



Investment Project Fiduciary Securitization Certificates (CERPIS)

Instrument for Investments in Alternative Global Assets by Retirement Fund Administrators (AFORES)

Investment Project Fiduciary Securitization Certificates or CERPIS were introduced in December 2015 following their inclusion in the general provisions applicable to securities issuers and other stock market participants (Sole Circular for Issuers) (“CUE”), which defines them as “bonds in which the issuance resources are utilized to finance projects, for investments in shares or company financing, whether direct or indirect, through one or more investment vehicles”.

The main features of CERPIS are as follows:

- **Investment decisions:** Can be made freely by the administrator. Unlike Development Fiduciary Securitization Certificates or CKD's¹, the technical committee does not have the nontransferable power to approve investments and disinvestments.

1. Capital Development Certificates which, prior to December 2015, were the only instrument through which Investment Funds Specialized in Retirement Funds (“SIEFORES”) had access to investments in alternative assets.

- **Global investments:** Up to 90% of issued CERPIS can be invested abroad and at least 10% in Mexico, as explained below.
- **Technical Committee powers:** In the case of CERPIS, the most relevant Technical Committee powers are as follows: (i) monitor compliance with trust rules; (ii) verify the administrator’s performance; and (iii) review the

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quarterly report that must be submitted by the administrator.

- **Holders' Meeting powers:** (i) approve proposed issuance extensions; (ii) remove and replace the administrator; (iii) approve increases to the administrator's compensation schemes or commissions; and (iv) approve amendments to the trust's purposes or its early termination.

- **Offering type:** These instruments must be issued for a restricted² public offering.

- **Holders' rights:** In order to appoint Technical Committee representatives, the holder must hold at least 25% of outstanding CERPIS, as opposed to the 10% established for "CKD's".

- **Limited public information:** When a restricted public offering is made, there is no obligation to disclose information to the public regarding the companies or promoted projects representing 10% or more of the trust's net worth. However, holders are entitled to request access to agreed-upon information, albeit without its publication.

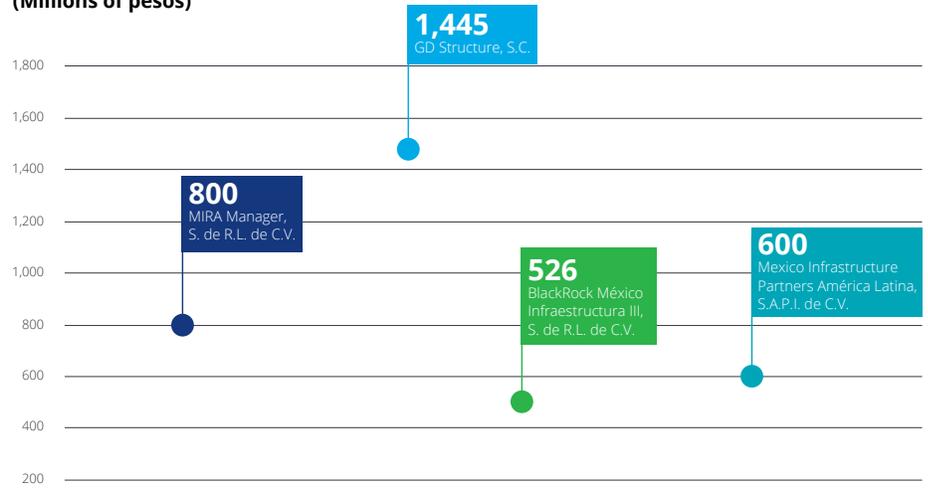
- **Successive closes:** The issuance can be made through several public offerings during a one-year period as of the first public offering.

In short, the most relevant differences between CERPIS and CKD's are: (i) the approval of the Technical Committee or Holders' Meeting is not required to make investments; and (ii) in order to appoint Technical Committee members, holders must hold at least 25% of outstanding CERPIS. These differences situate CERPIS within the international standards applicable to vehicles used for investments in alternative assets.

². A Restricted Public Offering is only open to institutional investors and those qualified to participate in this type of offering (those with securities investments for a minimum amount equal to 20 million UDIS).

At the September 2018 close, four CERPIS have been placed on the local market. The first of these was that of MIRA Manager, which was placed in September 2016, while the remainder were placed during 2018:

Initial CERPIS Issuance Amount (Millions of pesos)



At the September 2018 close, more than 20 CERPIS applications had been filed with the CNBV, including those of entities like Harbourvest, Activos Alternativos, Grupo Agricultura, Agua y Ambiente and Administradora Ignia, among others.

Global investments

Aside from the CERPIS features discussed above, as of January 2018 and based on the new general provisions that define the investment regime applicable to Investment Funds Specialized in Retirement Funds (the "CRI"), SIEFORES were also allowed to invest abroad through CERPIS.

These CRI establish the diversification criteria that must be upheld by SIEFORES, which indicate that they may only acquire those CERPIS in which at least 10% of the total maximum authorized issuance amount is utilized for investment purposes or to finance the activities or projects of one or more companies in Mexico. If the investment

GD Structure, in June 2018, and BlackRock México Infraestructura III and Mexico Infraestructura Partners América Latina, in September of that year.

made in Mexico is lower than this defined percentage, it becomes subject to the terms of the general financial provisions applicable to Retirement Savings Systems, also known as the Sole Financial Circular ("CUF").

In this regard, if the investments made in Mexico represent less than 10% of the maximum CERPIS amount, they must be calculated according to the limit referred to by provision sixteenth, section I, numeral d) of the CRI, which establishes that up to 20% of total SIEFORE assets can be invested in foreign securities.

SIEFORES may invest up to 20% of their total assets in foreign securities and CERPIS intended for investment purposes or to finance activities or projects outside Mexico. Likewise, they may acquire Structured Instruments³ that invest in or finance the acquisition of the common stock of Mexican entities whose shares are listed on an

³. According to CONSAR: Securities that guarantee their face value at maturity and in which the partial or total yield is linked to underlying assets held in trust that grant rights to profits and/or proceeds.

authorized stock market with permission to organize itself and operate pursuant to the terms of the Stock Market Law, as long as they have been financed through a Structured Instrument.

Administrator's Joint Investment

Based on the new CUF, the joint investment required for promoted projects in which the resources generated by the issuance of CERPIS are invested is subject to the terms of the CRI.⁴ Similarly, under the terms of the CUF, the administrator must hold 2% or more of the value of such investments. However, according to the most recent amendments, the Investment Committee will be empowered to modify this minimum percentage, for which purpose it may consider additional criteria such as the issuance size, the administrator's experience or the sector of the financed projects.

4. A. May invest up to 50% of the value of each financed project, when the issuance amount of the Structured Instrument exceeds or is equal to the threshold, as long as the applicant, administrator or other qualified investors, including SIEFORES operated by other AFORES, jointly or alone, invest 50% or more of the value of each financed project.
B. May invest up to 80% of the value of each financed project, when the issuance amount of the Structured Instrument is less than the threshold, as long as the applicant, administrator or other qualified investors, including SIEFORES operated by other AFORES, jointly or alone, invest 20% or more of the value of each financed project.

Investment limits for Afores

Appendix U of the CUF establishes the maximum investment limits applicable to the group of SIEFORES operated by the same Retirement Fund Administrator ("AFORE") in Structured Instruments. Both CKD's and CERPIS are Structured Instruments. The relevant investment limits are as follows:

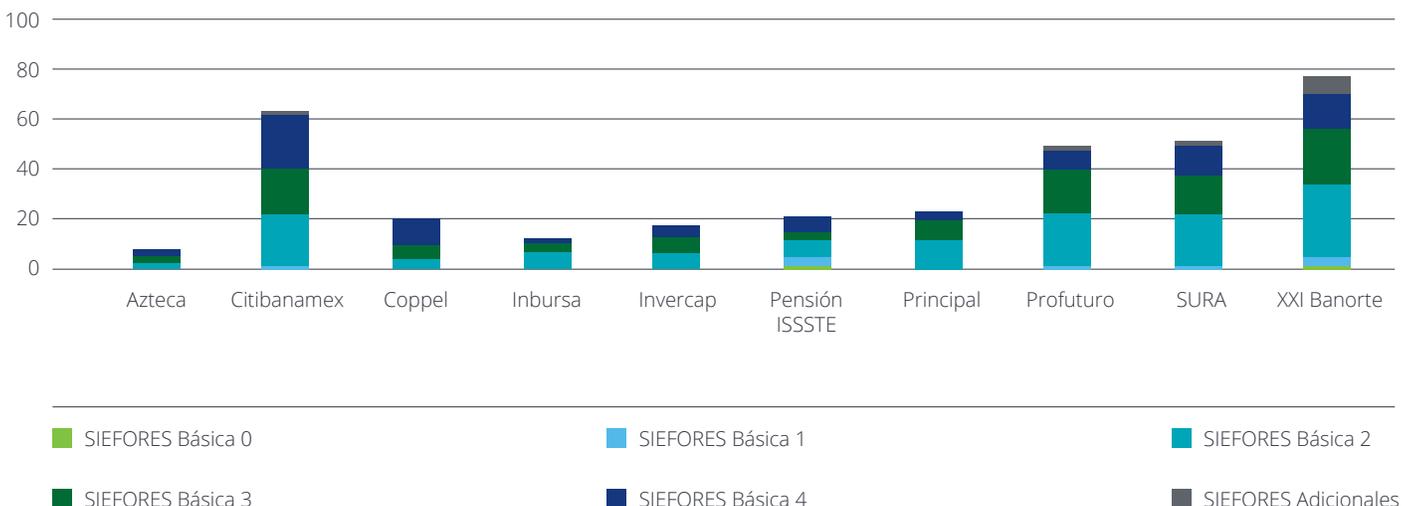
- A. AFORES must verify that the amount invested by the group of SIEFORES which they operate does not, at any time, exceed 50% of the value of a project financed through the Structured Instruments held to finance the project, regardless of the administrator. However, this condition is not applicable to the investment in a project financed through a single Structured Instrument when its issuance value is less than the threshold.
- B. The threshold is equal to \$4,078 million pesos and is restated once each calendar year according to the proportion by which the investment unit (UDI) increases. Similarly, the National Commission for Retirement Savings Systems ("CONRSAR") will periodically inform the AFORES of the threshold value and total asset value.

Finally, Appendix U establishes the criteria used to define when the administrators of Structured Instruments are considered different, however, this distinction is no longer in practice because the restriction applied to authorities in order to not invest in Structured Instruments of the same administrator was removed, the criteria are as follows: (i) different companies; (ii) different administration teams, i.e., when the strategy, investment execution and administration of each Structured Instrument depend on teams composed by different individuals, with various types of know-how and expertise specifically focused on the administration of projects financed by the respective Structured Instrument; and (iii) have a different investment thesis for each Structured Instrument, which are oriented towards different economic areas or activities.

Assets under the administration of SIEFORES

At the August 2018 close, assets under the administration of SIEFORES totaled \$3.388 trillion pesos. Their segregation is as follows:

Net Assets of SIEFORES (Millions of pesos)

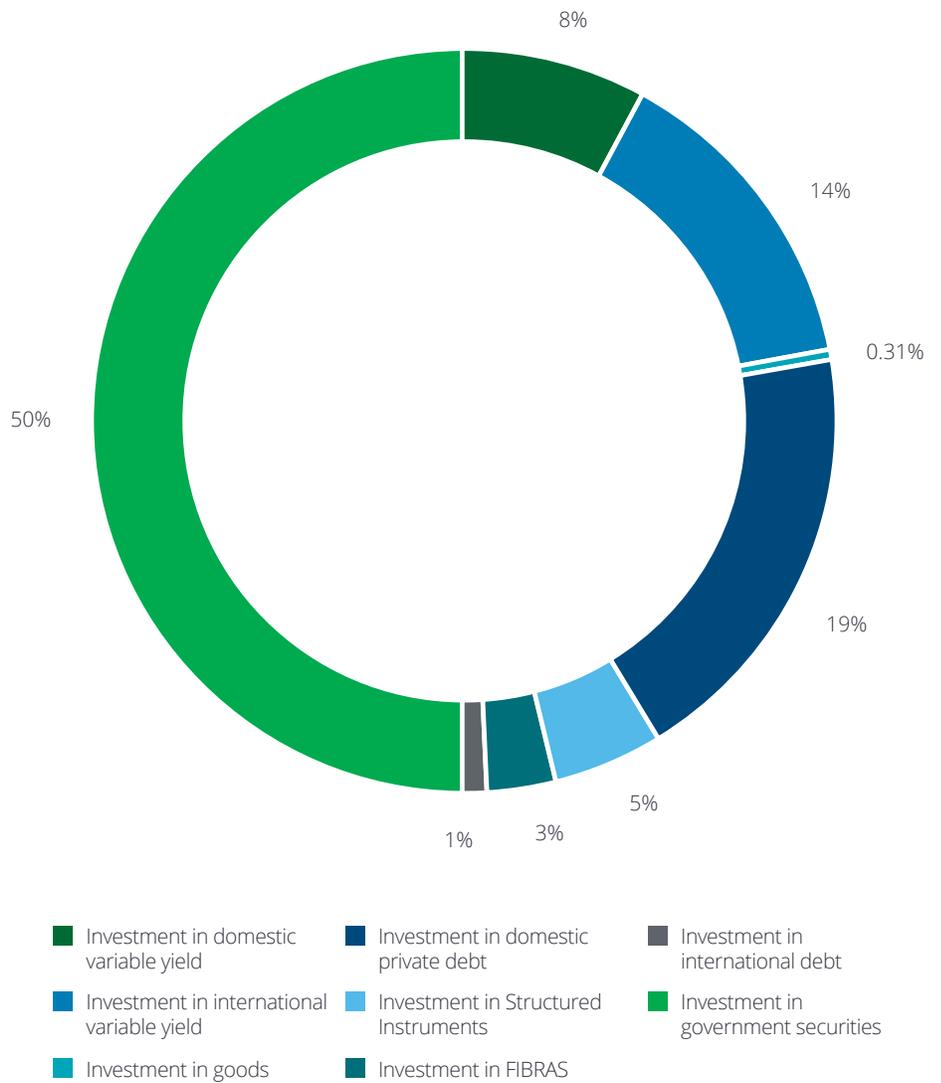


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At the close of the same period, the investments made in Structured Instruments by SIEFORES represented 5.40% of their investments (approximately \$183 billion pesos). The main investments made by SIEFORES involve government securities that

account for 50% of their total investments (\$1.69 trillion pesos). The rest of their investments are diversified between domestic private debt (19%), variable yield instruments (14%) and other instruments. The percentage distribution is as follows:

Investment Percentage by Investment Type



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