

POPULAR TOTAL RETURN FUND, INC.

The Fund is a non-diversified, open-end Puerto Rico investment company, commonly referred to as a mutual fund, available exclusively to residents of Puerto Rico.

Before investing you should consider carefully the principal risks of investing in the fund beginning on page 6 of this prospectus as well as those considerations described under “Additional Risks and Portfolio Management Information” beginning on page 20 of this prospectus.

An investment in the Fund is not a bank deposit or savings account, is not an obligation of or guaranteed by Banco Popular, any affiliate thereof or any other insured depository institution, is not insured by the FDIC or any other government agency or instrumentality and may lose all or part of its value.

Only individuals who have their principal residence in Puerto Rico or entities whose principal office and place of business are located in Puerto Rico may purchase Shares of the Fund; provided that if such person is a non-business trust, the trustee and all trust beneficiaries must be Puerto Rico residents.

An investment in the Fund is subject to taxation as described under “Tax Matters” beginning on page 46 of this prospectus.

The Shares –

- The Fund is continuously offering three classes of shares to the public: Class A common stock (“Class A Shares”), Class C common stock (“Class C Shares”) and Advisor class common stock (“Advisor Class Shares” and, together with the Class A Shares, the “Offered Shares”). The Fund also has outstanding Class B common stock (“Class B Shares” and, together with the Offered Shares, the “Shares”), which are no longer offered for sale by the Fund. Each class of Shares has a different sales charge and rate of expense, which are described and summarized in page 8 of this prospectus.
- The value of the Shares will depend on the value of the underlying investments held by the Fund, which will fluctuate with market factors and other factors that may be beyond the control of the Fund. The value of an investment in the Fund may be more or less than the original amount invested.
- The Shares may not be transferred or disposed of except through redemption.
- The Fund may issue Class A Shares to Individual Retirement Accounts (“IRA Accounts”) as defined in Section 1081.02(a) of the Puerto Rico Code (as defined herein).

Investment Objectives of Fund –

- The primary investment objective is long-term capital appreciation. Current income is a secondary investment objective.
- The Fund will invest primarily in equity securities, consisting mainly of shares of exchange traded funds.
- No assurance can be given that the Fund will achieve its investment objective.

Dividends –

- The Fund intends to declare dividends and distribute to shareholders of the Fund substantially all of its net investment income for any fiscal year during or after the end of such fiscal year.
- Dividends distributed by the Fund are exempt from federal income taxes and taxed in Puerto Rico, in the case of certain Qualifying Individuals (as defined herein), at a special 15% rate. Please refer to the “Tax Matters” section of this prospectus for the applicable Puerto Rico income tax on dividends in the case of Qualifying Individuals subject to alternative minimum

Automatic Dividend Reinvestment Plan –

- All dividends and capital gain distributions, will be reinvested automatically in additional Shares (other than dividends and capital gain distributions with respect to Class B Shares, which are paid in cash). All dividend distributions by the Fund to IRA Accounts will be made on a gross basis, without any tax withholding, and will be reinvested automatically in Class A Shares of the Fund.

Risk Factors –

- The Fund should not be viewed as a vehicle for trading purposes. An investment in the Fund is designed, and suitable for, long term investors.
- As a non-diversified investment company, the Fund may invest a greater portion of its assets in a single issuer than a diversified investment company, thereby exposing the Fund’s net asset value and yield to greater volatility.

(continued on next page)

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION. THE FUND HAS NOT BEEN REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED. THE SECURITIES OF THE FUND ARE BEING OFFERED EXCLUSIVELY TO INDIVIDUALS HAVING THEIR PRINCIPAL RESIDENCE WITHIN THE COMMONWEALTH OF PUERTO RICO (“PUERTO RICO”) AND TO ENTITIES WHOSE PRINCIPAL OFFICE AND PLACE OF BUSINESS ARE LOCATED WITHIN PUERTO RICO.

Amended as of May 14, 2020

**Popular Securities
(Distributor)**

THE SECURITIES DESCRIBED HEREIN ARE OFFERED FOR SALE IN PUERTO RICO PURSUANT TO THE REGISTRATION OF THE FUND WITH THE OFFICE OF THE COMMISSIONER OF FINANCIAL INSTITUTIONS OF PUERTO RICO (“OFFICE OF THE COMMISSIONER”) AS AN INVESTMENT COMPANY UNDER THE PUERTO RICO INVESTMENT COMPANIES ACT, AS AMENDED (ACT 6 OF OCTOBER 19, 1954, AS AMENDED). SUCH REGISTRATION DOES NOT CONSTITUTE A FINDING THAT THIS PROSPECTUS IS TRUE, COMPLETE AND NOT MISLEADING, NOR HAS THE OFFICE OF THE COMMISSIONER PASSED IN ANY WAY UPON THE MERITS OF, RECOMMENDED, OR GIVEN APPROVAL TO SUCH SECURITIES. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE FUND SHARES ARE NOT GUARANTEED OR INSURED BY THE FDIC OR ANY OTHER AGENCY OF THE U.S. GOVERNMENT. AS WITH ANY INVESTMENT IN COMMON STOCK, WHICH IS SUBJECT TO WIDE FLUCTUATIONS IN MARKET VALUE, AN INVESTOR MAY SUFFER A LOSS OF ALL OR PART OF ITS INVESTMENT IN THE FUND.

Other Fund characteristics:

- The Fund may seek to hedge its portfolio through the use of futures and options. The use of these types of derivative instruments entail risks, such as incurring losses that partially or completely offset gains in portfolio positions. See “Principal Risks of Investing in the Fund” beginning on page 6 and “Additional Risks and Portfolio Management Information” beginning on page 19 of this Prospectus.
- The Fund invests in securities the income on which is taxable for Puerto Rico income tax purposes. See “Tax Matters” beginning on page 45 of this prospectus.
- Investors will bear certain costs, directly or indirectly, related to various matters, including sales load, investment advisory fees, administration fees, distribution fees, client service fees and other Fund operating expenses, as well as certain offering expenses. See “Fee Table and Estimated Fund Expenses” on page 8 of this prospectus.
- The Fund may to enter into various types of transactions with affiliated parties as described in this prospectus. All transactions with affiliates will be subject to procedures adopted by the Board of Directors and, particularly, the independent directors of the Board of Directors, in an effort to address potential conflicts of interest. There is no assurance that the procedures will be effective.
- An investment in the Fund is not equivalent to an investment in the underlying securities held by the Fund.
- Popular Asset Management, a unit of Banco Popular de Puerto Rico, is the investment adviser for the Fund. Popular Asset Management may retain one or more sub-advisers to manage a portion of the Fund’s assets. The principal office of the investment adviser is located at the Popular Center North Building, Second Level (Fine Arts), 209 Muñoz Rivera Avenue, San Juan, Puerto Rico 00918, and its main telephone number is (787) 754-4488.

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No person has been authorized to give any information or to make any representations in connection with the offering of the Shares other than those contained in this prospectus and, if given or made, such other information and representations must not be relied upon as having been authorized by the Fund or Popular Securities. This prospectus does not constitute an offer by the Fund, Popular Securities or any other person to sell or a solicitation of an offer to buy any of the securities offered hereby in any jurisdiction other than Puerto Rico.

PROSPECTUS SUMMARY

This summary is qualified in its entirety by reference to the entire prospectus and to the certificate of incorporation and by-laws of the Fund, all other relevant documents referred to herein, and all applicable statutory and regulatory provisions. A copy of the certificate of incorporation and by-laws of the Fund may be examined at the office of Popular Asset Management located on the Popular Center North Building, Second Level (Fine Arts), 209 Muñoz Rivera Avenue, San Juan, Puerto Rico 00918.

Investment Objectives

The Fund's primary objective is growth of capital with a secondary objective of current income. Under normal conditions, the Fund will seek to meet its objective by investing at least 50%, but not more than 80%, of the Fund's assets in equity securities. The balance of the Fund's assets will be invested in fixed income securities. The Fund may invest up to 20% of its total assets in securities of foreign issuers (i.e. entities organized outside of the United States of America ("U.S.") and Puerto Rico). In compliance with Puerto Rico regulatory requirements, not less than 20% of the Fund's total assets will be invested in Puerto Rico assets.

Since inception, the Fund's investments in equity securities have consisted primarily of shares of exchange traded funds ("ETFs"). The Fund currently anticipates that this practice will continue. ETFs invest in a portfolio of equity securities that are designed to track closely the performance of different market indices. An index is an unmanaged group of securities whose overall performance is used as a standard to measure the investment performance of a particular market or market segment. The Fund, however, reserves the right to pursue its investment objectives by investing all or a portion of the Fund's assets invested in equity securities in individual equity securities.

The Adviser may also invest a portion of the Fund's assets in futures and/or options. The Adviser will seek to use these types of investments for hedging purposes and not speculative purposes. Derivative instruments such as futures and options involve risks different from direct investing in underlying securities and may subject the Fund to losses that partially or completely offset gains in portfolio positions.

As provided by Act No. 231-2014 ("Act No. 231"), since the Fund is presumed to automatically comply with the asset allocation requirements of Section 1081.02(a)(3) of the Puerto Rico Internal Revenue Code of 2011, as amended (the "Puerto Rico Code"), the Fund will invest all proceeds from the sale of its Class A Shares issued to IRA Accounts in the same manner as the proceeds received from the sale of all other Shares.

There is no assurance that the Fund will achieve its investment objectives.

Risk Factors

An investment in the Fund is subject to certain risks that may result in a loss of all or a portion of your investment. Investors should consider the information set forth in "Principal Risks of Investing in the Fund" and "Additional Risks and Portfolio Management" before making an investment decision.

Alternative Investment Options

The Fund offers three classes of common stock to the public: Class A Shares, Class C Shares and Advisor Class Shares. The Fund also has outstanding Class B Shares, which are no longer offered for sale by the Fund. Each class of Shares differs principally in terms of sales charges and rates of expenses to which they are subject. The different classes of Shares are designed to provide investors with flexibility in selecting an investment better suited to their needs.

Class A Shares. Class A Shares are sold at their net asset value plus an initial sales charge of up to 5.00%, except for Class A Shares sold to IRA Accounts for which the initial sales charge shall be 2.00%. Class A Shares are also subject to an annual investment advisory fee of 0.50%, an annual administrative fee of 0.10% and an annual distribution fee of 0.25% of the average daily net asset value of all Class A Shares. The initial sales charge may be reduced or waived

for certain purchasers, except for those who purchase Class A Shares through IRA Accounts. See “Purchase of Shares - Initial Sales Charge Waivers.”

Class B Shares. The Fund no longer offers Class B Shares. Previously issued and outstanding Class B Shares are subject to an annual investment advisory fee of 0.50%, an annual administrative fee of 0.10% and an annual distribution fee of 1.00% of the average daily net asset value of all Class B Shares. Investors in Class B Shares will pay a contingent deferred sales charge which declines from 4.0% on redemptions made within 12 months of purchase to 0% for redemptions made more than six years after purchase. See “Purchase of Shares - Contingent Deferred Sales Charge Alternatives.”

Class C Shares. Class C Shares are sold at their net asset value with no initial sales charge. Class C Shares are subject to an annual investment advisory fee of 0.50%, an annual administrative fee of 0.10% and an annual distribution fee of 1.00% of the average daily net asset value of all Class C Shares. Investors in Class C Shares will pay a contingent deferred sales charge equal to 1.0% on redemptions made within 12 months of purchase.

Advisor Class Shares. Advisor Class Shares are offered to certain qualified investors at their net asset value next determined after a purchase order is received and becomes effective. Advisor Class Shares are subject to an annual investment advisory fee of 0.50% and an annual administrative fee of up to 0.10% of the average daily net asset value of all Advisor Class Shares. Advisor Class Shares are not subject to an annual distribution fee. The initial sales charge may be reduced or waived for certain purchasers. See “Purchase of Shares - Initial Sales Charge Waivers.”

Investment Considerations in Selecting a Class. The decision as to which class of Offered Shares is more appropriate to an investor depends on the amount and intended duration of the investment. Investors who are planning to establish a program of regular investment may want to consider Class A Shares because as the investment accumulates, investors may qualify for reduced sales charges and the amount invested is subject to lower ongoing expenses over the term of the investment. Class C Shares are sold without an initial sales charge but are subject to a contingent deferred sales charge of 1% if sold within the first 12 months following purchase. However, investors should be aware that any investment return on additional invested amounts on Class C Shares may be partially or entirely offset by a higher annual and contingent deferred sales charge applicable to this class.

Previously issued and outstanding Class B Shares held for approximately eight years will automatically convert to Class A Shares. After such conversion the converted Class A Shares will qualify for the payment of the lower annual distribution fee that applies to Class A Shares. Class C Shares will not convert into Class A Shares and will not qualify for the lower annual distribution fee that applies to the Class A Shares.

Class C Shares may be an appropriate choice if you have a relatively short term investment horizon (you plan to hold your Class C Shares for not more than six years), because there is no initial sales charge on the Class C Shares, and the contingent deferred sales charge does not apply to Class C Shares you sell after holding them one year.

However, if you plan to invest more than \$100,000 for the shorter term, then as your investment horizon increases toward six years, Class C Shares might not be as advantageous as Class A Shares. This is because the annual distribution fee on Class C Shares will have a greater impact on your account over the longer term than the reduced front-end sales charge available for larger purchases of Class A Shares.

Reduced or No Initial Sales Charge. The initial sales charge on Class A Shares and Advisor Class Shares may be waived for certain eligible purchasers, and the entire purchase price will be immediately invested in the Fund. Other purchases of Class A Shares and Advisor Class Shares may also be eligible for a reduced initial sales charge. See “Purchase of Shares - Initial Sales Charge Waivers.” Because the ongoing expenses of Class A Shares and Advisor Class Shares will be lower than those for Class C Shares, purchasers eligible to purchase Class A Shares and Advisor Class Shares at a reduced sales charge should consider doing so. See “Purchase of Shares - Initial Sales Charge Alternative” for more information about the reduced sales charge applicable to certain amounts invested in Class A Shares and Advisor Class Shares.

See “Purchase of Shares” and “Investment Advisory and Administrative Services - Distributor” for a complete description of sales charges and distribution fees for each Class of Shares and “Valuation of Shares,” “Redemption of Shares” and “Dividends and Automatic Reinvestment” for other differences among the Shares.

Purchase of Shares

Offered Shares may be purchased through Popular Securities, LLC, the Fund’s distributor (“Popular Securities” or “Distributor”) or other broker-dealers or financial institutions that enter into an agreement with the Distributor. See “Purchase of Shares”.

IRA Accounts, as defined in Section 1081.02(a) of the Puerto Rico Internal Revenue Code of 2011, as amended (the “Puerto Rico Code”), may purchase Class A Shares issued by the Fund. Class A Shares to be purchased through IRA Accounts may only be purchased at the request of the IRA trustee for such IRA Account. Persons who wish to purchase Class A Shares through IRA Accounts must request the IRA trustee for such IRA Account to make the purchase order to the Fund. Purchases of Class A Shares to be held through IRA Accounts will be made each Thursday (each, a “Purchase Date”), for all purchase orders in proper form which are received by the IRA trustee on, or prior to, the close of trading on the NYSE (generally 4:00 P.M.) on the previous business day. If a Purchase Date is not a business day, however, the purchase of Class A Shares to be held through IRA Accounts will be made on the immediately succeeding business day or the Thursday of the following week (each such date shall also be considered a Purchase Date), depending upon whether the NYSE and the Federal Reserve are open for business on such Purchase Date. In the case where the Purchase Date falls on a date in which the NYSE and the Federal Reserve are not open for business, the purchase of the Class A Shares to be held through IRA Accounts shall be made on the immediately succeeding business day. In cases where the Purchase Date falls on a date in which the NYSE and the Federal Reserve are open for business, but banks in San Juan, Puerto Rico are not, the purchase of such Class A Shares will be made on the Thursday of the following week. The purchase price will be the net asset value of such Class A Shares as of the close of trading on the NYSE on the Purchase Date. Class A Shares purchased through IRA Accounts will be subject to those penalties, fees, terms and conditions as may be imposed by the IRA trust for such IRA Account as established in the applicable laws and regulations and the disclosure documents associated with such IRA Account.

Investment Minimums

Investors in any class of Offered Shares may open an account by making an initial investment of at least \$3,000 for each account. Subsequent investments of at least \$100 may be made for each class.

Systematic Investment Plan

The Fund offers shareholders a Systematic Investment Plan under which they may authorize the automatic placement of a purchase order each month for Offered Shares in amounts of at least \$100 per purchase transaction. See “Purchase of Shares.”

Redemption of Shares

The Board of Directors of the Fund (the “Board”) has adopted a policy whereby Shares of each class may be redeemed on any business day at a price per share equal to the net asset value per Share of such class as of the close of trading on the New York Stock Exchange (“NYSE”) on the date of redemption. For purposes of the Fund, a “business day” is a day on which the NYSE is open for trading and the Federal Reserve Bank of New York (“Federal Reserve”) and banks in San Juan Puerto Rico are generally open for business. Redemptions of Shares under certain circumstances may be subject to a contingent deferred sales charge. See “Purchase of Shares” and “Redemption of Shares.”

The Fund may impose a 2.0% redemption fee on redemptions made within five business days after acquiring Shares.

Class A Shares held through IRA Accounts may only be redeemed by the Fund at the request of the IRA trustee for such IRA Account. Persons who invested in Class A Shares through IRA Accounts and who wish to redeem such

Class A Shares must request the IRA trustee for such IRA Account to make the redemption request to the Fund. Redemptions of Class A Shares held through IRA Accounts will be made each Thursday (each, a “Redemption Date”) for all redemption orders in proper form which are received by the IRA trustee on, or prior to, the close of trading on the NYSE (generally 4:00 P.M. EST) on the previous business day. If a Redemption Date is not a business day, however, the redemption of Class A Shares held through IRA Accounts will be made on the immediately succeeding business day or the Thursday of the following week (each such date shall also be considered a Redemption Date), depending upon whether the NYSE and the Federal Reserve are open for business on such Redemption Date. In cases where the Redemption Date falls on a date in which the NYSE and the Federal Reserve are not open for business, the redemption of the Class A Shares held through IRA Accounts shall be made on the immediately succeeding business day. In cases where the Redemption Date falls on a date in which the NYSE and the Federal Reserve are open for business, but banks in San Juan, Puerto Rico are not, the redemption of such Class A Shares held through IRA Accounts will be made on the Thursday of the following week. The redemption price for Class A Shares held through IRA Accounts will be the net asset value of such Class A Shares as of the close of trading on the NYSE on the applicable Redemption Date. The proceeds received from the redemption of Class A Shares held through IRA Accounts (the “Redemption Proceeds”), shall be paid to the IRA trustee in a lump sum within 3 business days of the applicable Redemption Date. Payment of the Redemption Proceeds shall be made by the IRA trustee within 2 business days in accordance with the investors’ existing payment instructions for the IRA Account. Class A Shares held through IRA Accounts will be subject to those penalties, fees, terms and conditions as may be imposed by the IRA trust for such IRA Account as established in the applicable laws and regulations and the disclosure documents associated with such IRA Account.

Investment Adviser

Popular Asset Management, the asset management unit of Banco Popular de Puerto Rico (“Banco Popular” and, when acting in this capacity, the “Adviser”), is the Fund’s investment adviser and is responsible, subject to the direction of the Board, for the management of the Fund’s assets. Banco Popular is the principal banking subsidiary of Popular, Inc., which produces and markets a broad range of financial services including commercial banking, consumer finance, mortgage banking, asset management, credit cards, insurance, and securities brokerage and investment banking in Puerto Rico and throughout the U.S.

The Adviser and the Distributor are both wholly-owned subsidiaries of Popular, Inc. and, therefore, are affiliated entities.

Valuation of Shares

The net asset value per share of each class of Shares is determined daily by Banco Popular, the Fund’s administrator (the “Administrator”), as of the close of trading on the NYSE on each business day. If any date on which the net asset value is to be determined is not a business day, the net asset value will be determined on the next succeeding business day. The net asset value per Share is available upon request from the Distributor.

Dividends

Dividends from net investment income, if any, are expected to be declared and paid annually. The Fund does not expect to make distributions of net realized capital gains, although the Board reserves the right to change this policy. See “Dividends and Automatic Reinvestment.”

Reinvestment of Dividends

Dividends paid on a class of Offered Shares will be reinvested automatically, unless otherwise specified by an investor, in additional Offered Shares of the same Class at the current net asset value. All dividend distributions by the Fund to IRA Accounts will be made on a gross basis, without any tax withholding, and will be reinvested automatically in Class A Shares of the Fund. Offered Shares acquired by dividend reinvestment will not be subject to any initial sales charge or contingent deferred sales charge. Dividends paid on previously issued and outstanding Class B Shares are paid to the investor in cash. See “Dividends and Automatic Reinvestment.”

Tax Matters

By purchasing shares of the Fund, all investors will be agreeing irrevocably to be subject to a 15% Puerto Rico income tax withholding that will be withheld automatically at source by the Fund or its paying agent (including the Distributor or a selected dealer) on amounts distributed as Ordinary Dividends (see “Tax Matters”).

Amounts distributed as Ordinary Dividends on the Fund’s Shares, except for those distributed to IRA Accounts, will be subject to regular Puerto Rico income tax at a 15% preferential rate in the case of individuals, estates or trusts. Also, individual shareholders should take into consideration Ordinary Dividends for computing their net income subject to alternative minimum tax. In the case of Qualifying Corporations, Ordinary Dividends will be subject to regular income tax and alternative minimum tax on Ordinary Dividends and will qualify for an 85% dividends received deduction for Ordinary Dividends received. Amounts distributed as Ordinary Dividends on Fund Class A Shares held by IRA Accounts will be reinvested automatically in additional Class A Shares of the Fund.

Capital Gain Dividends (see “Tax Matters”) are taxable as long-term capital gains to Qualifying Investors (see “Tax Matters”) regardless of how long the Shares of the Fund have been held by the shareholder. Capital Gain Dividends will qualify for a special income tax rate on capital gains of 15%, in the case of Qualifying Individuals, and for an alternative 20% income tax rate, in the case of Qualifying Corporations. Special rules may apply to Capital Gain Dividends distributed by the Fund to estates and trusts.

The Shares will be exempt from Puerto Rico personal property taxes and will not be subject to U.S. federal and Puerto Rico estate taxes in the hands of certain investors who are residents of Puerto Rico.

The Fund will not be engaged in a U.S. trade or business and will not be subject to U.S. federal income tax on portfolio interest. The dividends paid by the Fund will constitute income from sources within Puerto Rico and as such will not be subject to U.S. federal income tax when received by (a) individuals who are bona fide residents of Puerto Rico during the entire taxable year of receipt, and who own, directly or indirectly, less than 10% of the total Shares of the Fund, (b) Puerto Rico corporations that are not engaged in a U.S. trade or business to which the dividends are effectively connected, or (c) Puerto Rico corporations that are engaged in a U.S. trade or business, but for which its investment in the Fund is not effectively connected to its U.S. trade or business.

Restrictions on Offering and Transferability of Shares

The Offered Shares are being offered and sold exclusively to individuals who maintain their principal residence in Puerto Rico and to entities whose principal office and place of business are located within Puerto Rico. Investors will be required to execute the applicable form of representation letter attached hereto as Appendix A or such other representation letter or document as may be acceptable to the Fund and the Distributor.

The Shares are not transferable and may only be redeemed through the Fund at a price based on the net asset value of the class of Shares as of the applicable valuation date. See “Redemption of Shares.”

Transactions with Affiliates

The Fund may enter into various types of transactions with affiliated parties as described in this prospectus. See “Additional Risks and Portfolio Management Information - Transactions with Affiliates.”

PRINCIPAL RISKS OF INVESTING IN THE FUND

The following is a summary discussion of the principal risks of investing in the Fund. There is no guarantee or assurance that the Fund will achieve its investment objectives or that its performance will be positive for any particular period of time. An investment in the Fund is not guaranteed. You may lose money investing in the Fund.

Investment Risk. There can be no assurance that the Fund will achieve its investment objectives. The ability of the Fund to achieve its investment objectives depends on a number of factors, including, but not limited to, the Adviser's judgment of market risk, credit risk, regulatory risk, liquidity risk, etc. It is important to remember one of the main axioms of investing: higher risk, higher potential reward. The reverse, also, is generally true: the lower the risk, the lower the potential reward. Each potential investor should consider his/her personal tolerance for the daily fluctuations of the stock and fixed-income markets and view his/her investment in the Fund as part of an overall investment program.

Market Risk. There is a risk that you could lose all or a portion of your investment in the Fund and that the income you receive from your investment may vary. The value of your investment in the Fund will go up and down with the prices of the securities in which the Fund invests. The prices of equity securities change in response to many factors including the historical and prospective earnings of the issuer, the value of its assets, general economic conditions, interest rates, investor perceptions and market liquidity. The values of debt securities and other fixed income securities in which the Fund may invest also will be affected by market interest rates and the risk that the issuer may default on interest, principal or dividend payments. Specifically, since these types of securities pay fixed interest and dividends, their value may fall if market interest rates rise and rise if market interest rates fall. Additionally, an issuer may have the right to buy back certain of these securities at a time and at a price that is unfavorable to the Fund.

Investment in Exchange Traded Funds. An investment in the Fund is not equivalent to an investment in the underlying assets held by the Fund because of the operational fees and expenses incurred by the Fund. The Fund currently anticipates that the portion of its assets invested in equity securities is primarily invested in shares of ETFs. ETFs invest in a portfolio of securities that are designed to track closely the price and yield performance of different market indexes or segments. However, such funds will never be able to do so exactly because of operational fees and expenses incurred by the fund or because of the temporary unavailability of certain of the securities underlying the index. The market price of this type of investment on the securities exchange on which they are traded may be lower than their net asset value. Investors should also be aware that by investing in the Fund, they may, in effect, incur the costs of two levels of investment management services, (1) the services provided by the Adviser to the Fund and (2) the services provided by the managers or advisers of the various funds in which the Fund may invest.

Investment in Foreign Securities. The Fund may invest in foreign securities. Securities of foreign issuers have additional risks, including exchange rate changes, political and economic upheaval, the relative lack of information about these companies, relatively low market liquidity and the potential lack of strict financial and accounting controls and standards.

Investments through IRA Accounts. Investors may purchase and hold Offered Class A Shares through IRA Accounts only to the extent that there are IRA Accounts that invest in Fund. Class A Shares purchased through IRA Accounts will be subject to those penalties, fees, terms and conditions as may be imposed by the IRA trust for such IRA Account as established in the applicable laws and regulations and the disclosure documents associated with such IRA Account.

Given that the Fund invests a significant portion of its assets in equity securities (primarily shares of ETFs), an investment in the Fund is designed, and suitable for, long term investors. The prices of equity securities and the value of your investment in the Fund will increase or decrease in response to many factors, including prospective earnings, investors perception and general economic conditions. Before investing in the Fund prospective investors are encouraged to consult their own tax adviser with specific reference to their own tax situation to determine if the Fund is suitable for them. Before investing in the Fund, prospective investors should also consider all other risk factors set forth under the Principal Risks of Investing in the Fund section of the prospectus.

Non-Diversified Status. As a non-diversified fund, the Fund may invest a relatively high percentage of its assets in a small number of issuers. Under the Puerto Rico Investment Companies Act, as amended (the “Puerto Rico Investment Companies Act”), the Fund may invest up to 25% of its total assets in the securities of a single issuer. As a non-diversified fund, the value of the Shares is, therefore, more susceptible to losses related to any single economic, political or regulatory occurrence than the value of shares of a more widely diversified fund.

Geographic Concentration. Approximately 20% of the Fund’s total assets will normally be invested in the obligations of a limited number of issuers concentrated in one geographic location, Puerto Rico. For this reason, the Fund may be more susceptible to any single economic, political or regulatory occurrence than a more widely diversified fund. See “Certain Risk Factors and Special Considerations Associated with Puerto Rico Assets” on page 19 of this prospectus.

Derivative Instruments. While a portion of the Fund’s assets may be invested in futures and options, the Adviser will seek to use these investments for hedging and not speculative purposes. Derivative instruments such as futures and options involve risks different from direct investing in underlying securities. These risks include imperfect correlation between the value of the instruments and the underlying asset; risks of default by the other party to certain transactions; risks that the transactions may incur losses that partially or completely offset gains in portfolio positions and risks that the transactions may not be liquid.

No Registration under Investment Company Act of 1940. The Fund is not registered under the U.S. Investment Company Act of 1940, as amended (“1940 Act”), and therefore is not subject to the restrictions contained therein regarding, among other things, transactions between the Fund and the Adviser and its affiliates as described below.

Transactions with Affiliates. The Adviser may purchase or sell securities or other investment instruments from or through Banco Popular or one or more of its affiliates including, but not limited to, Popular Securities, a registered broker-dealer, and Popular Mortgage, Inc. (“Popular Mortgage”), a mortgage banking firm. In addition, the Fund may invest a portion of its assets in securities issued by Popular, Inc., the parent corporation of Banco Popular, or affiliates thereof. The overall cost to the Fund in connection with these transactions must be at least as favorable for the Fund as that charged by other sources. All transactions with affiliates are subject to procedures adopted by the Board and the Adviser in an effort to address potential conflicts of interest that may arise from such transactions. There is no assurance, however, that such procedures will be effective or that the Fund will get the best rate or pricing available in these transactions.

Restrictions on Transfer. The Shares are being offered and only may be sold, pledged, hypothecated or otherwise transferred to individuals whose principal residence is in Puerto Rico, or to corporations and other business organizations whose principal office and place of business are in Puerto Rico. Shareholders of the Fund who cease to be residents of Puerto Rico have an obligation to redeem their Shares as soon as it becomes economically feasible to do so. Otherwise their Shares may be redeemed automatically by the Fund.

***No Guaranty.* The Shares represent solely an interest in the assets of the Fund and are not bank deposits, savings accounts or obligations of or guaranteed by Banco Popular or by any other insured depository institution or person. The Shares are not guaranteed or insured by the Federal Deposit Insurance Corporation or any other governmental agency or instrumentality. As with any mutual fund, you could lose money on your investment in the Fund.**

You should also consider the factors under “Additional Risks and Portfolio Management Information” before investing in the Fund.

FEE TABLE AND EXPENSE EXAMPLE

The following table describes the costs and expenses that you may incur if you buy and/or hold Shares, based on the maximum sales charge and maximum contingent deferred sales charge that may be incurred and on the Fund's expected operating expenses for the twelve month period ending March 31, 2020.

The sales charges and contingent deferred sales charges in the table below are the maximum charges imposed on purchases or redemptions of Shares and investors may actually pay lower or no charges, depending on the amount purchased and the length of time the Shares are held. See "Purchase of Shares" and "Redemption of Shares."

Shareholder Fees

(Fees paid directly from your investment)

	<u>Class A</u>	<u>Class B*</u>	<u>Class C</u>	<u>Advisor Class</u>
Maximum Sales Charge (Load) Imposed on Purchases <i>(as a percentage of offering price)</i>	5.00%	None	None	None
Maximum Sales Charge (Load) Imposed on Purchases through IRA Accounts <i>(as a percentage of offering price)</i>	2.00%	N/A	N/A	None
Maximum Contingent Deferred Sales Charge (Load) on Redemptions <i>(as a percentage of original purchase price or redemption proceeds, whichever is less)</i>	None	4.00%	1.00%	None

Annual Fund Operating Expenses¹

(Expenses are deducted from Fund assets)

	<u>Class A</u>	<u>Class B*</u>	<u>Class C</u>	<u>Advisor Class</u>
Investment Advisory Fee	0.50%	0.50%	0.50%	0.50%
Distribution (12b-1) Fee ²	0.25%	1.00%	1.00%	0.25%
Administrative Fee	0.10%	0.10%	0.10%	0.10%
Other Expenses ³	0.25%	0.25%	0.25%	0.17%
Total Annual Fund Operating Expenses⁴	1.10%	1.85%	1.85%	1.02%

* Class B Shares are no longer offered by the Fund.

- As a percentage of average daily net assets, which means, the average daily value of the total assets of the Fund minus the sum of accrued liabilities of the Fund. There is no guarantee that actual expenses will be the same as those shown in the table.
- The Fund has adopted a distribution plan that permits it to pay marketing and other fees to support the sale and distribution of Shares and services provided to investors by the Distributor or other brokers or financial institutions. These fees are referred to as a distribution fee.
- Other Expenses are based on the Fund's expected operating expenses for the twelve month period ending March 31, 2020. These expenses are allocated to each class of Shares proportionate to the fair market value of the average outstanding Shares for the period.
- Annual Fund Operating Expenses exclude the fees and expenses charged by the ETFs in which the Fund invests. The operating expenses in this fee table include only the direct expected operating expenses to be incurred by the Fund. The table below sets forth the ETFs in which the Fund invests and the fees and expenses charged by such ETFs as of such date.

<u>Exchange Traded Fund</u>	<u>Fees and Expenses</u>	<u>Date</u>
Vanguard FTSE Developed Markets ETF	0.05%	04/26/2019
Vanguard FTSE Emerging Markets ETF	0.10%	02/27/2020
Vanguard Mid-Cap ETF	0.04%	04/26/2019
Vanguard S&P 500 ETF	0.03%	04/26/2019
iShares Russell 2000 Index Fund	0.19%	08/1/2019
SPDR S&P MidCap 400 ETF Trust	0.23%	01/21/2020
SPDR S&P 500 ETF Trust	0.09%	01/16/2020

Class B Shares and Class C Shares are subject to an annual distribution fee of 1.00% of the average daily net asset value of the respective class. As a result, long-term shareholders of Class B Shares and Class C Shares may pay more than the economic equivalent of the maximum initial sales charges permitted by the Financial Industry Regulatory Authority.

Expense Example

The following expense example is intended to assist you in understanding the estimated costs and expenses of investing in the different classes of Shares and provides a means for comparison with the expense levels of other open-end management investment companies with different fee structures over varying investment periods. This example should not be considered a representation of future expenses of the Fund or annual rates of return. **Actual expenses or annual rates of return may be greater or less than those assumed for purposes of the example.**

The expense example assumes that:

- You invest \$10,000 in the Fund for the time periods indicated;
- You redeem all of your shares at the end of the periods indicated;
- You earn a 5% return on your investment, net of any applicable sales load, each year (assuming a 360-day year of twelve 30-day months);
- All dividends and other distributions are reinvested at net asset value;
- The Fund's operating expenses (which are based on expected operating expenses for the twelve-month period ending March 31, 2020) remain the same but exclude expenses charged by ETFs.

Although your actual returns and costs may be higher or lower, based on these assumptions your costs could be:

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
Class A Shares	\$606.50	\$831.97	\$1,075.13	\$1,769.89
Class A Shares held through IRA Accounts	\$309.86	\$542.45	\$793.30	\$1,509.99
Class B Shares ¹	\$587.84	\$881.01	\$1,198.75	\$1,976.37 ²
Class C Shares	\$287.84	\$581.01	\$998.75	\$2,160.82

You would pay the following expenses assuming the same annual return but no redemption of the Shares:

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
Class A Shares	\$606.50	\$831.97	\$1,075.13	\$1,769.89
Class A Shares held through IRA Accounts	\$309.86	\$542.45	\$793.30	\$1,509.99
Class B Shares ¹	\$187.84	\$581.01	\$998.75	\$1,976.37 ²
Class C Shares	\$187.84	\$581.01	\$998.75	\$2,160.82

¹ Class B Shares are no longer offered by the Fund.

² Assumes Class B Shares have been converted to Class A Shares. As of February 27, 2014, there were 31,688 Class B Shares left. This occurs on or about the end of the month marking the 8-year anniversary of the purchase of Class B Shares, lowering your annual Fund operating expenses from that time on.

Investors are cautioned to remember that the Fund's actual return will vary and may be greater or less than 5.0%. The above example should not be considered a representation of past or future expenses and actual expenses may be higher or lower than those shown above.

FINANCIAL HIGHLIGHTS

Set forth in the following pages is per share operating data for a share of Class A Shares, Class B Shares and Class C Shares outstanding throughout the fiscal years ended March 31, 2015, 2016, 2017, 2018 and 2019 as well as total investment return, ratios to average net assets and other supplemental data for such periods.

The financial highlights table is intended to help you understand the Fund's financial performance. Certain information reflects financial results for a single class of share. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in the Fund (assuming reinvestment of all dividends and distributions). This information has been derived from the Fund's audited financial statements. The information below should not be considered a representation of future performance. Actual performance may vary. Shareholders may review the Fund's most recent financial and performance information at the Fund's website at www.popular.com. No information on Popular's website is deemed to be part of, or incorporated by reference in, this prospectus.

		Class A Shares				
		Year Ended March 31,				
		2019	2018	2017	2016	2015
Per Share Operating Performance:	Net asset value, beginning of the year	\$19.98	\$18.32	\$16.47	\$16.94	\$15.93
	Net investment income (loss) ^(a)	0.19	0.16	0.15	0.15	0.13
	Net realized gain (loss) and unrealized appreciation (depreciation) on investments ^(a)	0.56	1.67	1.86	(0.46)	1.01
	Total from investment operations	0.75	1.83	2.01	(0.31)	1.14
	Less: distribution to shareholders	(0.18)	(0.17)	(0.16)	(0.16)	(0.13)
	Net asset value, end of year	\$20.55	\$19.98	\$18.32	\$16.47	\$16.94
Total Investment Return: ^(d)	Based on net asset value per share ^(e)	3.75%	10.01%	12.21%	(1.85)%	7.16%
Ratios: ^(b)	Expenses to average net assets ^(c)	1.05%	1.02%	1.04%	1.05%	1.09%
	Operating expenses to average net assets ^(f)	1.05%	1.02%	1.04%	1.05%	1.09%
	Net investment income (loss) to average net assets	0.90%	0.84%	0.86%	0.91%	0.77%
Supplemental Data:	Net assets, end of year (in thousands)	\$55,388.00	\$54,277.00	\$53,176.00	\$52,994.00	\$58,348.00
	Portfolio turnover ^(g)	10.33%	13.44%	10.71%	17.80%	21.87%

(a) Based on daily average outstanding Class A Shares of 2,726,685, 2,795,153, 3,093,122, 3,288,815; and 3,526,601; for the years ended March 31, 2019, 2018, 2017, 2016, and 2015, respectively.

(b) Based on daily average net assets applicable to shareholders of Class A Shares of \$55,349,227, \$54,592,082; \$53,544,138; \$54,618,395; and \$58,279,637; for the years ended March 31, 2019, 2018, 2017, 2016, and 2015, respectively. Investment Income, realized gain/losses, and Fund level expenses are allocated to the three classes as disclosed in Note 1(h) of the Fund's audited financial statements. Class-specific expenses are allocated to the relevant class.

(c) "Expenses" include both operating and interest expenses. However, the expenses do not include operating expenses of any underlying investment fund, including ETFs, in which the Fund invests.

(d) Dividends are assumed to be reinvested at the per share net asset value on the date dividends are paid.

(e) Calculations are based on beginning and end of period net asset values. Total return excludes the effect of initial and contingent deferred sales charges.

(f) "Operating expenses" represents total expenses excluding interest expense.

(g) "Portfolio Turnover" excludes the proceeds from calls and maturities of portfolio securities and the proceeds from mortgage backed securities paydowns.

The information set forth above should not be considered a representation of future performance. Actual performance may vary. Past performance does not guarantee future results.

Additional information about the Fund's performance is contained in the Fund's annual report, which may be obtained without charge from the Distributor or by calling the Fund at the telephone number provided below under "The Fund."

		Class B Shares				
		Year Ended March 31,				
		2019 ^(a)	2018 ^(a)	2017 ^(a)	2016 ^(a)	2015 ^(a)
Per Share Operating Performance:	Net asset value, beginning of the year					
	Net investment income (loss)					
	Net realized gain (loss) and unrealized appreciation (depreciation) on investments					
	Total from investment operations					
	Less: distribution to shareholders					
	Net asset value, end of year					
Total Investment Return:	Based on net asset value per share ^(f)					
Ratios:	Expenses to average net assets ^(b)					
	Operating expenses to average net assets ^(c)					
	Net investment income (loss) to average net assets					
Supplemental Data:	Net assets, end of year (in thousands)					
	Portfolio turnover ^(d)					

(a) Operating data for Class B Shares is no longer available as they are no longer offered by the Fund.

(b) "Expenses" include both operating and interest expenses. However, the expenses do not include operating expenses of any underlying investment fund, including ETFs, in which the Fund invests.

(c) "Operating expenses" represents total expenses excluding interest expense.

(d) "Portfolio Turnover" excludes the proceeds from calls and maturities of portfolio securities and the proceeds from mortgage backed securities paydowns.

The information set forth above should not be considered a representation of future performance. Actual performance may vary. Past performance does not guarantee future results.

Additional information about the Fund's performance is contained in the Fund's annual report, which may be obtained without charge from the Distributor or by calling the Fund at the telephone number provided below under "The Fund."

		Class C Shares				
		Year Ended March 31,				
		2019	2018	2017	2016	2015
Per Share Operating Performance:	Net asset value, beginning of the year	\$19.98	\$18.23	\$16.39	\$16.86	\$15.86
	Net investment income (loss) ^(a)	0.03	0.02	0.02	0.03	0.00
	Net realized gain (loss) and unrealized appreciation (depreciation) on investments ^(b)	0.56	1.65	1.84	(0.47)	1.01
	Total from investment operations	0.59	1.67	1.86	(0.44)	1.01
	Less: distribution to shareholders	(0.03)	(0.02)	(0.02)	(0.03)	(0.01)
	Net asset value, end of year	\$20.44	\$19.88	\$18.23	\$16.39	\$16.86
Total Investment Return: ^(d)	Based on net asset value per share ^(e)	2.97%	9.19%	11.37%	(2.59)%	6.37%
Ratios: ^(b)	Expenses to average net assets ^(c)	1.80%	1.77%	1.79%	1.80%	1.84%
	Operating expenses to average net assets ^(f)	1.80%	1.77%	1.79%	1.80%	1.84%
	Net investment income (loss) to average net assets	0.15%	0.09%	0.11%	0.16%	0.02%
Supplemental Data:	Net assets, end of year (in thousands)	\$12,631	\$11,413	\$10,303	\$9,428	\$9,207
	Portfolio turnover ^(g)	10.33%	13.44%	10.71%	17.80%	21.87%

(a) Based on daily average outstanding Class C Shares of 584,484; 576,336; 576,822; 565,540; and 448,172; for the years ended March 31, 2019, 2018, 2017, 2016, and 2015, respectively.

(b) Based on daily average net assets applicable to shareholders of Class C Shares of \$11,757,619; \$11,172,579; \$9,909,492; \$9,302,984; \$7,361,050; and \$5,051,141; for the years ended March 31, 2019, 2018, 2017, 2016 and 2015, respectively. Investment Income, realized gain/losses, and Fund level expenses are allocated to the three classes as disclosed in Note 1(h) of the Fund's audited financial statements. Class-specific expenses are allocated to the relevant class.

(c) "Expenses" include both operating and interest expenses. However, the expenses do not include operating expenses of any underlying investment fund, including ETFs, in which the Fund invests.

(d) Dividends are assumed to be reinvested at the per share net asset value on the date dividends are paid.

(e) Calculations are based on beginning and end of period net asset values. Total return excludes the effect of initial and contingent deferred sales charges.

(f) "Operating expenses" represents total expenses excluding interest expense.

(g) "Portfolio Turnover" excludes the proceeds from calls and maturities of portfolio securities and the proceeds from mortgage backed securities paydowns.

The information set forth above should not be considered a representation of future performance. Actual performance may vary. Past performance does not guarantee future results.

Additional information about the Fund's performance is contained in the Fund's annual report, which may be obtained without charge from the Distributor or by calling the Fund at the telephone number provided below under "The Fund."

THE FUND

The Fund is a non-diversified, open-end management investment company. The Fund was incorporated under the laws of Puerto Rico on January 31, 2001, and is registered under the Puerto Rico Investment Companies Act. The Fund's principal office is located at the Popular Center North Building, Second Level (Fine Arts), 209 Muñoz Rivera Avenue, San Juan, Puerto Rico 00918, and its main telephone number is (787) 754-4488.

The Fund is intended to be a long-term investment vehicle. It is not designed to provide investors with a means of speculating on short-term fluctuations in the stock market.

The initial authorized capital of the Fund is 2,000,000,020 shares of common stock consisting of (i) 1,000,000,000 Class A Shares, with \$0.01 par value per share, (ii) 250,000,000 Class c Shares, with \$0.01 par value per share, (iii) 750,000,000 Advisor Class Shares, with \$0.01 par value per share, and (iv) 20 shares of non-redeemable common stock, with \$0.01 par value per share. It is expected that the number of authorized shares of common stock of the Fund will increase as needed to satisfy demand. Any such increase will require the prior approval of the shareholders of the Fund.

Although the Fund has four classes of common stock, the Fund is only offering its Class A Shares Class C Shares and Advisor Class Shares to investors. See "Purchase of Shares." The shares of non-redeemable common stock will be issued solely to directors of the Fund that are residents of Puerto Rico, will be non-redeemable and will only be entitled to vote if the Fund does not have any Shares outstanding.

Shares of common stock, when issued and outstanding, will be fully paid and non-assessable. Shareholders of each class are entitled to share pro-rata in the net assets of the Fund allocable to such class of Shares upon the liquidation of the Fund. Except as set forth above with respect to the voting rights of holders of non-redeemable common stock, holders of shares of common stock are entitled to one vote for each share held.

To the extent required by Puerto Rico law, the Fund will hold annual shareholder meetings. Directors of the Fund may only be removed with cause and upon the vote of not less than 75% of the Fund's issued and outstanding shares of common stock cast in person or by proxy at any annual meeting of the shareholders or at any special meeting called by the President or a majority of the Board as required by the Fund's bylaws.

Claims by shareholders against the Fund, its directors or officers will be subject to the jurisdiction of the courts of Puerto Rico and the U.S., as applicable, and therefore arbitration proceedings will not be the sole forum to resolve claims or disputes.

LIMITATIONS ON OFFERING AND TRANSFER OF SHARES

The Offered Shares offered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "1933 Act"), or the securities laws of any State, and the Fund has not been registered under the 1940 Act. The Offered Shares are being offered and only may be sold, pledged, hypothecated or otherwise transferred to individuals whose principal residence is in Puerto Rico, or to corporations and other business organizations whose principal office and place of business are in Puerto Rico. Prior to the sale and any subsequent transfer of Shares, each offeree and transferee will be required to represent to the Fund and the Distributor, or any other agent, acting as distributor, in writing, that the above conditions to transfer are satisfied. Shareholders will be required to execute the applicable form of representation letter attached hereto as Appendix A or such other representation letter or document as may be acceptable to the Fund and the Distributor. The Fund may redeem Shares of any shareholder that ceases to meet the above residency requirements. The Fund and the Distributor reserve the right to change the form of representation letter or the procedures required to ensure the availability of the exemptions from the federal securities laws. Each time a shareholder purchases Shares pursuant to the Fund's dividend reinvestment plan or pursuant to a systematic investment plan the shareholder will be deemed to have reaffirmed the representations contained in the representation letter. See "Redemption of Shares-Mandatory Redemption."

Persons who wish to purchase Class A Shares through IRA Accounts will need to complete such documents as are required by the IRA trust for such IRA Account.

INVESTMENT OBJECTIVES, REQUIREMENTS, AND POLICIES

Investment Objectives

The Fund's primary investment objective is to seek long-term capital appreciation and portfolio securities are selected primarily with a view to achieve this objective. Current income is a secondary objective in the selection of investments. The Fund will pursue its objectives by investing, under normal market conditions, at least 50%, but not more than 80%, of its total assets in equity securities. The balance of the Fund's assets will be invested in fixed income securities. Under normal market conditions, the Fund may invest not more than 20% of its total assets in securities of foreign issuers. In compliance with Puerto Rico regulatory requirements, not less than 20% of the Fund's total assets will be invested in Puerto Rico assets.

The Fund will not change its investment objectives and fundamental policies without the approval of a majority of the outstanding Shares and of the Office of the Commissioner.

Investment Policies

While the Fund will primarily invest in equity and fixed income securities as described above, under normal conditions up to 10% of the Fund's total assets may be held from time to time in cash and cash equivalents (e.g., short-term money market securities such as prime-rated commercial paper, certificates of deposit, variable rate demand notes or repurchase agreements).

Equity Securities. The Fund's assets invested in equity securities will be allocated from time to time by the Adviser among the following categories of equity securities (i) large capitalization U.S. stocks, (ii) medium capitalization U.S. stocks, (iii) small capitalization U.S. stocks, and (iv) stocks of foreign issuers. The Fund's actual allocation among these categories of stock will be determined from time to time by the Adviser according to its perception of the relative attractiveness of each category of investment. However, not more than 20% of the Fund's total assets will be invested in foreign stocks.

Equity securities include among others:

- shares of other open or close-end investment companies, including shares of ETFs or other ownership interests in index funds;
- common stock of publicly-held companies, primarily shares of common stock of corporations listed on a national securities exchange or automated quotation system; and
- other equity or debt securities convertible into common stock and warrants or other rights to purchase common stock.

Since the Fund's inception, the Adviser has pursued the Fund's investment objectives by investing primarily in shares of common stock of ETFs instead of investing in individual stocks. While the Adviser currently anticipates that it will continue this strategy, it reserves the right to change this strategy and pursue the Fund's investment objectives by investing directly in individual stocks.

Each share of an ETF represents an undivided ownership interest in the portfolio of stocks held by the ETF. ETFs are trust or similar vehicles that acquire and hold either:

- shares of all of the companies that are represented by a particular index in the same proportion that is represented in the indices themselves; or

- shares of a sampling of the companies that are represented by a particular index in a proportion meant to track the performance of the entire index.

ETFs are intended to provide investment results that, before expenses, generally correspond to the price and yield performance of the corresponding market index, and the value of their shares should, under normal circumstances, closely track the value of the index's underlying component stocks. ETFs generally do not buy or sell securities, except to the extent necessary to conform their portfolios to the corresponding index. Because an ETF has operating expenses and transaction costs, while a market index does not, ETFs that track particular indices typically will be unable to match the performance of the index exactly.

ETFs generally do not sell or redeem their shares for cash, and most investors do not purchase or redeem shares directly from an ETF at all. Instead, the ETF issues and redeems its shares in large blocks (typically 50,000 of its shares) called "creation units." Creation units are issued to anyone who deposits a specified portfolio of the ETF's underlying securities, as well as a cash payment generally equal to accumulated dividends of the securities (net of expenses) up to the time of deposits, and creation units are redeemed in kind for a portfolio of the underlying securities (based on the ETF's net asset value) together with a cash payment generally equal to accumulated dividends as of the date of redemption. Most ETF investors, however, purchase and sell exchange-traded fund shares in the secondary trading market on a securities exchange, in lots of any size, at any time during the trading day. ETF investors generally must pay a brokerage fee for each purchase or sale of ETF shares, including purchases made to reinvest dividends.

Among the shares of ETFs in which the Fund may invest are "iShares,"* which are generally listed for trading on the American Stock Exchange. iShares represent an investment in a fund which seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of a particular equity market index compiled by one of various index providers, including Standard & Poor's (a division of The McGraw-Hill Companies, Inc.), Dow Jones & Company, Inc., the Frank Russell Company and Morgan Stanley Capital International. Examples of such indexes include the S&P 500 Index*, the S&P MidCap 400 Index* and the MSCI Japan Index Fund*.

Another similar investment vehicle in which the Fund may invest is the Standard & Poor's Depository Receipts* ("SPDRs"), which represent interests in unit investment trusts that are designed to track the price and yield performance of particular market indexes provided by Standard & Poor's (a division of The McGraw-Hill Companies, Inc.). SPDRs* are also currently listed for trading on the American Stock Exchange.

Investors should be aware that funds or unit investment trusts that try to replicate the performance of a particular market index will never be able to do so exactly because of the operational fees and expenses incurred by the trust or fund or because of the temporary unavailability of certain of the securities underlying the index. The market price of this type of investment on the securities exchange on which they are traded may also be lower than their net asset value. The difference in price may be due to the fact that the supply and demand in the market for shares in the investment vehicle at any time is not always identical to the supply and demand in the market for the basket of securities underlying the particular index.

Investors should be also aware that by investing in the Fund, they will, in effect, incur the costs of two levels of management services: (1) the services provided by the Adviser to the Fund and (2) the services provided by the managers or advisers of the various funds in which the Fund may invest.

* Standard & Poor's, the S&P 500 Index®, the S&P MidCap 400 Index®, Standard & Poor's Depository Receipts® and SPDRs® are trademarks of The McGraw Hill Companies, Inc.; iShares® is a trademark of the American Stock Exchange, Inc.; MSCI Japan Index Fund® is a trademark of Morgan Stanley Capital International. The Fund is not associated with, or sponsored, endorsed, sold or promoted by, The McGraw Hill Companies, Inc., the American Stock Exchange, Inc., Morgan Stanley Capital International or Dow Jones & Company, Inc.

The Fund will attempt not to concentrate its investments of equity securities in any particular industry or group of industries and will attempt to diversify its holdings among as many different industries and market segments as deemed appropriate in light of conditions prevailing at any given time.

Although equity securities have historically demonstrated long-term growth in value, their prices fluctuate based on changes, among other variables, in a company's financial condition and general economic conditions. This is especially true in the case of smaller companies. Stock markets tend to move in cycles, with periods of rising stock prices and periods of falling stock prices.

Fixed Income Securities. Under normal market conditions, the Fund will invest not less than 20% of its total assets in debt and other fixed income securities and in reverse-repurchase agreements with entities organized under the laws of Puerto Rico or organized under the laws of jurisdictions other than Puerto Rico at least 80% of whose gross income constitutes gross income from sources within Puerto Rico ("Puerto Rico Entities"). See Appendix B - "Description of Certain Investment Techniques and Fixed Income Securities" for more information as to the types of fixed income securities in which the Fund may invest.

Under normal market conditions, not less than 90% of the fixed income securities in which the Fund will invest will be rated, at the time of purchase, within the four highest long-term or two highest short-term rating categories of at least one nationally recognized statistical rating organization ("Rating Agencies"), without regard to any subcategory, or, if not so rated, will be, in the opinion of the Adviser, of a credit quality comparable to such rated obligations. The Fund will not make additional investments in lower rated securities if, at the time of a proposed purchase, more than 10% of the Fund's fixed income securities would be invested in such lower rated securities. See Appendix C - "Ratings of Municipal Obligations and Debt Securities."

Statutory Investment Requirements

The Fund is registered as an investment company under the Puerto Rico Investment Companies Act and as such must comply with the investment requirements of this statute. Under the Puerto Rico Investment Companies Act, the Office of the Commissioner has the authority to define those assets that qualify as Puerto Rico assets. The Puerto Rico Investment Companies Act requires that not less than 20% of the Fund's total assets be invested in Puerto Rico assets. The Act also prohibits the Fund from investing in assets that are exempt from income taxation under the Puerto Rico Internal Revenue Code of 2011, as amended (the "Puerto Rico Code").

The Fund anticipates that it will generally comply with its obligation to invest in Puerto Rico assets by investing in debt and fixed income securities of Puerto Rico issuers or mortgage-backed and asset-backed securities backed by Puerto Rico mortgages or assets (collectively, "Puerto Rico Fixed Income Securities"). The Puerto Rico Fixed Income Securities the Fund may invest include, among others:

- certificates of deposit of Puerto Rico banking institutions;
- Puerto Rico mortgage-backed or asset-backed securities (including pass through certificates issued by the Government National Mortgage Association ("GNMA"), the Federal National Mortgage Association ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"), collateralized mortgage obligations and whole loan pools);
- corporate debt obligations and preferred stock of Puerto Rico Entities; and
- reverse-repurchase agreements with Puerto Rico Entities.

The Fund may also comply with the requirement of investing in Puerto Rico assets by investing in equity securities of Puerto Rico Entities.

The appreciation in value of one type of asset such as U.S. equity securities may be greater than that of another type of asset such as Puerto Rico Fixed Income Securities. Accordingly, from time to time, the composition of the

Fund's assets based on current market values may not reflect the initial allocation of the assets in compliance with the investment requirements of the Puerto Rico Investment Companies Act. The Office of the Commissioner has issued an administrative determination to the Adviser to the effect that if the market value of the Fund's Puerto Rico assets were to constitute less than 20% of the market value of the Fund's total assets the Fund will not be required to liquidate or sell portfolio securities to meet the investment requirements of the Puerto Rico Investment Companies Act. Instead, the Fund may comply with this requirement by investing the proceeds from the sale of new Shares in Puerto Rico assets until the 20% investment requirement is met.

As provided by Act No. 231, since the Fund is presumed to automatically comply with the asset allocation requirements of Section 1081.02(a)(3) of the Puerto Rico Code, the Fund will invest all proceeds from the sale of its Class A Shares to IRA Accounts in the same manner as the proceeds received from the sale of all other Shares.

Other Investment Restrictions

The Fund has adopted the following investment restrictions for the protection of its shareholders. Such restrictions are not considered fundamental investment policies and may be changed by the Board at any time, subject to any applicable requirements or limitations under the Puerto Rico Investment Companies Act, and the rules, regulations and orders promulgated thereunder and the rulings issued to the Fund by the Office of the Commissioner. In accordance with these restrictions, the Fund will not:

- make investments for the purpose of exercising control or management over any entity;
- issue senior securities;
- purchase the securities of any one issuer if after such purchase it would own more than 75% of the voting securities of such issuer;
- invest more than 25% of its total assets in securities of any single issuer; provided, however, that this restriction shall not apply to securities issued by (x) the Government of Puerto Rico, the U.S. Government or any of their respective agencies, instrumentalities or sponsored entities (including, but not limited to, GNMA, FNMA and FHLMC, or (y) equity securities of U.S. mutual funds or shares or equity securities of index funds;
- borrow money; provided, however, that the Fund may borrow from banks or other financial institutions for temporary or emergency (not leveraging) purposes, including, but not limited to financing the repurchase of shares and the meeting of redemption requests that might otherwise require the untimely disposition of securities, in an amount not to exceed 5% of the value of the Fund's total assets (including the amount borrowed) at the time the borrowing is made;
- purchase or sell real estate; provided, however, that this restriction shall not be deemed to prevent the Fund from (1) investing in securities of issuers engaged in the real estate business and securities which are secured by real estate or interests therein, including real estate investment trusts; or (2) holding or selling real estate received in connection with securities it holds;
- make loans to other persons; provided, however, this restriction shall not be deemed to apply to the purchase of debt obligations in which the Fund may invest consistent with its investment objectives and policies, repurchase agreements and loans of its portfolio securities;
- engage in the business of underwriting securities issued by other persons, except to the extent that the Fund may technically be deemed to be an underwriter under the 1933 Act in disposing of portfolio securities;
- purchase or sell commodities or commodities contracts; provided, however, that this restriction shall not be deemed to prevent the Fund from trading in futures contracts and options on futures contracts

for hedging purposes to the extent that it may do so in accordance with applicable law and this prospectus, as it may be amended from time to time;

- purchase any securities on margin (except for such short-term credits as are necessary for the clearance of purchases and sales of portfolio securities) or sell any securities short (except “against the box”). For purposes of this restriction, the deposit or payment by the Fund of initial or maintenance margin in connection with futures contracts and related options and options on securities is not considered the purchase of securities on margin;
- invest in mineral-type programs or leases;
- purchase or otherwise acquire any security if, as a result, more than 10% of its total assets would be invested in securities that are illiquid (as defined below);
- purchase, write or sell puts, calls, straddles, spreads or combinations thereof, except as described in this prospectus or Appendix B - “Description of Certain Investment Techniques and Fixed Income Securities;” and
- purchase any securities issued by the Adviser or an affiliate thereof; provided, that the Fund may purchase securities of affiliated persons in accordance with the conflict of interest provisions adopted by the Board in an amount not to exceed 5% of the Fund’s total assets (after giving effect to such purchase) and provided further that time deposits or shares in a money market fund managed or sponsored by an affiliate will not be deemed securities of an affiliate for these purposes.

If any percentage restriction described above is complied with at the time of investment, a later increase or decrease in percentage resulting from a change in values of assets will not constitute a violation of such restriction.

Act 93-2013, as amended, provides that the Puerto Investment Companies Act, as defined herein, shall continue to apply to such investment companies (like the Fund) registered under such Act; provided that, any such investment companies (including the Fund) shall be subject to certain provisions of Act 93-2013. Some of these provisions prohibit an investment company to (i) knowingly purchase, during the period of any sales or guaranty syndicate, any security (other than a security issued by such investment company) whose underwriter is an officer, director, member of its advisory board, investment adviser or employee of such investment company or an affiliate of any such persons, unless the investment company is underwriting such security or such transactions are made in compliance with related party transactions policies and procedures adopted by the Board and filed with the Office of the Commissioner; and (ii) purchase securities offered as part of an initial public offering if the investment adviser of the investment company is a related party of an entity that the issuer has contracted to offer financial advisory services in connection with such offering of securities, provided that, an underwriter contracted by an issuer shall not be deemed to be offering financial advisory services solely based on the fact that it is providing underwriting services to the issuer.

Portfolio Turnover & Transactions

Although the Fund seeks to invest for the long term, the Adviser retains the right to sell securities regardless of how long they have been held. Under certain conditions, such as short-term transactions for liquidity needs, securities having reached a specific price or return, changes in interest rates or the credit standing of an issuer, or by reason of economic or other developments not foreseen at the time of the initial investment decision, the Fund may experience a higher portfolio turnover due to its investment strategies. In addition, higher portfolio turnover rates may result in corresponding increase in brokerage commissions for the Fund. While the Fund does not intend to engage in short-term trading, it will not consider portfolio turnover rate a limiting factor in investing according to its objectives and policies. A turnover rate of 100% would occur, for example, if securities valued at 100% of its total net assets are sold and replaced within one year.

The Adviser arranges for the purchase and sale of the Fund’s securities and selects broker-dealers (including Popular Securities, a broker-dealer affiliated with the Adviser), which in its best judgment provide prompt and reliable

execution at favorable prices and reasonable commission rates. The Adviser may select brokers and dealers that provide it with research services and may cause the Fund to pay such brokers and dealers commissions which exceed those other brokers and dealers may have charged, if it views the commissions as reasonable in relation to the value of the brokerage and/or research services. In selecting a broker, including affiliated broker-dealers such as Popular Securities, for a transaction, the primary consideration is prompt and effective execution of orders at the most favorable prices. Subject to that primary consideration and subject to procedures adopted by the Board, dealers may be selected for research, statistical or other services to enable the Adviser to supplement its own research and analysis. The Fund may also deal with Popular Securities in any transaction in which it acts as principal. Securities transactions involving Popular Securities or another broker-dealer affiliated with the Adviser, whether on an agency or principal basis, will be subject to procedures adopted by the Board, which procedures include the review of such transactions by the Board, including the independent directors thereof.

Additional Risks and Portfolio Management Information

There can be no assurance that the Fund will be able to achieve its investment objectives. The ability of the Fund to achieve its investment objectives is dependent on a number of factors, including, but not limited to, those described below.

Risk of Low Level of Capital. If the Fund does not raise a sufficient amount of capital to establish economies of scale, or to the extent that redemptions of Shares cause the Fund's capital to reach a low level, the Fund's fixed expenses would increase when expressed as a percentage of the Fund's assets. The Adviser may, at its discretion, waive a portion of its investment advisory fees. The Adviser, however, reserves the right to discontinue any voluntary waiver of its fees to the Fund in the future.

Manager Risk. The Fund is subject to manager risk, which is the chance that poor security selection by the investment adviser will cause the Fund to underperform other funds with a similar investment objective.

Repurchase Agreements. In the event of default by a repurchase agreement counterparty under any repurchase agreement the Fund may suffer time delays and incur costs or possible losses in connection with the disposition of the securities underlying such repurchase agreements. In the event of a default, instead of the contractual fixed rate of return, the rate of return to the Fund will be dependent upon intervening fluctuations of the market values of such underlying securities and the accrued interest on the underlying securities. In such event, the Fund would have rights against the respective counterparty for breach of contract with respect to any losses resulting from market fluctuations following the failure of such counterparty to perform.

The yield on repurchase agreements depends on a variety of factors, including, but not limited to, general, municipal and fixed income securities market conditions, the amount being invested, the financial condition of the respective counterparty, and the maturity and credit quality of the security involved in each transaction.

Certain Risk Factors and Special Considerations Associated with Puerto Rico Assets. The Fund's ability to achieve its investment objectives and to comply with certain legal and regulatory investment requirements is dependent, in part, upon the availability of Puerto Rico assets. Except for temporary defensive purposes or upon the proven scarcity of Puerto Rico assets (i.e., the unavailability of Puerto Rico assets or their availability at a price unreasonably above their fair market value or at interest rates inconsistent with the Fund's investment objectives as determined by the Adviser), the Fund is required to invest at least 20% of its total assets in Puerto Rico assets. The Fund intends to comply with this requirement by investing primarily in Puerto Rico Fixed Income Securities. See "Statutory Investment Requirements."

The obligations of certain issuers of Puerto Rico Fixed Income Securities are subject to the provisions of bankruptcy, insolvency and other laws affecting the rights and remedies of creditors which may result in delays and costs to the Fund if a party becomes insolvent. It is also possible that, as a result of litigation or other conditions, the power or ability of issuers of Puerto Rico Fixed Income Securities to meet their obligations for the repayment of principal and payment of interest on their Puerto Rico Fixed Income Securities, respectively, may be materially and adversely affected. There presently is a limited number of participants in the market for certain Puerto Rico Fixed Income Securities. In addition, certain Puerto Rico Fixed Income Securities may have periods of illiquidity. These factors may affect the

Fund's ability to dispose of such Puerto Rico Fixed Income Securities as well as the price paid or received upon such acquisition or disposition.

Approximately 20% of the Fund's total assets will normally be invested in the obligations of a limited number of issuers concentrated in one geographic location, Puerto Rico. For this reason, the Fund may be more susceptible to any single economic, political or regulatory occurrence than a more widely diversified fund.

Pursuant to the latest Puerto Rico Planning Board (the "Planning Board") estimates, published in June 2019, Puerto Rico's real GNP for fiscal years 2017 and 2018 decreased by 3.0% and 4.7%, respectively. The Planning Board's GNP forecast for fiscal years 2019 and 2020, which was released in June 2019 and has not been revised, projects a growth of 2.0% and 3.6%, respectively.

Between 2012 and 2016 the Commonwealth's credit rating was downgraded to junk-bond status by the three principal credit rating agencies. During that time period Moody's downgraded the Commonwealth credit rating from Baa3 to Caa3, while Standard & Poor's and Fitch downgraded the Commonwealth's credit rating from "BBB" to "D". The credit agencies noted multiple factors for these downgrades including sluggish economic growth, the Commonwealth's limited access to financial markets, uncertainty regarding tax reform and the Commonwealth's payment default on certain general obligation bonds on July 1, 2016.

As a result, on June 30, 2016, U.S. President Barack Obama signed H.R. 5278, known as the Puerto Rico Oversight, Management and Economic Stability Act ("PROMESA"), into law. PROMESA establishes an oversight board (the "Oversight Board") with broad authority to ensure that the Commonwealth implements and executes fiscal plans, balances the Commonwealth's budget and enacts reforms. PROMESA also seeks to promote a voluntary restructuring of the Commonwealth's debts and include a collective action clause whereby two-thirds of the Commonwealth's creditors could agree to a debt-restructuring plan. If voluntary negotiations stall, and the Commonwealth meets certain conditions, PROMESA allows Commonwealth entities to enter into a court-ordered restructuring. The seven members of the Oversight Board were named by President Barack Obama on August 31, 2017.

On May 3, 2017, the Oversight Board, on behalf of the Commonwealth, filed a petition in the U.S. District Court to restructure the Commonwealth's liabilities under Title III of PROMESA. The Oversight Board has subsequently filed analogous petitions with respect to the Puerto Rico Sales Tax Financing Corporation ("COFINA"), the Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS"), the Puerto Rico Highways and Transportation Authority, PREPA and the Puerto Rico Public Buildings Authority ("PBA"). On February 12, 2019, the government completed a restructuring of COFINA's debts pursuant to a plan of adjustment confirmed by the U.S. District Court. On September 27, 2019, the Oversight Board filed a plan of adjustment for the Commonwealth, ERS and PBA in the pending debt restructuring proceedings under Title III of PROMESA. On February 9, 2020, the Oversight Board announced that it had reached a new agreement with certain bondholders on a new framework for a plan of adjustment. The Oversight Board stated that it intends to file an amended plan of adjustment on or before February 28, 2020. The agreement, which has not yet been confirmed by the court, is not supported by the Governor of Puerto Rico in its current form, and may suffer significant changes before confirmation, provides a preliminary framework for the Commonwealth to exit bankruptcy.

As required by PROMESA, the government has submitted several versions of a fiscal plan to the Oversight Board since 2017. The most recent fiscal plan for the Commonwealth certified by the Oversight Board is dated as of May 9, 2019 (the "2019 Commonwealth Fiscal Plan"). The 2019 Commonwealth Fiscal Plan estimates a 4.7% contraction in real GNP in fiscal year 2018, after accounting for the impact of disaster relief funding and the measures and structural reforms contemplated by the plan. It also projects that disaster relief spending will have a short-term stimulative effect on the economy, which, combined with the estimated effects of the proposed fiscal measures and structural reforms, will result in real GNP growth of approximately 4% and 1.5% in fiscal years 2019 and 2020, respectively. Pursuant to the 2019 Commonwealth Fiscal Plan, the Commonwealth's population is estimated to steadily decline at rates of approximately 1% to 2% annually through fiscal year 2024. The 2019 Commonwealth Fiscal Plan's projections do not account for the impact of the recent seismic activity, discussed below.

The 2019 Commonwealth Fiscal Plan projects a pre-contractual debt service surplus in fiscal years 2018 through 2020. However, even after accounting for the impact of the fiscal measures and structural reforms and before contractual debt service, the projections reflect an annual deficit starting in fiscal year 2038. After contractual debt service, the surplus projected in fiscal years 2019 to 2024 drops significantly and annual deficits begin in fiscal year 2027. Based on such long-term projections, the 2019 Commonwealth Fiscal Plan concludes that the Commonwealth cannot afford to meet all of its contractual debt obligations, even with aggressive implementation of the structural reforms and measures contemplated by the plan.

The 2019 Commonwealth Fiscal Plan does not contemplate the restructuring of the debt of the Commonwealth's municipalities. It does, however, contemplate the gradual reduction and the ultimate elimination of budgetary subsidies provided by the Commonwealth to municipalities, which constitute a material portion of the operating revenues of certain municipalities. Since fiscal year 2017, Commonwealth appropriations to municipalities have been reduced by approximately 64% (from approximately \$370 million in fiscal year 2017 to approximately \$132 million in fiscal year 2020). The 2019 Commonwealth Fiscal Plan provides for additional reductions in appropriations to municipalities every fiscal year, holding appropriations constant at \$112 million starting in fiscal year 2022, before ultimately phasing out all appropriations in fiscal year 2024.

Special Considerations Relating to Mortgage-Backed Securities.

Mortgage-backed securities, in general, differ from investments in traditional debt securities in that, among other things, principal may be prepaid at any time due to prepayments by the obligors on the underlying obligations. Since a portion of the assets of the Fund is expected to be invested in mortgage-backed securities, the potential for increasing the Fund's exposure to these and other risks related to such securities might cause the market value of the Fund's investments to fluctuate more than otherwise would be the case.

The yield of the Fund will depend in part on the rate at which principal payments are made on such securities, which will in turn depend on the rate at which principal prepayments are made on the underlying mortgage loans. The yield to maturity on mortgage-backed securities offered at a discount from or a premium over their principal amount will depend on, among other things, the rate and timing of payments of principal (including prepayments) on the mortgage loans underlying the mortgage-backed securities. Such yield may be adversely affected by a higher or lower than anticipated rate of principal prepayments on the mortgage loans underlying the mortgage-backed securities. Therefore, since a substantial portion of the assets of the Fund is expected to be invested in mortgage-backed securities, the potential for increasing the Fund's exposure to these and other risks related to such securities might cause the net income generated by the Fund to fluctuate more than otherwise would be the case.

Changes in the rate of prepayment of the underlying mortgage loans will have a direct impact upon the maturity structure of mortgage-backed securities. An increase in the rate of prepayment of the underlying mortgage loans will lead to an acceleration in the principal returns and a reduction in the average life of the mortgage-backed security. A reduction in the rate of prepayment, on the other hand, will lead to fewer principal returns and an extension of the average life of the mortgage-backed security. Rising interest rates tend to extend the duration of mortgage-backed securities, making them more sensitive to changes in interest rates and more likely to decline in value (this is known as extension risk). The Fund by investing in mortgage-backed securities at a discount (or premium) faces the risk that relatively late (or early) principal distributions following issuance of mortgage-backed securities could result in an actual yield that is lower than the yield anticipated by the Fund.

Prepayments are influenced by a variety of economic, geographic, demographic and other factors, including, among others, prevailing mortgage market interest rates, local and regional economic conditions and home owner mobility. Generally, however, prepayments will increase during periods of declining interest rates and decrease during periods of rising interest rates.

Because the mortgage loans underlying mortgage-backed securities may be prepaid at any time, it is not possible to predict the rate at which distributions of principal of such mortgage-backed securities will be received. Accordingly, prevailing interest rates may fluctuate and there can be no assurance that the Fund will be able to reinvest the

distributions from mortgage-backed securities at yields equaling or exceeding the yields on such mortgage-backed securities. It is possible that yields on such reinvestments will be lower than the yields on such mortgage-backed securities.

Mortgage-related securities are interests in pools of residential or commercial mortgage loans, including mortgage loans made by savings and loan institutions, mortgage bankers, commercial banks and others. Pools of mortgage loans are assembled as securities for sale to investors by various governmental, government-related and private organizations. The Fund also may invest in debt securities that are secured with collateral consisting of mortgage-related securities.

Interests in pools of mortgage-related securities differ from other forms of debt securities, which normally provide for periodic payment of interest in fixed amounts with principal payments at maturity or specified call dates. Instead, these securities provide a monthly payment that consists of both interest and principal payments. In effect, these payments are a “pass-through” of the monthly payments made by the individual borrowers on their residential or commercial mortgage loans, net of any fees paid to the issuer or guarantor of such securities. Additional payments are caused by repayments of principal resulting from the sale of the underlying property, refinancing or foreclosure, net of fees or costs which may be incurred. Some mortgage-related securities (such as securities issued by GNMA) are described as “modified pass-through.” These securities entitle the holder to receive all interest and principal payments owed on the mortgage pool, net of certain fees, at the scheduled payment dates regardless of whether or not the mortgagor actually makes the payment.

The rate of pre-payments on underlying mortgages will affect the price and volatility of a mortgage-related security, and may have the effect of shortening or extending the effective duration of the security relative to what was anticipated at the time of purchase. To the extent that unanticipated rates of pre-payment on underlying mortgages increase the effective duration of a mortgage-related security, the volatility of such security can be expected to increase. The residential mortgage market in the United States recently has experienced difficulties that may adversely affect the performance and market value of certain of the Fund’s mortgage-related investments. Delinquencies and losses on residential mortgage loans (especially subprime and second-lien mortgage loans) generally have increased recently and may continue to increase, and a decline in or flattening of housing values (as has recently been experienced and may continue to be experienced in many housing markets) may exacerbate such delinquencies and losses. Borrowers with adjustable rate mortgage loans are more sensitive to changes in interest rates, which affect their monthly mortgage payments, and may be unable to secure replacement mortgages at comparably low interest rates. Also, a number of residential mortgage loan originators have recently experienced serious financial difficulties or bankruptcy. Owing largely to the foregoing, reduced investor demand for mortgage loans and mortgage-related securities and increased investor yield requirements have caused limited liquidity in the secondary market for certain mortgage-related securities, which can adversely affect the market value of mortgage-related securities. It is possible that such limited liquidity in such secondary markets could continue or worsen.

The principal governmental guarantor of mortgage-related securities is GNMA. GNMA is a wholly owned U.S. Government corporation within the Department of Housing and Urban Development. GNMA is authorized to guarantee, with the full faith and credit of the United States Government, the timely payment of principal and interest on securities issued by institutions approved by GNMA (such as savings and loan institutions, commercial banks and mortgage bankers) and backed by pools of mortgages insured by the Federal Housing Administration (the “FHA”), or guaranteed by the Department of Veterans Affairs (the “VA”).

Government-related guarantors (i.e., not backed by the full faith and credit of the U.S. Government) of mortgage-backed securities include Fannie Mae and Freddie Mac. Fannie Mae is a government-sponsored corporation the common stock of which is owned entirely by private stockholders. Fannie Mae purchases conventional (i.e., not insured or guaranteed by any government agency) residential mortgages from a list of approved seller/servicers which include state and federally chartered savings and loan associations, mutual savings banks, commercial banks and credit unions and mortgage bankers. Pass-through securities issued by Fannie Mae are guaranteed as to timely payment of principal and interest by Fannie Mae, but are not backed by the full faith and credit of the U.S. Government. Freddie Mac was created by Congress in 1970 for the purpose of increasing the availability of mortgage credit for residential housing. It is a government-sponsored corporation formerly owned by the twelve Federal Home Loan Banks. Freddie Mac issues Participation Certificates (“PCs”), which are pass-through securities, each representing an undivided interest

in a pool of residential mortgages. Freddie Mac guarantees the timely payment of interest and ultimate collection of principal, but PCs are not backed by the full faith and credit of the U.S. Government.

On September 6, 2008, the Federal Housing Finance Agency (“FHFA”) placed Fannie Mae and Freddie Mac into conservatorship. As the conservator, FHFA succeeded to all rights, titles, powers and privileges of Fannie Mae and Freddie Mac and of any stockholder, officer or director of Fannie Mae and Freddie Mac with respect to Fannie Mae and Freddie Mac and the assets of Fannie Mae and Freddie Mac. FHFA selected a new chief executive officer and chairman of the board of directors for each of Fannie Mae and Freddie Mac.

In connection with the conservatorship, the U.S. Treasury entered into a Senior Preferred Stock Purchase Agreement with each of Fannie Mae and Freddie Mac pursuant to which the U.S. Treasury will purchase up to an aggregate of \$100 billion of each of Fannie Mae and Freddie Mac to maintain a positive net worth in each enterprise. This agreement contains various covenants that severely limit each enterprise’s operations. In exchange for entering into these agreements, the U.S. Treasury received \$1 billion of each enterprise’s senior preferred stock and warrants to purchase 79.9% of each enterprise’s common stock. On February 18, 2009, the U.S. Treasury announced that it was doubling the size of its commitment to each enterprise under the Senior Preferred Stock Program to \$200 billion. The U.S. Treasury’s obligations under the Senior Preferred Stock Program are for an indefinite period of time for a maximum amount of \$200 billion per enterprise.

Fannie Mae and Freddie Mac are continuing to operate as going concerns while in conservatorship, and each remains liable for all of its obligations, including its guaranty obligations, associated with its mortgage-backed securities. The Senior Preferred Stock Purchase Agreement is intended to enhance each of Fannie Mae’s and Freddie Mac’s ability to meet its obligations. FHFA has indicated that the conservatorship of each enterprise will end when the director of FHFA determines that FHFA’s plan to restore the enterprise to a safe and solvent condition has been completed.

Under the Federal Housing Finance Regulatory Reform Act of 2008 (the “Reform Act”), which was included as part of the Housing and Economic Recovery Act of 2008, FHFA, as conservator or receiver, has the power to repudiate any contract entered into by Fannie Mae or Freddie Mac prior to FHFA’s appointment as conservator or receiver, as applicable, if FHFA determines, in its sole discretion, that performance of the contract is burdensome and that repudiation of the contract promotes the orderly administration of Fannie Mae’s or Freddie Mac’s affairs. The Reform Act requires FHFA to exercise its right to repudiate any contract within a reasonable period of time after its appointment as conservator or receiver.

FHFA, in its capacity as conservator, has indicated that it has no intention to repudiate the guaranty obligations of Fannie Mae or Freddie Mac because FHFA views repudiation as incompatible with the goals of the conservatorship. However, in the event that FHFA, as conservator or if it is later appointed as receiver for Fannie Mae or Freddie Mac, were to repudiate any such guaranty obligation, the conservatorship or receivership estate, as applicable, would be liable for actual direct compensatory damages in accordance with the provisions of the Reform Act. Any such liability could be satisfied only to the extent of Fannie Mae’s or Freddie Mac’s assets available therefor.

In the event of repudiation, the payments of interest to holders of Fannie Mae or Freddie Mac mortgage-backed securities would be reduced if payments on the mortgage loans represented in the mortgage loan groups related to such mortgage-backed securities are not made by the borrowers or advanced by the servicer. Any actual direct compensatory damages for repudiating these guaranty obligations may not be sufficient to offset any shortfalls experienced by such mortgage-backed security holders.

Further, in its capacity as conservator or receiver, FHFA has the right to transfer or sell any asset or liability of Fannie Mae or Freddie Mac without any approval, assignment or consent. Although FHFA has stated that it has no present intention to do so, if FHFA, as conservator or receiver, were to transfer any such guaranty obligation to another party, holders of Fannie Mae or Freddie Mac mortgage-backed securities would have to rely on that party for satisfaction of the guaranty obligation and would be exposed to the credit risk of that party.

In addition, certain rights provided to holders of mortgage-backed securities issued by Fannie Mae and Freddie Mac under the operative documents related to such securities may not be enforced against FHFA, or enforcement of such

rights may be delayed, during the conservatorship or any future receivership. The operative documents for Fannie Mae and Freddie Mac mortgage-backed securities may provide (or, with respect to securities issued prior to the date of the appointment of the conservator, may have provided) that, upon the occurrence of an event of default on the part of Fannie Mae or Freddie Mac, in its capacity as guarantor, which includes the appointment of a conservator or receiver, holders of such mortgage-backed securities have the right to replace Fannie Mae or Freddie Mac as trustee if the requisite percentage of mortgage-backed securities holders consent. The Reform Act prevents mortgage-backed security holders from enforcing such rights if the event of default arises solely because a conservator or receiver has been appointed. The Reform Act also provides that no person may exercise any right or power to terminate, accelerate or declare an event of default under certain contracts to which Fannie Mae or Freddie Mac is a party, or obtain possession of or exercise control over any property of Fannie Mae or Freddie Mac, or affect any contractual rights of Fannie Mae or Freddie Mac, without the approval of FHFA, as conservator or receiver, for a period of 45 or 90 days following the appointment of FHFA as conservator or receiver, respectively.

Moreover, in a February 2011 report to Congress from the Treasury Department and the Department of Housing and Urban Development, the Obama Administration provided a plan to reform America's housing finance market. The plan would reduce the role of Fannie Mae and Freddie Mac, and eventually eliminate these entities. Notably, the plan does not propose similar significant changes to GNMA, which guarantees payments on mortgage-related securities backed by federally insured or guaranteed loans such as those issued by the Federal Housing Association or guaranteed by the Department of Veterans Affairs. The report also identified three proposals for Congress and the Obama Administration to consider for the long-term structure of the housing finance markets after the elimination of Fannie Mae and Freddie Mac, including the implementation of: (i) a privatized system of housing finance that limits government insurance to very limited groups of creditworthy low- and moderate-income borrowers; (ii) a privatized system with a government backstop mechanism that would allow the government to insure a larger share of the housing finance market during a future housing crisis; and (iii) a privatized system where the government would offer reinsurance to holders of certain highly rated mortgage-related securities insured by private insurers and would pay out under the reinsurance arrangements only if the private mortgage insurers were insolvent.

On August 17, 2012, the U.S. Treasury Department issued a press release announcing further steps to expedite the wind-down of Fannie Mae and Freddie Mac. The press release contained information about a modification to the previously described Senior Preferred Stock Purchase Agreement, whereby the U.S. Treasury Department would now require Fannie Mae and Freddie Mac to accelerate the reduction of their respective investment portfolios by 15% per year, an increase from the currently required 10% annual investment portfolio reduction. In addition, Fannie Mae and Freddie Mac will be relieved of the requirement to make any dividend payments on the preferred stock owned by the U.S. Treasury under the Senior Preferred Stock Purchase Agreement, but now will be required to pay the U.S. Treasury 100% of any profits generated by either Fannie Mae or Freddie Mac.

Commercial banks, savings and loan institutions, private mortgage insurance companies, mortgage bankers and other secondary-market issuers also create pass-through pools of conventional residential mortgage loans. Such issuers may be the originators and/or servicers of the underlying mortgage loans as well as the guarantors of the mortgage-related securities. Pools created by such non-governmental issuers generally offer a higher rate of interest than government and government-related pools because there are no direct or indirect government or agency guarantees of payments in the former pools. However, timely payment of interest and principal of these pools may be supported by various forms of insurance or guarantees, including individual loan, title, pool and hazard insurance and letters of credit, which may be issued by governmental entities or private insurers. Such insurance and guarantees and the creditworthiness of the issuers thereof will be considered in determining whether a mortgage-related security meets the Fund's investment quality standards. There can be no assurance that the private insurers or guarantors can meet their obligations under the insurance policies or guarantee arrangements. The Fund may buy mortgage-related securities without insurance or guarantees if, through an examination of the loan experience and practices of the originators/servicers and poolers, the Investment Adviser determines that the securities meet the Fund's quality standards. Securities issued by certain private organizations may not be readily marketable.

Risks of Investing in Foreign Securities. The Fund may invest up to 20% of its total assets in securities of foreign issuers. Securities of foreign issuers may be denominated in U.S. dollars or in currencies other than U.S. dollars. Investments in foreign securities present certain risks not ordinarily associated with investments in securities of U.S. issuers. These risks include fluctuations in foreign currency exchange rates, political, economic or legal developments

(including war or other instability, expropriation of assets, nationalization and confiscatory taxation), the imposition of foreign exchange limitations (including currency blockage), withholding taxes on dividend or interest payments or capital transactions or other restrictions, higher transaction costs (including higher brokerage, custodial and settlement costs and currency conversion costs) and possible difficulty in enforcing contractual obligations or taking judicial action. Also, foreign securities may not be as liquid and may be more volatile than comparable securities in the U.S.

In addition, there often is less publicly available information about many foreign issuers, and issuers of foreign securities are subject to different, often less comprehensive, auditing, accounting and financial reporting disclosure requirements than domestic issuers. There is generally less government regulation of stock exchanges, brokers and listed companies abroad than in the U.S., and, with respect to certain foreign countries, there is a possibility of expropriation or confiscatory taxation, or diplomatic developments which could affect investment in those countries. Because there is usually less supervision and governmental regulation of exchanges, brokers and dealers than there is in the U.S., the Fund may experience settlement difficulties or delays not usually encountered in the U.S.

Delays in making trades in foreign securities relating to volume constraints, limitations or restrictions, clearance or settlement procedures could impact returns and result in temporary periods when assets of the Fund are not fully invested or attractive investment opportunities are foregone.

Special Characteristics of Derivative Instruments. The Fund may invest in certain instruments which may be characterized as derivatives. These investments include, among other things, mortgage-backed securities (such as collateralized mortgage obligations (“CMOs”)), structured notes and synthetic instruments. Such investments also may consist of securities the potential return on which is based on the change in particular measurements of value or rate (an “indexed security”). Investments in indexed securities expose the Fund to the risks associated with changes in the underlying measurement, which may include reduced or eliminated interest payments and losses of invested principal.

Non-Publicly Traded and Illiquid Securities. There presently is a limited number of participants in the market for certain Puerto Rico Fixed Income Securities or other securities that may be acquired by the Fund the disposition of which may be limited by Puerto Rico and federal securities laws. In addition, certain Puerto Rico Fixed Income Securities may have periods of illiquidity. For this purpose, the term “illiquid securities” means securities that cannot be disposed of within a reasonable period of time in the ordinary course of business at approximately the amount at which the Fund has valued the securities and includes, among other things, securities subject to contractual restrictions on resale that hinder the marketability of the securities. Illiquid securities also may include certain of the derivative instruments in which the Fund may invest. To the extent the Fund invests in illiquid securities, the Fund may not be able to liquidate readily such investments, particularly at a time when it is advisable to do so to minimize losses to the Fund, and would have to sell other investments if necessary to raise cash to meet its obligations.

Futures, Options on Futures and Options on Securities. The Fund may enter into futures contracts, options on futures contracts and options on securities, subject to the limitation that the aggregate value of these instruments will not exceed 20% of the Fund’s total assets. Also, the Fund will not purchase options on securities to the extent that more than 5% of the value of the Fund’s total assets would be invested in premiums on open put option positions. These futures contracts, options on futures contracts and options on securities will be used for the following reasons: to simulate full investment of a portion of the Fund’s assets in one or more market indices while retaining a cash balance for Fund management purposes, to facilitate trading, to reduce transaction costs or to seek higher investment returns when a futures contract is priced more attractively than stocks comprising the foregoing indices or to hedge the Fund’s Puerto Rico Fixed Income Securities portfolio. The Fund will only enter into futures contracts and options on futures contracts that are traded on a U.S. designated contract market. The Fund will not use futures contracts or options on futures contracts for speculative purposes.

Futures contracts provide for the future sale by one party and purchase by another party of a specified amount of a specific security at a specified future time and at a specified price. Stock index futures contracts are based on indices that reflect the market value of common stock of the firms included in the indices. The Fund may enter into futures contracts to purchase securities when the Adviser anticipates purchasing the underlying securities and believes that the prices will rise before the purchases will be made. Assets committed to futures contracts will be segregated at the Fund’s custodian to the extent required by law.

There are several risks accompanying the utilization of futures contracts and options on futures contracts. First, positions in futures contracts and options on futures contracts may be closed only on an exchange or board of trade that furnishes a secondary market for such contracts. While the Fund plans to utilize futures contracts or options on futures only if there exists an active market for such contracts, there is no guarantee that a liquid market will exist for the contracts at a specified time. Furthermore, because, by definition, futures contracts look to projected price levels in the future and not to current levels or valuation, market circumstances may result in there being a discrepancy between the price of the future and the movement in the underlying instrument or index. The absence of a perfect price correlation between the futures contract and its underlying instrument or index could stem from investors choosing to close futures contracts by offsetting transactions, rather than satisfying additional margin requirements. This could result in a distortion of the relationship between the index and futures market. In addition, because the futures market imposes less burdensome margin requirements than the securities market, an increased amount of participation by speculators in the futures market could result in price fluctuations.

The Fund will enter into transactions in futures contracts and options on futures contracts solely for bona fide hedging purposes, as defined under Commodity Futures Trading Commission (“CFTC”) Regulation 1.3(z), except that the Fund may enter into transactions in such instruments that do not qualify as bona fide hedging transactions if the aggregate amount of initial margin deposited and premiums paid by the Fund in connection with such positions does not exceed 5% of the liquidation value of the Fund’s assets, after taking into account unrealized profits and unrealized losses on any such contracts into which it has entered.

A call option gives a holder the right to purchase a specific security at a specified price referred to as the “exercise price” within a specified period of time. A put option on securities gives a holder the right to sell a specific security at a specified price within a specified period of time. The initial purchaser of a call option pays the “writer” a premium, which is paid at the time of purchase and is retained by the writer whether or not such option is exercised. Institutions, such as the Fund, that sell (or “write”) call options against securities held in their investment portfolios retain the premium. The Fund may purchase put options to hedge its portfolio against the risk of a decline in the market value of securities held, and may purchase call options to hedge against an increase in the price of securities it is committed to purchase. The Fund may write put and call options along with a long position in options to increase its ability to hedge against changes in the market value of the securities it holds or is committed to purchase.

For a more detailed discussion of futures, futures on options and options on securities, see Appendix B - “Description of Certain Investment Techniques and Fixed Income Securities.”

Lending Securities. The Fund may lend securities it holds to brokers, dealers and other financial organizations that are not affiliated with the Fund. The Fund’s loans of securities will be collateralized by cash, letters of credit or government securities that are maintained at all times in a segregated account with the Fund’s custodian in an amount at least equal to the current market value of the loaned securities. By lending its portfolio securities, the Fund will seek to generate income by continuing to receive interest on the loaned securities, by investing the cash collateral in short-term instruments or by obtaining yield in the form of interest paid by the borrower when government securities are used as collateral. The risks in lending portfolio securities, as with other extensions of secured credit, consist of possible delays in receiving additional collateral or in the recovery of the securities or possible loss of rights in the collateral should the borrower fail financially. Loans will be made to firms deemed by the Adviser to be of good standing and will not be made unless, in the judgment of the Adviser, the consideration to be earned from such loans would justify the risk. See Appendix B - “Description of Certain Investment Techniques and Fixed Income Securities.”

When-Issued Securities and Delayed-Delivery Transactions. The purchase of securities on a when-issued or delayed-delivery basis involves the risk that, as a result of an increase in yields available in the marketplace, the value of the securities purchased will decline prior to the settlement date. The sale of securities for delayed delivery involves the risk that the prices available in the market on the delivery date may be greater than those obtained in the sale transaction.

Securities of Unseasoned Issuers. Certain of the securities in which the Fund may invest may have limited marketability and, therefore, may be subject to wide fluctuations in market value. In addition, certain securities may lack a significant operating history and be dependent on products or services without an established market share.

Convertible Securities and Synthetic Convertible Securities. While convertible securities generally offer lower yields than non-convertible debt securities of similar quality, their prices may reflect changes in the value of the underlying common stock. Convertible securities entail less credit risk than the issuer's common stock.

Synthetic convertible securities are created by combining non-convertible bonds or preferred stocks with warrants or stock call options. Synthetic convertible securities differ from convertible securities in certain respects, including that each component of a synthetic convertible security has a separate market value and responds differently to market fluctuations. Investing in synthetic convertible securities involves the risks normally involved in holding the securities comprising the synthetic convertible security.

Exchange Traded Funds. ETFs seek to track the performance of an index by holding in its portfolio shares of all the companies, or a representative sample of the companies, that are components of a particular index. The risks of investment in ETFs typically reflect the risk of the types of securities in which the ETFs invest. Shares of an ETF may trade at a premium or discount to their net asset value per share. In addition, when the Fund invests in an ETF, shareholders of the Fund bear their proportionate shares of the ETF's fees and expenses as well as their share of the Fund's fees and expenses.

Floating and Variable Rate Income Securities. Floating and variable rate income securities include securities whose rates vary inversely with changes in market rates of interest. Such securities may also pay a rate of interest determined by applying a multiple to the variable rate. The extent of increases and decreases in the value of securities whose rates vary inversely with changes in market rates of interest generally will be larger than comparable changes in the value of an equal principal amount of a fixed rate security having similar credit quality, redemption provisions and maturity.

Swaps, Options and Futures Transactions. The Fund is not a vehicle for trading or seeking exposure in the commodity futures, commodity options or swaps markets. However, in accordance with its investment objectives and policies, and subject to applicable regulations, the Fund may engage in certain swaps, options and futures transactions and invest in other derivatives to reduce its exposure to interest-rate movements, reduce or transform its exposure to certain credit risks, or enhance portfolio returns. If the Fund incorrectly forecasts market values, interest rates, credit spreads or other factors, the Fund's performance could suffer. The Fund also may suffer a loss if the other party to the transaction fails to meet its obligations. The Fund is not required to use hedging and may choose to do so.

The Fund may enter into interest-rate swaps and other types of swap agreements such as caps, collars, and floors. Swap agreements can be highly volatile and may have a considerable impact on the Fund's performance. Swap agreements are subject to risks related to the counterparty's ability to perform, and may decline in value if the counterparty's creditworthiness deteriorates. The Fund also may suffer losses if it is unable to terminate outstanding swap agreements or reduce its exposure through offsetting transactions.

Recent regulations under the Dodd-Frank Act may impose certain limitations on the Fund's ability to engage in certain swaps, options and futures transactions, and may require the Fund to comply with certain requirements set forth by the CFTC.

Potential Government Regulation of Derivatives. While the Fund is not a vehicle for trading or seeking exposure in the commodity futures, commodity options or swaps markets, it may, in accordance with its investment objective and policies, and subject to applicable regulations, invest in certain derivative instruments, including futures, options and swap agreements. It is possible that additional government regulation of various types of derivative instruments, including futures, options and swap agreements, may limit or prevent the Fund from using such instruments as a part of its investment strategy, and could ultimately prevent the Fund from being able to achieve its investment objective. It is impossible to predict fully the effects of past, present or future legislation and regulation in this area, but the effects could be substantial and adverse. It is possible that legislative and regulatory activity could limit or restrict the ability of the Fund to use certain instruments as a part of its investment strategy. Limits or restrictions applicable to the counter parties with which the Fund may engage in derivative transactions could also prevent the Fund from using certain instruments.

There is a possibility of future regulatory changes altering, perhaps to a material extent, the nature of an investment in the Fund or the ability of the Fund to continue to implement its investment strategies. The futures, options and swaps markets are subject to comprehensive statutes, regulations, and margin requirements. In addition, the SEC, CFTC and the exchanges are authorized to take extraordinary actions in the event of a market emergency, including, for example, the implementation or reduction of speculative position limits, the implementation of higher margin requirements, the establishment of daily price limits and the suspension of trading. The regulation of futures, options and swaps transactions in the United States is a rapidly changing area of law and is subject to modification by government and judicial action.

In particular, the Dodd-Frank Act, which was signed into law on July 21, 2010, changed the way in which the U.S. financial system is supervised and regulated. Title VII of the Dodd-Frank Act sets forth a new legislative framework for over-the-counter (“OTC”) derivatives, including financial instruments, such as swaps, in which the Fund may invest. Title VII of the Dodd-Frank Act makes broad changes to the OTC derivatives market, grants significant new authority to the Securities and Exchange Commission (“SEC”) and the CFTC to regulate OTC derivatives and market participants, and will require clearing and exchange trading of many OTC derivatives transactions. The CFTC and SEC recently finalized the definition of “swap” and “security-based swap.” These definitions will be effective October 12, 2012 and provide the parameters around which contracts will be subject to further regulation under the Dodd-Frank Act.

Provisions in the Dodd-Frank Act include new capital and margin requirements and the mandatory use of clearing house mechanisms for many OTC derivative transactions. The CFTC, SEC and other federal regulators have been tasked with developing the rules and regulations enacting the provisions of the Dodd-Frank Act. Because there is a prescribed phase-in period during which most of the mandated rulemaking and regulations will be implemented, it is not possible at this time to gauge the exact nature and scope of the impact of the Dodd-Frank Act on the Fund. However, it is expected that swap dealers, major market participants and swap counterparties will experience new and/or additional regulations, requirements, compliance burdens and associated costs. The Dodd-Frank Act and the rules promulgated thereunder may negatively impact the Fund’s ability to meet its investment objective either through limits or requirements imposed on it or upon its counterparties. In particular, new position limits imposed on the Fund or its counterparties may impact the Fund’s ability to invest in futures, options and swaps in a manner that efficiently meets its investment objective. New requirements, even if not applicable directly to the Fund, including capital requirements, changes to the CFTC speculative position limits regime and mandatory clearing, may increase the cost of the Fund’s investments and cost of doing business, which could affect investors adversely.

Indexed Securities. In addition to shares of index funds, the Fund may invest in indexed securities, whose value is linked to interest rates, commodities, indices, or other financial indicators. Indexed securities may be positively or negatively indexed (i.e., their value may increase or decrease if the underlying instrument appreciates), and may have return characteristics similar to direct investments in the underlying instrument or to one or more options on the underlying instrument. Indexed securities may be more volatile than the underlying instrument itself.

Counterparty Risk. The Fund will engage in financial transactions directly with other counterparties. This subjects the Fund to the credit risk that the counterparty will default on an obligation to the Fund. Such a risk contrasts with transactions done through exchange markets, wherein credit risk is reduced through the collection of variation margin and through the interposition of a clearing organization as the guarantor of all transactions. Clearing

organizations transform the credit risk of individual counterparties into the more remote risk of the failure of the clearing organization.

Credit Ratings. The credit ratings issued by the Rating Agencies may not reflect fully the true risks of an investment. For example, credit ratings typically evaluate the safety of principal and interest payments, not market value risk, of securities. Also, the Rating Agencies may fail to change timely a credit rating to reflect changes in economic or company conditions that affect a security's market value. Although the Adviser considers ratings of recognized rating services, the Adviser primarily relies on its own credit analyses, which include a study of existing debt, capital structure, ability to service debt, the issuer's sensitivity to economic conditions, its operating history and the current trend of earnings. The Adviser continually monitors the investments in its investment portfolios and carefully evaluates whether to dispose of or retain securities whose credit ratings have changed. For a detailed description and explanation of the different ratings that, as of the date of this prospectus, may be applicable to the debt securities and municipal obligations that may be purchased by the Fund, please see Appendix C —“Ratings of Municipal Obligations and Debt Securities.” You may obtain additional information from the websites maintained and updated from time to time by the rating agencies. Currently, the website for Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. (“S&P”) is <http://www.standardandpoors.com>; for Moody's Investors Service (“Moody's”), <http://www.moody.com>; and for Fitch, Inc. (“Fitch”), <http://www.fitchratings.com>. No information on S&P's, Moody's or Fitch's website is deemed to be part of or incorporated by reference in this prospectus.

Possible Mandatory Redemption of Shares. The Shares have not been registered under the 1933 Act, or the securities laws of any State, and the Fund has not been registered under the 1940 Act. The Shares are being offered and only may be sold, pledged, hypothecated or otherwise transferred to individuals whose principal residence is in Puerto Rico, or to corporations and other business organizations whose principal office and place of business are in Puerto Rico. Prior to the sale and any subsequent transfer of Shares, each offeree and transferee will be required to represent to the Fund and the Distributor, in writing, that the above conditions to transfer are satisfied. Appendix A to this prospectus contains the applicable form of representation letter which must be delivered by each purchaser of the Shares prior to the purchase and delivery of such Shares. Each time a shareholder purchases Shares pursuant to the Fund's dividend reinvestment plan or pursuant to a systematic investment plan the shareholder will be deemed to have reaffirmed the representations contained in the representation letter.

Shareholders of the Fund who cease to be residents of Puerto Rico have an obligation to redeem their Shares as soon as it becomes economically feasible to do so. Otherwise their Shares may be redeemed automatically by the Fund. See “Mandatory Redemption of Shares.”

Transactions involving affiliates. It is anticipated that the Fund will purchase investments from or through issuers of and dealers in securities and mortgage-backed securities, including Popular Securities and Popular Mortgage, Inc. (each an affiliate of the Adviser), and the Adviser, and their respective affiliates (collectively, the “Affiliated Parties”). The Affiliated Parties may realize profits or sustain losses in the amount of any difference between the price at which they buy the investments and the price at which they sell the investments to the Fund. The Affiliated Parties may also realize income from commissions on sales to the Fund. If any Affiliated Parties realizes a profit or loss in connection with any purchase or sale of an asset of the Fund in a transaction where it acted as a dealer, the profit or loss will not be considered as compensation which is now payable or which in the future may be payable to such Affiliated Parties for its services. Subject to compliance with the conflict of interest policies developed by the Board and the Adviser, the Fund may also invest in securities issued by Affiliated Parties in an amount not to exceed 5% of the Fund's total assets. For these purposes, time deposits and shares of money market funds sponsored or managed by an Affiliated Party are not considered securities of an Affiliated Party and, therefore, are not subject to the 5% limitation.

All purchase and sale transactions (“Affiliated Portfolio Transactions”) between the Fund and any Affiliated Party will be carried out on an arm's length basis and are subject to procedures adopted by the Board and the Adviser in an effort to address potential conflicts of interest that may arise from such transactions. There can be no assurance that the procedures will be effective. The Fund will purchase from or sell to the dealer or financial institution that offers the best price for the security involved, provided that if an Affiliated Party offers a price equal to the best price quoted by a dealer or financial institution that is not an Affiliated Party, the Fund may purchase from or sell to that Affiliated Party. The Fund also may purchase securities that are offered in underwritings in which one or more of its affiliates, including

Popular Securities, is a member of the underwriting or selling group. Such transactions will also be subject to procedures adopted by the Board and implemented by the Adviser.

As noted above, the Fund is an affiliate of the Adviser, Popular Securities, Popular, Inc. and their respective affiliates. Furthermore, certain directors and officers of the Fund are also employees, officers or directors of the Adviser, Popular Securities and/or their respective affiliates.

Tax Considerations. The Fund has represented that it intends to operate in a manner that will cause it to be exempt from Puerto Rico income taxes. As a corporation not engaged in a trade or business in the United States, the Fund will be subject to a U.S. federal income tax of 10% on U.S. source dividends and 30% on certain other items of income derived from sources within the U.S. See “Tax Matters.”

The Shares are intended to be issued to individuals who are bona fide residents of Puerto Rico. If any individual has not been a bona fide resident of Puerto Rico for the entire taxable year in which such individual held the Shares, such individual may be subject to (i) U.S. federal income tax on all or a portion of the dividends received from the Fund, and (ii) the deferred tax rules applicable to passive foreign investment companies discussed herein. See “Tax Matters.”

Market Disruption and Geopolitical Risk. The aftermath of the wars in Iraq and Afghanistan, instability in the Middle East and terrorist attacks around the world may have a substantial impact on the U.S. and world economies and securities markets. In the past, terrorist attacks have closed some of the U.S. securities markets and similar events cannot be ruled out in the future. The wars and occupations, terrorism and related geopolitical risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on U.S. and world economies and markets generally. These risks may affect adversely individual issuers and securities markets, interest rates, secondary trading, investor psychology, inflation and other factors relating to the Shares.

The financial crisis in the U.S. and global economies over the past several years, including the European sovereign-debt crisis, has resulted, and may continue to result, in an unusually high degree of volatility in the financial markets, both domestic and foreign. Liquidity in some markets has decreased and credit has become scarcer worldwide. Regulatory changes, including the Dodd-Frank Act and the introduction of new international capital and liquidity requirements under Basel III, may cause lending activity within the financial services sector to be constrained for several years as Basel III rules phase in and rules and regulations are promulgated and interpreted under the Dodd-Frank Act. These market conditions may continue or deteriorate further and may add significantly to the risk of short-term volatility in the Fund. In response to the crisis, the U.S. and other governments and the Federal Reserve and certain foreign central banks have taken steps to support financial markets. Withdrawal of this support, failure of efforts in response to the crisis, or investor perception that such efforts are not succeeding, could adversely impact the value and liquidity of certain securities. Because the situation is widespread and largely unprecedented, it may be unusually difficult to identify both risks and opportunities using past models of the interplay of market forces, or to predict the duration of these market conditions. The severity or duration of these conditions also may be affected by policy changes made by governments or quasi-governmental organizations. Changes in market conditions will not have the same impact on all types of securities.

In addition, since 2010, the risks of investing in certain foreign government debt have increased dramatically as a result of the ongoing European debt crisis, which commenced in Greece and has begun to spread throughout various other European countries. The Greek debt crisis has since deepened as Greece effectively entered into default in June 2015 by not making a \$1.8 billion debt payment to the International Monetary Fund. Greece has received a series of loans, the last of which was disbursed in August 2018, from the European Union as part of a bailout program intended to solve the Greek debt crisis. In addition, in a referendum held on June 23, 2016, the electorate of the United Kingdom resolved to leave the European Union which has resulted in political instability, economic uncertainty and volatility in the financial markets of the United Kingdom and across Europe. The longer term process to implement the political, economic and legal framework between the UK and the EU is likely to lead to continuing uncertainty and periods of exacerbated volatility in both the UK and in wider European markets. In particular, the decision made in the British referendum may lead to a call for similar referendums in other European jurisdictions which may also cause increased economic volatility in wider European and global markets. While it is impossible to predict the effects of these or similar events in the future on the Fund, it is possible that these or similar events could have a significant adverse impact on the value and risk profile of the Fund.

In the United States, on August 5, 2011, S&P lowered its long-term sovereign credit rating on the U.S. federal government debt to “AA+” from “AAA.” In addition, each of Moody’s and Fitch currently have the long-term sovereign credit rating on the U.S. federal government debt on negative watch from its respective “Aaa” and “AAA” ratings. The downgrade by S&P, and potential future downgrades by Moody’s and Fitch, could increase volatility in both stock and bond markets, result in higher interest rates and higher Treasury yields and increase the costs of all kinds of debt. In addition, global economies and financial markets are becoming increasingly interconnected, which increases the possibilities that conditions in one country or region might adversely impact issuers in a different country or region.

In December 2019, a novel strain of coronavirus (“COVID-19”) surfaced in Wuhan, China and has since spread globally. In March 2020, the World Health Organization declared COVID-19 to be a pandemic. The COVID-19 pandemic has significantly disrupted and negatively impacted the global economy, disrupted global supply chains, created significant volatility and disruption in financial markets, significantly increased unemployment levels worldwide and decreased consumer confidence and commercial activity generally. It is currently difficult to fully assess or predict the extent of the effects of COVID-19 on the global economy and financial markets in the short and long term.

Changes in Applicable Law. Legislation affecting Puerto Rico securities, Puerto Rico and U.S. investment companies, taxes and other matters related to the business of the Fund is constantly being considered by the Legislative Assembly of Puerto Rico and the U.S. Congress. In addition, the Office of the Commissioner has granted certain waivers and rulings to the Fund that do not constitute a precedent binding thereon. There can be no assurance that legislation enacted or regulations promulgated after the date of the initial issuance of the Shares will not have an adverse effect on the operations of the Fund, the economic value of the Shares, or the tax consequences of the acquisition or redemption of Shares.

In particular, Act 93-2013, as amended, also known as the Puerto Rico Investment Companies Act of 2013, was signed into law on July 30, 2013 and became effective on November 27, 2013. Act 93-2013 supersedes the Puerto Rico Investment Companies Act but allows existing investment companies, such as the Fund, to continue operating under the prior law. Notwithstanding the foregoing, certain provisions of Act 93-2013 may affect the Fund, particularly in the context of transactions with affiliates, tax matters and restrictions on acquisitions of certain securities Act 93-2013 requires that the Office of the Commissioner promulgate certain regulations applicable to all investment companies. The Fund is currently unable to determine how it will be affected by such regulations.

In addition, in June 2018, President Donald Trump recently signed the Economic Growth, Regulatory Relief and Consumer Protection Act (the “Consumer Protection Act”) into law. The Consumer Protection Act, among other things, amends the 1940 Act to eliminate the provision that exempted investment companies created under the laws of Puerto Rico, the U.S. Virgin Islands, or any other U.S. possession from compliance with the 1940 Act. This means that the Fund, which is an investment company created under the laws of the Commonwealth, will become subject to the provisions of the 1940 Act in the near future.

Pursuant to the terms of the Consumer Protection Act, investment companies organized in the Commonwealth, including the Fund, must comply with the terms of the 1940 Act within three (3) years (May 2021), unless the Securities and Exchange Commission determines to extend the initial 3-year period for a maximum of three (3) additional years because such extension would be necessary or appropriate for the protection of investors.

Although the Board is currently evaluating various alternatives and analyzing its impact on the Fund, the Consumer Protection Act could have a material adverse effect upon the Fund as well as the value of the Shares.

Certain Risk Factors and Special Considerations Associated with the Foreign Account Tax Compliance Act. On March 18, 2010, the U.S. Congress adopted the Foreign Account Tax Compliance Act (commonly known as “FATCA”) to amend the U.S. Code to, among other things, impose a 30% withholding tax at the source upon most payments of U.S. source income and gross proceeds from the disposition of property that can produce U.S. source dividends or interest made to certain “foreign financial institutions” (“FFI”) or “non-financial foreign entities” (“NFFE”), unless certain certification and reporting requirements are satisfied by such entities, including providing information with respect to its respective investors. In the case of most payments of U.S. source income, the 30% withholding will apply to payments made after June 30, 2014, and in the case of gross proceeds from the disposition of property that can produce U.S. source dividends or interest, to payments made after December 31, 2016. Pursuant to the final regulations issued by

the U.S. Treasury and the IRS relating to FATCA, the Fund will be treated as a NFFE. Accordingly, the Fund will be required to provide to the payors of such U.S. source income (except with respect to certain grandfathered obligations) certain information with respect to its investors, and the payors, in turn, would be required to disclose such information to the IRS. If the Fund were to be unable to provide such investor information to its payors or otherwise fail or be unable to comply with the legal and regulatory requirements of the U.S. Code with respect to FATCA, the Fund's U.S. source income may be reduced, inasmuch as it would be subject to such 30% withholding tax at the source. This reduction may negatively affect the Fund's ability to fulfill its obligations. See "Tax Matters – United States Taxation of the Fund" beginning on page 49 of this prospectus.

VALUATION OF SHARES

The price of the Shares is based on the value of the Fund's portfolio securities and other investments. Net asset value per share is determined daily by the Administrator after the close of trading on the NYSE on each business day. For purposes of determining the net asset value of a share, the value of the securities held by the Fund plus any cash or other assets (including interest accrued but not yet received) minus all liabilities (including borrowings and accrued interest thereon and other accrued expenses) is divided by the total number of Shares of such Class outstanding at such time. Expenses, including the fees payable to the Adviser, the Distributor and the Administrator, are accrued daily and paid monthly.

The Fund's assets will be valued by the Administrator, with the assistance of the Adviser, in good faith and under the supervision of the Board. Securities that are listed or traded on a securities exchange are valued at the last available sale price on the principal exchange on which they are listed, and securities traded on the NASDAQ System are valued at the last sale price reported as of the close of trading on the NYSE on such business day. Portfolio securities traded in other over-the-counter markets are valued at the last available bid price in the over-the-counter market prior to the time of valuation. When market quotations for securities held by the Fund are not readily available, they will be valued at fair value by or under the direction of the Board utilizing quotations and other information concerning similar securities derived from recognized dealers in those securities or, in the case of fixed income securities, information regarding the trading spreads quoted by recognized dealers between such securities and U.S. Treasury securities whose characteristics are determined to most closely match the characteristics of the Fund's securities. Dealers providing pricing information may include the Distributor, and in the case of certain securities held by the Fund, the Distributor might be the sole or best source of pricing information.

In determining net asset value, the Fund also may utilize the valuations of portfolio securities and other investments furnished by a pricing service approved by the Board. The pricing service typically values portfolio securities at the bid price or the yield equivalent when quotations are readily available. Portfolio securities for which quotations are not readily available are valued at fair market value on a consistent basis as determined by the pricing service using a matrix system to determine valuations. The procedures of the pricing service and its valuations will be reviewed by the officers of the Fund under the general supervision of the Board. Prior to using a pricing service, the Board will determine in good faith that the use of a pricing service is a fair method of determining the valuation of portfolio securities.

Notwithstanding the above, fixed income securities for which market quotations are not readily available with maturities of 60 days or less, generally will be valued at amortized cost if their original term to maturity was 60 days or less, or by amortizing the difference between their fair value as of the 61st day prior to maturity and their maturity value if their original term to maturity exceeded 60 days, unless in either case the Board or an authorized committee thereof determines that this valuation method does not represent fair value. All other securities of the Fund for which quotations are not readily available from any source, will be valued at fair value utilizing quotations and other information concerning similar securities obtained by the Adviser from recognized dealers in those securities or information regarding the trading spreads quoted by recognized dealers between such securities and U.S. Treasury securities whose maturities are determined by the Adviser to most closely match the maturity or average life of the Fund's securities for which market quotations are not readily available. These trading spreads are required to be confirmed weekly in writing to the Administrator by independent market makers. The price assigned to these securities will be verified periodically by the Board.

When the Fund writes a call option, the amount of the premium received is recorded on the books of the Fund as an asset and an equivalent liability. The amount of the liability is subsequently valued to reflect the current market value of the option written, based upon the last sale price in the case of exchange-traded options or, in the case of options traded in the over-the-counter market, the last asked price. Options purchased by the Fund are valued at their last sale price in the case of exchange-traded options or, in the case of options traded in the over-the-counter market, the last bid price. Positions in futures contracts and options on futures are valued at settlement prices for such contracts established by the exchange on which they are traded, or if market quotations are not readily available, are valued at fair value on a consistent basis using methods determined in good faith by the Board.

DIVIDENDS AND AUTOMATIC REINVESTMENT

The Fund intends to declare and pay annually a dividend of substantially all of its net investment income, if any, on Shares of the Fund. The Fund does not expect to make distributions of net realized capital gains, although the Board reserves the right to change this policy.

Unless a shareholder has elected to receive distributions of income in cash, dividends will be reinvested automatically in additional Shares of the same class at net asset value per share of such class, subject to initial sales charge or contingent deferred sales charge. Holders of previously issued and outstanding Class B Shares are required to receive dividend contributions in cash. All dividend distributions by the Fund to IRA Accounts will be made on a gross basis, without any tax withholding, and will be reinvested automatically in Class A Shares of the Fund. Reinvested dividends are credited to shareholders' accounts in additional Shares of the same class at the net asset value per share of such class as of the close of business on the ex-dividend date. A shareholder may change the option at any time by notifying his or her broker.

The per share dividends on Class B Shares and Class C Shares of the Fund will be lower than the per share dividends on Class A Shares and Advisor Class Shares principally as a result of the higher distribution and service fees applicable to Class B Shares and Class C Shares.

Dividends to Qualifying Individuals, estates and trusts consisting of Ordinary Dividends (as defined below under "Tax Matters") will be distributed net of the 15% tax imposed by Section 1023.06 of the Puerto Rico Code, which will be automatically withheld at source by the Fund. Ordinary Dividends distributed to IRA Accounts will be made on a gross basis, without any tax withholding and will be reinvested automatically in Class A Shares of the Fund.

PURCHASE OF SHARES

The Fund offers to the public Class A Shares and Class C Shares.

Class A Shares. Class A Shares are sold at net asset value plus an initial sales charge of up to 5.00%, except for Class A Shares sold to IRA Accounts for which a 2.00% initial sales charge shall be added. Class A Shares are subject to an annual investment advisory fee of 0.50%, an annual administrative fee of 0.10% and an annual distribution fee of 0.25% of the average daily net asset value of the Class. The initial sales charge may be reduced or waived for certain purchasers. See "Purchase of Shares-Initial Sales Charge Waivers."

Class C Shares. Class C Shares are sold at their net asset value with no initial sales charge. Class C Shares are subject to an annual investment advisory fee of 0.50%, an annual administrative fee of 0.10% and an annual distribution fee of 1.00% of the average daily net asset value of all Class C Shares. Investors in Class C Shares will pay a contingent deferred sales charge equal to 1.0% on redemptions made within 12 months of purchase.

Advisor Class Shares. The Fund offers Advisor Class Shares to certain qualified investors. The following investors or investments qualify to buy Advisor Class Shares of the Fund:

- *Advisory Fee Programs.* Shares acquired by an investor in connection with a comprehensive fee or other advisory fee arrangement between the investor and a registered broker-dealer or investment advisor, trust company or bank (referred to as the "Sponsor") in which the investor pays that Sponsor a fee for investment

advisory services and the Sponsor or a broker-dealer through whom the shares are acquired has an agreement with Distributors authorizing the sale of Fund shares.

- Governments, municipalities, and tax-exempt entities that meet the requirements for qualification under section 501 of the U.S. Code when purchasing direct from the Fund. Minimum initial investment: \$1 million in Advisor Class shares.

Class B Shares. Class B Shares are no longer offered by the Fund. Previously issued and outstanding Class B Shares are subject to an annual investment advisory fee of 0.50%, an annual administrative fee of 0.10% and an annual distribution fee of 1.00% of the average daily net asset value of the Class. Investors in Class B Shares will pay a contingent deferred sales charge if they redeem their Shares within the first six years of purchase. Contingent deferred sales charges commence at 4.00% for redemptions made within the first year of purchase and decline to 0% for redemptions occurring after six years of purchase. The contingent deferred sales charges are imposed according to the following schedule:

<u>Year of Redemption After Purchase</u>	<u>Contingent Deferred Sales Charge</u>
First	4%
Second	4%
Third	3%
Fourth	3%
Fifth	2%
Sixth	1%
Seventh and following	0%

Class B Shares held for approximately eight years will be converted to Class A Shares. All Class B Shares purchased through reinvestment of dividends and distributions will be held in a separate sub-account. Each time any Class B Shares are converted to Class A Shares, a proportionate number of the Class B Shares held in a shareholder’s sub-account will also be converted to Class A Shares. Class B Shares are not available for purchase through the dividend reinvestment program. Holders of previously issued and outstanding Class B Shares will receive dividends and distributions in cash.

See “Prospectus Summary - Alternative Investment Options” for a discussion of certain factors to consider in selecting which class of Shares to purchase.

Continuous Offering

The Distributor is engaged in a continuous offering of the Offered Shares. Purchases of Offered Shares may be made only through a brokerage account maintained with the Distributor, or with the Puerto Rico branch of any other broker-dealer or financial institution that has entered into a selected dealer agreement with the Distributor. The Distributor and other broker-dealers or financial institutions may charge their clients an annual account maintenance fee in connection with a securities account through which an investor purchases or holds Shares. Investors in Offered Shares may open an account by making an initial investment of at least \$3,000. Subsequent investments of at least \$100 may be made thereafter. For the Fund’s Systematic Investment Plan, the minimum initial investment requirement for all classes of Offered Shares is \$3,000 and the subsequent investment requirement for all classes is \$100 per purchase transaction.

The Fund reserves the right to waive or change minimums, to decline any order to purchase its Offered Shares and to suspend the offering of the Offered Shares from time to time. Offered Shares purchased through the Distributor or other broker-dealers that enters into a selected dealer agreement with the Distributor, will be held by the Distributor or such other broker-dealer, as applicable, as nominee for each shareholder. Offered Shares purchased will be registered in the name of the nominee by the Fund’s transfer agent, Banco Popular (when acting in this capacity, the “Transfer Agent”). Share certificates are issued only upon a shareholder’s written request to the Fund. Shareholders should be aware that it will not be possible to transfer Shares from their account with the Distributor or other broker-dealers that

enter into a selected dealer agreement with the Distributor to a broker-dealer or other financial institution that does not have a dealer agreement with the Distributor. In any such case, an investment account in the transferring shareholder's name will be opened, without charge, at the Transfer Agent. Shareholders interested in transferring their brokerage accounts who do not wish to have an account maintained for their Shares at the Transfer Agent must offer the Shares for redemption as described below under "Redemption of Shares" so that the cash proceeds can be transferred to the account of the new firm.

Purchase orders received by the Fund or the Distributor prior to the close of regular trading on the NYSE on any business day are priced according to the net asset value determined on that day (the "trade date"). Orders received by broker-dealers or financial institutions in the selling group prior to the close of regular trading on the NYSE on any business day are priced according to the net asset value determined on that day, provided the order is received by the Fund or the Distributor prior to the close of regular trading on the NYSE on such business day. Payment for Offered Shares purchased through the Distributor or brokers-dealers purchasing Offered Shares through the Distributor is due on the third business day after the trade date. In all other cases, payment must be made concurrently with the purchase order. The Fund or the Distributor may suspend the continuous offering of the Offered Shares at any time in response to conditions in the securities markets or otherwise and thereafter may resume such offering from time to time.

Persons who wish to purchase Class A Shares through IRA Accounts must request the IRA trustee for such IRA Account to make the purchase order to the Fund. Purchases of Class A Shares to be held through IRA Accounts will be made each Thursday (each, a "Purchase Date"), for all purchase orders in proper form which are received by the IRA trustee on, or prior to, the close of trading on the NYSE (generally 4:00 P.M.) on the previous business day. If a Purchase Date is not a business day, however, the purchase of Class A Shares to be held through IRA Accounts will be made on the immediately succeeding business day or the Thursday of the following week (each such date shall also be considered a Purchase Date), depending upon whether the NYSE and the Federal Reserve are open for business on such Purchase Date. In the case where the Purchase Date falls on a date in which the NYSE and the Federal Reserve are not open for business, the purchase of the Class A Shares to be held through IRA Accounts shall be made on the immediately succeeding business day. In cases where the Purchase Date falls on a date in which the NYSE and the Federal Reserve are open for business, but banks in San Juan, Puerto Rico are not, the purchase of such Class A Shares will be made on the Thursday of the following week. The purchase price will be the net asset value of such Class A Shares as of the close of trading on the NYSE on the Purchase Date. Class A Shares purchased through IRA Accounts will be subject to those penalties, fees, terms and conditions as may be imposed by the IRA trust for such IRA Account as established in the applicable laws and regulations and the disclosure documents associated with such IRA Account.

Systematic Investment Plan

Shareholders may make additions to their accounts at any time by purchasing Offered Shares at the applicable net asset value, plus any applicable sales charge, through a service known as the Systematic Investment Plan. Under the Systematic Investment Plan, the Distributor is authorized through preauthorized transfers of \$100 or more to charge the regular bank account or other financial institution indicated by the shareholder on a monthly basis to provide systematic additions to the shareholder's Fund account. A shareholder who has insufficient funds to complete the transfer will be charged a fee of up to \$25 by the Distributor. The Systematic Investment Plan also authorizes the Distributor to apply cash held in the shareholder's brokerage account with the Distributor to make additions to the account. Additional information is available from the Fund or the Distributor.

Class B Shares, which are no longer offered by the Fund, are not available for purchase through the Systematic Investment Plan.

Initial Sales Charge Alternatives

The initial sales charges applicable to purchases of Class A Shares of the Fund are as follows:

Class A Shares - Initial Sales Charge

Amount of Investment	% of Offering Price ¹	% of Amount Invested	Dealer's Reallowance as % of Offering Price ²
Less than \$50,000	5.00%	5.26%	4.25%
\$50,000 - \$99,999	4.50	4.71%	3.75
\$100,000 - \$249,999	4.00	4.17%	3.25
\$250,000 - \$499,999	3.50	3.63%	2.75
\$500,000 - \$999,999	2.50	2.56%	2.00
\$1,000,000 - and over	2.00	2.04%	1.50

1 The Initial Sales Charge for Class A Shares purchased through IRA Accounts shall be 2% regardless of the amount of investment.

2 At the discretion of the Distributor, the Dealer's Reallowance, from time to time, may be equal to the entire sales charge set forth in the first column of the above table under "% of Offering Price."

Except as provided below under "Right of Accumulation" and "Letters of Intent," the reduced sales charges shown above apply to the aggregate of purchases of Class A Shares made at one time by "any Puerto Rico person," which includes an individual, his or her spouse and children whose principal residence is within Puerto Rico purchasing shares for his or her own account, or a trustee or other fiduciary of a single trust estate or single fiduciary account which is deemed to be a resident of Puerto Rico. Investors may meet the minimum investment amounts required to qualify for reduced sales charges by adding their purchases of Class A Shares to the net asset value of all shares with a sales charge held in the Popular High Grade Fixed-Income Fund, Inc., the Popular Core Equity Fund, Inc., the Popular Income Plus Fund, Inc. and any other fund organized by Banco Popular de Puerto Rico other than the Popular Money Market Fund, Inc and Class A Shares purchased through IRA Accounts. The Fund, the Popular High Grade Fixed-Income Fund, Inc., the Popular Core Equity Fund, Inc., the Popular Income Plus Fund, Inc., the Popular Money Market Fund, Inc. and any other fund organized by Banco Popular are sometimes referred to herein as the "Popular Family of Funds."

Class C Shares are sold at their net asset value without an initial sales charge.

Initial Sales Charge Waivers

Purchases of Class A Shares may be made at net asset value without a sales charge in the following circumstances: (a) sales of Class A Shares to directors or officers of the Fund and employees of the Adviser or the Distributor and their respective subsidiaries and affiliates, or to the spouse and children of such persons, or sales to any trust, pension, profit-sharing or other benefit plan for such persons provided such sales are made upon the assurance of the purchaser that the plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and that the purchase is made for investment purposes and that the securities will not be resold except through redemption or repurchase; (b) offers of Class A Shares to any other investment company in connection with the combination of such company with the Fund by merger, acquisition of assets or otherwise; (c) purchases of Class A Shares by any client of a newly employed financial consultant of Popular Securities (for a period up to 90 days from the commencement of the financial consultant's employment with the Distributor), on the condition (A) that the purchase of Class A Shares is made with the proceeds of the redemption of shares of another mutual fund which (i) was sold to the client by the financial consultant and (ii) was subject to a sales charge and (B) that the purchaser provides sufficient information at the time of purchase to permit verification that the purchases will qualify for elimination of the sales charge; (d) insurance company separate accounts; (e) wrap accounts for the benefit of clients of investment professionals or other financial intermediaries adhering to standards established by the Distributor; (f) employer-sponsored retirement plans with at least \$500,000 in plan assets; (g) officers, partners, employees or registered representatives of broker-dealers that have entered into sales agreements with the Distributor; and (h) purchases by other funds or accounts for which the Adviser or any affiliate of Banco Popular acts as investment adviser or manager. In order to obtain such

discounts, the purchaser must provide sufficient information at the time of purchase to permit verification that the purchase would qualify for the elimination of the sales charge and must comply with the residency requirements described above under “Limitations of Offering and Transfer of Shares.”

The availability of certain sales charge waivers and discounts will depend on whether you purchase your Shares directly from the Fund or through a financial intermediary. Intermediaries may have different policies and procedures regarding the availability of front-end sales load waivers or contingent deferred (back-end) sales load (“CDSC”) waivers, which are discussed below. In all instances, it is the investor’s responsibility to notify the Fund or the investor’s financial intermediary at the time of purchase of any relationship or other facts qualifying the purchaser for sales charge waivers or discounts. **For waivers and discounts not available through a particular intermediary, shareholders of the Fund will have to purchase Shares directly from the Fund or through another intermediary to receive these waivers or discounts.**

Effective April 10, 2017, shareholders purchasing Fund shares through a Merrill Lynch platform or account will be eligible only for the following load waivers (front-end sales charge waivers and contingent deferred, or back-end, sales charge waivers) and discounts, which may differ from those disclosed elsewhere in this prospectus:

Front-end Sales Load Waivers on Class A Shares available at Merrill Lynch
Employer-sponsored retirement, deferred compensation and employee benefit plans (including health savings accounts) and trusts used to fund those plans, provided that the shares are not held in a commission-based brokerage account and shares are held for the benefit of the plan
Shares purchased by or through a 529 Plan
Shares purchased through a Merrill Lynch affiliated investment advisory program
Shares purchased by third party investment advisors on behalf of their advisory clients through Merrill Lynch’s platform
Shares of funds purchased through the Merrill Edge Self-Directed platform (if applicable)
Shares purchased through reinvestment of capital gains distributions and dividend reinvestment when purchasing shares of the same fund (but not any other fund within the fund family)
Shares exchanged from Class C (<i>i.e.</i> level-load) shares of the same fund in the month of or following the 10-year anniversary of the purchase date
Employees and registered representatives of Merrill Lynch or its affiliates and their family members
Directors or Trustees of the Fund, and employees of the Fund’s investment adviser or any of its affiliates, as described in the this prospectus
Shares purchased from the proceeds of redemptions within the same fund family, provided (1) the repurchase occurs within 90 days following the redemption, (2) the redemption and purchase occur in the same account, and (3) redeemed shares were subject to a front-end or deferred sales load (known as Rights of Reinstatement)

CDSC Waivers on A and C Shares available at Merrill Lynch
Death or disability of the Shareholder
Shares sold as part of a systematic withdrawal plan as described in this prospectus
Return of excess contributions from an IRA Account
Shares sold as part of a required minimum distribution for IRA and retirement accounts due to the shareholder reaching age 70½
Shares sold to pay Merrill Lynch fees but only if the transaction is initiated by Merrill Lynch
Shares acquired through a right of reinstatement
Shares held in retirement brokerage accounts, that are exchanged for a lower cost share class due to transfer to a certain fee based account or platform

Front-end load Discounts Available at Merrill Lynch: Breakpoints, Rights of Accumulation & Letters of Intent
Breakpoints as described in this prospectus.

Rights of Accumulation (ROA) which entitle shareholders to breakpoint discounts will be automatically calculated based on the aggregated holding of fund family assets held by accounts within the purchaser's household at Merrill Lynch. Eligible fund family assets not held at Merrill Lynch may be included in the ROA calculation only if the shareholder notifies his or her financial advisor about such assets

Right of Accumulation

Class A Shares of the Fund may be purchased by any qualifying Puerto Rico resident at a reduced sales charge or at net asset value determined by aggregating the dollar amount of the new purchase and the total net asset value of all Class A Shares of the Fund and Class A Shares with a sales charge in the Popular Family of Funds (or any other investment company designated by the Fund's Board of Directors, excluding those Class A Shares of the Fund held in IRA Accounts) other than the Popular Money Market Fund, Inc., then held by such person and applying the sales charge applicable to such aggregate. In order to obtain such discount, the purchaser must provide sufficient information at the time of purchase to permit verification that the purchase qualifies for the reduced sales charge. The right of accumulation is subject to modification or discontinuance at any time after written notice to the shareholders with respect to all Class A Shares purchased thereafter.

Letters of Intent

A Letter of Intent for amounts of \$50,000 or more provides an opportunity for an investor to obtain a reduced sales charge by aggregating investments over a 13 month period, provided that the investor refers to such Letter of Intent when placing orders. For purposes of a Letter of Intent, the "Amount of Investment" as referred to in the preceding sales charge table includes purchases of all Class A Shares with a sales charge over the 13 month period based on the total amount of intended purchases plus the value of all Class A Shares previously purchased and still owned. An alternative is to compute the 13 month period starting up to 90 days before the date of execution of a Letter of Intent. Each investment made during the period receives the reduced sales charge applicable to the total amount of the investment goal. If the goal is not achieved within the period, the investor must pay the difference between the sales charges applicable to the purchases made and the charges previously paid, or an appropriate number of escrowed shares will be automatically redeemed for such payment. Investors may meet the minimum investment amounts for Letters of Intent by adding the value of all other class A shares in the Popular Family of Funds other than the Popular Money Market Fund, Inc. and other funds managed or co-managed by the Adviser, purchased during the applicable period. Investors should consult the Distributor to obtain a Letter of Intent application.

Contingent Deferred Sales Charge Alternatives

Class C Shares are sold at the net asset value next determined without an initial sales charge, so that a larger portion of the investor's purchase may be invested immediately in the Fund than would be invested if the investor purchased Class A Shares. A contingent deferred sales charge equal to 1.00% is imposed on the redemption of Class C Shares within 12 months of purchase. A contingent deferred sales charge, may also be imposed on redemptions of previously issued and outstanding Class B Shares occurring within six years from the date of purchase. The contingent deferred sales charge declines from 4.00% for redemptions made during the first year following purchase to 0% after the sixth year following purchase. See "Purchase of Shares - Class B Shares" for the applicable contingent deferred sales charge.

Any applicable contingent deferred sales charge on Class B Shares or Class C Shares will be assessed on an amount equal to the lesser of the cost of the shares being redeemed or their net asset value at the time of redemption. In addition, Class B Shares and Class C Shares that are exchanged for shares of certain funds of the Popular Family of Funds will not be subject to a contingent deferred sales charge. See "Purchase of Shares-- Exchange Privileges." Class B Shares or Class C Shares that are redeemed will not be subject to a contingent deferred sales charge, to the extent that the value of such shares represents: (1) capital appreciation of Fund assets; or (2) reinvestment of dividends or capital gain distributions.

In determining the applicability of any contingent deferred sales charge, it will be assumed that a redemption is made first of shares representing capital appreciation, next of shares representing the reinvestment of dividends and any capital gain distributions and finally of other shares held by the shareholder for the longest period of time. Any contingent deferred sales charge will be paid to the Distributor.

Waivers of Contingent Deferred Sales Charges

The contingent deferred sales charge will be waived on: (a) redemptions of Shares following the death or disability of the shareholder; (b) involuntary redemptions; and (c) redemptions of Shares in connection with a combination of the Fund with any investment company by merger, acquisition of assets or otherwise.

Contingent deferred sales charge waivers will be granted subject to confirmation of the shareholder's status.

Exchange Privileges

As of the date of this prospectus, your Shares, other than Class A Shares held through IRA Accounts, may be exchanged for shares of the same class of any other fund that (i) is registered under the Puerto Rico Investment Companies Act, and (ii) is part of the Popular Family of Funds other than the Popular Money Market Fund. If the fund into which you exchange has a higher initial sales charge, the new class of shares you will receive will be subject to a sales charge equal to the difference between the original sales charge and the sales charge of the fund into which you exchange. If the fund into which you exchange has a lower initial sales charge, the exchange will not be subject to an initial sales charge. Furthermore, the contingent deferred sales charge (if any) on Class B Shares and Class C Shares will continue to be measured from the date of original purchase of said Class B Shares and Class C Shares. If the fund into which you exchange has a higher contingent deferred sales charge, the new class B shares or class C shares that you receive will be subject to that charge. If you exchange at any time into a fund with a lower contingent deferred sales charge, the sales charge will not be reduced. Shares may only be exchanged for shares of another fund in the Popular Family of Funds up to five times per fiscal year of the Fund

Not all funds in the Popular Family of Funds offer all classes of shares. Exchanges of shares are subject to the minimum investment requirements of the fund into which exchanges are made. The Fund may suspend or terminate your exchange privilege if you engage in an excessive pattern of exchanges. Be sure to read the prospectus of the fund in the Popular Family of Funds other than the Popular Money Market Fund into which you are exchanging. An exchange is a taxable transaction.

REDEMPTION OF SHARES

The Fund's certificate of incorporation provides that shareholders may redeem their Shares at periodic intervals, as determined by the Board, but no less frequently than once each year. In this regard, the Board has adopted a policy whereby shareholders may redeem for cash all full and fractional Shares upon receipt of a request in proper form on any business day at a price per share equal to the net asset value per share of the applicable class at the close of business on the date of redemption. In order for Shares to be redeemed on a particular redemption date, the redemption order in proper form must be received by the Fund by the close of trading on the NYSE (generally, 4:00 P.M., New York time) on the redemption date from the Distributor or other broker-dealer with which the Distributor has executed a selected dealer agreement. Redemption orders received by the Fund are irrevocable, except at the discretion of the Fund. The redemption price will be the net asset value per class of share as of the close of trading on the NYSE on the date of redemption, minus any applicable contingent deferred sales charge. The value of Shares at the time of redemption may be more or less than the shareholder's cost, depending on the market value of the securities held by the Fund at such time.

Class A Shares held through IRA Accounts may only be redeemed by the Fund at the request of the IRA trustee for such IRA Account. Persons who invested in Class A Shares through IRA Accounts and who wish to redeem such Class A Shares must request the IRA trustee for such IRA Account to make the redemption request to the Fund. Redemptions of Class A Shares held through IRA Accounts will be executed on a Redemption Date for all redemption orders in proper form which are received by the IRA trustee on, or prior to, the close of trading on the NYSE (generally 4:00 P.M. EST) on the previous business day. If a Redemption Date is not a business day, however, the redemption of

Class A Shares held through IRA Accounts shall be made on the immediately succeeding business day or the Thursday of the following week (each such date shall also be considered a Redemption Date), depending upon whether the NYSE and the Federal Reserve are open for business on such Redemption Date. In cases where the Redemption Date falls on a date in which the NYSE and the Federal Reserve are not open for business, the redemption of the Class A Shares held through IRA Accounts shall be made on the immediately succeeding business day. In cases where the Redemption Date falls on a date in which the NYSE and the Federal Reserve are open for business, but banks in San Juan, Puerto Rico are not, the redemption of such Class A Shares held through IRA Accounts will be made on the Thursday of the following week. The redemption price for Class A Shares held through IRA Accounts will be the net asset value of such Class A Shares as of the close of trading on the NYSE on the applicable Redemption Date. The Redemption Proceeds shall be paid to the IRA trustee in a lump sum within 3 business days of the applicable Redemption Date. Payment of the Redemption Proceeds shall be made by the IRA trustee within 2 business days in accordance with the investors' existing payment instructions for the IRA Account. It is possible that there will be delays in the payment of distributions because of the Fund's holdings of illiquid securities. In addition, payment of distributions may be delayed in certain instances in which the Fund may not be able to liquidate its investments due to, among other things, market disruptions or lack of economic feasibility. Class A Shares held through IRA Accounts will be subject to those penalties, fees, terms and conditions as may be imposed by the IRA trust for such IRA Account as established in the applicable laws and regulations and the disclosure documents associated with such IRA Account. Amounts distributed as Ordinary Dividends on Class A Shares held by IRA Accounts will be reinvested automatically in additional Class A Shares of the Fund. At present, there is no secondary market for the Shares and the Fund expects that, ordinarily, there will be no secondary market for the Shares and that daily redemptions will be the only source of liquidity for Fund shareholders. Nevertheless, if a secondary market develops for any class of Shares, the market price of the Shares may vary from time to time from the net asset value per share of such class. Such variance may be affected by, among other factors, relative demand and supply of Shares and the performance of the Fund, especially as it affects the yield on and net asset value of the Shares. Daily redemptions of Shares at the applicable net asset value per share of such class are expected to reduce any spread between net asset value and market price per share of any class that otherwise may develop. However, there can be no assurance that such action would result in any class shares trading at a price which equals or approximates its net asset value per share.

In order to satisfy redemption requests, the Fund may be required to liquidate portfolio securities, and realize gains or losses, at a time when the Adviser would otherwise consider it disadvantageous to do so. This may adversely affect the Fund's total return.

Redemption of Shares by the Fund is a taxable event. See "Tax Matters."

The right to redeem Shares on a daily basis may be suspended or the date of payment postponed (a) for periods during which trading on the NYSE is restricted or the NYSE is closed or during which the U.S. bond markets are closed (other than for customary weekend and holiday closings) or (b) for any period during which an emergency exists as a result of which disposal of portfolio securities or determination of the net asset value per share of a class is not reasonably practicable.

Procedure: A shareholder wishing to redeem Shares may do so by telephone through a registered representative of the Distributor or a broker-dealer or other financial institution that has entered into a selected dealer agreement with the Distributor or by submitting a written request for redemption to the Distributor or such broker-dealer. The Distributor reserves the right to require that any redemption request be made in writing. A written redemption request must (a) state the number or dollar amount of Shares to be redeemed, (b) identify the shareholder's account number, and (c) be signed by the account holder exactly as the account is registered. The redemption proceeds will be remitted on or before the third business day following receipt of a proper tender.

In the event of a redemption of Shares with an aggregate net asset value in excess of \$10,000 or in the event of more than one redemption request in any ten-day period, the Fund reserves the right to require that the signature(s) on the redemption request be guaranteed by an "eligible guarantor institution" (including, for example, certain financial institutions) as such is defined in Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended, the existence and validity of which may be verified by the Distributor through the use of industry publications. Unless otherwise directed, payment will be made in accordance with the existing instructions in the account held with the Distributor or financial institution through which the investor holds his or her Shares, which may include mailing a check to the investor's address of record within three business days of receipt of a proper notice of redemption as set forth above.

Redemption proceeds for Shares purchased by check, other than a certified or official bank check, will be remitted upon clearance of the check, which may take up to ten days or more.

The Distributor or any other broker-dealer participating in the distribution of Shares may require additional supporting documents for redemptions made by corporations, executors, administrators, trustees or guardians. A redemption request will not be deemed properly received until the Distributor or a broker-dealer or other financial institution involved in the distribution of Shares receives all required documents in a timely manner and in proper form.

Special Redemption Fees on Short Term Trading: The Fund may impose a 2.0% redemption fee on redemptions made within five business days after acquiring Shares.

Shares held through IRA Accounts: In addition to the above, Class A Shares held through IRA Accounts will be subject to those penalties, fees, terms and conditions as may be imposed by the IRA trust for such IRA Account as established in the applicable laws and regulations and the disclosure documents associated with such IRA Account.

Right to Reject or Restrict Purchase Orders: Purchases of Shares should be made primarily for investment purposes. The Fund reserves the right to restrict, reject or cancel, without any prior notice, any purchase order, including transactions representing excessive trading, including transactions accepted by any shareholder's broker, dealer or financial representative.

Automatic Cash Withdrawal Plan: The Fund offers shareholders an automatic cash withdrawal plan, under which shareholders may elect to receive cash payments of at least \$100 per transaction. Automatic cash withdrawals will be subject to any applicable contingent deferral sales charges. To the extent withdrawals exceed dividends, distributions and appreciation of the shareholder's investment in the Fund, there will be a reduction in the value of the shareholder's investment and continued withdrawal payments will reduce the shareholder's investment and may ultimately exhaust it. Withdrawal payments should not be considered as income from investment in the Fund. For further information regarding the automatic cash withdrawal plan, shareholders should contact the Distributor.

MANDATORY REDEMPTION OF SHARES

The Fund reserves the right to redeem automatically any Shares owned by a shareholder if the shareholder ceases at any time to maintain his or her principal residence in Puerto Rico, in the case of individuals, or its principal office and place of business in Puerto Rico, in the case of entities, or if the aggregate net asset value of the Shares held in the account is less than \$500. If a shareholder has more than one account in the Fund, each account must satisfy the minimum account size.

DIRECTORS AND EXECUTIVE OFFICERS

Overall responsibility for management and supervision of the Fund rests with the Board. The directors approve the terms and conditions of all significant agreements between the Fund and the companies that furnish services to the Fund, including agreements with the Adviser, the Administrator, the Distributor, the Custodian (as defined herein) and the Transfer Agent (as defined herein). The day-to-day operations of the Fund are delegated to the Administrator.

The directors and executive officers of the Fund and their principal occupation for the last five years are set forth below.

Juan O. Guerrero.⁽¹⁾⁽²⁾

Chairman of the Board, President and Director of the Fund. Mr. Guerrero is an Executive Vice President of Banco Popular in charge of the Financial and Insurance Services Group, a position which he has occupied since April 2004, and a director of the Popular Family of Funds, which are mutual funds managed by Banco Popular. Mr. Guerrero has been employed as an officer of Banco Popular for over 25 years. Mr. Guerrero is also a director of various wholly-owned subsidiaries of Popular, Inc. Mr. Guerrero is currently a Director of SER de Puerto Rico. He is also a former president of the Securities Industry

Association of Puerto Rico. Mr. Guerrero is the beneficial owner of between \$25,000 and \$50,000 in equity securities of the Popular Family of Funds.

Carlos A. Pérez, M.D.⁽²⁾

Director of the Fund. Director of the Fund. Mr. Pérez has been the President of the Caribbean and Latin American Region of Pediatrix Medical Group since 2002. From 1997 to 2002 he was the Vice President of this unit. Mr. Pérez is also a director of the University of Puerto Rico's Hospital of Carolina since September 2013. He also served as a director of the "Administración de Servicios de Salud de Puerto Rico" from 2001 until 2009. Mr. Pérez served as President of the Board of Trustees of the University of Puerto Rico of which he was a member from 2014 until 2017. Mr. Pérez is also a director of the Popular Income Plus Fund, Inc., Popular Total Return Fund, Inc., the Popular Core Equity Fund, Inc. and the Popular High-Grade Fixed-Income Fund, Inc. Mr. Pérez is the beneficial owner of between \$1,500,001 and \$2,000,000 in equity securities of the Popular Family of Funds.

Jorge I. Vallejo⁽²⁾

Director of the Fund. Mr. Vallejo has been Managing Partner of Vallejo & Vallejo, since April 1992, a real estate appraisal and consulting firm in San Juan, Puerto Rico. Mr. Vallejo holds the highest professional designations in the commercial appraisal, counseling and investment fields, having obtained the MAI (1992) and the CCIM (1999) designations. Mr. Vallejo is also partner of various special partnerships involved in real estate development. He is also a director of the Popular Family of Funds and the Puerto Rico Investors Tax Free Family of Funds, which are mutual funds managed and co-managed, respectively, by Banco Popular. Mr. Vallejo is the beneficial owner of between \$15,000 and \$25,000 in equity securities of the Popular Family of Funds.

Enrique Vila del Corral⁽²⁾

Director of the Fund. Director of the Fund. Private investor since 2001; Managing Partner and Chief Executive Partner, from 1977 to 2001 of Vila del Corral & Company, a public accounting firm organized and operating in Puerto Rico and the Dominican Republic. Mr. Vila del Corral is also managing partner of various special partnerships involved in real estate development and leasing of commercial office space. Mr. Vila del Corral is also director and audit committee chairman of the Popular Family of Funds and the Puerto Rico Investors Tax Free Family of Funds, which are mutual funds managed and co-managed by Banco Popular, and director of V. Suárez Group of Companies. Mr. Vila is the beneficial owner of between \$1,000,000 and \$1,100,000 in equity securities of the Popular Family of Funds.

**Manuel Rodriguez-Boissen,
Esq.**

Secretary of the Fund. Mr. Rodriguez-Boissen has been an attorney at Pietrantoni Mendez & Alvarez LLC, legal counsel to the Fund, since 2002 and a Member since 2012. Mr. Rodriguez-Boissen's practice focuses on public-private partnerships, corporate and public finance and regulatory compliance for clients engaged in the financial services industry, including the Popular Family of Funds.

Jose González⁽¹⁾⁽²⁾

Treasurer of the Fund. Mr. González has been in charge of Banco Popular's Mutual Funds' Administration Division since 2014 and of Popular's Fiduciary Services Operations since 2019. Mr. González has also been a Vice President of Banco Popular since 2014. Prior to joining Banco Popular, Mr. González was a Vice President, Treasurer and Fund Administration and Operations Manager for Santander Asset Management's First Puerto Rico Family of Funds. He also served as Vice President, Operations Manager and Trust Officer of Banco Santander from 2004 to 2008.

⁽¹⁾ Affiliated person of the Fund's Investment Adviser.

⁽²⁾ Such director or officer is a director or officer of one or more Puerto Rico investment companies for which the Investment Adviser acts as investment adviser or co-investment adviser.

All transactions and agreements between the Fund and its affiliates are subject to the approval of the independent directors of the Fund.

No officer, director or employee of the Adviser or of any affiliate thereof receives any compensation from the Fund for serving as an officer or director of the Fund. The Fund pays each director who is not an officer, director or employee of the Adviser a fee of \$1,000 per meeting attended, together with such director's actual travel and out-of-pocket expenses relating to attendance at meetings.

The following tables set forth the compensation paid by the Fund to its non-affiliated directors January 1, 2018 to December 31, 2018 and from January 1, 2019 to December 31, 2019, and the aggregate compensation paid to such persons by all investment companies advised or co-advised by the Adviser during such periods. The Fund does not accrue any retirement benefits for its directors as part of its expenses

Compensation from January 1, 2018 to December 31, 2018

Name of Non-Affiliated Director	Aggregate Compensation from Fund	Aggregate Compensation from all Funds Advised or Co-Advised by Investment Adviser
Carlos A. Pérez, MD	\$5,000.00	\$25,000.00
Jorge I. Vallejo	\$5,200.00	\$59,280.00
Enrique Vila del Corral	\$5,200.00	\$67,600.00

Compensation from January 1, 2019 to December 31, 2019

Name of Non-Affiliated Director	Aggregate Compensation from Fund	Aggregate Compensation from all Funds Advised or Co-Advised by Investment Adviser
Carlos A. Pérez, MD	\$5,000.00	\$25,000.00
Jorge I. Vallejo	\$5,000.00	\$58,000.00
Enrique Vila del Corral	\$5,000.00	\$65,000.00

Indemnification of Directors

The Fund has obtained directors and officer's liability insurance for its directors and officers. The Fund's certificate of incorporation contains a provision that exempts directors from personal liability for monetary damages to the Fund or its shareholders for violations of the duty of care, to the fullest extent permitted by the Puerto Rico General Corporation Law. The Fund has also agreed to indemnify its directors and officers for certain liabilities to the fullest extent permitted by Puerto Rico law.

INVESTMENT ADVISORY AND ADMINISTRATIVE SERVICES

Investment Adviser

Popular Asset Management, the investment management unit of Banco Popular, acts as the investment adviser of the Fund pursuant to an investment advisory agreement with the Fund. Subject to the direction of the Board, the Adviser is responsible for all investment decisions regarding the Fund's assets. The Adviser currently acts as investment adviser or co-investment adviser to several other Puerto Rico investment companies and as of December 31, 2018, managed or co-managed approximately \$12 billion in assets.

A team of investment professionals led by Javier Rubio, CFA and Antonio Rondán, CFA is primarily responsible for the day to day management of the Fund's assets. Mr. Rubio has worked in the asset management unit of the Investment Adviser since September 1996 acting as its Chief Investment Officer where he oversees more than \$2.0 billion in financial assets. Mr. Rubio has a BBA from the University of Puerto Rico, an MBA from the University of Michigan and holds the Chartered Financial Analyst designation. He has sixteen years of experience in investment management. Mr. Rubio also serves as portfolio manager for various Puerto Rico investment companies advised or co-advised by the Investment Adviser. Mr. Rondán has BBA and MBA degrees from the University of Puerto Rico. He joined the asset management unit of the Investment Adviser in 2006.

Unless earlier terminated as described below, the investment advisory agreement between the Fund and the Adviser will continue in effect for a period of two years from the date of execution and will remain in effect from year to year thereafter if approved annually (1) by the Board or by a majority of the outstanding Shares of the Fund and (2) by a majority of the directors who are not parties to such contract or affiliated with any such party. Such contract is not assignable and may be terminated without penalty on 60 days' written notice at the option of either party thereto or by the vote of the shareholders of the Fund.

Banco Popular is Puerto Rico's largest commercial bank with consolidated assets of approximately \$41.8 billion as of December 31, 2019. Banco Popular is a wholly-owned subsidiary of Popular, Inc., a bank holding company headquartered in San Juan, Puerto Rico, which produces and markets a broad range of financial services including commercial banking, consumer finance, asset management, credit cards, insurance, securities brokerage and investment banking in Puerto Rico and throughout the United States.

The Adviser will be compensated by the Fund at the annual rate of 0.50% of the value of the Fund's average daily net assets. "Average daily net assets" means the average daily value of the total assets of the Fund, minus the sum of accrued liabilities of the Fund. The principal executive offices of the Adviser are located at the Popular Center North Building, Second Level (Fine Arts), 209 Muñoz Rivera Avenue, San Juan, Puerto Rico 00918, and its main telephone number is (787) 754-4488.

Administrator

Banco Popular manages the day to day operations of the Fund pursuant to an Administration Agreement. Pursuant to the Administration Agreement, the Administrator furnishes the Fund with bookkeeping, accounting and administrative services. It provides a variety of administrative and shareholder services directly or through agents. These administrative services include, among other things, providing facilities and personnel to the Fund in the performance of certain services, including the determination of the market value of the Fund's assets, as applicable, and of the net asset value per share of each class of Shares, maintaining and preserving the books and records of the Fund, assisting in the preparation and filing of the Fund's income tax returns, payment of the Fund's expenses, assisting in the preparation and coordinating the printing and dissemination of reports and other communications to shareholders and providing local regulatory compliance services. The Administrator is also charged with providing the Fund with information as reasonably requested thereby to prepare any reports and filings required under applicable Federal law.

The Fund's Administration Agreement provides for monthly compensation of the Administrator at the annual rate of 0.10% of the Fund's average daily net assets.

Transfer Agent and Dividend Disbursing Agent

Pursuant to the terms of a Transfer Agency, Dividend Disbursing Agency and Shareholder Servicing Agency Agreement (the “Transfer Agent Agreement”), Banco Popular, in its capacity as transfer agent for the Fund (the “Transfer Agent”), is responsible for maintaining a register of the Shares for shareholders of record, the opening and maintenance of shareholder accounts and the processing of dividend and distribution payments from the Fund. Share certificates are not issued, unless specifically requested by shareholders. The Transfer Agent will maintain a share account for each master account and any other shareholder of record. Confirmations of each purchase or redemption and of reinvested dividend payments are sent to master account holders and any other shareholders of record each month. The Transfer Agent is authorized under the Transfer Agent Agreement to appoint sub-transfer agents or other agents and to delegate to any of such agents its obligations under the Transfer Agent Agreement. The Transfer Agent does not receive a separate fee or additional compensation for acting as the transfer agent of the Fund, but is reimbursed for out-of-pocket expenses it incurs in providing transfer agency services to the Fund.

Custodian

The Fund’s securities and cash are held under a Custody Agreement with Banco Popular (when acting in such capacity the “Custodian”). It is a condition to each investment transaction of the Fund that the transfer of eligible securities to the Fund be effected by delivery or other transfer of such securities to the Custodian, or to any entity acting on behalf of the Custodian, for credit to the Fund’s custodial account with such Custodian. The Custodian is authorized under the Custody Agreement to appoint sub-custodians or other agents and to delegate to such sub-custodians or other agents any of its obligations under the Custody Agreement. The Custodian does not receive a separate fee or additional compensation for acting as custodian of the Fund, but is reimbursed for the out-of-pocket expenses it incurs in providing custodial services to the Fund.

Distributor

Popular Securities, San Juan, Puerto Rico, serves as principal distributor of the Shares and conducts a continuous offering pursuant to a “best efforts” arrangement requiring it to take and pay for only such securities as may be sold to the public.

The Fund has agreed to pay a distribution fee to the Distributor pursuant to a Distribution Plan adopted by the Fund. Under the Distribution Plan, the Fund pays the Distributor a distribution fee accrued daily and paid monthly at the annual rate of 0.25% for the Class A Shares and 1.00% for the Class B Shares and Class C Shares, of the average daily net assets of each of such classes, in order to compensate the Distributor (and selected broker-dealers or financial institutions that enter into dealer or agency agreements with the Distributor) for distributing or providing other related services in connection with the Shares. The Distributor, or its clearing broker, intends to open a single master account with the Administrator on behalf of its customers who invest in the Fund and provide, directly or through a subcontractor, sub-accounting services for each customer’s account.

The Fund has no obligation to reimburse the Distributor for its client services related expenses in excess of the foregoing fee and the Fund is not obligated to approve the Distribution Plan with the Distributor from year to year. The Distributor is a wholly owned subsidiary of Popular, Inc., the parent company of the Adviser, and therefore is an affiliated entity of the Adviser. The Distributor has communicated that it will continue to seek annual confirmation of such Distribution Plan. See “Additional Risks and Portfolio Management - Transactions With Affiliates.”

TAX MATTERS

This section is not to be construed as a substitute for careful tax planning. Prospective investors are urged to consult their own tax advisers with specific reference to their own tax situations, including the application and effect of other tax laws and any possible changes in the tax law after the date of this prospectus.

In the opinion of Pietrantonio Méndez & Alvarez LLC, counsel to the Fund, the following discussion summarizes the material Puerto Rico and United States federal tax considerations that may be relevant to prospective investors in the

Fund. The discussion of Puerto Rico tax matters is based on the current provisions of the Puerto Rico Code and the regulations promulgated or applicable thereunder, the administrative pronouncements issued by the Puerto Rico Treasury Department (“PRTD”), the Puerto Rico Municipal Property Tax Act of 1991, as amended (the “MPTA”), and the regulations promulgated thereunder, the Puerto Rico Municipal License Tax Act of 1974, as amended (the “MLTA”), and the regulations promulgated thereunder, the Puerto Rico Investment Companies Act, the Federal Relations Act and Public Law 97-258, 96 Stat. 945 (31 U.S.C. § 3124(a)). The discussion of United States federal income, estate and gift taxes is based on the current provisions of the U.S. Internal Revenue Code of 1986, as amended (the “U.S. Code”) and the regulations promulgated and administrative pronouncements issued thereunder. No attempt has been made, however, to discuss all Puerto Rico and United States income or other tax matters that may affect the Fund or the investors.

This discussion assumes that the investors will be individuals who are bona fide residents of Puerto Rico for the entire taxable year within the meaning of Sections 933 and 937 of the U.S. Code (“Qualifying Individuals”), corporations or other business organizations whose principal office and place of business are in Puerto Rico (“Qualifying Corporations”), trusts organized under the laws of Puerto Rico (“Qualifying Trusts”), including employee retirement plan trusts described in Section 1081.01(a) of the Puerto Rico Code (“Qualifying Retirement Trusts”) or, where applicable, Individual Retirement Accounts as defined in Section 1081.02(a) of the Puerto Rico Code (“IRA Accounts,” and together with Qualifying Individuals, Qualifying Corporations, Qualifying Trusts and Qualifying Retirement Trusts, collectively referred to as “Qualifying Investors”). This summary does not attempt to discuss all tax consequences to investors that may be subject to special tax treatment under the Puerto Rico Code, the MLTA or MPTA (such as partnerships special partnerships, corporations of individuals or other pass-through entities and tax-exempt organizations) or under the U.S. Code (such as “controlled foreign corporations,” “passive foreign investment companies” or “personal holding companies”).

The statements that follow are based on the existing provisions of such statutes and regulations, and judicial decisions and administrative pronouncements, all of which are subject to change (even with retroactive effect). A prospective investor should be aware that an opinion of counsel represents only such counsel’s best legal judgment and that it is not binding on the PRTD, any municipality or agency of Puerto Rico, the United States Internal Revenue Service (the “IRS”) or the courts. Accordingly, there can be no assurance that the opinions set forth herein, if challenged, would be sustained.

Puerto Rico Taxation of the Fund

Income Taxes. As a registered investment company under PRICA, the Fund will be exempt from Puerto Rico income tax for a taxable year if it distributes to its shareholders at least 90% of its net income for the taxable year within the time period provided by the Puerto Rico Code (the “90% Distribution Requirement”). In determining its net income for purposes of the 90% Distribution Requirement, the Fund shall not take into account capital gains and losses and certain items of income (including interest) that are exempt from taxation under the Puerto Rico Code. The Fund intends to meet the 90% Distribution Requirement to be exempt from Puerto Rico income tax.

Property Taxes. Under the provisions of the MPTA, the Fund will be subject to property taxes. However, property of the Fund that consists of repurchase agreements, obligations of the Government of Puerto Rico or the U.S. Government and stocks of domestic or foreign corporations are exempt from property taxes imposed by the MPTA.

Municipal License Taxes. Pursuant to PRICA, the Fund will not be subject to municipal license taxes authorized to be imposed by the MLTA, regardless of whether such income is distributed or not to the shareholders of the Fund.

Puerto Rico Taxation of Fund Shareholders

Regular Income Taxes on Capital Gains. Gain recognized by a shareholder from the sale, exchange or other disposition (including a redemption that is not essentially equivalent to a dividend) of Shares will be treated as a capital gain for shareholders who hold the Shares as a capital asset and as a long-term capital gain if the Shares have been held by the shareholder for more than one (1) year prior to such sale or exchange. Long-term capital gains recognized by Qualifying Individuals on the sale, exchange or other disposition of the Shares will be subject to a 15% income tax rate. Alternatively, the Qualifying Individual may elect to include such long-term capital gain as ordinary income and be

subject to the regular income tax rates imposed under the Puerto Rico Code. Long-term capital gains recognized by a Qualifying Corporation on the sale, exchange or other disposition of the Shares will be subject to an alternative 20% income tax rate. Losses from the sale, exchange or other disposition of the Shares that constitute capital assets in the hands of Qualifying Investors are deductible only to the extent of gains recognized by such shareholders from the sale, exchange or other disposition of capital assets. Qualifying Investors, except for Qualifying Corporations, may also deduct up to \$1,000 of such capital losses against ordinary income. The deduction by Qualifying Corporations for losses carried over to subsequent taxable years is limited to 90% of the amount of capital gains.

Regular Income Taxes on Dividend Distributions. Dividend distributions by the Fund are classified as “Capital Gain Dividends” or “Ordinary Dividends” as discussed below.

Dividends paid by the Fund from its earnings and profits derived from the sale or exchange of property (“Capital Gain Dividends”) are taxable as long-term capital gains to Qualifying Investors regardless of how long the Shares of the Fund have been held by the shareholder. Capital Gain Dividends will qualify for the special income tax rate on capital gains of 15%, in the case of Qualifying Individuals, and for the alternative 20% income tax rate, in the case of Qualifying Corporations.

Special rules may apply to Capital Gain Dividends distributed by the Fund to estates and trusts.

A dividend distributed by the Fund that is not a Capital Gain Dividend is an “Ordinary Dividend.”

Ordinary Dividends and Capital Gain Dividends received by Qualifying Individuals and Qualifying Corporations are included in income and subject to Puerto Rico income tax (as ordinary gross income or capital gain, as the case may be) regardless of whether they are reinvested in additional Shares of the Fund pursuant to the Fund’s dividend reinvestment plan (if and when such plan is established). Distributions that exceed the earnings and profits of the Fund will be treated as a tax-free return of capital to a shareholder to the extent of the shareholder’s basis in the Shares of the Fund, and any excess will be treated as a gain from the sale or exchange of such Shares.

By purchasing Shares of the Fund, Qualifying Investors that are not IRA Accounts will be irrevocably agreeing that all Ordinary Dividends distributed to them will be subject to a 15% Puerto Rico income tax withholding, which will be automatically withheld at the source by the Fund or its paying agent (including the Distributor or a selected Dealer).

Ordinary Dividends received by Qualifying Individuals, estates and trusts will be subject to a 15% preferential tax to be withheld at source, rather than to the regular tax on ordinary income.

Upon filing a Puerto Rico income tax return, a Qualifying Individual, estate or trust may elect not to be subject to the 15% preferential tax on the Ordinary Dividends and to be subject to the regular income tax rates provided by the Puerto Rico Code on ordinary income and the 15% tax withheld at source may be claimed as a credit against Puerto Rico income taxes.

An Ordinary Dividend received by a Qualifying Corporation will be subject to regular and alternative minimum tax. An Ordinary Dividend received by a Qualifying Corporation will qualify for an 85% dividends received deduction. Qualifying Corporations will not be eligible for the 15% preferential tax applicable in the case of Qualifying Individuals, estates and trusts. However, dividends paid to Qualifying Corporations will be subject to the 15% income tax withholding, which amount may be claimed as a credit against the Puerto Rico income taxes due by the Qualifying Corporation.

Qualifying Retirement Trusts and IRA Accounts will not be subject to income taxation on Ordinary Dividends, Capital Gain Dividends and gains recognized from the sale, exchange or disposition of Shares of the Fund.

Income derived by IRA Accounts from their Class A Shares of the Fund, and distributions by IRA trusts to IRA Account beneficiaries, will be subject to the tax treatment afforded under the Puerto Rico Code to IRA trusts and their beneficiaries, as disclosed in the offering documents for each IRA trust.

Alternative Minimum Tax. Qualifying Individuals are subject to alternative minimum tax if their regular tax liability is less than the alternative minimum tax liability. The alternative minimum tax applies with respect to Qualifying Individuals that have alternative minimum tax net income in excess of \$25,000. The alternative minimum tax rates range from 1% to 24% depending on the alternative minimum tax net income. The alternative minimum tax net income is determined by adjusting the individual's net income subject to regular income tax rates by, among other items, adding: (i) certain income exempt from the regular income tax and (ii) income subject to special tax rates as provided in the Puerto Rico Code such as: Ordinary Dividends, Capital Gain Dividends and long-term capital gains recognized by Qualifying Individuals on the sale, exchange or other taxable disposition of the Shares of the Fund.

Estate and Gift Taxes. Estate and gift taxes imposed by the Puerto Rico Code have been repealed with respect to transfers by inheritance or gift occurring after December 31, 2017, respectively.

Municipal License Taxes. Under the MLTA, all dividends distributed by the Fund to Qualifying Corporations will form part of their "volume of business" and, therefore, may be subject to a municipal license tax of up to 1.5%, in the case of such shareholders that are engaged in a financial business, or of up to 0.5%, in the case of such shareholders engaged in non-financial businesses. Qualifying Individuals will not be subject to a municipal license tax on the Fund's distributions.

Property Taxes. Under the provisions of the MPTA, the Shares are exempt from Puerto Rico personal property taxes in the hands of the Fund's shareholders.

The discussion contained in this Section is a general and abbreviated summary of certain Puerto Rico tax considerations affecting the Fund and the Qualifying Investors, and is not intended as tax advice or to address a shareholder's particular circumstances. Investors are urged to consult their tax advisers regarding the tax consequences of investing in the Fund.

United States Taxation of the Fund

Income Taxes. In the opinion of Pietrantoni Méndez & Alvarez LLC, based on certain representations made by the Fund, under current United States federal income tax law, the Fund will not be engaged in a U.S. trade or business. An opinion of counsel is not binding on the IRS, however, and it is possible that the IRS or a court could disagree with counsel's conclusion. Interest received by the Fund from U.S. sources on certain registered obligations ("Portfolio Interest") and gains derived by the Fund from the sale or exchange of personal property (other than a "United States Real Property Interest") are not subject to United States federal income taxation. It is the intent of the Fund's management to derive only U.S. source interest income considered to be Portfolio Interest with respect to its investments in U.S. fixed-income securities. Moreover, as a foreign corporation not engaged in trade or business, the Fund will only be subject to United States federal income taxation if it realizes certain items of U.S. source income of a fixed or determinable annual or periodic nature, in which case the Fund will be subject to withholding of United States federal income tax at a 10% gross rate on U.S. source dividends and at a 30% gross rate on such other U.S. source income. If the Fund ultimately is found to be engaged in a U.S. trade or business, it would be subject to U.S. corporate income tax at the regular rates applicable to corporations on that part of its net income that is effectively connected with such business and, in addition, to a branch profits tax (which generally is imposed on a foreign corporation upon the repatriation outside of the United States of earnings and profits attributable to a U.S. trade or business) at a 30% rate on its earnings and profits attributable to such effectively connected income, subject to a number of statutory adjustments.

The U.S. Code imposes a 30% withholding tax upon most payments of U.S. source income and gross proceeds from the disposition of property that can produce U.S. source dividends or interest made to certain "foreign financial institutions" or "non-financial foreign entities" (including "non-financial foreign territory entities") unless certain certification and reporting requirements are satisfied. In the case of most payments of U.S. source income, the 30% withholding applies to interest and other periodic payments made after June 30, 2014, and, in the case of gross proceeds from the disposition of property that can produce U.S. source dividends or interest, payments made after December 31, 2018. Regulations issued under FATCA (the "FATCA Regulations") treat the Fund as a "territory non-financial foreign entity." Under this classification, the Fund could be required to provide to the payors of such income (except with respect to certain grandfathered obligations) certain information with respect to its investors. The payors, in turn, would be required to disclose such information to the IRS.

Under the FATCA Regulations, the Fund would not have to provide the required information only if it is wholly owned directly or indirectly by investors who are individual bona fide residents of Puerto Rico for purposes of Section 933 of the U.S. Code, otherwise it will have to provide the information with respect to direct and indirect substantial U.S. owners of the Fund. If the Fund is unable to obtain such information from any such investor or otherwise fails or is unable to comply with the requirements of the U.S. Code, the FATCA Regulations or any other implementing rules, certain payments to the Fund may be subject to a 30% withholding tax. By making an investment in the Fund, each investor agrees to provide all information and certifications necessary to enable the Fund to comply with these requirements.

A withholding agent is not required to make the 30% withholding if the withholding agent can treat the payment as made to a payee that is a direct reporting non-financial foreign entity (“NFFE”) and certain requirements are met. In this case, the Fund has elected to register as a direct reporting NFFE with the IRS. As a direct reporting NFFE, the Fund would have to report on IRS Form 8966, FATCA Report, directly to the IRS certain information about its direct or indirect substantial U.S. owners, in lieu of providing such information to the withholding agent.

Prospective investors should consult with their own tax advisers regarding these matters and similar disclosure requirements as they apply to them.

United States Taxation of Qualifying Investors

Income Taxes. The Fund will be treated as a foreign corporation under the U.S. Code and dividends paid by the Fund will generally have a Puerto Rico source rather than a U.S. source. Qualifying Corporations (other than U.S. Corporations) that are not engaged in a U.S. trade or business will not be subject to U.S. taxation on dividends received from the Fund and on gains from the sale or exchange of Shares. Qualifying Corporations (other than U.S. Corporations) that invest in the Fund will be subject to United States federal income tax on gain from a disposition of Shares only if the gain is effectively connected to a U.S. trade or business carried on by such corporation.

Under U.S. Code Sections 933 and 937, and the regulations thereunder, Qualifying Individuals who own, directly or indirectly, less than 10% of the total Shares of the Fund will not be subject to United States income taxation on dividends received from the Fund. Also, Qualifying Individuals will not be subject to United States income taxation on gains from the sale or exchange of Shares of the Fund. However, these shareholders will not generally be allowed a tax deduction for any amount allocable to or chargeable against amounts so excluded from the Qualifying Individuals’ gross income.

In the case of Qualifying Individuals who own, directly or indirectly, at least 10% of the total Shares, only the Puerto Rico source ratio of any dividend paid or accrued by the Fund shall be treated as income from sources within Puerto Rico. For these shareholders, the Puerto Rico source ratio of any dividend from the Fund shall be a fraction, the numerator of which equals the gross income of the Fund from sources within Puerto Rico during the testing period and the denominator of which equals the total gross income of the Fund for the testing period. The term “testing period” as used herein means the 3-year period ending with the close of the taxable year of the payment of the dividend (or such part of such period as the Fund has been in existence, if less than 3 years). In the case of these shareholders, the part of the dividend determined to be from sources other than Puerto Rico (after applying the rules described in this paragraph) will be subject to United States income taxation.

Qualifying Individuals should consult their tax advisers to determine if under the provisions of Section 937 of the U.S. Code and the regulations promulgated thereunder, they meet the direct or indirect 10% ownership requirement described above since certain attribution rules apply for purposes of determining such 10% ownership requirement. If after consulting his or her tax adviser, a Qualifying Individuals determines that he or she is a 10% shareholder of the Fund, such Qualifying Individuals must contact the investment adviser to get the necessary information to determine which part of the dividend received by him or her is from sources other than Puerto Rico.

Regulations under Section 937(b) of the U.S. Code include an exception to the general source of income rules (described above) otherwise applicable to dividends paid by Puerto Rico corporations (such as the Fund) in the case of dividends paid by such Puerto Rico corporations pursuant to certain conduit plans or arrangements (“conduit arrangements”). Under the regulations, income received pursuant to a conduit arrangement from United States sources would retain its character as U.S. source income notwithstanding the fact the general sourcing rules would otherwise treat

such income as being from Puerto Rico sources. In general, the regulations describe a conduit arrangement as one in which pursuant to a plan or arrangement income is received by a person in exchange for consideration provided to another person and such other person provides the same consideration (or consideration of a similar kind) to a third person in exchange for one or more payments constituting income from sources within the United States. Based on our analysis, however, we understand that the conduit regulations were not intended to apply to an actively managed investment company such as the Fund that is subject to regulation by state authorities and, therefore, would not change the conclusion that dividends paid by the Fund will be considered from Puerto Rico sources as described above.

Under current United States federal income tax law, the Fund will be treated as a passive foreign investment company (“PFIC”). Under the PFIC rules, a Fund shareholder that is a U.S. person, i.e., a citizen or resident of the United States, a U.S. domestic corporation or partnership, or an estate or trust that is taxed as a resident of the United States (such a shareholder is referred to in this section as a “U.S. shareholder”) and that disposes of its PFIC stock at a gain is treated as receiving an excess distribution equal to such gain. In addition, if a U.S. shareholder receives a distribution from a PFIC in excess of 125% of the average amount of distributions such shareholder has received from the PFIC during the three preceding taxable years (or shorter period if the U.S. shareholder has not held the stock for three years), the U.S. shareholder is treated as receiving an excess distribution equal to such excess. In general, under the PFIC rules, (i) the excess distribution or gain would be allocated ratably over the U.S. shareholder’s holding period for the Shares, (ii) the amount allocated to the current taxable year would be taxed as ordinary income, and (iii) the amount allocated to each of the other taxable years would, with certain exceptions, be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed on the resulting tax attributable to each such year.

As an alternative to these rules, U.S. shareholders may, in certain circumstances, elect a mark-to-market treatment with respect to these Shares.

Qualifying Corporations (other than U.S. Corporations) are not U.S. shareholders for purposes of the PFIC provisions. Qualifying Individuals who are citizens of the United States are U.S. shareholders for purposes of the PFIC provisions. However, under a proposed regulation under the U.S. Code, citizens of the United States who are Qualifying Individuals would be subject to the rule described in (ii) and (iii) above only to the extent that any excess distribution or gain is considered to be from sources other than Puerto Rico or is allocated to a taxable year during which the Qualifying Individual held the Shares and was not a bona fide resident of Puerto Rico during the entire taxable year, or in certain cases, a portion thereof, within the meaning of Sections 933 and 937 of the U.S. Code. The portion of the excess distribution or gain considered to be Puerto Rico source income that is allocated to the current taxable year of the Qualifying Individual will not be subject to U.S. income taxation pursuant to U.S. Code Section 933.

An amendment to the U.S. Code also provides that shareholders of a PFIC, such as the Fund, who are, among others, United States citizens, must file an annual report containing such information as the Secretary of the Treasury may require. Subject to various exceptions, the following shareholders of a PFIC will not have to file the required annual return (Form 8621): (i) shareholders of a PFIC whose aggregate value of all its passive foreign investment companies stock owned directly or indirectly do not exceed \$25,000 (\$50,000 for joint filers) or if the value of all indirect passive foreign investment companies stock owned is \$5,000 or less; or (ii) shareholders that are a tax-exempt entity. If the shareholder of PFIC is required to file Form 8621 with respect to more than one passive foreign investment company, such person must file a separate Form 8621 for each PFIC.

Investors that are estates or trusts should consult their tax advisers regarding the U.S. federal tax consequences of an investment in the Fund.

Estate and Gift Taxes. The transfer of Shares by death or gift by a Qualifying Individual will not be subject to estate and gift taxes imposed by the U.S. Code if such Qualifying Individual (i) is a U.S. citizen who acquired such citizenship solely by reason of birth or residence in Puerto Rico and (ii) is a resident of Puerto Rico for purposes of the U.S. Code as of the time of the death or gift.

The discussion contained in this section is a general and abbreviated summary of certain federal tax considerations affecting the Fund and the Qualifying Investors, and is not intended as tax advice or to address a shareholder’s particular circumstances.

Investors are urged to consult their tax advisers regarding specific questions as to United States federal or Puerto Rico taxes or as to the consequences of investing in the Fund.

CERTAIN LEGAL MATTERS AND AUDITOR

Certain legal matters in connection with the issuance of Offered Shares of the Fund offered hereby will be passed upon by Pietrantonio Mendez & Alvarez LLC, San Juan, Puerto Rico, as counsel to the Fund. PricewaterhouseCoopers LLP, San Juan, Puerto Rico, have been selected as the independent auditors of the Fund and in such capacity will be responsible for auditing the financial statements of the Fund.

PRIVACY POLICY

Attached hereto as Appendix D is a copy of the Privacy Policy as to the information the Fund compiles and maintains on its investors.

LICENSE AGREEMENT

Under the terms of a license agreement with Popular, Inc. (the “License Agreement”), the Fund has been granted a license to use certain trade names and trademarks of Popular, Inc. The License Agreement may be amended by the parties thereto without the consent of any of the shareholders of the Fund.

None of the Fund, the Adviser, the Distributor, the Administrator or any shareholder of the Fund is entitled to any rights whatsoever under the foregoing licensing arrangements or to use the trademark “Popular” except as specifically described herein or as may be specified in the License Agreement.

ADDITIONAL INFORMATION RELATING TO ANNUAL REPORTS OF THE FUND

The Fund sends its shareholders an audited annual report, which includes listings of the investment securities held by the Fund at the end of the period covered and the audited financial statements of the Fund. In an effort to reduce the Fund’s printing and mailing costs, the Fund plans to consolidate the mailing of its annual report by household. This consolidation means that a household having multiple accounts with the identical address of record will receive a single copy of each report. Shareholders who do not want this consolidation to apply to their account should contact their broker. A copy of the Fund’s annual report may be obtained from the Distributor free of charge upon request by calling (787) 758-7400.

After the end of each calendar year, shareholders will also receive Puerto Rico tax information regarding dividends and capital gain distributions.

**PUERTO RICO RESIDENCY REPRESENTATION LETTER
(INDIVIDUAL)**

To: Popular Securities, LLC
San Juan, Puerto Rico

Re: Puerto Rico Residency Status

To Whom It May Concern:

I provide the following information and representations in connection with opening and maintaining my account with Popular Securities, LLC. In my account I may hold or purchase certain investments, including, but not limited to, closed-end and open-end mutual funds (collectively, "Mutual Funds"), preferred stock, and debt securities, that are not registered under U.S. Securities Act of 1933, as amended (the "1933 Act") or the U.S. Investment Company Act of 1940, as amended (the "1940 Act"), (collectively, "Puerto Rico Investments") and are exempt from registration under the 1933 Act and/or the 1940 Act, based, in part, on the requirement that they be offered or sold only to individuals who have their principal residence in Puerto Rico ("Puerto Rico Residents"), all as disclosed in their respective prospectuses or offering materials.

Accordingly, I hereby represent to you that:

1. I have acquired or propose to acquire Puerto Rico Investments for my own account and will be the sole beneficial owner thereof.
2. As of the date of this letter, I am an individual whose principal residence is in Puerto Rico.
3. If I cease to be a Puerto Rico Resident, I will (i) notify you within (30) days of ceasing to be a Puerto Rico Resident, (ii) liquidate my holdings in any Puerto Rico Investment when such liquidation becomes economically feasible, and (iii) not acquire additional Puerto Rico Investments.
4. I hereby acknowledge that if at the time of purchase of Puerto Rico Investments I am not a Puerto Rico Resident, Popular Securities, LLC may declare any such purchase to be null and void.
5. I acknowledge that any purchases of Puerto Rico Investments will not be made on behalf of a retirement plan subject to ERISA.
6. I acknowledge that Mutual Funds may enter into purchase and sale transactions and other transactions with affiliated entities as described in the prospectus of each Mutual Fund and I hereby consent to such transactions as described in the applicable prospectus.

Signature

Date

Name

Account Number

**PUERTO RICO RESIDENCY REPRESENTATION LETTER
(FOR BUSINESS ORGANIZATIONS)**

To: Popular Securities, LLC
San Juan, Puerto Rico

Re: Puerto Rico Residency Status

To Whom It May Concern:

We provide the following information and representations in connection with opening and maintaining our account with Popular Securities, LLC. In our account we may hold or purchase certain investments, including, but not limited to, closed-end and open-end mutual funds (collectively, "Mutual Funds"), preferred stock, and debt securities, that are not registered under the U.S. Securities Act of 1933, as amended (the "1933 Act") or the U.S. Investment Company Act of 1940, as amended (the "1940 Act"), (collectively, "Puerto Rico Investments") and are exempt from registration under the 1933 Act and/or the 1940 Act, based, in part, on the requirement that they be offered or sold only to individuals who have their principal residence in Puerto Rico or to corporations or other business organizations that have their principal office and principal place of business within Puerto Rico ("Puerto Rico Residents"), all as disclosed in their respective prospectuses or offering materials.

Accordingly, I hereby represent to you that:

1. I have acquired or propose to acquire Puerto Rico Investments for our own account and will be the sole beneficial owner thereof.
2. As of the date of this letter, we are a corporation, partnership or other form of business organization that has its principal office and principal place of business within Puerto Rico that has not been organized for the purpose of acquiring Puerto Rico Investments and, if organized as a trust, the trustee and all beneficiaries of the trust are residents of Puerto Rico.
3. If, as of the date of this letter, we are organized as a non-business trust, the trust has its principal office and principal place of business within Puerto Rico and the trustee and all beneficiaries of the trust are Puerto Rico Residents.
4. If we cease to be a Puerto Rico Resident, we will (i) notify you within 30 days of ceasing to be a Puerto Rico Resident, (ii) liquidate our holdings in any Puerto Rico Investment when such liquidation becomes economically feasible, and (iii) not acquire additional Puerto Rico Investments.
5. We acknowledge that any purchases of Puerto Rico Investments will not be made on behalf of a retirement plan subject to ERISA.
6. We acknowledge that Mutual Funds may enter into purchase and sale transactions and other transactions with affiliated entities as described in the prospectus of each Mutual Fund and we hereby consent to such transactions as described in the applicable prospectus.

We hereby acknowledge that if the time of purchase of Puerto Rico Investments we are not Puerto Rico Residents, Popular Securities, LLC may declare any such purchase to be null and void.

Signature

Date

Name

Account Number

Business Organization

**DESCRIPTION OF CERTAIN INVESTMENT TECHNIQUES
AND FIXED INCOME SECURITIES**

The Fund may utilize investment techniques and invest in the types of fixed-income securities described below to the extent permitted under the Puerto Rico Investment Companies Act and the ruling granted to the Fund under the Act. The Fund may also utilize such other types of investment techniques and invest in such other fixed income securities that become available on the market from time to time. Not all of the described investment techniques and fixed income securities may currently be permissible to the Fund under the Puerto Rico Investment Companies Act and the ruling granted to the Fund under the Act.

Certain Investment Techniques

Stock Index Options

The Fund may purchase and write put and call options on stock indices listed on U.S. securities exchanges for the purpose of hedging against risks of market-wide price movements affecting the equity portion of its portfolio. A stock index measures the movement of a certain group of stocks by assigning relative values to the common stocks included in the index.

Options on stock indices are generally similar to options on stock except that the delivery requirements are different. Instead of giving the right to take or make delivery of stock at a specified price, an option on a stock index gives the holder the right to receive a cash “exercise settlement amount” equal to (a) the amount, if any, by which the fixed exercise price of the option exceeds (in the case of a put) or is less than (in the case of a call) the closing value of the underlying index on the date of exercise, multiplied by (b) a fixed “index multiplier.” Receipt of this cash amount will depend upon the closing level of the stock index upon which the option is based being greater than, in the case of a call, or less than, in the case of a put, the exercise price of the option. The amount of cash received will be equal to such difference between the closing price of the index and the exercise price of the option, expressed in dollars, times a specified multiple. The writer of the option is obligated, in return for the premium received, to make delivery of this amount. The writer may offset its position in stock index options prior to expiration by entering into a closing transaction on an exchange, or it may let the option expire unexercised.

The effectiveness of purchasing stock index options as a hedging technique will depend upon the extent to which price movements in the portion of a securities portfolio being hedged correlate with price movements of the stock index selected. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether the Fund will realize a gain or loss from the purchase or writing of options on an index depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of a particular stock. Accordingly, successful use by the Fund of options on stock indices will be subject to the applicable investment adviser’s ability to predict correctly movements in the direction of the stock market generally or of a particular industry. This requires different skills and techniques than predicting changes in the price of individual stocks.

When the Fund writes an option on a stock index, it will establish a segregated account with the Fund’s custodian, with which the Fund will deposit cash or cash equivalents or a combination of both in the amount equal to the market value of the option, and will maintain such account while the option is open.

The Fund will engage in stock index options transactions only when determined by the Adviser to be consistent with the Fund’s efforts to control risk. There can be no assurance that such judgment will be accurate or that the use of these portfolio strategies will be successful.

Lending of Portfolio Securities

The Fund has the ability to lend securities from its portfolio to brokers, investment dealers and other financial organizations that are not affiliates of the Fund. Such loans, if and when made, may not exceed 33 1/3% of the Fund’s total assets taken at value. Loans of portfolio securities by the Fund will be collateralized by cash, letters of credit or

U.S. government securities that are maintained at all times in an amount equal to at least 100% of the current market value of the loaned securities.

In lending its portfolio securities, the Fund can increase its income by continuing to receive interest on the loaned securities as well as by either investing the cash collateral in short-term instruments or obtaining yield in the form of interest paid by the borrower when U.S. government securities are used as collateral. The risks in lending portfolio securities, as with other extensions of secured credit, consist of possible delay in receiving additional collateral or in the recovery of the securities or possible loss of rights in the collateral should the borrower fail financially. Loans will be made to firms deemed by the Adviser to be of good standing and will not be made unless, in the judgment of the Adviser, the consideration to be earned from such loans would justify the risk. From time to time, the Fund may return a part of the interest earned from the investment of collateral received for securities loaned to: (a) the borrower and/or (b) a third party, which is unaffiliated with the Fund or the Adviser.

Futures

The Fund may enter into stock index or, to the extent permitted by law, interest rate and U.S. Treasury securities futures contracts and related options that are traded thereon. A stock index futures agreement is a contract pursuant to which two parties agree to take or make delivery of an amount of cash equal to the difference between the value of the index at the close of the last trading day of the contract and the price at which the index contract was originally written. No physical delivery of the underlying securities in the index is made.

No consideration will be paid or received by the Fund upon entering into a futures contract. Initially, the Fund will be required to deposit with the broker an amount of cash or cash equivalents equal to approximately 1% to 10% of the contract amount (this amount is subject to change by the exchange on which the contract is traded and its clearing house, the broker through which the Fund trades may charge a higher amount). This amount, known as "initial margin," is in the nature of a performance bond or good faith deposit on the contract and is returned to the Fund upon termination of the futures contract, assuming all contractual obligations have been satisfied. Subsequent payments, known as "variation margin," to and from the broker will be made daily as the price of the index underlying the futures contract fluctuates, making the long and short positions in the futures contract more or less valuable, a process known as "marking-to-market." At any time prior to expiration of a futures contract, the Fund may elect to close the position by taking an opposite position, which will operate to terminate the Fund's existing position in the contract.

Several risks are associated with the use of futures contracts as a hedging device. Successful use of futures contracts by the Fund will be subject to the ability of the Adviser to predict correctly changes in market conditions. These predictions involve skills and techniques that may be different from those involved in the management of the Fund being hedged. In addition, there can be no assurance that there will be a correlation between movements in the price of the underlying index and movements in the price of the securities that is the subject of a hedge. A decision of whether, when and how to hedge involves the exercise of skill and judgment, and even a well-conceived hedge may be unsuccessful to some degree because of market behavior or unexpected trends in interest rates or currency values.

Although the Fund plans to enter into futures contracts only if there is an active market for such contracts, there is no assurance that an active market will exist for the contracts at any particular time. Most U.S. futures exchanges and boards of trade limit the amount of fluctuation permitted in futures contract prices during a single trading day. Once the daily limit has been reached in a particular contract, no trades may be made that day at a price beyond that limit. It is possible that futures contract prices could move to the daily limit for several consecutive trading days with little or no trading, thereby preventing prompt liquidation of futures positions and subjecting some futures traders to substantial losses. In such event, and in the event of adverse price movements, the Fund would be required to make daily cash payments of variation margin, and an increase in the value of the portion of the Fund being hedged, if any, may partially or completely offset losses on the futures contract. As described above, however, there is no guarantee that the price of the securities being hedged will, in fact, correlate with the price movements in a futures contract and thus provide an offset to losses on the futures contract.

If the Fund hedges against the possibility of a change in market conditions adversely affecting the value of securities held in its portfolio and market conditions move in a direction opposite to that which has been anticipated, the Fund will lose part or all of the benefit of the increased value of securities that it has hedged because it will have

offsetting losses in its futures positions. In addition, in such situations, if the Fund had insufficient cash, it may have to sell securities to meet daily variation margin requirements at a time when it may be disadvantageous to do so. These sales of securities may, but will not necessarily, be at increased prices that reflect the change in interest rates, market conditions or currency values, as the case may be.

Options on Future Contracts

An option on a futures contract, as contrasted with the direct investment in such a contract, gives the purchaser the right, in return for the premium paid, to assume a position in the underlying futures contract at a specified exercise price at any time prior to the expiration date of the option. Upon exercise of an option, the delivery of the futures position by the writer of the option to the holder of the option will be accompanied by delivery of the accumulated balance in the writer's futures margin account, which represents the amount by which the market price of the futures contract exceeds, in the case of a call, or is less than, in the case of put, the exercise price of the option on the futures contract. The potential for loss related to the purchase of an option on a futures contract is limited to the premium paid for the option plus transaction costs. Because the value of the option is fixed at the point of sale, there are no daily cash payments to reflect changes in the value of the underlying contract; however, the value of the option does change daily and that change would be reflected in the net asset value of the Fund.

The Fund may purchase and write put and call options on futures contracts that are traded on a U.S. exchange or board of trade as a hedge against changes in the value of its portfolio securities, or in anticipation of the purchase of securities, and may enter into closing transactions with respect to such options to terminate existing positions. There is no guarantee that such closing transactions can be effected.

Several risks are associated with options on futures contracts. The ability to establish and close out positions on such options will be subject to the existence of a liquid market. In addition, the purchase of put or call options will be based upon predictions by the Adviser as to anticipated trends, which predictions could prove to be incorrect. Even if the expectations of the Adviser are correct, there may be an imperfect correlation between the change in the value of the options and of the portfolio securities being hedged.

Fixed Income Securities

Asset-Backed Securities

Asset-backed securities are securities secured by non-mortgage assets such as company receivables, truck and auto loans, leases and credit card receivables. Such securities are generally issued as pass-through certificates, which represent undivided fractional ownership interests in the underlying pools of assets. Such securities also may be debt instruments, which are also known as collateralized obligations and are generally issued as the debt of a special purpose entity, such as a trust, organized solely for the purpose of owning such assets and issuing such debt.

Asset-backed securities are not issued or guaranteed by the U.S. Government, its agencies or instrumentalities; however, the payment of principal and interest on such obligations may be guaranteed up to certain amounts and for a certain period by a letter of credit issued by a financial institution (such as a bank or insurance company) unaffiliated with the issuers of such securities. The purchase of asset-backed securities raises risk considerations peculiar to the financing of the instruments underlying such securities. For example, there is a risk that another party could acquire an interest in the obligations superior to that of the holders of the asset-backed securities. There also is the possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on those securities. Asset-backed securities entail prepayment risk, which may vary depending on the type of asset, but is generally less than the prepayment risk associated with mortgage-backed securities. In addition, credit card receivables are unsecured obligations of the card holder.

The market for asset-backed securities is at a relatively early stage of development. Accordingly, there may be a limited secondary market for such securities.

Certificates of Deposit, Time Deposits and Bankers' Acceptances

The Fund also will invest in certificates of deposit, time deposits and bankers' acceptances issued by U.S. or Puerto Rico banks and in dollar-denominated certificates of deposit, time deposits and bankers' acceptances issued by U.S. branches of foreign banks. Certificates of deposit ("CDs") are certificates representing the obligation of a bank to repay funds deposited with it for a specified period of time and normally can be traded in the secondary market prior to maturity. The Federal Deposit Insurance Corporation is an agency of the U.S. Government that insures the deposits of certain banks and savings and loan associations up to \$250,000 per deposit. The interest on such deposits may not be insured if these limits are exceeded. Time deposits are non-negotiable receipts issued by a bank in exchange for the deposit of funds. Like a CD, it earns a specified rate of interest over a definite period of time. Time deposits which may be held by the Fund will not benefit from Federal Deposit Insurance Corporation insurance. Generally, a banker's acceptance is a time draft drawn on a bank by an exporter or an importer to obtain a stated amount of funds to pay for specific merchandise. The draft is then "accepted" by a bank that, in effect, unconditionally guarantees to pay the face value of the instrument on its maturity date. The acceptance may then be held by the accepting bank as an asset, or it may be sold in the secondary market at the going rate of interest for a specified maturity. Although maturities for acceptances can be as long as 270 days, most acceptances have maturities of six months or less.

Commercial Paper

Commercial paper consists of short-term, unsecured promissory notes issued by banks, municipalities, corporations and other entities to finance their short-term credit needs. The commercial paper purchased by the Fund will consist only of U.S. dollar denominated direct obligations issued by Puerto Rico or U.S. entities or the U.S. or Puerto Rico subsidiaries of foreign entities.

Convertible Securities

The Fund may invest in convertible securities that are rated as investment grade or, if unrated, are deemed to be of comparable quality by the Fund's Adviser. Investment grade securities rated in the lowest investment grade category are considered to have some speculative characteristics, and changes in economic conditions are more likely to lead to a weakened capacity to pay interest and repay principal than is the case with higher grade securities. While no securities investment is without some risk, investments in convertible securities generally entail less risk than the issuer's common stock, although the extent to which such risk is reduced depends in large measure upon the degree to which the convertible security sells above its value as a fixed income security. The Adviser will decide to invest in convertible securities based upon a fundamental analysis of the long-term attractiveness of the issuer and the underlying common stock, the evaluation of the relative attractiveness of the current price of the underlying common stock, and the judgment of the value of the convertible security relative to the common stock at current prices. Convertible securities in which the Fund may invest include corporate bonds, notes and preferred stock that can be converted into common stock. Convertible securities combine the fixed-income characteristics of bonds and preferred stock with the potential for capital appreciation. As with all debt securities, the market value of convertible securities tends to decline as interest rates increase and, conversely, to increase as interest rates decline. While convertible securities generally offer lower interest or dividend yields than nonconvertible debt securities of similar quality, they do enable the investor to benefit from increases in the market price of the underlying common stock.

Debt Securities

Debt securities are debt instruments issued by corporations, banks and other entities with maturities exceeding 270 days. The market value of debt securities is influenced primarily by changes in the level of interest rates. Generally, as interest rates rise, the market value of debt securities decreases. Conversely, as interest rates fall, the market value of debt securities increases. Factors that could result in a rise in interest rates, and a decrease in the market value of debt securities, include an increase in inflation or inflation expectations, an increase in the rate of U.S. economic growth, an increase in the Federal budget deficit or an increase in the price of commodities such as oil.

Floating and Variable Rate Obligations

The Fund may also purchase certain types of floating and variable rate securities. The Fund treats variable rate demand instruments as short-term securities even though their maturity may extend beyond 397 days because within 397 days, their variable interest rate adjusts in response to changes in market rates and the repayment of their principal amount can be demanded. The interest payable on a variable rate obligation is adjusted at predesignated periodic intervals and, on floating rate obligations, whenever there is a change in the market rate of interest on which the interest rate payable is based. There is a risk that the current interest rate on such obligations may not accurately reflect existing market interest rates. These obligations frequently permit the holder to demand payment of principal at any time, or at specified intervals, and permit the issuer to prepay, at its discretion, principal plus accrued interest, in each case after a specified notice period. The issuer's obligations under the demand feature of such notes and bonds generally are secured by bank letters of credit or other credit support arrangements. There frequently will be no secondary market for variable and floating rate obligations held by the Fund, although the Fund may be able to obtain payment of principal at face value by exercising the demand feature of the obligation. The Investment Adviser will consider on an ongoing basis the creditworthiness of the issuers of the floating and variable rate securities held by the Fund.

Indexed Securities

The Fund may invest in securities, including derivative instruments, on which the rate of interest varies directly with interest rates on other securities or an index. Such investments may have increased volatility and a potential leveraging effect. Such obligations include, but are not limited to, derivative instruments constituting components of securities on which interest is paid in two separate parts—an auction component, which pays interest at a rate that is set periodically through an auction process or other method, and a residual component, which pays interest at a rate equal to the difference between the rate that the issuer would have paid on a fixed-rate obligation at the time of issuance and the rate paid on the auction component. The market value of an indexed security will be more volatile than that of a fixed-rate obligation and, like most debt obligations, will vary with changes in market interest rates.

Because the interest rate paid to holders of residual components is generally determined by subtracting the interest rate paid to the holders of auction components from a fixed amount, the interest rate paid to residual component holders will decrease as the auction component's rate increases and increase as the auction component's rate decreases. Moreover, the extent of the increases and decreases in market value of residual components may be larger than comparable changes in the market value of an equal principal amount of a fixed rate security having similar credit quality, redemption provisions and maturity.

Mortgage-Backed Securities

New types of mortgage-backed securities are developed and marketed from time to time and, consistent with its investment limitations, the Fund expects to invest in those new types of mortgage-backed securities that the Adviser believes may assist the Fund in achieving its investment objective. Only mortgage-backed securities issued by financial institutions operating in Puerto Rico, which securities represent pools of mortgages executed on properties located in Puerto Rico will constitute Puerto Rico Fixed Income Securities. Such mortgage-backed securities may be issued or guaranteed by one of the agencies described below, or may have the features discussed below. Not all of the types of securities described below are available in Puerto Rico.

Mortgage-backed Securities are instruments that entitle the holder to a share of all interest and principal payments underlying the security. The mortgages backing these securities include conventional thirty-year fixed rate mortgages, graduated payment mortgages, and adjustable rate mortgages. During periods of declining interest rates, prepayment of mortgages underlying mortgage-backed securities can be expected to accelerate. Prepayment of mortgages which underlie securities purchased at a premium often results in capital losses, while prepayment of mortgages purchased at a discount often results in capital gains. Because of these unpredictable prepayment characteristics, it is often not possible to predict accurately the average life or realized yield of a particular issue.

Government Pass-Through Securities. These are securities that are issued or guaranteed by a U.S. Government agency representing an interest in a pool of mortgage loans. The primary issuers or guarantors of these mortgage-backed securities are the Government National Mortgage Association ("GNMA"), the Federal National Mortgage Association

("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"). FNMA and FHLMC obligations are not backed by the full faith and credit of the U.S. Government as GNMA certificates are, but FNMA and FHLMC securities are supported by the instrumentalities' right to borrow from the U.S. Treasury. GNMA, FNMA and FHLMC each guarantees timely distributions of interest to certificate holders. GNMA and FNMA also each guarantees timely distributions of scheduled principal. FHLMC has in the past guaranteed only the ultimate collection of principal of the underlying mortgage loan; however, FHLMC now issues mortgage-backed securities (FHLMC Gold PCS) which also guarantee timely payment of monthly principal reductions. Government and private guarantees do not extend to the securities' value, which is likely to vary inversely with fluctuations in interest rates.

Private Pass-Through Securities. These are mortgage-backed securities issued by a non-governmental entity, such as a trust. These securities include collateralized mortgage obligations ("CMOs") and real estate mortgage investment conduits ("REMICs") that are rated in one of the top two rating categories. While they are generally structured with one or more types of credit enhancement, private pass-through securities typically lack a guarantee by an entity having the credit status of a governmental agency or instrumentality.

Collateralized Mortgage Obligations. CMOs are debt obligations or multiclass pass-through certificates issued by agencies or instrumentalities of the U.S. Government or by private originators or investors in mortgage loans. In a CMO, series of bonds or certificates are usually issued in multiple classes. Principal and interest paid on the underlying mortgage assets may be allocated among the several classes of a series of a CMO in a variety of ways. Each class of a CMO, often referred to as a "tranche," is issued with a specific fixed or floating coupon rate and has a stated maturity or final distribution date. Principal payments on the underlying mortgage assets may cause CMOs to be retired substantially earlier than their stated maturities or final distribution dates, resulting in a loss of all or part of any premium paid.

Risk Factors. Due to the possibility of prepayment of the underlying mortgage instruments, mortgage-backed securities generally do not have a known maturity. In the absence of a known maturity, market participants generally refer to an estimated average life. An average life estimate is a function of an assumption regarding anticipated prepayment patterns, based upon current interest rates, current conditions in the relevant housing markets and other factors. The assumption is necessarily subjective, and thus different market participants can produce different average life estimates with regard to the same security. There can be no assurance that estimated average life will be a security's actual average life.

Mortgage Dollar Roll Transactions

In order to enhance current income, the Fund may enter into mortgage dollar rolls with respect to mortgage related securities issued by GNMA, FNMA and FHLMC. In a mortgage dollar roll transaction, the Fund sells a mortgage related security to a financial institution, such as a bank or a broker-dealer, and simultaneously agrees to repurchase a similar security from the institution at a later date at an agreed upon price. The mortgage related securities that are repurchased will bear the same interest rate as those sold, but generally will be collateralized by different pools of mortgages with different prepayment histories than those sold. During the period between the sale and repurchase, the Fund will not be entitled to receive interest and principal payments on the securities sold. Proceeds of the sale will be invested in short-term instruments, particularly repurchase agreements, and the income from these investments, together with any additional fee income received on the sale, is intended to generate income for the Fund exceeding the yield on the securities sold. Mortgage dollar roll transactions involve the risk that the market value of the securities sold by the Fund may decline below the repurchase price of those securities. At the time the Fund enters into a mortgage dollar roll transaction, it will place in a segregated custodial account liquid securities having a value equal to the repurchase price (including accrued interest) and will subsequently monitor the account to insure that the equivalent value is maintained. Mortgage dollar roll transactions are considered to be borrowings by the Fund.

Preferred Stock

The Fund may invest in preferred stock. A preferred stock is a blend of the characteristics of a bond and common stock. It can offer the higher yield of a bond and has priority over common stock in equity ownership, but does not have the seniority of a bond and its participation in the issuer's growth may be limited. Preferred stock has preference over common stock in the receipt of dividends and in any residual assets after payment to creditors should the issuer be

dissolved. Although the dividend is set at a fixed annual rate, in some circumstances it can be changed or omitted by the issuer.

Real Estate Investment Trust (“REITs”).

REITs are entities that invest primarily in commercial real estate or real estate-related loans. A REIT is not taxed on income distributed to its shareholders if it complies with regulatory requirements relating to its organization, ownership, assets and income, and with the regulatory requirement that it distribute to its shareholders at least 95% of its taxable income for each taxable year. Generally, REITs can be classified as equity REITs, mortgage REITs and hybrid REITs. Equity REITs invest the majority of their assets in real property and derive their income primarily from rents and capital gains from appreciation realized through property sales. Mortgage REITs invest the majority of their assets in real estate mortgages and derive their income primarily from interest payments.

Repurchase Agreements

A repurchase agreement is a transaction in which the Fund purchases securities and simultaneously commits to resell the securities to the original seller at an agreed upon date and price reflecting a market rate of interest unrelated to the coupon rate or maturity of the purchased securities. Repurchase agreements carry certain risks not associated with direct investments in securities, including possible decline in the market value of the underlying securities and costs to the Fund if the other party to the repurchase agreement becomes bankrupt, so that the Fund is delayed or prevented from exercising its rights to dispose of the collateral securities. With respect to the Fund, the value of the underlying securities (or collateral) will be at least equal at all times to the total amount of the repurchase obligation, including the interest factor.

Reverse Repurchase Agreement

The Fund may also enter into reverse repurchase agreements in which the Fund purchases portfolio securities from the counterparty, coupled with an agreement to resell them to the counterparty at a specific date and price (a “Repurchase Agreement”). The market value of securities purchased under Reverse Repurchase Agreements typically is greater than the cash paid for the purchase. Reverse Repurchase Agreements involve the risk that the counterparty of the securities purchased by the Fund might be unable to buy them back when the Fund seeks the repurchase. In the event the seller of securities under a Reverse Repurchase Agreement files for bankruptcy or becomes insolvent, such seller or its trustee or receiver may receive an extension of time to determine whether to enforce the counterparty obligation to repurchase the securities, and the counterparty use of the proceeds of the Repurchase Agreement may effectively be restricted pending such decision.

Zero Coupon Obligations

Zero coupon obligations are debt securities that do not bear any interest, but instead are issued at a deep discount from par. The value of a zero coupon obligation increases over time to reflect the interest accreted. Such obligations will not result in the payment of interest until maturity, and will have a greater price volatility than similar securities that are issued at par and pay interest periodically.

RATINGS OF MUNICIPAL OBLIGATIONS AND DEBT SECURITIES

Description of Global Ratings of Moody's Investors Service, Inc. ("Moody's")

Ratings assigned on Moody's global long-term and short-term rating scales are forward-looking opinions of the relative credit risks of financial obligations issued by non-financial corporates, financial institutions, structured finance vehicles, project finance vehicles, and public sector entities.

Moody's differentiates structured finance ratings from fundamental ratings (i.e., ratings on nonfinancial corporate, financial institution, and public sector entities) on the global long-term scale by adding "(sf)" to all structured finance ratings. The "(sf)" indicator was introduced on August 11, 2010 and explained in a special comment, entitled, "Moody's Structured Finance Rating Scale." The addition of "(sf)" to structured finance ratings should eliminate any presumption that such ratings and fundamental ratings at the same letter grade level will behave the same. The "(sf)" indicator for structured finance security ratings indicates that otherwise similarly rated structured finance and fundamental securities may have different risk characteristics. Through its current methodologies, however, Moody's aspires to achieve broad expected equivalence in structured finance and fundamental rating performance when measured over a long period of time.

Long-term ratings are assigned to issuers or obligations with an original maturity of one year or more and reflect both on the likelihood of a default on contractually promised payments and the expected financial loss suffered in the event of default:

Aaa — Obligations rated "Aaa" are judged to be of the highest quality, subject to the lowest level of credit risk.

Aa — Obligations rated "Aa" are judged to be of high quality and are subject to very low credit risk.

A — Obligations rated "A" are judged to be upper-medium grade and are subject to low credit risk.

Baa — Obligations rated "Baa" are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.

Ba — Obligations rated "Ba" are judged to be speculative and are subject to substantial credit risk.

B — Obligations rated "B" are considered speculative and are subject to high credit risk.

Caa — Obligations rated "Caa" are judged to be speculative of poor standing and are subject to very high credit risk.

Ca — Obligations rated "Ca" are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.

C — Obligations rated "C" are the lowest rated and are typically in default, with little prospect for recovery of principal or interest.

Note: Moody's appends numerical modifiers "1", "2" and "3" to each generic rating classification from "Aa" through "Caa". The modifier "1" indicates that the obligation ranks in the higher end of its generic rating category; the modifier "2" indicates a mid-range ranking; and the modifier "3" indicates a ranking in the lower end of that generic rating category. In addition, a "(hyb)" indicator is appended to all ratings of hybrid securities issued by banks, insurers, finance companies and securities firms.

Short-term ratings are assigned to obligations with an original maturity of thirteen months or less and reflect the likelihood of a default on contractually promised payments:

P-1. Issuers (or supporting institutions) rated “Prime-1” have a superior ability to repay short-term debt obligations.

P-2. Issuers (or supporting institutions) rated “Prime-2” have a strong ability to repay short-term debt obligations.

P-3. Issuers (or supporting institutions) rated “Prime-3” have an acceptable ability to repay short-term obligations.

NP. Issuers (or supporting institutions) rated “Not Prime” or “NP”, do not fall within any of the Prime rating categories.

Description of Moody’s Investors Service — U.S. Municipal Short-Term Debt and Demand Obligation Ratings

While the global short-term “prime” rating scale is applied to U.S. municipal tax-exempt commercial paper, these programs are typically backed by external letters of credit or liquidity facilities and their short-term prime ratings usually map to the long-term rating of the enhancing bank or financial institution and not to the municipality’s rating. Other short-term municipal obligations, which generally have different funding sources for repayment, are rated using two additional short-term rating scales (*i.e.*, the “MIG” and “VMIG” scales discussed below).

The Municipal Investment Grade (“MIG”) scale is used to rate U.S. municipal bond anticipation notes of up to three years maturity. Municipal notes rated on the MIG scale may be secured by either pledged revenues or proceeds of a take-out financing received prior to note maturity. MIG ratings expire at the maturity of the obligation, and the issuer’s long-term rating is only one consideration in assigning the MIG rating. MIG ratings are divided into three levels—“MIG 1” through “MIG 3”—while speculative grade short-term obligations are designated “SG.”

MIG 1. This designation denotes superior credit quality. Excellent protection is afforded by established cash flows, highly reliable liquidity support, or demonstrated broad-based access to the market for refinancing.

MIG 2. This designation denotes strong credit quality. Margins of protection are ample, although not as large as in the preceding group.

MIG 3. This designation denotes acceptable credit quality. Liquidity and cash-flow protection may be narrow, and market access for refinancing is likely to be less well established.

SG. This designation denotes speculative-grade credit quality. Debt instruments in this category may lack sufficient margins of protection.

In the case of variable rate demand obligations (“VRDOs”), a two-component rating is assigned: a long- or short-term debt rating and a demand obligation rating. The first element represents Moody’s evaluation of risk associated with scheduled principal and interest payments. The second element represents Moody’s evaluation of risk associated with the ability to receive purchase price upon demand (“demand feature”). The second element uses a rating from a variation of the MIG scale called the Variable Municipal Investment Grade (“VMIG”) scale. The rating transitions on the VMIG scale differ from those on the Prime scale to reflect the risk that external liquidity support generally will terminate if the issuer’s long-term rating drops below investment grade.

VMIG1. This designation denotes superior credit quality. Excellent protection is afforded by the superior short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.

VMIG2. This designation denotes strong credit quality. Good protection is afforded by the strong short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.

VMIG3. This designation denotes acceptable credit quality. Adequate protection is afforded by the satisfactory short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.

SG. This designation denotes speculative-grade credit quality. Demand features rated in this category may be supported by a liquidity provider that does not have an investment grade short-term rating or may lack the structural and/or legal protections necessary to ensure the timely payment of purchase price upon demand.

Description of Municipal and Corporate Debt Ratings of Standard and Poor's Ratings Group ("S&P")

An S&P issue credit rating is a forward-looking opinion about the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program (including ratings on medium-term note programs and commercial paper programs). It takes into consideration the creditworthiness of guarantors, insurers, or other forms of credit enhancement on the obligation and takes into account the currency in which the obligation is denominated. The opinion reflects S&P's view of the obligor's capacity and willingness to meet its financial commitments as they come due, and may assess terms, such as collateral security and subordination, which could affect ultimate payment in the event of default.

Description of S&P's Long Term Issue Credit Ratings

Issue credit ratings are based, in varying degrees, on S&P's analysis of the following considerations:

- I. Likelihood of payment—capacity and willingness of the obligor to meet its financial commitment on an obligation in accordance with the terms of the obligation;
- II. Nature of and provisions of the obligation; and
- III. Protection afforded by, and relative position of, the obligation in the event of a bankruptcy, reorganization or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

Issue ratings are an assessment of default risk, but may incorporate an assessment of relative seniority or ultimate recovery in the event of default. Junior obligations are typically rated lower than senior obligations, to reflect the lower priority in bankruptcy, as noted above. (Such differentiation may apply when an entity has both senior and subordinated obligations, secured and unsecured obligations, or operating company and holding company obligations.)

AAA — An obligation rated "AAA" has the highest rating assigned by S&P. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

AA — An obligation rated "AA" differs from the highest-rated issues only to a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.

A — An obligation rated "A" is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

BBB — An obligation rated "BBB" exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

BB, B, CCC, CC, C — Obligations rated in these categories are regarded as having significant speculative characteristics. "BB" indicates the least degree of speculation and "C" the highest. While such obligations will likely

have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

BB — An obligation rated “BB” is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor’s inadequate capacity to meet its financial commitment on the obligation.

B — An obligation rated “B” is more vulnerable to nonpayment than obligations rated “BB,” but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor’s capacity or willingness to meet its financial commitment on the obligation.

CCC — An obligation rated “CCC” is currently vulnerable to nonpayment, and is dependent upon favorable business, financial and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation.

CC — An obligation rated “CC” is currently highly vulnerable to nonpayment.

C — A “C” rating is assigned to obligations that are currently highly vulnerable to nonpayment, obligations that have payment arrearages allowed by the terms of the documents, or obligations of an issuer that is the subject of a bankruptcy petition or similar action which have not experienced a payment default. Among others, the “C” rating may be assigned to subordinated debt, preferred stock or other obligations on which cash payments have been suspended in accordance with the instrument’s terms or when preferred stock is the subject of a distressed exchange offer, whereby some or all of the issue is either repurchased for an amount of cash or replaced by other instruments having a total value that is less than par.

D — An obligation rated “D” is in payment default. The “D” rating category is used when payments on an obligation are not made on the date due, unless S&P believes that such payments will be made within five business days, irrespective of any grace period. The “D” rating also will be used upon the filing of a bankruptcy petition or the taking of similar action if payments on an obligation are jeopardized. An obligation’s rating is lowered to ‘D’ upon completion of a distressed exchange offer, whereby some or all of the issue is either repurchased for an amount of cash or replaced by other instruments having a total value that is less than par.

Plus (+) or Minus (-): The ratings from “AA” to “CCC” may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

NR This indicates that no rating has been requested, that there is insufficient information on which to base a rating, or that S&P does not rate a particular obligation as a matter of policy.

Description of S&P’s Short-Term Issue Credit Ratings

Short-term ratings are generally assigned to those obligations considered short-term in the relevant market. In the United States, for example, that means obligations with an original maturity of no more than 365 days—including commercial paper. Short-term ratings are also used to indicate the creditworthiness of an obligor with respect to put features on long-term obligations. The result is a dual rating, in which the short-term rating addresses the put feature, in addition to the usual long-term rating. Medium-term notes are assigned long-term ratings. S&P short-term issue credit ratings are graded into the following categories:

A-1 — A short-term obligation rated “A-1” is rated in the highest category by S&P. The obligor’s capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor’s capacity to meet its financial commitment on these obligations is extremely strong.

A-2 — A short-term obligation rated “A-2” is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor’s capacity to meet its financial commitment on the obligation is satisfactory.

A-3 — A short-term obligation rated “A-3” exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

B — A short-term obligation rated “B” is regarded as vulnerable and has significant speculative characteristics. The obligor currently has the capacity to meet its financial commitments; however, it faces major ongoing uncertainties which could lead to the obligor’s inadequate capacity to meet its financial commitments.

C — A short-term obligation rated “C” is currently vulnerable to nonpayment and is dependent upon favorable business, financial and economic conditions for the obligor to meet its financial commitment on the obligation.

D — A short-term obligation rated “D” is in payment default. The “D” rating category is used when payments on an obligation are not made on the date due, unless S&P believes that such payments will be made within any stated grace period. However, any stated grace period longer than five business days will be treated as five business days. The “D” rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments on an obligation are jeopardized.

Description of S&P’s Municipal Ratings Definitions

An S&P U.S. municipal note rating reflects S&P’s opinion about the liquidity factors and market access risks unique to the notes. Notes due in three years or less will likely receive a note rating. Notes with an original maturity of more than three years will most likely receive a long-term debt rating. In determining which type of rating, if any, to assign, S&P’s analysis will review the following considerations:

- Amortization schedule—the larger the final maturity relative to other maturities, the more likely it will be treated as a note; and
- Source of payment—the more dependent the issue is on the market for its refinancing, the more likely it will be treated as a note.

Note rating symbols are as follows:

SP-1 Strong capacity to pay principal and interest. An issue determined to possess a very strong capacity to pay debt service is given a plus (“+”) designation.

SP-2 Satisfactory capacity to pay principal and interest, with some vulnerability to adverse financial and economic changes over the term of the notes.

SP-3 Speculative capacity to pay principal and interest.

Description of Credit Ratings of Fitch Ratings (“Fitch”)

Ratings assigned by Fitch are opinions based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings are the collective work product of Fitch, and no individual or group of individuals is solely responsible for a rating. Ratings are not facts, and therefore cannot be described as being “accurate” or “inaccurate.” Users should refer to the definition of each individual rating for guidance on the dimensions of risk covered by such rating.

Fitch’s opinions are forward looking and include analysts’ views of future performance. In many cases, these views on future performance may include forecasts, which may in turn (i) be informed by non-disclosable management projections, (ii) be based on a trend (sector or wider economic cycle) at a certain stage in the cycle, or (iii) be based on

historical performance. As a result, while ratings may include cyclical considerations and typically attempt to assess the likelihood of repayment at “ultimate/final maturity,” material changes in economic conditions and expectations (for a particular issuer) may result in a rating change.

Credit ratings do not directly address any risk other than credit risk. Credit ratings do not comment on the adequacy of market price or market liquidity for rated instruments, although such considerations may affect Fitch’s view on credit risk, such as access to capital or likelihood of refinancing.

Ratings are relative measures of risk; as a result, the assignment of ratings in the same category to entities and obligations may not fully reflect small differences in the degrees of risk. Credit ratings, as opinions on relative ranking of vulnerability to default, do not imply or convey a specific statistical probability of default, notwithstanding the agency’s published default histories that may be measured against ratings at the time of default. Credit ratings are opinions on relative credit quality and not a predictive measure of specific default probability.

Ratings are opinions based on all information known to Fitch, including publicly available information and/or non-public documents and information provided to the agency by an issuer and other parties. Publication and maintenance of all ratings are subject to there being sufficient information, consistent with the relevant criteria and methodology, to form a rating opinion.

In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its rating methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction.

The manner of Fitch’s factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors.

Users of Fitch’s ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed. If any such information should turn out to contain misrepresentations or to be otherwise misleading, the rating associated with that information may not be appropriate. The assignment of a rating to any issuer or any security should not be viewed as a guarantee of the accuracy, completeness, or timeliness of the information relied on in connection with the rating or the results obtained from the use of such information.

If a rating does not benefit from the participation of the issuer/originator, but Fitch is satisfied that “minimum threshold” information for the given criteria is available from public information and other sources available to Fitch, then the non-participatory issuer, as with all issuers, will be afforded the opportunity to comment on the rating opinion and supporting research prior to it being published.

Ratings do not constitute recommendations to buy, sell or hold any security, nor do they comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of any payments of any security. Fitch does not have a fiduciary relationship with any issuer, subscriber or any other individual. Nothing is intended to or should be construed as creating a fiduciary relationship between Fitch and any

issuer or between the agency and any user of its ratings. Fitch does not provide to any party any financial advice, or legal, auditing, accounting, appraisal, valuation or actuarial services. A rating should not be viewed as a replacement for such advice or services.

Ratings may be changed, qualified, placed on Rating Watch, Outlooks assigned, modified or withdrawn as a result of changes in, additions to, accuracy of, unavailability of or inadequacy of information or for any reason Fitch deems sufficient.

The assignment of a rating by Fitch shall not constitute consent by the agency to use its name as an expert in connection with any registration statement, offering document or other filings under any relevant securities laws.

Credit Rating Scales

Fitch's credit ratings provide an opinion on the relative ability of an entity to meet financial commitments, such as interest, preferred dividends, repayment of principal, insurance claims or counterparty obligations. Credit ratings are used by investors as indications of the likelihood of receiving the money owed to them in accordance with the terms on which they invested. The agency's credit ratings cover the global spectrum of corporate, sovereign (including supranational and sub-national), financial, bank, insurance, municipal and other public finance entities and the securities or other obligations they issue, as well as structured finance securities backed by receivables or other financial assets.

The terms "investment grade" and "speculative grade" have established themselves over time as shorthand to describe the categories "AAA" to "BBB" (investment grade) and "BB" to "D" (speculative grade). The terms "investment grade" and "speculative grade" are market conventions, and do not imply any recommendation or endorsement of a specific security for investment purposes. "Investment grade" categories indicate relatively low to moderate credit risk, while ratings in the "speculative" categories either signal a higher level of credit risk or that a default has already occurred.

A designation of "Not Rated" or "NR" is used to denote securities not rated by Fitch where Fitch has rated some, but not all, securities comprising an issuance capital structure.

Credit ratings express risk in relative rank order, which is to say they are ordinal measures of credit risk and are not predictive of a specific frequency of default or loss.

Fitch's credit ratings do not directly address any risk other than credit risk. In particular, ratings do not deal with the risk of a market value loss on a rated security due to changes in interest rates, liquidity and other market considerations. However, in terms of payment obligation on the rated liability, market risk may be considered to the extent that it influences the *ability* of an issuer to pay upon a commitment. Ratings nonetheless do not reflect market risk to the extent that they influence the size or other conditionality of the *obligation* to pay upon a commitment (for example, in the case of index-linked bonds).

In the default components of ratings assigned to individual obligations or instruments, the agency typically rates to the likelihood of non-payment or default in accordance with the terms of that instrument's documentation. In limited cases, Fitch may include additional considerations (*i.e.*, rate to a higher or lower standard than that implied in the obligation's documentation). In such cases, the agency will make clear the assumptions underlying the agency's opinion in the accompanying rating commentary.

Description of Fitch's Long-Term Rating Scales

Ratings of individual securities or financial obligations of a corporate issuer address relative vulnerability to default on an ordinal scale. In addition, for financial obligations in corporate finance, a measure of recovery given default on that liability also is included in the rating assessment. This notably applies to covered bond ratings, which incorporate both an indication of the probability of default and of the recovery given a default of this debt instrument.

AAA — Highest credit quality. “AAA” ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA — Very high credit quality. “AA” ratings denote expectations of very low credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A — High credit quality. “A” ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

BBB — Good credit quality. “BBB” ratings indicate that expectations of credit risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.

BB — Speculative. “BB” ratings indicate an elevated vulnerability to credit risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial alternatives may be available to allow financial commitments to be met.

B — Highly speculative. “B” ratings indicate that material credit risk is present.

CCC — Substantial credit risk. “CCC” ratings indicate that substantial credit risk is present.

CC — Very high levels of credit risk. “CC” ratings indicate very high levels of credit risk.

C — Exceptionally high levels of credit risk. “C” ratings indicate exceptionally high levels of credit risk.

Defaulted obligations typically are not assigned “D” ratings, but are instead rated in the “B” to “C” rating categories, depending upon their recovery prospects and other relevant characteristics. This approach better aligns obligations that have comparable overall expected loss but varying vulnerability to default and loss.

The modifiers “+” or “-” may be appended to a rating to denote relative status within major rating categories. Such suffixes are not added to the “AAA” obligation rating category, or to corporate finance obligation ratings in the categories below “CCC.”

The subscript “emr” is appended to a rating to denote embedded market risk which is beyond the scope of the rating. The designation is intended to make clear that the rating solely addresses the counterparty risk of the issuing bank. It is not meant to indicate any limitation in the analysis of the counterparty risk, which in all other respects follows published Fitch criteria for analyzing the issuing financial institution. Fitch does not rate these instruments where the principal is to any degree subject to market risk.

WD: Indicates that the rating has been withdrawn and the issue or issuer is no longer rated by Fitch.

Rating Watch: Rating Watches indicate that there is a heightened probability of a rating change and the likely direction of such a change. These are designated as “Positive,” indicating a potential upgrade, “Negative,” for a potential downgrade, or “Evolving,” if ratings may be raised, lowered or affirmed. However, ratings that are not on Rating Watch can be raised or lowered without being placed on Rating Watch first, if circumstances warrant such an action.

A Rating Watch is typically event-driven and, as such, it is generally resolved over a relatively short period. The event driving the Watch may be either anticipated or have already occurred, but in both cases, the exact rating implications remain undetermined. The Watch period is typically used to gather further information and/or subject the information to further analysis. Additionally, a Watch may be used where the rating implications are already clear, but where a triggering event (*e.g.*, shareholder or regulatory approval) exists. The Watch will typically extend to cover the period until the triggering event is resolved or its outcome is predictable with a high enough degree of certainty to permit resolution of the Watch.

Rating Watches can be employed by all analytical groups and are applied to the ratings of individual entities and/or individual instruments. At the lowest categories of speculative grade (“CCC,” “CC” and “C”) the high volatility of credit profiles may imply that almost all ratings should carry a Watch. Watches are nonetheless only applied selectively in these categories, where a committee decides that particular events or threats are best communicated by the addition of the Watch designation.

Rating Outlook: Rating Outlooks indicate the direction a rating is likely to move over a one- to two-year period. They reflect financial or other trends that have not yet reached the level that would trigger a rating action, but which may do so if such trends continue. The majority of Outlooks are generally Stable, which is consistent with the historical migration experience of ratings over a one- to two-year period. Positive or Negative rating Outlooks do not imply that a rating change is inevitable and, similarly, ratings with Stable Outlooks can be raised or lowered without a prior revision to the Outlook, if circumstances warrant such an action. Occasionally, where the fundamental trend has strong, conflicting elements of both positive and negative, the Rating Outlook may be described as Evolving.

Outlooks are currently applied on the long-term scale to issuer ratings in corporate finance (including sovereigns, industrials, utilities, financial institutions and insurance companies) and public finance outside the U.S.; to issue ratings in public finance in the United States; to certain issues in project finance; to Insurer Financial Strength Ratings; to issuer and/or issue ratings in a number of National Rating scales; and to the ratings of structured finance transactions and covered bonds. Outlooks are not applied to ratings assigned on the short-term scale and are applied selectively to ratings in the “CCC,” “CC” and “C” categories. Defaulted ratings typically do not carry an Outlook.

Description of Fitch’s Short-Term Ratings

A short-term issuer or obligation rating is based in all cases on the short-term vulnerability to default of the rated entity or security stream and relates to the capacity to meet financial obligations in accordance with the documentation governing the relevant obligation. Short-Term Ratings are assigned to obligations whose initial maturity is viewed as “short term” based on market convention. Typically, this means up to 13 months for corporate, sovereign and structured obligations, and up to 36 months for obligations in U.S. public finance markets. Fitch short-term ratings are as follows:

F1 Highest Short-Term Credit Quality. Indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added “+” to denote any exceptionally strong credit feature.

F2 Good Short-Term Credit Quality. Good intrinsic capacity for timely payment of financial commitments.

F3 Fair Short-Term Credit Quality. The intrinsic capacity for timely payment of financial commitments is adequate.

B Speculative Short-Term Credit Quality. Minimal capacity for timely payment of financial commitments, plus heightened vulnerability to near term adverse changes in financial and economic conditions.

C High Short-Term Default Risk. Default is a real possibility.

RD Restricted default. Indicates an entity that has defaulted on one or more of its financial commitments, although it continues to meet other financial obligations. Typically applicable to entity ratings only.

D Default. Indicates a broad-based default event for an entity, or the default of a specific short-term obligation.

PRIVACY POLICY

Popular Total Return Fund, Inc. (the “Fund”) is committed to protecting the personal information that it collects about individuals who are prospective, former or current investors. The Fund collects personal information for business purposes to process requests and transactions and to provide customer service. Personal information is obtained from the following sources:

Investor applications and other forms, which may include your name(s), address, social security number, or tax identification number;

Written and electronic correspondence, including telephone contacts; and

Account history, including information about Fund transactions and balances in your accounts with Popular Securities or our affiliates, other fund holdings managed by Banco Popular de Puerto Rico, and any affiliation with Popular Inc. and its affiliates and subsidiaries.

The Fund limits access to personal information to those employees who need to know that information in order to process transactions and service accounts. Employees are required to maintain and protect the confidentiality of personal information. The Fund maintains physical, electronic, and procedural safeguards to protect personal information.

The Fund may share personal information described above with their affiliates for business purposes, such as to facilitate the servicing of accounts. The Fund may share the personal information described above for business purposes with a non-affiliated third party only if the entity is under contract to perform transaction processing, servicing or maintaining investor accounts on behalf of the Fund. The Fund may share personal information with its affiliates or other companies who are not affiliates of the Fund that perform marketing services on the Fund’s behalf or to other financial institutions with whom it has marketing agreements for joint products or services. These companies are not permitted to use personal information for any purposes beyond the intended use (or as permitted by law). The Fund does not sell personal information to third parties for their independent use. The Fund may also disclose personal information to regulatory authorities or otherwise as permitted by law.

Investors should contact the broker-dealer through which they hold Shares in the Fund for a copy of their privacy policy.