Box 3: Active Management of Foreign Reserves - Foreign Reserves Management Report, 2025

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The management of foreign reserves follows two investment styles: passive and active. The objective of the former is to replicate, as closely as possible, the risk characteristics of a benchmark index while aiming to generate positive returns and minimize transaction costs. The latter allows deviations from the benchmark index composition within predefined limits to obtain higher returns. In 1994, *Banco de la República* established an active management program under which portfolio managers invest the allocated resources in accordance with specifc investment guidelines and a defined risk budget. Since its inception, active management has outperformed the benchmark index by 9 basis points (bps) and by 10 bps over a five-year window; that is, had the portfolio been managed exclusively under a passive approach, its performance would have been lower.