company A is an airport concession operator currently administrating airports in different Latin American countries.

The Company is at low risk of experiencing material financial impacts from ESG factors, due to its low exposure and average management of material ESG issues. Its management has not resulted in significant controversies for the company and ultimately the company's favorable risk assessment is due to its low exposure to ESG issues.

ESG PILLARS

ESG	Environment	Friendly	Neutral	Unfriendly
	Social	Positive Impact	Minor Impact	Negative Impact
	Governance	Good Practices	Standard Practices	Bad Practices

ENVIRONMENT

- Airports totaling 70% of revenues have an environmental management system certified under ISO 14001.
- The Company's environmental issues are overseen by the Infrastructure and Normativity Department, suggesting that they are integrated into Company A's core business strategy.
- However, most indicators disclosed have had a negative trend in the past 3 years, which is consistent with the average measures in place to reduce water consumption, greenhouse gas (GHG) emissions and hazardous/non-hazardous waste and the protection of biodiversity.



SOCIAL

- There is no evidence of a health and safety system in place, although the recurrence of accidents has been reduced in the past 3 years.
- Company A reveals good understanding of the importance of community relations, but all measures to strengthen them are philanthropic programs rather than consultation processes, feedback gathering or social development programs.
- Policy of fair treatment towards employees is supported by good employee benefits, but lacks focus on human capital development and training.

GOVERNANCE

- Company A's Board of Directors has above average functioning, with annual elections, 56% of its members considered independent, and separation of roles between CEO and Chairman. However, there are different class shares, one of which (AA - 100% owned by controller) has the right to appoint two Board members, remove the CEO, appoint and remove half of the executive officers, and veto rights, which leaves minimal space for minority shareholders' rights.
- There is an Audit Committee with majority independent members and a Contracts and Acquisitions Committee which is responsible for the revision of related party transactions. However, the latter does not have a majority independence and class AA shareholders are entitled to elect one of its members. Currently, this member is Mr. John Doe, Chairman of the Board and full owner of AA shares and of 16.4% of Company A's shares.
- The Company has a standard policy prohibiting corruption and monitors cases related to business ethics. In 2017, the contracts of eight employees were terminated due to ethical misbehavior. In 2016 and 2015, two employees were terminated for the same reasons.



ACTIVE OWNERSHIP

As part of our philosophy and responsible investment strategy, we firmly believe that the incorporation of ESG factors within the investment analysis decreases the chances that an unforeseen risk affects future returns of an asset. In turn, ESG analysis can also be beneficial in recognizing issuers that may become potential investment opportunities when either their ESG performance is not priced within their market price or when they have the capability of improving their ESG performance but have not done so yet.

Our Latin American focus has allowed us to have a relatively small investment universe and to cultivate valuable rapport with management through time. Taking advantage of this, our strategy focuses not only on filtering out investments that present a poor ESG performance, but most importantly it focuses on having an active ownership approach to our investments. Namely, we are in direct communication with companies, we engage with them to improve their performance, and we exercise our right to vote as to steer the direction of the company towards a more sustainable future, whenever possible.

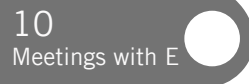
COMPANY DIALOGUES AND COLLABORATION

In 2018 we registered approximately 250 corporate meetings and calls with company management or their investor relations department. We use these meetings to gather better information about the company, inquire about specific concerning issues and how the company plans on resolving them and even point out situations that management has not foreseen or addressed yet. Out of the 250, at least 71 corporate meetings involved discussions over environmental, social or governance issues such as remediation plans for environmental disasters, employee turnover and union agreements or management compensation. Traditionally, Moneda has had a focus on the corporate governance behavior of the companies in which it invests. Added to the relevance of governance issues in the Latin American region, most corporate meetings held in 2018 included a governance aspect. Our goal for 2019 is to increase the rate of meetings that also include environmental and social aspects.

DIRECT ENGAGEMENTS

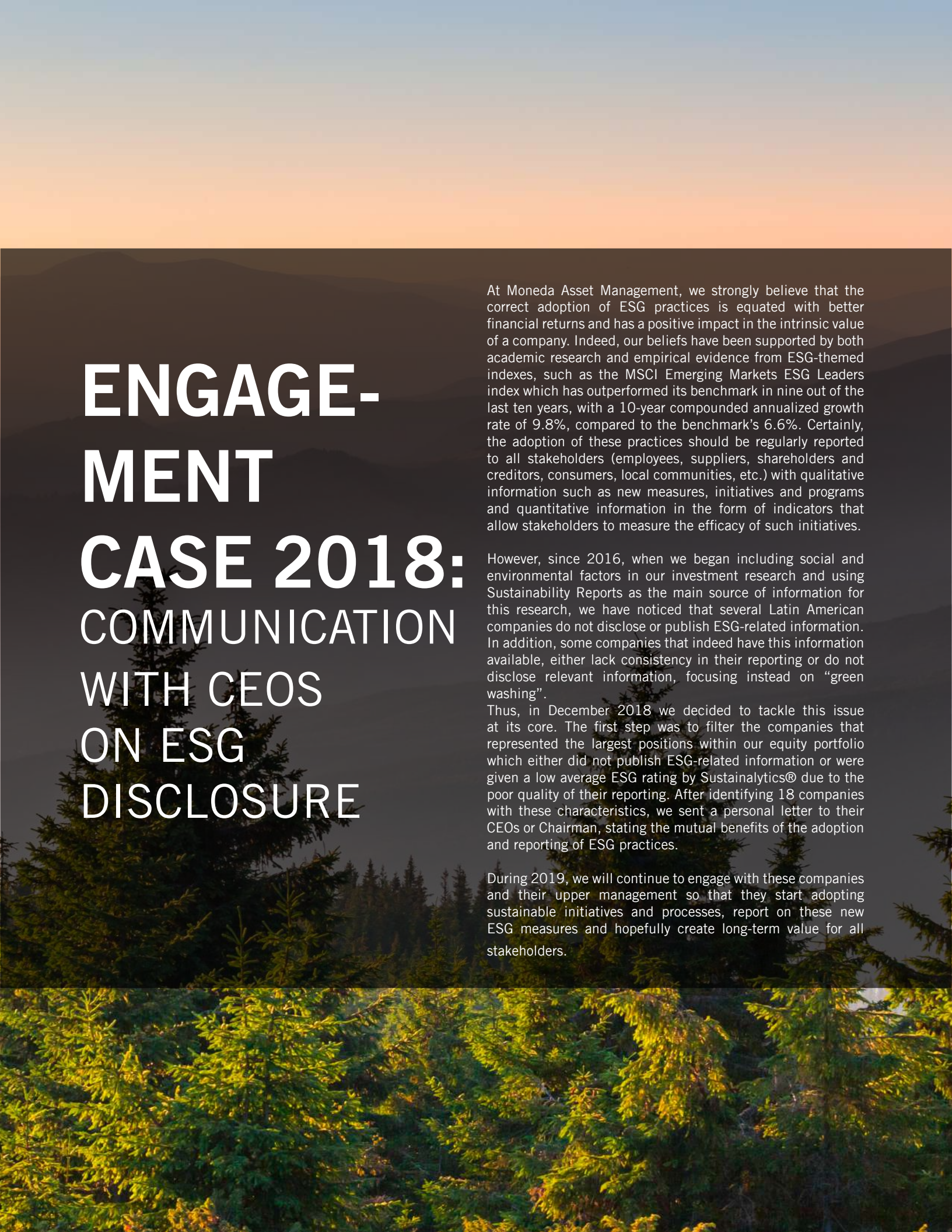
Besides our regular and direct communication with companies, we also engage with them to improve their ESG performance. We understand engagement as the process by which investors or creditors seek to promote corporate changes in companies to enhance their value or correct specific weaknesses through positive rapport and constructive feedbacks. These changes could be as straightforward as developing a CEO succession plan or more complex and exhaustive, such as the implementation of a new certified environmental management system. Altogether, the basic principle of an engagement is that of mutual agreements and benefits rather than one of unilateral imposition.

During 2018, we carried out nine overall engagements with 27 companies. The main engagement themes during the past year were: quality of reporting; management succession plans; and related party transactions policies and procedures. Following is the breakdown of individual engagements by topic.



The sum does not add up to 100% because one meeting could involve more than one aspect.





ENGAGE- MENT CASE 2018: COMMUNICATION WITH CEOS ON ESG DISCLOSURE

At Moneda Asset Management, we strongly believe that the correct adoption of ESG practices is equated with better financial returns and has a positive impact in the intrinsic value of a company. Indeed, our beliefs have been supported by both academic research and empirical evidence from ESG-themed indexes, such as the MSCI Emerging Markets ESG Leaders index which has outperformed its benchmark in nine out of the last ten years, with a 10-year compounded annualized growth rate of 9.8%, compared to the benchmark's 6.6%. Certainly, the adoption of these practices should be regularly reported to all stakeholders (employees, suppliers, shareholders and creditors, consumers, local communities, etc.) with qualitative information such as new measures, initiatives and programs and quantitative information in the form of indicators that allow stakeholders to measure the efficacy of such initiatives.

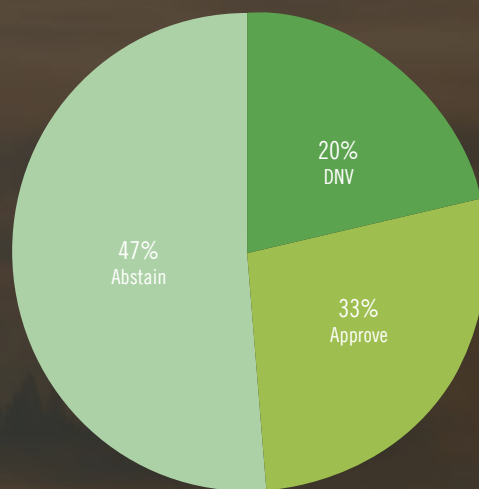
However, since 2016, when we began including social and environmental factors in our investment research and using Sustainability Reports as the main source of information for this research, we have noticed that several Latin American companies do not disclose or publish ESG-related information. In addition, some companies that indeed have this information available, either lack consistency in their reporting or do not disclose relevant information, focusing instead on "green washing".

Thus, in December 2018 we decided to tackle this issue at its core. The first step was to filter the companies that represented the largest positions within our equity portfolio which either did not publish ESG-related information or were given a low average ESG rating by Sustainalytics® due to the poor quality of their reporting. After identifying 18 companies with these characteristics, we sent a personal letter to their CEOs or Chairman, stating the mutual benefits of the adoption and reporting of ESG practices.

During 2019, we will continue to engage with these companies and their upper management so that they start adopting sustainable initiatives and processes, report on these new ESG measures and hopefully create long-term value for all stakeholders.

EXERCISING OUR VOTING RIGHTS

Finally, we use voting in shareholder general meetings to exercise our minority shareholder rights and with the intention to guide a company's management towards what we believe is the correct path to create long-term value for all stakeholders. In Chile, we attend all meetings in person (a total of 60 in 2018) and vote on all of them that elect directors. Our goal is to vote on all our Latin American holdings as well. Regardless, given the ownership structure of most Latin American companies, where there is a controlling shareholder/family that controls the Board of Directors, voting in extraordinary resolutions (changes in bylaws, capital increases, mergers and acquisitions, new corporate policies, etc.) becomes a more powerful active ownership tool. In 2018, we received notice for 45 meetings, that included extraordinary resolutions.



ESG ACTIVITIES DURING 2018

PRI IN PERSON – SAN FRANCISCO, USA

September 2018.

The PRI in Person is the largest sustainable investment conference of its kind. Spanning over several days, it brings together PRI signatories and other investment professionals once a year to discuss current ESG-related topics, share their experiences and learn from the experiences of others, while also establishing collaborations networks.

We spoke on a panel discussing current and future sustainable investment trends in Latin America, the ESG-related risks and opportunities of investing in the region and share our experience as new PRI signatories and only asset manager signatory in Chile.

RESPONSIBLE INVESTMENT SEMINAR, PRI – SANTIAGO, CHILE

November 2018

Under the title “Responsible Investment: who cares?”, this seminar organized by the PRI centered on sharing and examining the current conditions of responsible investment and sustainable finance in Chile, presenting concrete cases of ESG analysis, and the incorporation of these issues when investing in different asset classes.

As part of the event’s key speakers, we shared our responsible investment philosophy, and how our focus on ESG has developed over the years and helped us to manage investment risks in Latin America.

SUSTAINABLE FINANCE SEMINAR, 2ND ANNUAL CLIMATE WEEK CHILE-SANTIAGO, CHILE

October 2018.

As part of the 2nd Annual Climate Week in Chile, the “Sustainable Finances: a view from different angles” seminar focused on presenting different views on sustainable finance and its implications, climate change risk evaluation and its relationship to the TCFD (Task Force for Climate Change Disclosure), and the emergence of sustainable financial instruments in Chile such as green or social bonds.

We presented our perspectives as the first asset manager in Chile to sign the PRI, how we integrate ESG factors within our investment decisions and the importance of this integration in the current investment climate.

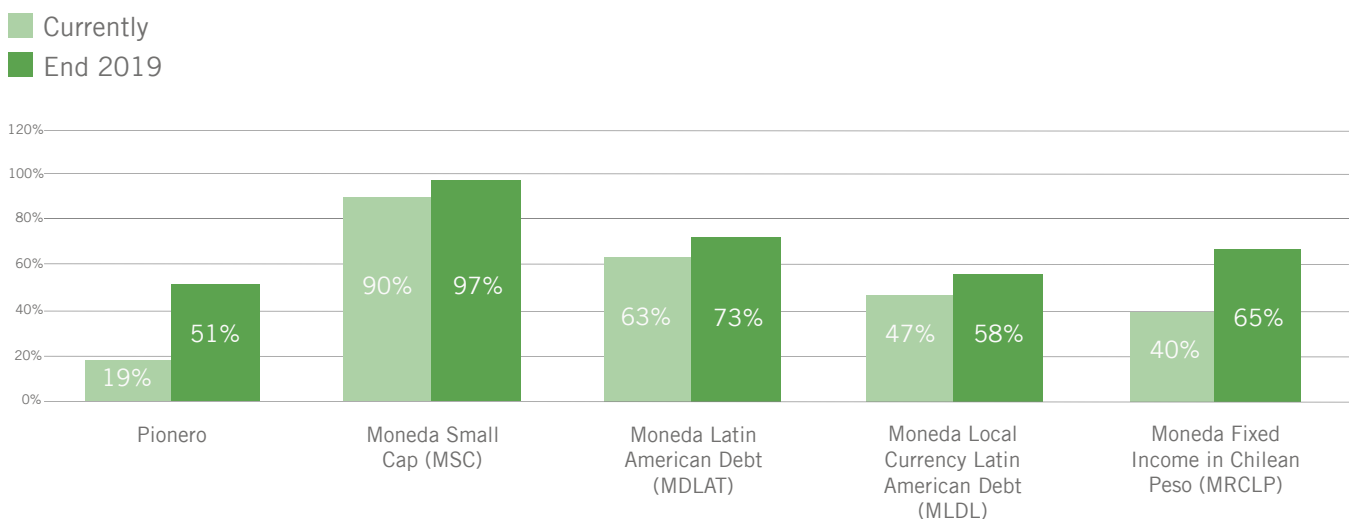


LOOKING AHEAD

For 2019, we hope to continue to enhance all aspects of our ESG integration process as well as our active ownership strategy.

ESG Coverage:

Currently, ±56% of our equity strategy and ±55% of our fixed income strategy (not considering sovereign bonds) are under internal and/or external ESG research. Our equities research is largely affected by the presence of a large number of small cap companies, especially in Chile. On the other hand, fixed income portfolios include private companies and sovereign bonds that are not covered under external research partners. Regardless, our goal for 2019 is to continue increasing the research coverage for both strategies and focusing on our largest portfolios:



-Voting on General Meetings:

As part of the enhancing of our active ownership strategy, we are working towards increasing the number of meetings in which we vote for our Latin American assets. To further consolidate and systematize our voting system, in 2019 we will develop an internal Voting Policy. This will help us in expediting the voting process and be consistent with our investment philosophy.

-Direct Engagements:

We will continue to engage with companies on their disclosure of ESG matters as we believe this to be a critical aspect to be developed within the region. In addition to this, other topics will arise, and we plan on tackling these new issues and make use of our strong relationships with issuers to do so.





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ASSET MANAGEMENT

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