

Cover Page - Item 1

Part 2A of Form ADV: Investment Adviser Brochure



Investment Adviser

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This brochure provides information about the qualifications and business practices of Popular Securities, LLC. If you have any questions about the contents of this brochure, please contact us at (787) 758-7400 or popular_securities@popular.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

Additional information about Popular Securities, LLC is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as CRD number. The CRD number for Popular Securities, LLC is 8096.

Material Changes - Item 2

The purpose of this page is to inform you of any material changes since the previous version of this brochure.

Popular Securities, LLC has performed a full review of this brochure and has mailed it to all clients.

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Advisory Business - Item 4

Popular Securities, LLC (hereinafter “Popular Securities” or “firm” or “we”) is an SEC-registered investment adviser with its principal place of business located in Hato Rey, Puerto Rico. Popular Securities began conducting investment advisory business in 2001. Popular Securities is also a registered securities broker-dealer and a member of the Financial Industry Regulatory Authority (FINRA), and the Securities Investor Protection Corporation (SIPC) that has been in business since 1997.

Popular, Inc., a holding company, is the sole owner of Popular Securities. Popular, Inc. is a public company with no shareholders owning 25% or more of its shares.

We offer investment management services to clients through a third party money management program, Managed Account Solutions (the “Program”), a service offered by National Financial Services LLC (“NFS”), whereby we will assist you with the initial selection of one of more separate account managers available through the program to manage your assets. The investment advisory and platform management services available through the Program are provided by Envestnet Asset Management, Inc. (“Envestnet”), a third-party registered investment adviser. Envestnet is not a corporate affiliate of Popular Securities or of NFS. NFS does not provide investment advisory services of any kind in connection with the Program. Custody, clearing, and other services are provided by NFS. Envestnet operates the technology platform on which the Program functions and renders investment advice to Popular Securities and/or you, including recommending an appropriate asset allocation for you and specific investment managers or investment products with respect to certain of your assets (the “Program Assets”).

First, we will discuss with you your financial situation and offer suggestions for one or more asset allocation portfolios consistent with your investment objectives and risk tolerance. We will periodically, but no less than annually, analyze your portfolio in light of your current financial situation and implement any changes as authorized by you. You are responsible for advising Popular Securities of any significant changes in your financial or personal circumstances.

The Program Assets may be invested in one or more of the following:

- **Separately Managed Account Program Assets** – assets invested in separate accounts managed by other investment advisers, as sub-managers (“Sub-Managers”), pursuant to agreements entered into by Envestnet and Sub-Managers.
- **MMA Program Assets and Manager Blend Program Assets** – assets invested in a single account managed by Envestnet pursuant to the directions of one or more Sub-Managers.
- **UMA Program Assets** – assets invested in a single account for a portfolio customized by Popular Securities and managed by Envestnet pursuant to the directions of one or more Sub-Managers. In connection with UMA Program Assets, Envestnet is responsible for determining the target asset mix and providing overlay management. We are responsible for selecting the specific, underlying investment vehicles in the appropriate model to meet your needs. In certain

instances, we may determine the target asset mix in addition to selecting the underlying investment vehicles and utilize Investnet solely for administrative and trading services.

- **Mutual Fund and ETF Asset Allocation Program Assets** – assets invested in mutual funds and/or exchange traded funds (“ETFs”) available through the Program managed directly by Investnet or using one or more investment models available under the Program that were created by one or more independent investment advisers (the “Model Providers”) consisting of mutual funds, ETFs and/or other securities and investments (the “Investment Models Program Assets”). In connection with Investment Models Program Assets using a model portfolio developed by a Model Provider, Investnet provides overlay management of the investment models by performing administrative services and trading services (such as directing the relevant broker-dealer to rebalance your Investment Models Program Assets). Investnet is not responsible for the selection of the specific investment choices made with respect to such Investment Models Program Assets, except that Investnet is responsible for determining the target asset mix.
- **Advisor Directed Model Assets** – assets invested in mutual funds, ETFs and/or other securities and investments managed by Popular Securities. In connection with the Program Assets managed under an Advisor Directed Model, Investnet provides only administrative services to Popular Securities. Investnet will not have discretion over Program Assets managed pursuant to an Advisor Directed Model and does not provide investment advisory services to you. Popular Securities will select the specific investment choices, asset allocations, verify any trading, and reconcile all activities with the records of the relevant broker-dealers.
- **PMC Select Portfolios Assets** – assets invested in PMC Select Portfolios, a series of portfolios comprised predominately of Investnet’s proprietary sub-advised mutual funds (“PMC Funds”). You may select that Program Assets be invested in Investnet’s proprietary sub-advised mutual funds, PMC Funds. ** Investnet also serves as the investment adviser to PMC Funds and receives advisory fees paid by PMC Funds in addition to the fee that you pay for services provided for participation in the Managed Assets Program (the “**Program Fee**”) as described below in Item 5 of this brochure. Disclosure of the advisory fees paid by PMC Funds is included in the PMC Funds prospectus. A portion of MMA Program Assets may be invested in PMC Funds, where appropriate, in conjunction with using multiple asset managers that comprise the investment models. Since Investnet serves as the investment adviser to the PMC Funds, the amount that Investnet receives with respect to MMA Program Assets that are invested in the PMC Funds may be greater than just the portion of the MMA Program Assets fee remitted to Platform Manager. In order to address the economic incentive that Investnet may have in investing MMA Program Assets in PMC Funds, when PMC Funds are utilized in the MMA Program, Investnet makes a corresponding fee reduction to the fee that Investnet charges for the MMA Program Assets. This fee reduction offsets the fees Investnet receives as a result of those MMA Program Assets being invested in the PMC Funds. Investnet may still recognize ancillary benefits in investing MMA Accounts in PMC Funds. Similarly, should Investnet otherwise exercise its grant of investment discretion to select PMC Funds for an investment for Program Assets, a corresponding credit-back or reduction to the Program Fee shall be made.
- **Alternative Investment Product Assets** – assets invested in alternative investment products available through the Program. In connection with Alternative Investment Product Assets,

unless otherwise stated, Envestnet provides Reporting Only Services and you will be required to enter into a separate client agreement with the third party portfolio manager of the alternative investment, containing separate terms and conditions and important disclosures.

- **Reporting Only Services** – you may elect to receive account administration and reporting services with respect to current assets held in securities accounts that are not Program Assets maintained with certain custodians with whom Envestnet has established interfaces.

Note: Some products used by Envestnet and/or sub-advisers may be products in which Popular Securities has a financial interest, such as mutual funds, bond funds, or other securities products sold through or owned by Popular Securities or its affiliates. However, you are under no obligation contractually or otherwise to utilize the advisory services of our firm. Similar services may be available for lower or higher fees through other firms.

We will monitor your account managed under the Program on an on-going basis and will have the discretion to add, remove, and change Sub-Managers as well as to change the allocation of assets among Sub-Managers based on your stated investment needs, goals, and objectives. If you participate in this Program, we will provide you with a copy of Envestnet's disclosure document. You will also be provided with separate disclosure documents for each independent Sub-Manager managing a separate account for you. In addition, if the investment program recommended to you is a wrap fee program, you will also receive the Appendix 1 or equivalent wrap fee brochure provided by the sponsor of the program. You are encouraged to review all disclosure document(s) to learn more about the particular characteristics of each of the services offered within the Program. Accounts in the Advisor Directed Models are managed on a non discretionary basis.

If you enter into an advisory agreement with Popular Securities and Envestnet, you will be appointing each as your investment manager and will be granting each full discretionary authority to invest, reinvest and otherwise deal with the Program Assets in their discretion, including without limitation the authority to select, allocate and reallocate the Program Assets in your accounts to different Sub-Managers and to delegate such investment discretion to such Sub-Managers. Such discretionary authority allows Envestnet and/or Popular Securities to make all investment decisions with respect to the Accounts and, when it deems appropriate and without prior consultation with you, to buy, sell, exchange, convert and otherwise trade in any stocks, bonds, mutual funds, alternative investments and other securities. Envestnet and/or Popular Securities will recommend an appropriate asset allocation among the investment options in the Program and recommend investment vehicles and/or Sub-Managers within that program for your Accounts. In selecting investment vehicles and Sub-Managers for the Accounts, Popular Securities and/or Envestnet will consider factors it deems relevant, including but not limited to, your investment goals and objectives, and any reasonable restrictions imposed by you on management of the Accounts including the designation of particular securities or types of securities that should not be purchased for the Accounts, or that should be sold if held in the Accounts. You should understand and be willing and able to accept the risk involved in the selection of investments before entering into an advisory agreement. There is no assurance that your investment objective will be achieved.

Sub-Managers shall be retained by Envestnet pursuant to agreements entered between the Sub-Managers and Envestnet. For certain Sub-Managers, Envestnet has entered into a licensing agreement with the Sub-Manager, whereby Envestnet performs administrative and/or trading duties pursuant to

the direction of the Sub-Manager. In such situation the Sub-Manager is acting in the role of a Model Provider. Your execution of the advisory agreement authorizes Popular Securities, Envestnet, and/or any Sub-Manager expressly designated by Popular Securities or Envestnet and retained by Envestnet, as its agent and attorney-in-fact, to issue to brokers, dealers, and banks in its sole discretion, without prior consultation with you, instructions to purchase, sell, exchange, convert and otherwise trade in and deal with any security or cash in the Accounts for your account at your risk and generally to perform the services described in the advisory agreement.

Wrap Fee Programs

A wrap-fee program is a type of investment program that provides clients with access to several money managers or mutual fund asset allocation models for a single fee that includes administrative fees, management fees, and commissions. We do not manage or sponsor a wrap fee program; however, if you participate in this program, we will provide you with a copy of Envestnet's disclosure document. You will also be provided with separate disclosure documents for each independent Sub-Manager managing a separate account for you. In addition, if the investment program recommended to you is a wrap fee program, you will also receive the Appendix 1 or equivalent wrap fee brochure provided by the sponsor of the program. If you participate in a wrap fee program, you will pay a single fee, which includes our money management fees, certain transaction costs, and custodial and administrative costs. We would receive a portion of the wrap fee for our services. The overall cost you will incur if you participate in a wrap fee program may be higher or lower than you might incur by separately purchasing the types of securities available in the program. You are encouraged to review all disclosure document(s) to learn more about the particular characteristics of each of the services offered within the Program.

Types of Investments

We primarily offer advice on various types of securities, including, but not limited to, equity securities, corporate debt securities, municipal securities, mutual fund shares and exchange traded funds. Exchange traded funds and mutual funds may be invested in real estate, oil and gas.

Additionally, we may advise you on other types of investments that we deem appropriate based on your stated goals and objectives. We may also provide advice on other types of investments held in your portfolio at the inception of our advisory relationship.

You may request that we, Envestnet, and/or Sub-managers refrain from investing in particular securities or certain types of securities. You must provide these restrictions in writing to ensure that you request can be accommodated.

Assets Under Management

As of August 31, 2016, we provide continuous management services for \$368,511,007 in client assets on a non-discretionary basis and \$552,849,054 on a discretionary basis.

Fees and Compensation - Item 5

Advisory Fees

Popular Securities' annual advisory fee for services it provides to clients in the Program has a cap of 2.50% of your total assets invested in the Program. Popular Securities' fee is negotiated on a case-by-

case basis. Your facts, circumstances and needs determine Popular Securities' fee. These include the Program service(s) selected by you, the complexity of your circumstances, and the amount of your assets in the Program. The exact fee received by Popular Securities for its services will be disclosed in your investment management agreement.

Popular Securities' advisory fees are charged on a calendar quarter basis in advance, based on the value (market value or fair market value in the absence of market value) of the account at the end of the quarter and prorated to the end of the quarter upon inception of the account. Fees will be debited from the account in accordance with your initial authorization.

Popular Securities' Fee may be negotiable based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). You should note that an advisory fee greater than 2.00% of the total assets under management is in excess of industry norms.

You will receive a separate disclosure document (Form ADV Part 2 Brochure) prepared by Envestnet describing the specific fees charged within the Program, the minimum account requirements, billing arrangements and service termination provisions. You are encouraged to review this disclosure document, as well as the investment management agreement, regarding the particular characteristics of the fees charged within the Program. Program fees are separate and in addition to the advisory fees paid to Popular Securities.

Program Fees

Separate and apart from our advisory fee, Envestnet will also charge you an advisory fee ("Program Fee") that is established and payable in accordance with Envestnet's disclosure document and any written agreements you are required to enter into to utilize the Envestnet platform. The annual fees are based on a percentage of assets under management and are billed quarterly in advance by Envestnet based on the market value of the assets on the last day of the preceding quarter. Fees will be assessed pro rata in the event the services agreement is executed at any time other than the first day of a calendar quarter. Popular Securities and Envestnet are authorized to instruct NFS to deduct from Program Accounts such Program Fees as are due from you in accordance with the terms and conditions set forth in the investment management agreement in amounts and at times as Popular Securities or Envestnet may instruct NFS from time to time. NFS shall retain the custodial fee due NFS in connection with the Program and shall disburse the remainder of the Program Fee to Popular Securities and/or to Envestnet in accordance with their instructions. Envestnet, as agent for you, shall retain or distribute to Sub-Managers and any third-party service providers any amounts due such parties in connection with the Programs. NFS will not determine whether fees are properly calculated. It is your responsibility to verify the accuracy of such fee calculation.

The agreed upon fees and terms will be clearly set forth in the executed agreement for services.

There is a minimum annual Program Fee charged per Account for participation in the Program. The Program Fee does not cover certain charges associated with securities transactions in clients' accounts, including: (i) dealer markups, markdowns or spreads charged on transactions in over-the-counter securities; (ii) costs relating to trading in certain foreign securities; (iii) the internal charges and fees that may be imposed by any collective investment vehicles, such as mutual funds and closed-end funds, unit investment trusts, exchange-traded funds or real estate investment trusts (such as fund operating

expenses, management fees, redemption fees, 12b-1 fees and other fees and expenses.

You should be aware that Program Fees are charged on all mutual fund shares that they designate as Program Assets, including shares on which you may have previously paid a sales charge. In addition, to the extent that cash used for investments in an account comes from redemptions of your other non-managed mutual fund investments, you should consider the cost, if any, of the sales charge(s) previously paid and redemption fees that would be incurred. Such redemption fees would be in addition to the Program Fee on those assets. You should be aware that such redemptions and exchanges between mutual funds that participate in the Program might have tax consequences, which should be discussed with your independent tax advisor.

The Program Fee does not cover certain custodial fees that may be charged to you by the custodian. A custodian may charge a minimum account fee. You also may be charged for specific account services, such as ACAT transfers, electronic fund and wire transfer charges, and for other optional services elected by you. Similarly, the Program Fee does not cover certain non-brokerage-related fees such as individual retirement account ("IRA") trustee or custodian fees and tax-qualified retirement plan account fees and annual and termination fees for retirement accounts (such as IRAs).

If there is insufficient cash in the Accounts at the time the Program Fee is to be debited from the Accounts, Envestnet or Sub-Managers may sell an amount of Program Assets to generate sufficient cash to pay the Program Fee. This may create a taxable gain or tax loss for you. If Program Assets are illiquid and Envestnet or a designated Sub-Manager determines that the sale of Program Assets to pay the Program Fee is not feasible, Envestnet will send you an invoice for the Program Fee for the quarter, due within ten (10) days of receipt.

Other Fees and Expenses

All fees paid to Popular Securities for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and Exchange Traded Funds to their shareholders. In the case of mutual funds, these fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and possibly a distribution fee (paid to financial advisors). You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. Accordingly, the client should review both the fees charged by the funds, Popular Securities, Envestnet, NFS, and others to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

For qualified retirement plan accounts Popular Securities does not allow distribution fees when there is an advisory fee.

Referral Compensation

We have a referral agreement with Russell Investments for certain institutional/large clients whereby we receive a referral fee for the duration of the engagement (while Russell Investment is the consultant). Therefore, we may have a financial incentive to recommend Russell Investments over other firms offering similar services. However, clients using Russell Investments do not pay additional fees as a result of this referral arrangement.

Termination of Services and Refund of Fees

You have the right to cancel the investment management agreement for services within five (5) business days of the later of Popular Securities' or of Envestnet's acceptance by giving written notice of such cancellation to Popular Securities. In such event, any Program Fees paid by you shall be refunded to you, but you shall be responsible for any transactions executed prior to Popular Securities' receipt of the written cancellation notice. You, our firm and/or Envestnet may terminate the advisory relationship in accordance with the provisions of the agreement upon thirty (30) days prior written notice. Any unearned, pre-paid fees shall be refunded to you.

Payment of Fees

We will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy.

If you have any questions about the statement(s) you receive from the qualified custodian call our main office number located on the cover page of this brochure.

Compensation for the Sale of Securities or Other Investment Products

We are also a registered securities broker-dealer and a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC). Persons providing investment advice on behalf of our firm are also registered representatives. In their capacities as registered representatives, these persons will receive commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees for the sale of investment company products. Compensation earned by these persons in their capacities as registered representatives is separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are registered representatives have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs. You are under no obligation, contractually or otherwise, to purchase securities products through any person affiliated with our firm.

We may recommend that you purchase variable annuities to be included in your investment portfolio(s). Persons providing investment advice on behalf of our firm may earn commissions on the sale of the variable annuities in his or her capacity as a registered representative of our firm. If these persons earn commission on the sale of variable annuities recommended to you, we will not include the annuity accounts in the total value used for our advisory billing/fee computation. Annuities will be purchased for your account only after you receive a prospectus disclosing the terms of the annuity. You are under no obligation, contractually or otherwise, to purchase variable annuities through any person affiliated with our firm.

Persons providing investment advice on behalf of our firm may also be licensed as insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend

insurance products to you for the purpose of generating commissions rather than solely based on your needs. You are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

Performance-Based Fees and Side-By-Side Management - Item 6

We do not charge performance-based fees (i.e., fees based on a share of capital gains on or capital appreciation of the assets of a client) nor engage in side-by-side management. Performance-based fees are fees that are based on a share of a capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. We do not accept performance-based fees or participate in side-by-side management.

Our fees are calculated as described in the Fees and Compensation section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

Types of Clients - Item 7

We offer advisory services to individuals, high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, non-profit organizations, governmental organizations, and corporations.

Popular Securities' minimum initial account size requirement is \$25,000 for certain products. Many products may have a higher minimum requirement. However, the minimum requirement may be waived if you appear to have significant potential for increasing your assets under management. We may also combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum. While the minimum account size requirement may be negotiable, a lower than required minimum size may result in higher fees. Your Account may be terminated if it falls below a minimum size which is too small to manage effectively.

You will receive a separate disclosure document (Form ADV Part 2 Brochure or equivalent brochure) prepared by Envestnet and/or Sub-managers describing account minimums and any other requirements for opening an account within the Program. You are encouraged to review all disclosure documents to learn more about account requirements.

Methods of Analysis, Investment Strategies and Risk of Loss - Item 8

We may use a variety of investment strategies and analytical methods in formulating its investment advice. The strategies and analysis methods used will depend on the specific situation being evaluated, but in general will be based on the client's goals, risk tolerance, needs and current holdings, amongst

others. These will be used to determine an asset allocation and suitable investment vehicles as well as to monitor and suggest on-going monitoring and recommendations. Analysis may include but is not necessarily limited to several quantitative techniques and qualitative evaluations.

We may also use one or more third-party services for manager/fund research and due diligence; and, Popular Securities may also conduct its own research and due diligence for certain strategies, managers, and funds.

Third-Party Active Manager Analysis

Portfolio Management Consultants (“PMC”) is Investnet’s consulting group. The PMC manager approval process uses an objective, transparent methodology consistent with industry standards to provide a broad universe of investment managers across investment styles that offer an attractive risk/reward proposition. PMC also conducts and provides qualitative research for a select group of their high conviction managers and funds.

The process consists of the following steps:

- A manager must successfully complete Investnet’s Annual Compliance Due Diligence Questionnaire.
- PMC’s quantitative risk/return model is used to select managers that rank in the top 40% of their overall peer group based on three years of historical performance data
- PMC research analysts also work to provide additional insight across the approved universe by strategically performing additional analytics, including:
 - a. Manager’s interviews to gain a clearer understanding of the investment process
 - b. Holdings-based analysis using a factor model to calculate performance attribution
 - c. Finding statistically significant alpha scores using a custom Returns-Based Style Analysis (RBSA) process.

As part of PMC’s continual efforts to improve, they may periodically refine their processes. A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as PMC does not control the underlying investments in a third-party manager’s portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for clients. Moreover, like PMC, we do not control the manager’s daily business and compliance operations; as a result it is possible for managers to conceal weak internal controls which enforcement is necessary to prevent business, regulatory or reputational deficiencies.

Popular Securities may also use one or more third-party services for manager/fund research and due-diligence; and, we may also conduct our own research and due diligence for certain strategies, managers, and funds.

The investment advice provided along with the strategies we suggest will vary depending on each client’s specific financial situation and goals. Investing in securities involves risk of loss that clients should be prepared to bear. In light of the risks associated with investing in financial markets, you should fully understand the nature of the contractual relationship(s) into which you are entering and the extent of your exposure to risk. Certain investing strategies may not be suitable for many members of the public. You should carefully consider whether the strategies employed will be appropriate for you in

light of your experience, objectives, financial resources and other relevant circumstances. You should understand that investing in any securities involves a risk of loss of both income and principal and that diversification of a portfolio does not ensure a profit or guarantee against a loss.

We advise on various types of securities. Each client has different needs and different tolerances for risk. We do not necessarily recommend one particular type of security over another. Each type of security has its own unique set of associated risks. Risks can vary widely, even within the same type of securities. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it. When appropriate for your specific investment objectives, we will recommend third-party investment programs such as those offered through Envestnet and we will provide advice to you in accordance with the relevant programs offered. As disclosed above, we will assist you in selecting investment programs and strategies that have been reviewed by Popular Securities and have been determined appropriate for you based on your individual circumstances and investment goals. If you participate in the Envestnet programs, we will monitor the investments in the accounts and advise you on those holdings. If there is a significant deviation in characteristics or performance from the stated strategy and/or benchmark, we will alert you and recommend replacing portfolio models or managers/sub-managers, as appropriate for your individual circumstances and objectives.

Disciplinary Information - Item 9

We are required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of our advisory business or the integrity of our management. Our firm has been involved in the event(s) described below.

- In 2005, Popular Securities was fined by the NASD due to failure to comply with MSRB Rules G-14 and G-27. Specifically the firm had failed to timely report its municipal securities inter-dealer transactions to the MSRB. The allegations presented were operational in nature and no clients were affected by this reporting issue. The Firm accepted a censure and paid a monetary fine of \$40,000 without admitting or denying the allegations.
- In 2007, FINRA found that Popular Securities had failed to timely pay municipal securities transaction fees and municipal securities underwriting fees to the MSRB. Clients were not impacted by this reporting issue. The Firm accepted a censure and paid a monetary fine of \$5,000 without admitting or denying the allegations.
- On December 11, 2014, the firm executed a Letter of Acceptance, Waiver and Consent ("AWC") pursuant to which FINRA agreed to accept a settlement to conclude its examination of the Firm. Under the terms of the AWC, the Firm (1) accepted that the Firm's written supervisory procedures ("WSPs") for the period beginning on July 1, 2011 and ending on June 30, 2013 did not outline the steps that the Firm should have taken to review its customers' securities purchases in Puerto Rico securities for concentration, and that, apart from a procedure that required quarterly reviews of "elderly" customer accounts for concentration of one product in client's account, the Firm did not establish, maintain, or enforce any systems or procedures that required supervisors to review for concentrated purchases in Puerto Rico securities or document such reviews; and (2) agreed to a censure and a fine of \$125,000. The Firm has accepted the above referenced finding without admitting or denying the same.

The management personnel of Popular Securities do not have any disciplinary events to disclose.

Details related to our firm's disciplinary history can be found at www.adviserinfo.sec.gov.

Other Financial Industry Activities or Affiliations - Item 10

Popular Securities is also a FINRA-member broker/dealer. Many of our management persons and other employees are also broker/dealer registered representatives and offer brokerage services to various types of clients. Some of these brokerage clients may also become advisory clients. Further, our management persons and registered representatives may recommend these brokerage services to advisory clients for which they will receive separate and customary compensation. However, neither Popular Securities nor its management persons and/or registered representatives will receive commissions from the sale of securities during the provision of the advisory services described above at Item 4. The sole compensation earned by Popular Securities and its management persons and/or registered representatives from the provision of advisory services is disclosed above in Item 5.

Popular Securities is also a wholly owned subsidiary of Popular Inc., a bank holding company. As a subsidiary of Popular Inc. our firm is under common ownership and control with several financial institutions, including the following with which we have a material business relationship (referred to collectively as the "Related Companies"):

- Banco Popular of Puerto Rico (BPPR): a national commercial bank that offers a broad spectrum of banking products and financial services to consumers, small businesses and commercial clients;
- Banco Popular North America: a banking institution offering services in the US;
 - Popular Mortgage: a licensed mortgage institution;
 - Popular Auto: engaged in leasing, auto loan and daily rentals;
 - Popular Insurance: a license insurance agency;
- Popular Asset Management, the Investment Management Division of Banco Popular provides investment advice to several opened and closed end mutual funds sponsored, in some cases, by UBS Financial Services and Banco Popular of Puerto Rico. These funds are registered under the Puerto Rico Investment Company Act. Popular Securities is a distributor of these mutual funds and receives compensation as part of an on-going 12(b)1 distribution fees.

Where appropriate, Popular Securities and its employees may recommend the various investments, including the mutual funds sponsored by Banco Popular of Puerto Rico, and the investment-related services of the Related Companies to our advisory clients. The Related Companies and their employees may also recommend the advisory services of our firm to their clients. The services provided by the Related Companies are separate and distinct from our advisory services, and are provided for separate and additional compensation. There may also be arrangements between Popular Securities and these Related Companies where Popular Securities and/or the Related Companies and their employees receive payment in exchange for client referrals. No Popular Securities' client is obligated to use the services of any of the Related Companies.

In addition to Popular Securities branch locations and Banco Popular of Puerto Rico branch office sites, the services of Popular Securities are being offered through office centers under the name of Popular One. Popular One office center is a place where customers can obtain integrated service offered by the Related Companies. Specialists from Popular Securities, Popular Insurance, Fiduciary Service Division and the Wealth Management Divisions of Banco Popular of Puerto Rico are located in each of these centers to provide as a team integrated services of these Related Companies.

Registered representatives of Popular Securities may also be insurance agents for one or more insurance companies. In their separate capacities as insurance agents, the registered representative are able to purchase insurance and insurance-related investment products for Popular Securities' advisory clients, for which they will receive separate and additional compensation. Clients, however, are not under any obligation to engage them when considering the purchase/sale of insurance products. Related persons of our firm may spend 20% to 60% of their time on these related activities.

Wealth Advisors and other BPPR employees with appropriate securities registrations may become investment advisor representatives in certain accounts for which they also provide financial planning and/or other services for which they are compensated and this results in a conflict of interests.

Popular Securities offers proprietary products of our affiliate Popular Asset Management individually and as part of third party fund models, which represents a conflict of interest.

Our investment advisor representatives are sometimes invited to due-diligence trips to managers' offices or other places based on assets levels of production with those managers and some other events may be paid by managers. In such cases this may present a conflict of interest as the Investment Advisor Representative may be inclined to offer such products.

Also our investment advisor representatives and management have incentives to increase assets under advice and fees, as bonuses and other forms of recognition are tied to this. This practice results in a conflict of interest.

Clients should be aware that the receipt of additional compensation by Popular Securities and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations.

Popular Securities endeavors at all times to put the interest of its clients first. We take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- we require that our employees inform Popular Securities of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;

- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading - Item 11

We strive to comply with applicable laws and regulations governing our practices. Therefore, we have adopted a written Code of Ethics that includes guidelines for professional standards of conduct for all persons associated with our firm. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All persons associated with our firm are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to popular_securities@popular.com or by calling Popular Securities at (787) 758-7400.

Participation or Interest in your Transactions

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities.

Our firm or persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own account. We may also combine our orders to purchase securities with your orders to purchase securities ("block trading"). Refer to the *Brokerage Practices* section in this brochure for information on our block trading practices.

Brokerage Practices - Item 12

If you participate in the Envestnet programs, you will be required to open a brokerage account with a qualified custodian that has a relationship with Envestnet. Envestnet maintains relationships with several broker/dealers and qualified custodians. Since the approved custodians are dictated by Envestnet and not our firm you will be required to use one of their custodians. We will not be able to offer our advisory services to you if you wish to use a custodian not included on Envestnet's approved list.

NFS is designated to provide trade execution and custodial services with respect to Program Assets. Services provided by NFS in this capacity are governed by a separate agreement between you and NFS. By participating in the Program, you authorize Investnet, Popular Securities, any Sub-Manager to direct brokerage to NFS; therefore, you may not receive the benefit of the lowest trade price then available for any particular transaction for the Accounts. In effecting brokerage transactions, Sub-Manager, Investnet, or Popular Securities may consider not only available prices and commission rates (including the fact that certain transaction effected through NFS are included in the Program Fee), but also other relevant factors such as execution capabilities, research and other services provided by the broker-dealer.

Upon on your signing relevant trade authorization or other such written authorizations, Sub-Managers, Investnet, or Popular Securities will have the authority to effect transactions for the Accounts with or through another broker, dealer or bank if Popular Securities, Investnet, or Sub-Manager believes that “best execution” of transactions may be obtained through such other broker, dealer or bank, including any broker-dealer that is affiliated with Popular Securities, Investnet, or Sub-Manager. As such, you agree that Popular Securities or Investnet will instruct NFS to accept instructions regarding Program Assets from Investnet, Popular Securities, and Sub-Managers to whom Popular Securities and/or Investnet has delegated investment discretion. You will also authorize Investnet to open broker-dealer accounts at applicable executing brokers, and you authorize Investnet as attorney-in-fact to give instructions to an appropriate broker. All transactions effected by Sub-Managers for your Accounts shall be cleared and settled with NFS. Sub-Managers may execute transactions through brokers, dealers and banks that have certain arrangements with Popular Securities and/or Sub-Managers pursuant to which Popular Securities or Sub-Managers receive credit (toward acquisition of research products and services) for brokerage placed with such firms by Advisor or Sub-Managers. When Investnet, Popular Securities or a Sub-Manager deems a transaction to be in your best interest as well as that of other clients of Investnet, Popular Securities, or Sub-Manager, to the extent permitted by applicable law and regulation, Investnet, Popular Securities, or Sub-Manager is permitted to aggregate multiple client orders (“block trade”) to obtain what Investnet, Popular Securities, or Sub-Manager believes will be the most favorable price and/or lower execution costs at the time of execution.

Additionally, licensed individuals associated with our firm, are eligible to receive commissions in their capacities as registered representatives of our firm for securities transactions and/or 12b-1 distribution fees from investment companies (mutual funds) in connection with transactions placed on your behalf. These commissions and fees are in addition to and separate from the investment advisory fees charged by the program.

As part of its fiduciary duties, we strive at all times to put your interests first; however, you are advised that the receipt of additional compensation creates a potential conflict of interest.

Brokerage for Client Referrals

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

Directed Brokerage

Transactions for Program Assets are routinely directed to NFS. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you

might otherwise pay through another broker-dealer that offers the same types of services. Not all advisers require their clients to direct brokerage.

As a broker-dealer, our firm also clears securities transactions through NFS. It may be the case that NFS charges higher transactions costs and/or custodial fees than another broker charges for the same types of services.

Economic Benefits

As a registered investment adviser, we have access to the institutional platform of your account custodian. As such, we will also have access to research products and services from your account custodian and/or other brokerage firm. These products may include financial publications, information about particular companies and industries, research software, and other products or services that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making responsibilities. Such research products and services are provided to all investment advisers that utilize the institutional services platforms of these firms, and are not considered to be paid for with soft dollars. However, you should be aware that the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge.

Review of Accounts - Item 13

Refer to Envestnet's disclosure document for the Program (Form ADV Part 2 Brochure) for information regarding the nature and frequency of reviews and reports provided by Envestnet and/or the applicable Sub-Managers.

Popular Securities will provide reviews of a client account(s) with Envestnet and out-of-platform managers on at least an annual basis. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

Popular Securities does not typically provide reports in addition to those provided by the Program. Additionally, clients will receive statements from their account custodian on at least a quarterly basis.

You will not receive trade confirmations for each transaction made by the Sub-Managers, Envestnet, or Popular Securities (as applicable) unless you notify Popular Securities that you wish to receive such confirmations.

All communications from Popular Securities and/or Envestnet may be by electronic means. As soon as possible, but in no event later than 45 days, after the end of each calendar quarter, Popular Securities will provide you via electronic means a quarterly statement containing a description of all activity in your Accounts during the previous quarter.

You should contact Popular Securities if there have been any changes in your financial situation or investment objectives, if you wish to impose reasonable restrictions on the management of your account, or if you wish to reasonably modify existing restrictions. Otherwise, Popular Securities will

contact you at least annually to determine whether there have been any changes in your financial situation or investment objectives, and whether you wish to impose any reasonable restrictions, or reasonably modify existing restrictions on the management of your Accounts.

Client Referrals and Other Compensation - Item 14

It is Popular Securities' policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

Popular Securities' employees are not allowed to give or receive gifts or gratuities to or from clients in excess of \$100 per client per year. This, however, does not prohibit occasional gifts or gratuities related to normal business dealings as long as the limit of \$100 is not exceeded.

It is our policy not to engage solicitors or to pay any non-related persons for referring potential clients to our firm. However, we do have a referral arrangement with our affiliate, Banco Popular, whereby we pay Banco Popular a nominal referral fee for each client or potential client referred to Popular Securities. All prospective clients receive a separate disclosure statement that includes the fact that Banco Popular is being paid a referral fee. As a matter of firm practice, the advisory fees paid to Popular Securities by clients referred by Banco Popular are not increased as a result of any referral.

Client Referrals

As disclosed in the Fees and Compensation at Item 5 of this brochure, we have a referral agreement with Russell Investments for certain institutional/large clients whereby we receive a referral fee for the duration of the engagement (while Russell Investment is the consultant).

Other Compensation

As disclosed under the "Fees and Compensation" section in this brochure, persons providing investment advice on behalf of our firm who are licensed insurance agents and/or who are registered representatives with our firm in its capacity as a securities broker-dealer, and a member of FINRA and SIPC are eligible to earn commission based compensation for the sale of certain insurance or securities products. For information on the conflicts of interest this presents, and how we address these conflicts, please refer to the "Fees and Compensation" section.

Custody - Item 15

We previously disclosed in the Fees and Compensation section (Item 5) of this brochure that our firm's custodian directly debits advisory fees from client accounts. As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

At this time Popular Securities calculates and causes NFS to deduct fees for certain managed accounts

with custody at NFS but not managed through Envestnet.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. You should contact Popular Securities directly if you have any questions regarding your advisory fees shown on your statement.

Where you participate in the Envestnet programs, Envestnet will calculate our advisory fees based on your account balance and in accordance with the agreement you sign with Envestnet. Envestnet will submit the amount of the fee to be paid to your account custodian. As paying agent, your custodian will directly debit your account(s) for the payment of our advisory fees based on your written authorization. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. If you have a question regarding your account statement, or if you did not receive a statement from your custodian, please contact Popular Securities directly at the telephone number on the cover page of this brochure.

Investment Discretion - Item 16

If you enter into an advisory agreement with Popular Securities and/or Envestnet, you will be appointing each as your investment manager and will be granting Envestnet full discretionary authority to invest, reinvest and otherwise deal with the Program Assets in their discretion, including without limitation the authority to select, allocate and reallocate the Program Assets in your accounts to different Sub-Managers and to delegate such investment discretion to such Sub-Managers. Such discretionary authority allows Envestnet to make all investment decisions with respect to the Accounts and, when it deems appropriate and without prior consultation with you, to buy, sell, exchange, convert and otherwise trade in any stocks, bonds, mutual funds, alternative investments and other securities.

Envestnet and/or Popular Securities will recommend an appropriate asset allocation among the investment options in the Program and recommend investment vehicles and/or Sub-Managers within that program for your Accounts. In selecting investment vehicles and Sub-Managers for the Accounts, Popular Securities and/or Envestnet will consider factors it deems relevant, including but not limited to, your investment goals and objectives, and any reasonable restrictions imposed by you on management of the Accounts including the designation of particular securities or types of securities that should not be purchased for the Accounts, or that should be sold if held in the Accounts. You should understand and be willing and able to accept the risk involved in the selection of investments before entering into an advisory agreement. There is no assurance that your investment objective will be achieved.

Sub-Managers shall be retained by Envestnet pursuant to agreements entered between the Sub-Managers and Envestnet. For certain Sub-Managers, Envestnet has entered into a licensing agreement with the Sub-Manager, whereby Envestnet performs administrative and/or trading duties pursuant to the direction of the Sub-Manager. In such situation the Sub-Manager is acting in the role of a Model Provider. Your execution of the advisory agreement authorizes Popular Securities, Envestnet, and/or any Sub-Manager expressly designated by Popular Securities or Envestnet and retained by Envestnet, as its

agent and attorney-in-fact, to issue to brokers, dealers, and banks in its sole discretion, without prior consultation with you, instructions to purchase, sell, exchange, convert and otherwise trade in and deal with any security or cash in the Accounts for your account at your risk and generally to perform the services described in the advisory agreement.

Voting Client Securities - Item 17

Popular Securities does not vote client proxies and does not typically provide advice to clients regarding the clients' voting of proxies. You should refer to Envestnet's disclosure document for the Program (Form ADV Part 2) for information regarding the proxy voting policy of Envestnet and/or the Sub-Managers in the Program.

If you have not designated a representative to receive proxy materials and to vote on your behalf, you will receive proxy materials directly from the account custodian.

Financial Information - Item 18

We do not have any financial condition or impairment that would prevent Popular Securities from meeting our contractual commitments to you. We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts, and, we do not require the prepayment of more than \$1,200 in fees six or more months in advance. Therefore, we are not required to include a financial statement with this brochure. We have never been the subject of a bankruptcy petition.

Requirements of State-Registered Advisers - Item 19

Instructions for Form ADV Part 2A require investment advisers registered with state securities authorities to provide information specific to state registrants. We are registered with the United States Securities and Exchange Commission and are not required to respond to this item. Refer to the Form ADV Part 2B Brochure Supplements for background information about management personnel and those giving advice on behalf of our firm.