

Fondo de Garantía de Sustentabilidad

FGS

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COUNTRY INFORMATION

ARGENTINA – MACROECONOMIC DATA

- **Population (2017 est.):** 44 million
 - Females, 51%; Males, 49%
 - Age structure:
 - 0-14 years 25%
 - 15-49 years 50%
 - 50-64 years 14%
 - 65 years and over 11%
- **Area:** 3.8 million sq. km
- **Currency:** Argentine peso (ARS)
- **Exchange rate:** 17.50 ARS/USD
- **Government:** Federal Republic; presidential regime
- **GDP (2nd quarter 2017):** 614.9 billion USD
 - Primary (agriculture and mining) 16.4%
 - Manufacturing 21.6%
 - Services 62.0%
- **GDP per capita:** 14,000 USD
- **GDP growth rate:**
 - 2016: -2.2%
 - 2017 (2nd quarter): 2.7%
- **Employment (2nd quarter 2017):**
 - Activity rate: 45.4%
 - Employment rate: 41.5%
 - Unemployment rate: 8.7%

Source: Ministry of the Treasury

ARGENTINA – MACROECONOMIC DATA

- **Inflation:**

- The National Bureau of Statistics and Census only has reliable inflation data beginning April 2016
- For reference, here are inflation rates reported by some provincial bureaus and an average of private estimates:

	2016	Jan-Sep 2017
National CPI	n/a	17.6%
Buenos Aires City	41%	18.8%
Province of Cordoba	34%	16.4%
Ave. private estimates	40%	17.5%

- Central Bank inflation targets:
 - 2017 12% - 17%
 - 2018 8% - 12%
 - 2019 3.5% - 6.5%

- **Balance of Payments:**

<i>(in billion USD)</i>	2016	1 st half 2017
Current Account	-14.5	-12.9
Trade Balance	-3.6	-6.5
Exports	70.6	35.1
✓ Goods	57.8	28.1
✓ Services	12.8	7.0
Imports	74.2	21.6
✓ Goods	53.2	16.2
✓ Services	21.0	5.4

- **National Public Debt:**

- 1st quarter 2017: 298 billion USD
- As percentage of GDP: 51%

Source: Ministry of the Treasury and Ministry of Finance

PROVINCES INFORMATION

ARGENTINA – PROVINCIAL OUTLOOK

- As part of the due diligence activities, the Investment Area of the FGS elaborates a technical report with an analysis of the fiscal and indebtedness situation of the provinces of Argentina, prior to the estimation of the provincial credit risk
- This report takes into consideration the following fiscal and debt information, reported by the provinces:
 - ✓ Total tax revenues, both own-collected and those redistributed from the national tax collection
 - ✓ Total expenditure, classified by use of funds
 - ✓ Current and financial results
 - ✓ Total provincial debt, classified by type of creditor (national government, multilateral organizations, banks, provincial bonds and notes, other)

ARGENTINA – PROVINCIAL OUTLOOK

Average of fiscal indicators for selected provinces under analysis

Indicators	Average (%)	Minimum (%)	Maximum (%)
(Own Tax Revenues ¹ + Royalties) / Total Revenues	23.3	6.1	71.9
(Consumption Expenditure + Debt Interest Payments) / Total Expenditure	60.5	46.4	75.9
Financial Result / Total Revenues	0.5	-10.0	16.8
Total Debt / Total Revenues	34.2	6.8	54.2

¹ Part of the national tax collection is redistributed to provinces through the sharing system of Co-participation, not included here

SOCIAL SECURITY IN ARGENTINA

INSTITUTIONAL ARRANGEMENTS

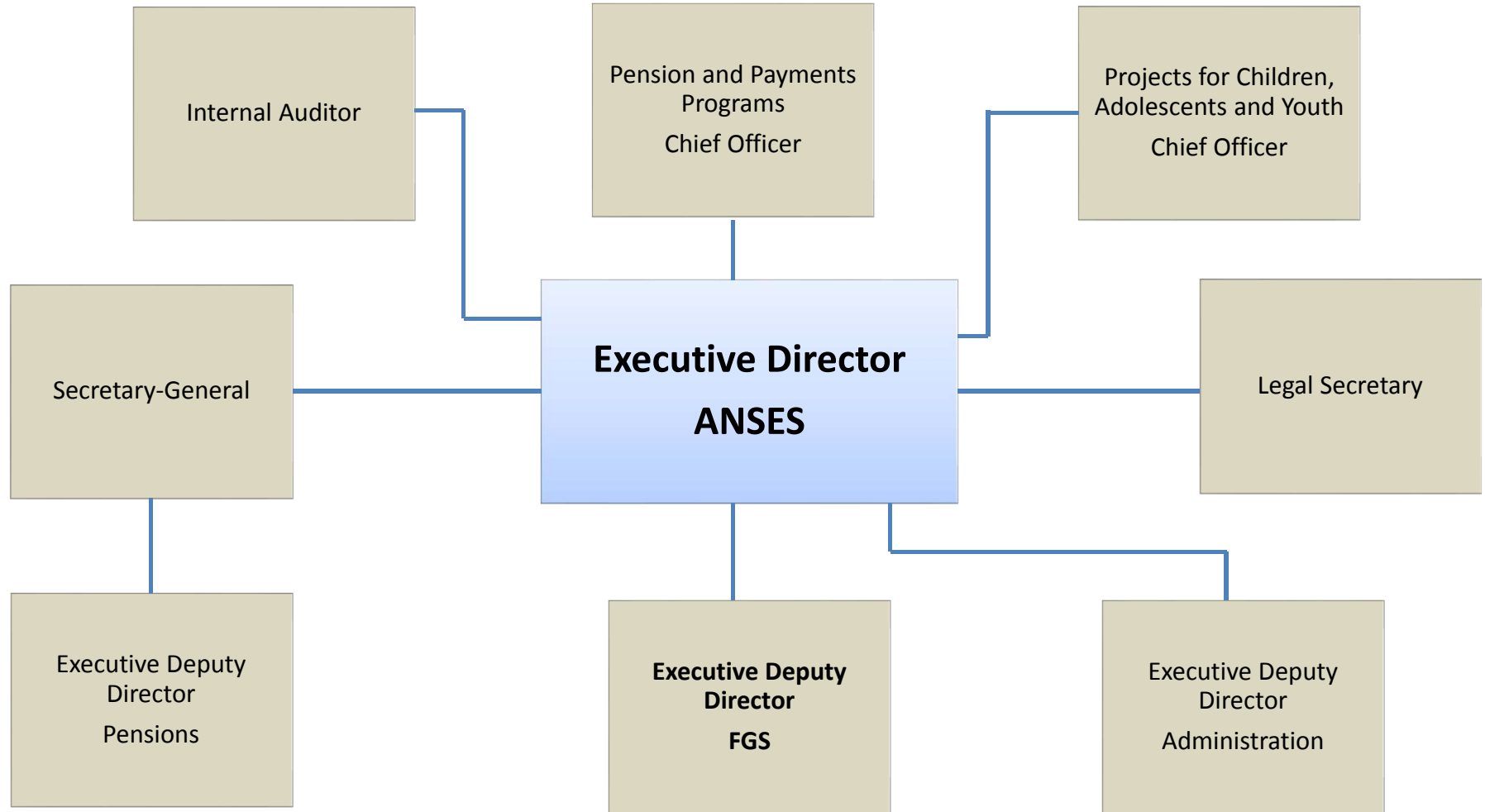
ARGENTINE PENSION SYSTEM

- The present Argentine national pension system is a pay-as-you-go system, for the contingencies of old age (60 y.o. for women; 65 y.o. for men), disability and death
- It covers 90% of the population aged 65 and over
- The National Pension System is financed by payroll taxes (around 60%) and specific tax revenues
- The old-age benefit for a pensioner consists of 2 components:
 - ✓ A lump-sum payment (called PBU – Universal Flat Benefit), of about USD200 as of September 2017
 - ✓ A variable payment (called PAP), proportional to the average of the last 10 working years' capped salary (part of salary subject to contributions): 1.5% of such average for each year of effective labor (minimum 30 years)
- National pensions are adjusted quarterly (March, June, September, and December); such adjustment equals the weighted average between the inflation rate (70%) and the wage increase of formal sector employees (30%)

ANSES SPECIAL PROGRAMS

- **ARGENTA** (*financed and administered by ANSES*)
 - ✓ Consumer loans for retired people and social security beneficiaries
(<http://www.argenta.anses.gob.ar>)
- **PROGRESAR** (*financed and administered by ANSES*)
 - ✓ Subsidy to young people, aged 18-25, to begin or complete their education
(<http://www.progresar.anses.gob.ar>)
- **PROCREAR** (*previously financed by ANSES*)
 - ✓ Mortgage loans to first-time homeowners
(<https://www.argentina.gob.ar/interior/procrear>)

ANSES ORGANIZATIONAL CHART

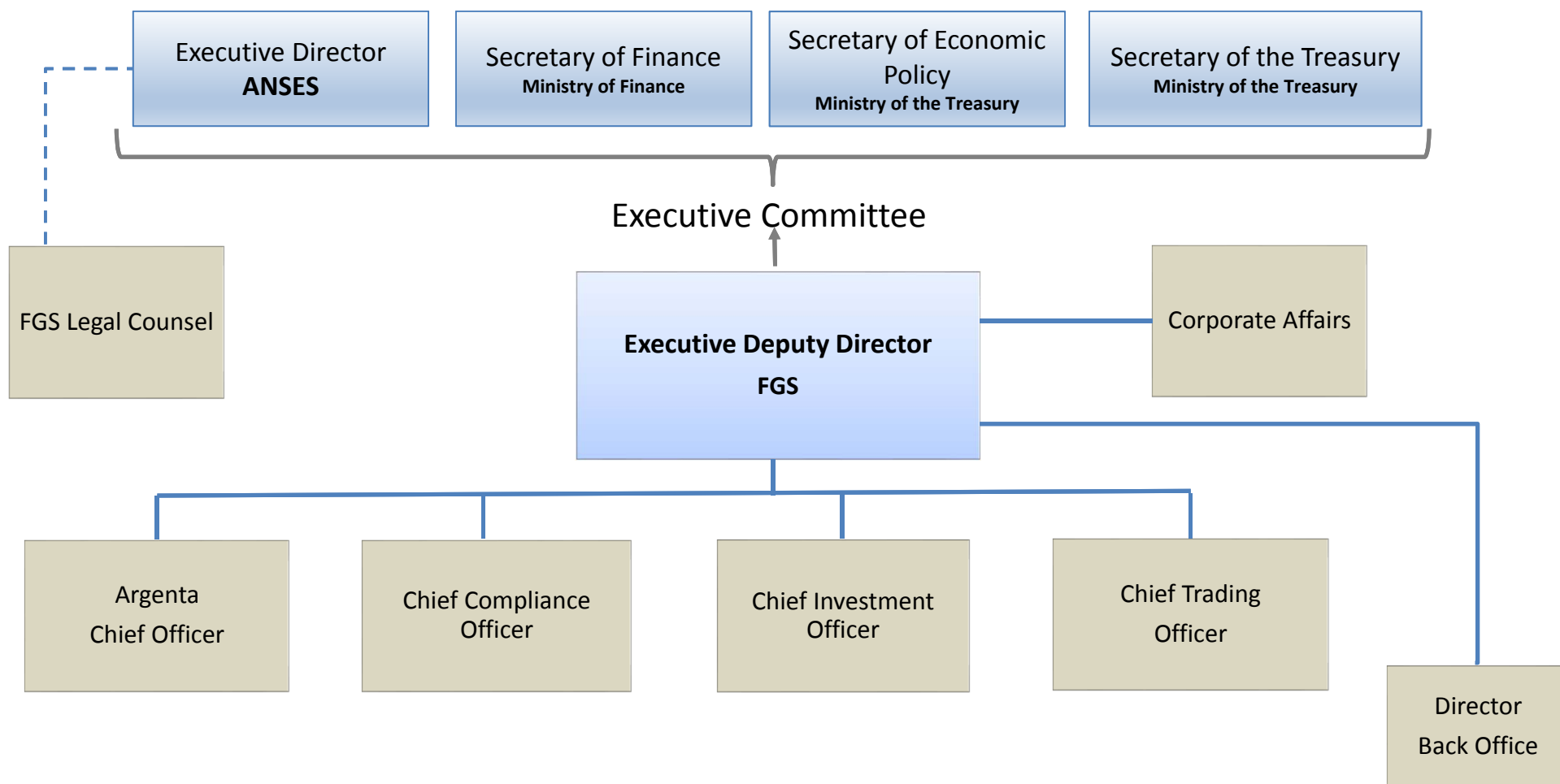


FONDO DE GARANTIA DE SUSTENTABILIDAD (FGS)

FGS is an Argentine Pension Reserve Fund

“Our mission is to preserve capital and provide sufficient returns to meet commitments made by Law 27,260 (Ley de Reparación Histórica). We invest in projects and financial instruments that promote growth in the Argentine economy and support the development of local capital markets”

FGS GOVERNANCE



FGS GOVERNANCE: EXTERNAL OVERSIGHT

External oversight of the FGS is carried on by the following agencies:

- **FGS Council**, made up by representatives of Unions, Retirees, Entrepreneurs, Legislators, Chief-of-Cabinet Office, and ANSES
- **Legislative Bi-Chamber Committee**, formed by 6 Representatives of Congress and 6 Senators
- **General Auditor of ANSES**, reporting directly to the Executive Director
- **Ombudsman Office**, an independent Agency within the Argentine Congress
- **Office of Inspector General (Sindicatura General de la Nación)**, reporting to the Executive Branch, in charge of auditing all national agencies
- **Government Audit Office (Auditoría General de la Nación)**, reporting to the Legislative Branch, in charge of auditing all national agencies; its head reports to the main opposition party



FGS ASSETS

PORTFOLIO STRUCTURE BY ASSET CLASS AND RISK LIMITS

Portfolio Limits vs. Actual Exposure

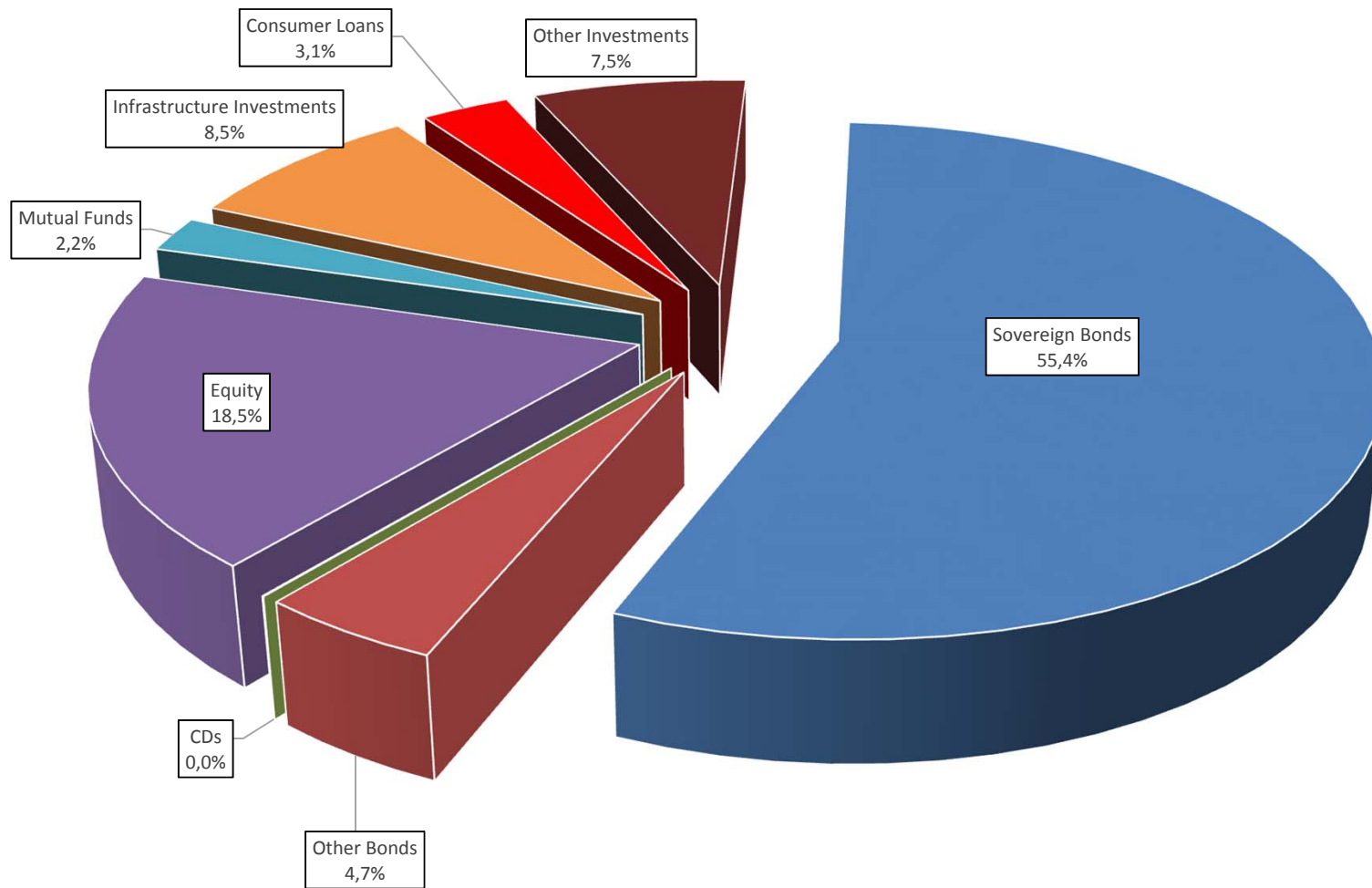
(as of September 30, 2017)

Investment	Min.	Max.	Actual	
			Million u\$s	%
Cash	-	-	1.003	1,6%
Sovereign Bonds	-	50%	34.873	55,4% *
Government State Entities	-	30%	4.762	7,6%
Bank and Corporate Bonds	-	40%	657	1,0%
CDs	-	30%	18	0,0%
Equity	7%	50%	11.460	18,2%
Public Sector Equity	-	20%	166	0,3%
Mutual Funds	-	20%	1.406	2,2%
Future and Options	-	10%	0	0,0%
Mortgage Backed Securities	-	25%	0	0,0%
Direct Investment Funds	-	10%	0	0,0%
Financial Trusts	-	30%	0	0,0%
Infrastructure Investments	5%	50%	5.337	8,5%
Consumer Loans - Pensioners	-	20%	1.958	3,1%
Consumer Loans - Others	-	5%	1.165	1,9%
Other Investments	-	-	100	0,2%
TOTAL			62.906	100%

* Guaranteed loans, Discount Bonds in Euros and "Cuasipar" Bonds are exempted from the limit.

PORTFOLIO ALLOCATION

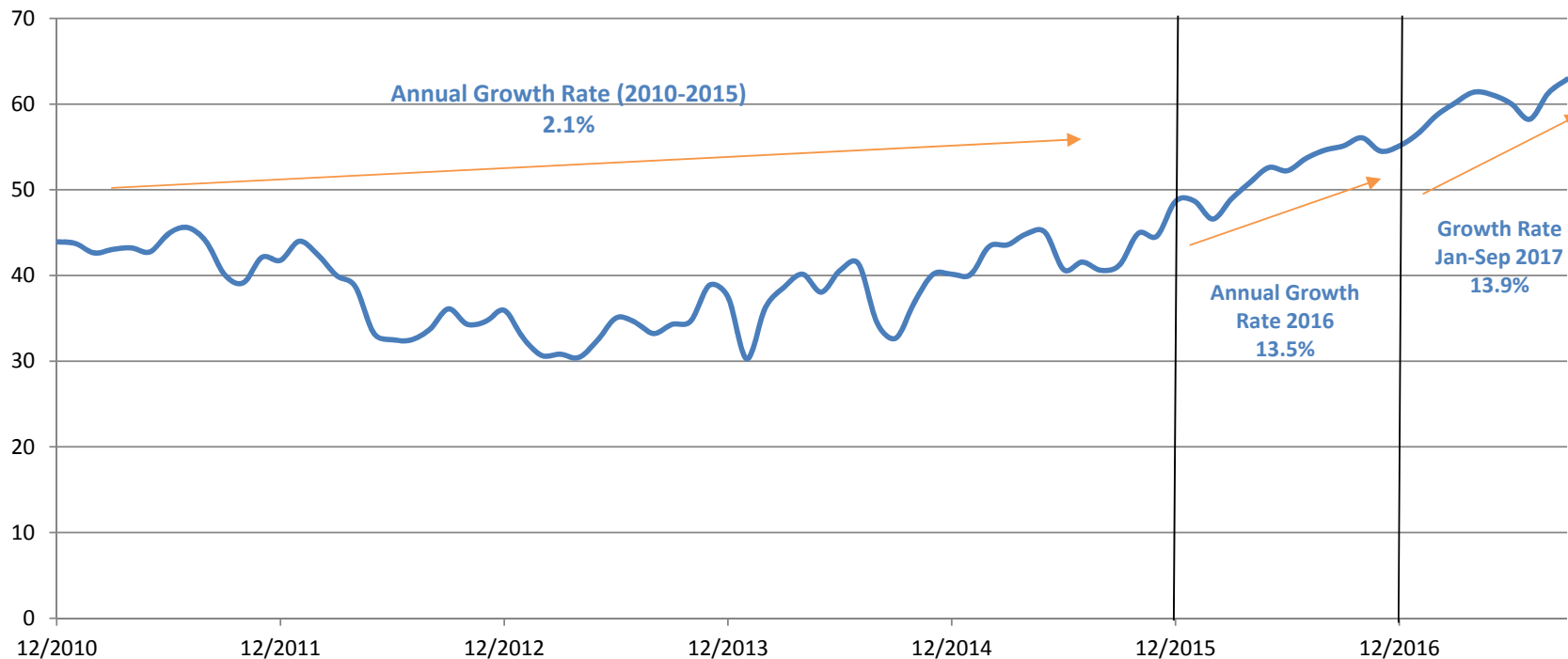
As of September 2017



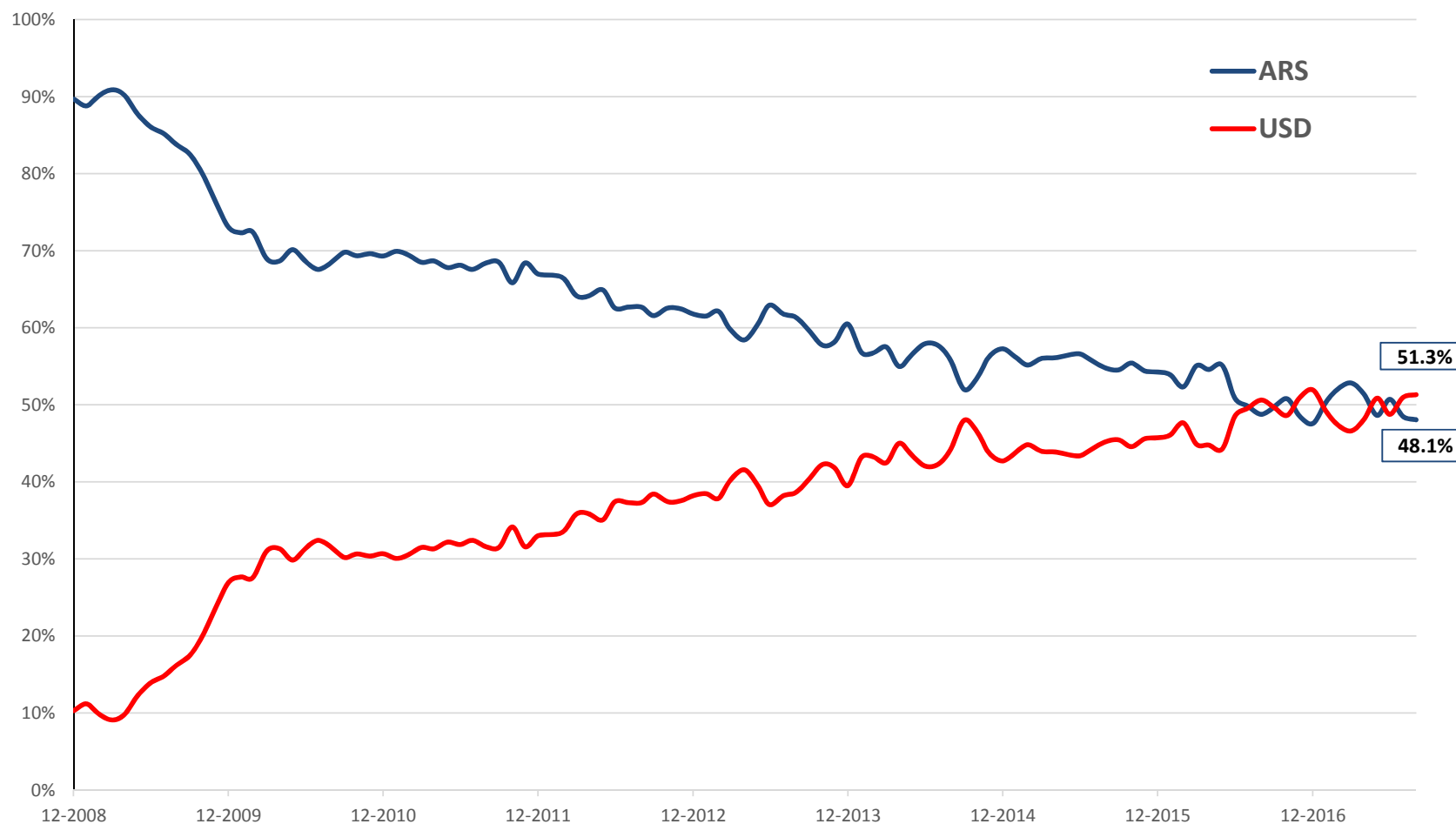
FGS OVERALL PERFORMANCE

FGS performance has improved significantly due to its new structure and investment process, as well as a result of changes in macro and institutional policies in Argentina

FGS Portfolio - Monthly change
(in billion u\$s)

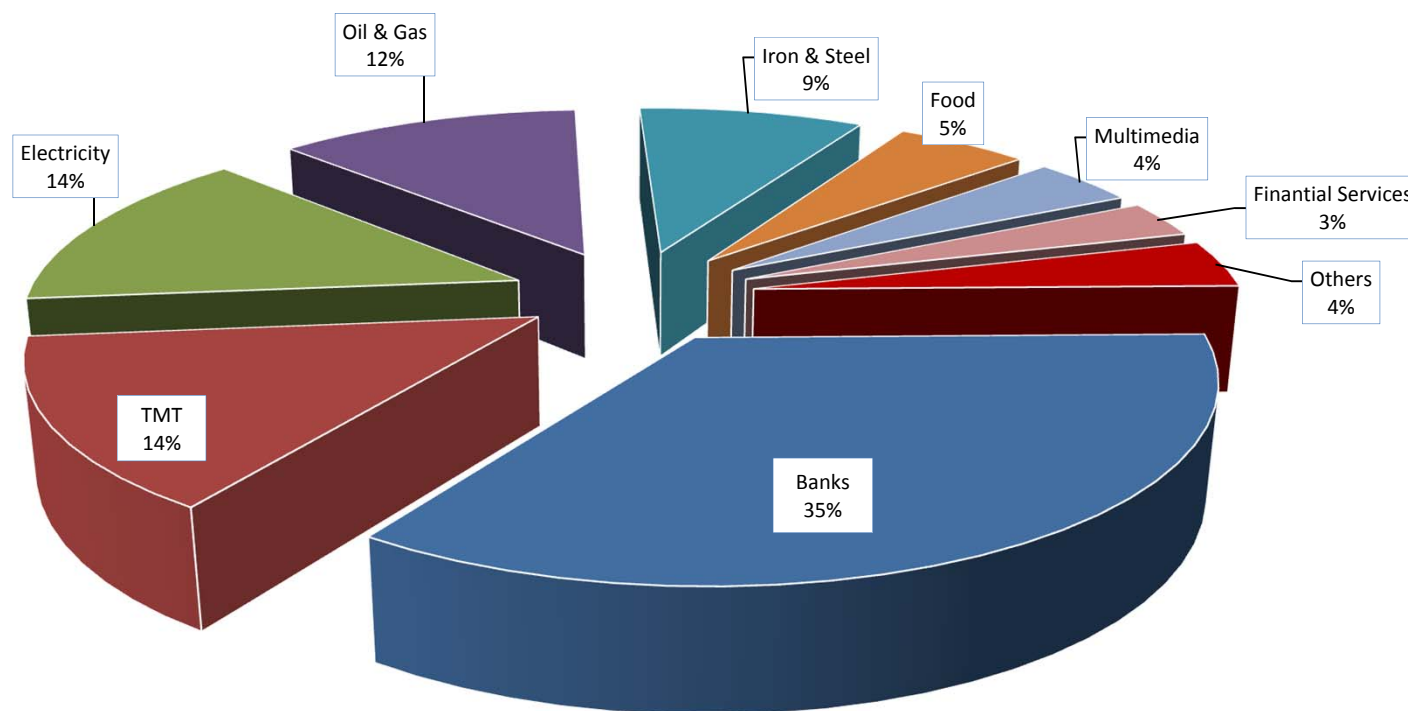


SOVEREIGN FIXED INCOME, BY CURRENCY



EQUITY PORTFOLIO BY SECTOR

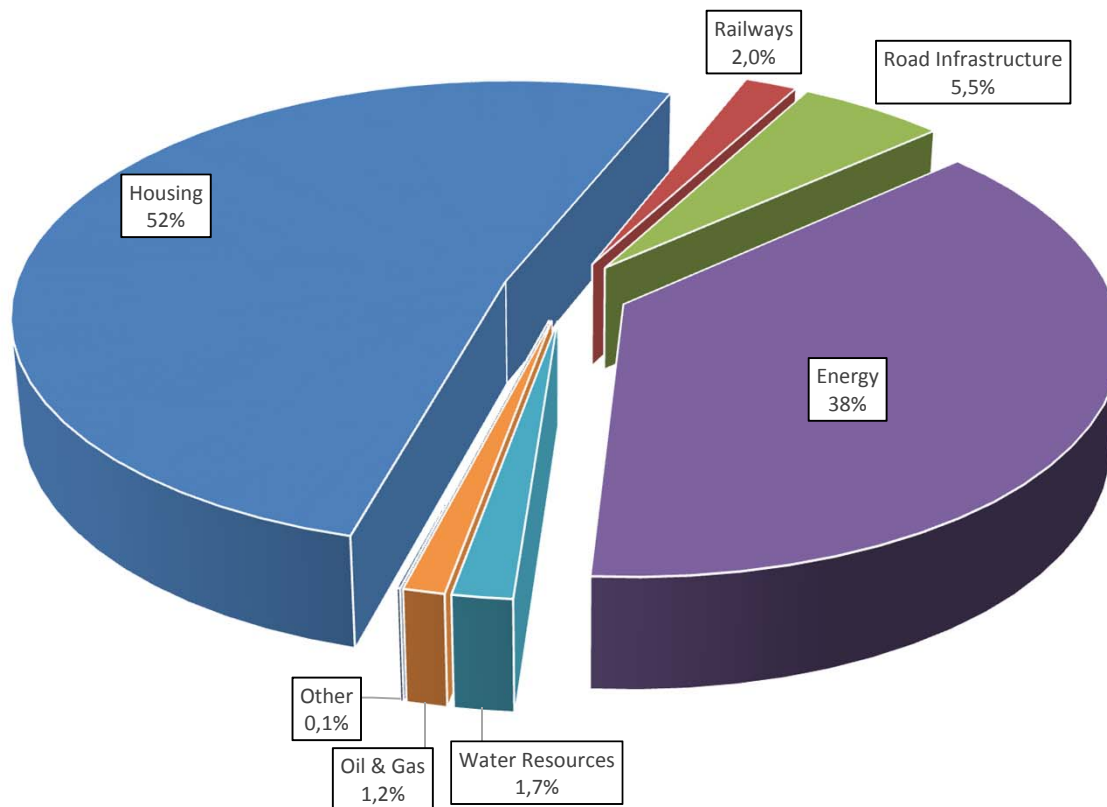
The FGS neither seeks to profit from short term trading, nor follows a strict passive equity strategy. About 98% of the portfolio can be tracked vs. the Merval Argentina-MAR* Index and the reminder are small, illiquid legacy positions



* MAR (Merval Argentina), a price-weighted index, is a theoretical portfolio of stocks designed to reflect the performance of Argentina, locally domiciled, listed companies. The portfolio is rebalanced quarterly and can be tracked in Bloomberg

INFRASTRUCTURE INVESTMENTS

8.5% of the portfolio is in Infrastructure, some carrying Sovereign guarantees



Infrastructure	YTM	Duration
ARS	17.7%	3.9
ARS (w/o PROCREAR)	26.8%	2.1
USD	7.4%	2.0

PORTFOLIO SUMMARY AND HISTORICAL GROWTH

Investment	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Sep-17
	<i>(in million u\$s)</i>							
Cash	3.379	858	1.453	1.036	460	902	494	1.003
Sovereign Bonds	23.873	24.113	22.175	23.376	26.080	30.023	32.751	34.873
Government State Entities	186	211	170	259	240	705	2.051	4.762
Bank and Corporate Bonds	431	266	1.058	887	776	715	635	657
CDs	3.634	4.909	2.188	1.820	953	627	3.211	18
Equity	5.759	3.448	2.335	3.167	4.432	6.237	7.434	11.626
Mutual Funds	741	1.005	824	890	1.076	1.293	1.427	1.406
Infrastructure Investments	4.809	5.828	4.686	5.082	5.024	6.264	5.957	5.337
Consumer Loans	0	0	172	299	515	1.158	1.014	3.122
Other Investments	1.124	1.143	873	662	600	745	254	100
TOTAL FGS	43.934	41.781	35.933	37.478	40.156	48.669	55.228	62.906

FGS LIABILITIES

RECOGNITION OF PAST CLAIMS (REPARACION HISTORICA)

- Law 27,260 (Programa Nacional de Reparación Histórica para Jubilados y Pensionados) was enacted in July 2016
- This law recognizes past claims due to incorrect settlement and forward adjustment of benefits to a universe of approximately 2 million national pensioners
- The source of financing for payments due according to the program is twofold:
 - ✓ Tax Revenues from the Tax Amnesty (Sinceramiento Fiscal), as enacted by the same law
 - ✓ FGS returns and assets, when payments exceed tax amnesty revenues
- FGS will face these liabilities in pesos, adjusted according to the pensions adjustment formula
- So far, payments have been satisfied with proceeds from the Tax Amnesty for which ANSES holds first claim

FGS – REPÚBLICA ARGENTINA