

POPULAR MONEY MARKET FUND, INC.

The Fund is a non-diversified, no-load, open-end Puerto Rico investment company, commonly referred to as a mutual fund, available exclusively to residents of Puerto Rico.

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.

The Fund is subject to risks which may result in a loss of all or part of your investment. Before investing in the Fund you should consider the risk factors and special considerations described under “Risk Factors” beginning on page 7.

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.

An investment in the Fund is subject to taxation as described under “Tax Matters” beginning on page 27 of this prospectus.

The Shares –

- The Fund is offering its shares of Class A common stock to the public. The shares are subject to certain expenses as described in this prospectus and summarized in the table appearing on page 4.
- Purchases and redemptions of shares may be made on a daily basis as described herein.

Investment Objective –

- To provide its shareholders with stability of principal, high liquidity and current income that is exempt from federal income taxes and taxed in Puerto Rico, in the case of certain Qualifying Individuals (as defined herein), at the special tax rate of 15% imposed on dividends.
- To maintain a stable net asset value of \$1.00 per share.

Dividends –

- The Fund intends to declare dividends on a daily basis 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 will be distributed on a monthly basis.

Principal Investment Policies –

- The Fund will normally invest at least 67% of its total assets in repurchase agreements backed by Puerto Rico Securities (as defined herein) with broker-dealers or financial institutions, primarily Popular Securities, and Puerto Rico Securities having maturities of 13 months or less.
- The Fund will invest not more than 33% of its total assets directly in high quality, short-term, money market instruments with maturities of 13 months or less consisting of Non-PR Eligible Securities (as defined herein) or, in the case of repurchase agreements, backed by Non-PR Eligible Securities.

Automatic Dividend Reinvestment Plan –

- All dividend and capital gain distributions will be reinvested automatically in additional shares of the Fund.

Investment Considerations –

- The Fund should not be viewed as a vehicle for trading purposes.

(continued on next page)

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, OTHER THAN THE OFFICE OF THE COMMISSIONER OF FINANCIAL INSTITUTIONS OF PUERTO RICO (THE “OFFICE OF THE COMMISSIONER”). THE FUND HAS NOT BEEN REGISTERED UNDER THE UNITED STATES 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 August 19, 2016
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 AS AN INVESTMENT COMPANY UNDER THE PUERTO RICO INVESTMENT COMPANIES ACT, 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 invests primarily in securities the income on which is taxable for Puerto Rico income tax purposes. See “Tax Matters” beginning on page 27 of this prospectus.
- Investors will bear certain costs, directly or indirectly, related to various matters, including 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 4 of this prospectus.
- The Fund intends 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.
- While the Fund seeks to maintain a stable net asset value of \$1.00 per share, there can be no assurance that it will be able to do so.
- An investment in the Fund is not equivalent to an investment in the underlying securities held by the Fund.
- 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. See “Risk Factors – Non-Diversified Status” on page 11 of this prospectus.
- Popular Asset Management, a unit of Banco Popular de Puerto Rico, is the investment adviser for the Fund. The principal offices of the investment 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.

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No person has been authorized to give any information or to make any representations in connection with this offering 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 the Commonwealth of Puerto Rico.

PROSPECTUS SUMMARY

This summary provides an overview of selected information contained elsewhere in the prospectus and is qualified in its entirety by reference to the more detailed information included in this 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. You should carefully read the more detailed information set out in this prospectus before making an investment decision and retain it for future reference. A copy of the certificate of incorporation and by-laws of the Fund may be examined at the office of Popular Asset Management 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 Popular Money Market Fund, Inc. is a non-diversified, no load, open-end investment company registered under the Puerto Rico Investment Companies Act, as amended (the “Puerto Rico Investment Companies Act”), that commenced operations on December 20, 2004.

The Offering The Fund is continuously offering its shares of Class A common stock (the “Shares”) to the public at a price equal to their net asset value next determined after a purchase order is received and becomes effective. The Shares are subject to an annual investment advisory fee of 0.25%, an annual administrative fee of 0.10% and a client service fee equal to 0.10% of the “average daily net assets” of the Fund. The Shares are also subject to an annual distribution fee of 0.50% of the average daily net assets of the Fund.

See “Purchase of Shares” and “Investment Advisory and Administrative Services - Distributor” for a complete description of the distribution and client service fees.

Purchase of Shares..... Shares may be purchased on any business day through the Fund’s distributor, Popular Securities, Inc. (“Popular Securities” or the “Distributor”), or other broker-dealers or financial institutions that enter into a selected dealers agreement with the Distributor. No minimum amount is required in order for investors to make an initial or subsequent investment in the Fund. For purposes of the Fund, a “business day” is a day on which the New York Stock Exchange (“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.

Offering and Transfer Restrictions..... The Shares are being offered for sale exclusively to individuals who maintain their principal residence in Puerto Rico and to entities that have their principal office and principal place of business in Puerto Rico. Investors will be required to deliver a letter of representation in the form of Appendix A to this prospectus. The Shares may be sold, pledged, hypothecated or otherwise transferred exclusively to residents of Puerto Rico. Shareholders who cease to be residents of Puerto Rico will no longer have available the tax benefits that make the Fund an attractive investment, and such shareholders have an obligation to immediately notify the Distributor or the broker-dealer through which they hold Shares of their change in residency, to liquidate their investment in the Shares as soon as it is practicable to do so and to agree not to purchase any more Shares, including through the Fund’s dividend reinvestment plan. If a shareholder does not comply with its obligation to liquidate the Shares owned by such investor, the Shares may be redeemed by the Fund.

Investment Objective..... The Fund’s investment objective is to provide its shareholders with stability of principal, high liquidity and current income that is exempt from federal income taxes and taxed in Puerto Rico, in the case of certain Qualifying Individuals, at the special tax rate of 10% imposed on dividends. For purposes of the Fund, a “Qualifying Individual” is a bona fide resident of Puerto Rico for the entire taxable year within the meaning of Sections 933 and 937 of the United States Internal Revenue code of 1986, as amended (“U.S. Code”).

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

Investment Policies The following are the principal investment policies of the Fund:

At least 67% of the Fund’s total assets will be invested in repurchase agreements backed by Puerto Rico Securities with broker-dealers or financial institutions, primarily Popular Securities, and Puerto Rico Securities (as defined herein) having maturities of 13 months or less.

Up to 33% of the Fund’s assets will be invested in high quality, short-term, money market instruments with maturities of 13 months or less consisting of Non-PR Eligible Securities (as defined herein) or, in the case of repurchase agreements, backed by Non-PR Eligible Securities.

The Fund will seek to maintain a dollar weighted average maturity of 90 days or less.

The Fund’s assets will be invested primarily in securities the interest on which is subject to taxation for Puerto Rico income tax purposes.

Redemption of Shares No market presently exists for the Shares and no secondary market is expected to develop. The Board of Directors of the Fund (the “Board”), however, has adopted a policy whereby Shares may be redeemed on any business day at a price per share equal to the net asset value per Share as of the close of trading on the NYSE on the date of redemption. See “Purchase of Shares” and “Redemption of Shares.”

Valuation of Shares The net asset value per Share is determined on a daily basis by Banco Popular de Puerto Rico (“Banco Popular” and, when acting in its capacity as administrator of the Fund, the “Administrator”) as of the close of trading 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. See “Valuation of Shares.”

While the Fund seeks to maintain a stable net asset value of \$1.00 per share, there can be no assurance that it will be able to do so.

Management of the Fund Popular Asset Management, the asset management unit of Banco Popular (the “Investment Adviser”), is the Fund’s investment adviser responsible for the management of the assets of the Fund, subject to the discretion of the Board.

Banco Popular will also act as administrator, transfer agent and custodian of the Fund.

Banco Popular and Popular Securities are wholly-owned subsidiaries of Popular, Inc. and, therefore, are affiliated entities. All transactions between the Fund and its affiliates will be subject to procedures adopted by the Board in an effort to address potential conflicts of interest. There is no assurance that the procedures will be effective.

Dividends and other

Distributions.....

The Fund expects to declare dividends on a daily basis and distribute to the 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 will be distributed on a monthly basis. The net capital gains realized by the Fund, if any, will be retained by the Fund, as permitted by Puerto Rico law, unless the Board, in its sole discretion, determines that the net capital gains should be distributed to the shareholders of the Fund.

Automatic Dividend

Reinvestment Plan

All dividends and capital gain distributions will be reinvested automatically in additional Shares at the current net asset value.

Transactions Involving

Affiliates.....

The Fund intends 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 and, particularly, the independent directors of the Board, in an effort to address potential conflicts of interest. There is no assurance that the procedures will be effective.

Yield Considerations

The yield on the Shares will vary from period to period depending on facts including, but not limited to, market conditions, the timing of the Fund's investment in portfolio securities, the securities comprising the Fund's portfolio, changes in interest rates including changes in the relationship between short-term rates and long-term rates and the Fund's net assets and its operating expenses. Consequently, the Fund cannot guarantee any particular yield on the Shares and the yield for any given period is not an indication or representation of future yields on the Shares. The Fund's ability to achieve any particular yield level after it commences operations depends on future interest rates and other factors mentioned above, and the initial yield and later yields may be lower.

FEE TABLE AND ESTIMATED FUND EXPENSES

The following table describes the costs and expenses that you may incur if you buy and hold Shares, based on the Fund's operating expenses for the year ended November 30, 2015.

Expenses – Class A Shares

Shareholder Fees

(Fees paid directly from your investment)

Maximum sales charge (Load) imposed on purchases <i>(as a percentage of offering price)</i>	None
Maximum Deferred Sales Charge	None

Annual Fund Operating Expenses

(As a percentage of average daily net assets; these expenses are deducted from Fund assets)

Investment advisory fee	0.25%
Distribution (12b-1) fee ⁽¹⁾	0.50%
Client service fee	0.10%
Administrative fee	0.10%
Other expenses ⁽²⁾	0.07%
Total annual fund operating expenses ⁽³⁾	1.02%

¹ 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 shareholders by Popular Securities or other brokers or financial institutions. These fees are referred to as a distribution fee and client service fee. See "Investment Advisory and Administrative Services - Distributor" for additional information regarding these fees.

² These expenses include, among others, custodian and transfer agency fees; fees for certain shareholder services; legal, regulatory and accounting fees; and printing costs. These expenses are based on the Fund's expenses for the year ended November 30, 2015.

³ The various fees payable to the Investment Adviser and other service providers described in the above table may be voluntarily waived by such persons from time to time. The items included under "other expenses" will not be waived. The Fund cannot provide investors with any assurance that if any such waiver of fees is commenced, that it will continue.

Example:

The following expense summary is intended to assist you in understanding the estimated costs and expenses of investing in the Fund 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 your shares at the end of the periods indicated;
- You earn a 1.00% return on your investment each year (assuming a 360-day year of twelve 30-day months);
- All dividends and other distributions are reinvested at net asset value; and
- The Fund's operating expenses (which are based on actual net operating expenses for the twelve month period ended November 30, 2015) remain the same.

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

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
Class A common stock	\$101.99	\$305.89	\$509.69	\$1,018.74

FINANCIAL HIGHLIGHTS

Set forth below is per share operating data for a Share outstanding for the fiscal years ended November 30, 2011, 2012, 2013, 2014 and 2015, 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. The total returns in the table represent the rate that a shareholder 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.

		Year Ended November 30,				
		2015	2014	2013	2012	2011
Increase (Decrease) in Net Asset Value:						
Per Share Operating Performance:						
	Net asset value, beginning of the year	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
	Income from Investment Operations:					
	Net investment income ^(a)	0.00 ^(b)	0.00	0.00	0.00	0.00
	Less Distributions:					
	Distributions from net investment income	(0.00) ^(b)	(0.00)	(0.00)	(0.00)	(0.00)
	Net asset value, end of year	<u>\$1.00</u>	<u>\$1.00</u>	<u>\$1.00</u>	<u>\$1.00</u>	<u>\$1.00</u>
Total Investment Return	Based on net asset value per share ^{(c)(d)}	0.01%	0.01%	0.01%	0.01%	0.01%
Ratios to Average Net Assets^(e):						
	Expenses to average net assets applicable to common shareholders – net of waived fees ^(f)	0.19%	0.23%	0.53%	0.66%	0.58%
	Net investment income to average net assets applicable to common shareholders – net of waived fees ^(f)	0.01%	0.01%	0.01%	0.01%	0.01%
Supplemental Data:	Net assets, end of year (in thousands)	<u>\$311,027</u>	<u>\$267,622</u>	<u>\$246,056</u>	<u>\$242,090</u>	<u>\$188,190</u>

(a) Based on daily average outstanding Shares of 291,618,875; 261,048,454; 257,980,522; 227,920,573; and 195,749,997 for the years ended November 30, 2015, 2014, 2013, 2012, and 2011, respectively.

(b) Net investment income and distributions per share amounted to \$0.00010 and (\$0.00010), respectively, for the years ended November 30, 2015, 2014, 2013, 2012 and 2011.

(c) Return calculated based on standard industry practice, which assumes reinvestment of dividends and a 360-day year of twelve 30-day months.

(d) Calculations are based on the change in net asset value per share during the period.

(e) Based on daily average net assets applicable to shareholders of \$291,618,875; \$261,048,454; \$257,980,522; \$227,920,573; and \$195,749,997 for the years ended November 30, 2015, 2014, 2013, 2012, and 2011, respectively.

(f) The effect of the expenses waived for the years ended November 30, 2015, 2014, 2013, 2012, and 2011 thus increasing the net investment income ratio to average net assets applicable to common shareholders by 0.82%, 0.77%, 0.46%, 0.34%, and 0.42%, respectively.

RISK FACTORS

An investment in the Fund is subject to the following principal investment risks any of which could cause you to lose money on your investment in the Fund. You should carefully consider the following risks before you decide to invest in the Fund.

General. Apart from the risks identified below, the Fund's investments may be negatively affected by the broad investment environment in the United States of America ("U.S."), Puerto Rico and international securities markets, which may be influenced by, among other things, interest rates, inflation, politics, fiscal policy and current events. Therefore, as with any Fund that invests in securities, the Fund's net asset value will fluctuate. You may experience a decline in the value of your investment and could lose money.

There can be no assurance that the Fund will achieve its investment objective. The ability of the Fund to achieve its investment objective is dependent on a number of factors, including, but not limited to, Popular Securities and the other counterparties continuing ability to meet its obligations under each repurchase agreement.

At present, there is no secondary market for the Shares and the Fund does not expect one to develop, although the Board has adopted a policy whereby Shares are redeemable on a daily basis. Notwithstanding the foregoing, 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, the Federal Reserve and banks in San Juan, Puerto Rico are closed for regular business (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 is not reasonably practicable. Accordingly, the liquidity of an investment in the Shares may be limited and a shareholder may be unable to redeem or otherwise dispose of its Shares at a time when it may deem such redemption or disposition to be most convenient. See "Redemption of Shares."

Conflicts of Interest. The Fund is not registered under the U.S. Investment Company Act of 1940, as amended (the "1940 Act"), and therefore, is not subject to the restrictions regarding, among other things, transactions between the Fund and the Investment Adviser or its affiliates contained in the 1940 Act. It is anticipated that the Fund will engage in transactions, such as securities purchase and sale transactions and repurchase agreement transactions, directly with Banco Popular, Popular Securities, Popular Mortgage, Inc. ("Popular Mortgage") and possibly other affiliates of the Investment Adviser. For many Puerto Rico securities purchased by the Fund, one of those entities may be the only dealer, or one of only a few dealers, in the securities being purchased or sold by the Fund. In that event, independent sources for valuation or liquidity of a security may be limited or nonexistent. Subject to certain limitations, the Fund may also invest in securities issued by its affiliates, or make deposits with those affiliates. As a result of the above transactions and other dealings, the interests of the Investment Adviser and its affiliates may conflict with those of the Fund and its shareholders as to the price and other terms of transactions that they engage in. Portfolio transactions between the Fund and its affiliates will be executed pursuant to terms and conditions comparable to those with unrelated third parties in the ordinary course of its investment activities.

The Investment Adviser and its affiliates may engage, at the present or in the future, in business transactions with or related to any one of the issuers of portfolio securities held by the Fund, or with competitors of such issuers, as well as provide them with investment banking, asset management, trust, or advisory services, including merger and acquisition advisory services. These activities may present a conflict between any such affiliated parties and the interest of the Fund. The Investment Adviser is not registered under the U.S. Investment Advisers Act of 1940, as amended, and therefore, is not subject to the restrictions imposed on investment advisers thereunder.

Transactions Involving Affiliates. It is anticipated that certain transactions (such as repurchase agreements or other transactions with Popular Securities or its affiliates) will take place in which Popular Securities or one of its affiliates may be the primary or only dealer in a particular portfolio security being purchased or sold by the Fund. In that event, independent sources for valuation or liquidity of such securities will be limited or nonexistent. Such portfolio transactions will be subject to procedures adopted by the Board and implemented by the Investment Adviser in an effort to address potential conflicts of interest that may arise from such transactions. There is no assurance that the procedures will be effective. The procedures also may be amended from time to time in the sole

discretion of the Board. The Fund also may enter into repurchase agreements in which the underlying securities consist of securities that were 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 also will be subject to procedures adopted by the Board and implemented by the Investment Adviser. The procedures adopted by the Board in connection with transactions involving any affiliate of the Fund (“Affiliated Transactions”) include requirements for establishing the purchase price and repurchase price for repurchase agreements and the Permissible Securities (as defined herein) that may be acquired directly by the Fund in connection with such transactions. The overall cost to the Fund in connection with Affiliated Transactions must be at least as favorable for the Fund as that charged by other sources. There is no assurance, however, that the Fund will get the best rate or pricing available in Affiliated Transactions.

The Fund is an affiliate of Popular Securities and its affiliates, including the Distributor, the Investment Adviser, the Administrator, the Transfer Agent (as defined herein), and the Custodian (as defined herein). Furthermore, certain directors and officers of the Fund are also employees, officers or directors of Popular Securities and/or its affiliates, including the Investment Adviser, the Administrator, the Transfer Agent, and the Custodian.

Fluctuations in Yield and Net Asset Value. The yield on Shares will fluctuate with interest rate changes as well as with changes in the price of the Fund’s portfolio securities. In periods of declining interest rates the Fund’s yield may tend to be somewhat higher than prevailing market rates, and in periods of rising interest rates the opposite may be true. While the Fund seeks to maintain a stable net asset value of \$1.00 per share, no assurance can be given that it will be able to do so.

Certain Risk Factors and Special Considerations Associated with Puerto Rico Securities. The Fund’s ability to achieve its investment objective and to comply with certain legal and regulatory investment requirements is dependent upon the availability of Puerto Rico Securities (as defined herein). Except for temporary defensive purposes upon the proven scarcity of Puerto Rico Securities (i.e., the unavailability of Puerto Rico Securities or their availability at a price unreasonably above their fair market value or at interest rates inconsistent with the Fund’s investment objective as determined by the Investment Adviser with the approval of the Office of the Commissioner) the Fund is required to invest at least 67% of its total assets in Puerto Rico Securities or repurchase agreements that are backed by Puerto Rico Securities. There can be no assurance that the Office of the Commissioner will coincide with an assessment by the Investment Adviser that Puerto Rico Securities are unavailable because of their unreasonably high price or interest rates inconsistent with the Fund’s investment objective. Any such discrepancy between the Investment Adviser and the Office of the Commissioner may have a material adverse effect on the Fund’s performance. See “Investment Objective and Policies.”

The obligations of Popular Securities under repurchase agreements and certain issuers of Puerto Rico 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 Popular Securities to meet its obligations under repurchase agreements and of issuers of Puerto Rico Securities to meet their obligations for the repayment of principal and payment of interest on their Puerto Rico Securities, respectively, may be materially and adversely affected. There presently is a limited number of participants in the market for certain Puerto Rico Securities. In addition, certain Puerto Rico Securities may have periods of illiquidity. These factors may affect the Fund’s ability to dispose of such Puerto Rico Securities as well as the price paid or received upon such acquisition or disposition.

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

Repurchase Agreement Risk. 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 shall 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. In general, for tax purposes, repurchase agreements are treated as collateralized loans secured by the securities “sold.” Therefore, amounts earned under such agreements will be considered taxable income.

The Fund will enter into repurchase agreements with Popular Securities, one of its affiliates. Such transactions will be subject to procedures adopted by the Board, in an effort to address potential conflicts of interest that may arise from such transactions. See “Portfolio Transactions — Transactions Involving Affiliates,” below.

Puerto Rico Municipal Obligations. The Fund intends to enter into repurchase agreements backed by Puerto Rico Municipal Obligations. Puerto Rico municipal obligations that qualify as Permissible Securities present their own distinct risks. The value of Puerto Rico municipal obligations including derivative instruments, such as certain zero coupon obligations and certain inverse floating rate obligations, may be subject to greater volatility than other municipal securities. See Appendix B — “Description of Certain Investment Techniques and Securities in which the Fund may Invest” for a more complete discussion of the types of Puerto Rico municipal obligations and their related risks.

Certain of the Puerto Rico Municipal Obligations in which the Fund has invested in the past, including general-obligation bonds of the Commonwealth of Puerto Rico, are currently rated below investment grade category by each of Moody’s, S&P and Fitch. The recent downgrade and any further ratings downgrade by Moody’s, S&P or Fitch affecting the Puerto Rico Municipal Obligations held by the Fund that were rated in the investment-grade category at the time of purchase by the Fund, would result in a decrease in the value of such securities and in a corresponding decrease in the net asset value of the Fund. The Fund’s investment adviser is under no obligation to sell portfolio securities that are downgraded after these securities are purchased by the Fund. If a portfolio security is downgraded, the investment adviser will consider factors such as price, credit risk, market conditions, the financial condition of the issuer and prevailing and anticipated interest rates in determining whether to sell or hold the security as a portfolio investment. The Shares may lose value, and thus you may lose all or part of your investment, as a consequence of such a downgrade. Furthermore, such downgrade would also reduce the market for such securities, which could negatively impact the Fund’s ability to dispose of such securities or the price the Fund may receive in any such sale, as well as the Fund’s ability to utilize such securities as collateral for its leverage program or to redeem Shares.

Special Considerations Relating to Mortgage-Backed Securities. The Fund intends to enter into repurchase agreements backed by 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 loans or other obligations. In the case of repurchase agreements, to the extent that the respective counterparty becomes insolvent, such prepayments may result in a capital loss (e.g., where the securities were priced at a premium in connection with a repurchase agreement) and, in any case, prepayments might result in reinvestment of the proceeds of such prepayments at interest rates that are lower than on the prepaid securities. Prepayments are influenced by a variety of economic, geographic, demographic and other factors. Generally, however, prepayments will increase during periods of declining interest rates and decrease during periods of rising interest rates. Since a substantial portion of the Puerto Rico Securities available in the Puerto Rico securities market are 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 portfolio securities to fluctuate more than otherwise would be the case.

The types of mortgage-backed securities in which the Fund may invest are described in Appendix B — “Description of Certain Investment Techniques and Securities in which the Fund may Invest.”

Special Characteristics of Derivative Instruments. The Fund intends to invest in repurchase agreements backed by 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”), including securities the potential investment return on which is inversely related to a change in particular measurements of value or rate (an “inverse security”). Investments in indexed securities, including inverse 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.

Geographical Risk. The Fund intends to invest 67% of its portfolio in obligations of Puerto Rico governmental or private issuers or mortgage-backed or asset-backed securities backed by Puerto Rico assets. As a result, the Fund has greater exposure to adverse economic, political or regulatory changes in Puerto Rico than a more geographically diversified fund.

Puerto Rico's economy entered a recession in the fourth quarter of fiscal year 2006. For fiscal years 2007, 2008, 2009, 2010 and 2011, Puerto Rico's real gross national product contracted by 1.2%, 2.9%, 3.8%, 3.6% and 1.6%, respectively. For the fiscal year ended 2012, Puerto Rico's gross national product grew by 0.1%. However, for fiscal years 2013 and 2014, Puerto Rico's real gross national product contracted by 0.2% and 0.9%.

In June 2015, the Puerto Rico Planning Board published its latest projections for the Puerto Rico economy. Due to the uncertainty relating to every projection and the fragility of the Puerto Rico economy, the Puerto Rico Planning Board published two alternative scenarios. The conservative scenario projects gross national product decreases of 1.3 % and 4.2% for the fiscal years 2015 and 2016, respectively. The other scenario projects gross national product decreases of 0.5 % and 0.8% for the fiscal years 2015 and 2016, respectively. Total employment fell by 1.1% in fiscal year 2012, by 0.6% in fiscal year 2013 and by 2.2% in fiscal year 2014. The unemployment rate for fiscal years 2012, 2013 and 2014 was 15.2%, 14.0% and 14.3% respectively. During the first nine months of fiscal year 2015, total employment fell by 0.8% as compared to the same period for the prior fiscal year, and the unemployment rate averaged 13.1% compared to 14.7% for the same period of the prior fiscal year. According to the establishment survey, total payroll non-farm employment decreased by 1.5% during the first nine months of fiscal year 2015. This reduction is partially attributable to attrition and to the changes to the Employees Retirement System of the Commonwealth of Puerto Rico made pursuant to the 2013 pension reform. Employment reductions in state and local government employment more than offset increases in private employment during this period.

The Commonwealth's credit rating was downgraded by Moody's in December 2012, to "Baa3" with a negative outlook, with various factors noted, including the lack of clear growth catalysts, the fiscal budget deficits and the financial condition of the public sector employee pension plans, which are significantly underfunded. In March 2013, each of Standard & Poor's and Fitch also downgraded the Commonwealth's credit rating to "BBB-" with a negative outlook mainly as a result of the Commonwealth's unresolved budget gaps, weak economic performance and a pension system with a large unfunded accrued liability. On October 3, 2013, Moody's affirmed its rating of "Baa3" on the Commonwealth's general obligation bonds and maintained its negative outlook. In December 2013, Moody's placed commonwealth general obligation and COFINA sales tax bonds on review for downgrade, citing concerns about Puerto Rico's finances, liquidity levels, and ability to access public capital markets with a new debt offering. In January 2014, Standard & Poor's placed the general obligation and appropriation debt ratings of the Commonwealth on credit watch with negative implications. In February 2014, the credit rating assigned to the Commonwealth's general obligations was downgraded to "BB+" by Standard & Poor's, to "Ba2" by Moody's and to "BB" by Fitch, on February 4, February 7 and February 11, respectively. Following the enactment of legislation that would enable some of Puerto Rico's public corporations to restructure their debt, the Commonwealth's general obligations were downgraded to "BB" by Standard & Poor's, to "B2" by Moody's and to "BB-" by Fitch, on June 11, July 1 and July 9, respectively, and all remain on negative outlook. On June 9, 2016, the Supreme Court of the United States ruled that such legislation was unconstitutional because it was preempted by federal law.

The Commonwealth's credit rating was once again downgraded to "B" by S&P and "Caa1" by Moody's in February 2015 citing various factors including the Commonwealth's sluggish economic growth and narrow liquidity, and the increased uncertainty surrounding tax collections due to the introduction of tax reforms, including the imposition of a new value-added tax. In March 2015, Fitch also downgraded the Commonwealth's credit rating to "B" due to an increased concern regarding Puerto Rico's willingness to make payments on its general obligations and tax-related debt. On April 27, 2015, S&P downgraded the Commonwealth's credit rating to "CCC+" and placed it on credit watch negative. In May 2015, Moody's followed suit downgrading the Commonwealth's credit rating to

“Caa2” citing the Commonwealth’s lack of access to financial markets. In June 2015, following public comments by the Governor of the Commonwealth, the Commonwealth’s general obligations were downgraded to “CC” by Fitch and to “CCC-” by S&P, both remaining on negative outlook and citing the probability of some form of restructuring of the Commonwealth’s debt.

On August 4, 2015 the credit ratings of Puerto Rico Public Finance Corp. (“PFC”) series 2011A, 2011B and 2012A bonds were downgraded to “D” by S&P following a payment default on the bonds by PFC after a failure by the Commonwealth’s legislature to assign the funds required for payment. S&P stated that this first default by the Commonwealth in tax-supported debt represented a significant departure from Puerto Rico’s past practice of timely funding debt service.

On September 9, 2015 the Commonwealth released a Fiscal & Economic Growth Plan which, among other measures, called for the restructuring of about \$47 billion of the Commonwealth’s debt load due to a five year cumulative financing gap estimated to be \$27.8 billion. Debt-restructuring efforts would affect the Commonwealth’s general obligations and COFINA sales tax bonds, among other tax-supported debt. Following the release of the plan S&P downgraded Puerto Rico’s tax-backed debt to “CC” with a negative outlook.

On November 5, 2015, the Puerto Rico Electric Power Authority (“PREPA”) announced that it had entered into a restructuring support agreement with certain creditors setting forth the economic terms of a recovery plan. On January 27, 2016, PREPA and certain creditors entered into a new restructuring support agreement after certain conditions of the original agreement were not met. On February 16, 2016, the Governor of the Commonwealth signed Act 4-2016, known as the “Puerto Rico Electric Power Authority Revitalization Act” (“Act 4”), paving the way for the restructuring of PREPA’s debt under the restructuring support agreement. Despite Act 4’s approval, there can be no assurance that the additional conditions to the restructuring support agreement between PREPA and its creditors will be met.

On December 1, 2015, the Governor of the Commonwealth signed Executive Order 2015-46 in order to allow the Commonwealth’s central government to “claw back” certain revenues pledged to pay debt of five public entities and to redirect such revenues to the payment of the Commonwealth’s general obligation debt.

On April 6, 2016, the Governor of the Commonwealth signed Act 21-2016, known as the “Puerto Rico Emergency Moratorium & Financial Rehabilitation Act (“Act 21”). Act 21 authorized the Governor to, among other things, declare a stay on certain litigation, suspend certain creditor remedies and impose a moratorium on debt service payments of the Commonwealth and certain public corporations through January 31, 2017. On April 8, 2016, the Governor signed an executive order declaring GDB to be in a state of emergency pursuant to Act 21 and implementing a framework governing GDB’s operation, including suspending loan disbursements by GDB and restricting the disbursement of deposits. Further, on April 30, 2016, the Governor signed a second executive order under Act 21 declaring an emergency period with respect to the Puerto Rico Infrastructure Financing Authority and declaring a moratorium on the payment of certain obligations of GDB.

On May 2, 2016, GDB made an interest payment of approximately \$23 million, but failed to make a principal payment of approximately \$367 million in respect of its notes. GDB had previously reached an agreement with a group of local credit unions in order to extend the maturity date on approximately \$33 million due on May 2. In addition, GDB announced on May 1 that it had negotiated a framework for restructuring of GDB bonds with bondholders holding approximately \$900 million of GDB’s outstanding notes. The agreement contemplates a two-step restructuring plan whereby the holders of GDB notes would exchange their notes for new GDB notes, to be followed by an exchange of such new notes as part of a future global restructuring of the Commonwealth’s debt.

On May 18 the Governor signed an additional executive order under Act 21 which restricts the Puerto Rico Highways and Transportation Authority (the “PRHTA”) from transferring toll revenues and other income to bondholders and imposes a stay on lawsuits from PRHTA bondholders.

On May 18, 2016, H.R. 5278, known as the Puerto Rico Oversight, Management and Economic Stability Act (“PROMESA”), was introduced in order to establish an oversight board to assist the Government of Puerto Rico in managing its public finances. PROMESA would establish an oversight board with broad authority to ensure that the Commonwealth implements and executes fiscal plans, balances the Commonwealth’s budget and enact reforms if the Commonwealth fails to do so. 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. On May 25, 2016, the Committee on Natural Resources of the U.S. House of Representatives passed PROMESA to the full chamber of the U.S. House of Representatives, on a 29-10 vote. On June 9, 2016, the full chamber of the U.S. House of Representatives passed PROMESA by a 297-127 vote. On June 29, 2015 the U.S. Senate voted 68-30 to approve PROMESA, which was subsequently signed into law by President Barak Obama. It is expected that the oversight board created by PROMESA shall be in place by the end of September 2016.

On June 30, 2016, the Governor of the Commonwealth, pursuant to the provision of Act No. 21-2016, as amended, known as the Puerto Rico Emergency Moratorium and Rehabilitation Act, issued Executive Order No. OE-2016-30 and Executive Order No. OE-2016-31 (collectively, the “Executive Orders”). The Executive Orders, among other things, suspend the Commonwealth’s obligation to make payments on its general obligation and guaranteed debt. The Executive Orders also suspended (i) certain Commonwealth public corporations’ obligation to make payments on certain of their debts and (ii) the Commonwealth’s obligation to transfer certain tax revenues pledged for the repayment of debt issued by certain public corporations. The Executive Orders are effective until January 31, 2017, unless further extended by the Governor until March 31, 2017.

As a result of the Executive Orders and the missed payments by the Commonwealth and its instrumentalities, S&P downgraded the Commonwealth’s credit rating to “D” from “CC”, which means the Commonwealth has defaulted on its obligations.

Non-Diversified Status. The Puerto Rico Investment Companies Act restricts a non-diversified investment company’s investments in any single issuer to a maximum of 25% of the value of such investment company’s total assets. The Fund has obtained a waiver from such provision whereby it may invest directly or through repurchase agreements more than 25% of its assets in (i) securities of, or guaranteed by, the government of Puerto Rico or any instrumentality, political subdivision, agency or public corporation thereof, and (ii) securities (including, but not limited to, mortgage-backed securities, asset-backed securities, corporate obligations and commercial paper) of, or guaranteed by, the United States of America, or any political subdivision, agency, public corporation or instrumentality thereof, or of any state of the United States or any political subdivisions of any such state. A relatively high percentage of the Fund’s assets will be invested in the obligations of a limited number of issuers, making the Fund more susceptible to any single economic, political or regulatory occurrence than a more widely diversified fund.

Interest Rate Risk. The Fund will invest in repurchase agreements backed by fixed-income securities and in fixed-income securities. Fixed-income securities are subject to interest rate risks. Interest rate risk is the risk that prices of fixed-income securities generally decrease when interest rates increase. Prices of longer-term securities generally change more in response to interest rate changes than prices of shorter term securities.

The unique characteristics of certain types of securities purchased by the Fund may also make the Fund sensitive to changes in interest rates. For instance, falling interest rates typically will not lift the prices of mortgage-backed securities or securities subject to call risk as described below as much as prices of comparable fixed-income securities. This is because financial markets tend to discount prices of mortgage-backed securities and callable securities for prepayment risk when interest rates fall. In addition, CMOs may be specifically structured in a manner that provides a wide variety of investment characteristics, such as yield, effective maturity and interest rate sensitivity. As market conditions change, and particularly during periods of rapid or unanticipated changes in market interest rates, the attractiveness of CMOs and the ability of their structure to provide the anticipated investment characteristics may be significantly reduced. These changes can result in volatility in the market value, yield of the security and, in some instances, reduced liquidity of particular CMOs.

Credit Risk. Credit risk is the risk that the issuer will be unable to pay the interest or principal on its obligations when due. The degree of credit risk depends on both the financial condition of the issuer and the terms of the obligation. The price of fixed-income securities will generally fall if the issuer defaults on its obligation to pay principal or interest, the rating agencies downgrade the issuer's credit ratings or other news affects the market's perception of the issuer's credit risk.

Call and Income Risk. The Fund is also subject to "call risk," which is the chance that during periods of falling interest rates an issuer will "call" – or repay – a relatively high-yielding debt security before the security's maturity date. Mortgage-backed securities, for example, will generally be paid off early due to homeowners refinancing their mortgages during periods of falling interest rates. Forced to reinvest the unanticipated proceeds at lower interest rates, the Fund would experience a decline in income and lose the opportunity for additional price appreciation associated with falling rates. Call risk is generally high for longer-term bonds. Income risk is the risk that falling interest rates will cause the Fund's income to decline. Income risk is generally low for long-term bonds.

Counterparty Risk. The Fund will engage in financial transactions directly with other counterparties. This subjects the Fund to the credit risk that a 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 credit rating services 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, credit 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 Investment Adviser considers ratings of recognized rating services, the Investment 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 Investment Adviser continually monitors the investments of the Fund and carefully evaluates whether to dispose of or retain securities whose credit ratings have changed.

Legislative or Regulatory Changes. 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 of the Fund 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 the 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.

On September 25, 2015, Representative Nydia Velazquez (D-NY) introduced H.R. 3610 entitled the "Puerto Rico Investor Protection Act of 2015" in order to amend the 1940 Act to terminate the exemption of investment companies located in Puerto Rico, the U.S. Virgin Islands and any other territory of the U.S. H.R. 3610 was referred to the Financial Services Committee of the U.S. House of Representatives. On September 28, 2015, the OCFI issued a statement in support of the Bill favoring the repeal of the exemption. At a hearing of the Financial Services Committee held on November 18, 2015, the President of the SEC, Mary Jo White, stated that the SEC was in favor of the termination of the exemption proposed by H.R. 3610. On June 16, 2016, the House Financial Services Committee voted 59-0 to bring H.R. 5322, to amend the 1940 Act to terminate the exemption of investment

companies located in Puerto Rico, to the floor of the House of Representatives. On July 11, 2016 the U.S. House of Representatives passed H.R. 5322, which now goes to the Senate for consideration. There can be no assurance that the Fund would be able to comply with the 1940 Act. If such legislation were to be approved and be applicable to the Fund, the Fund would have to restructure its operations in order to comply with the 1940 Act. There can be no assurance the Fund would be able to comply with the 1940 Act, which may have a material adverse effect on the operations of the Fund.

Tax Considerations. The Fund intends to operate in a manner that will cause it to be exempt from Puerto Rico and U.S. federal income taxes. The Fund will not be subject to U.S. federal income tax provided it is not engaged in a trade or business in the United States. If the Fund operates in such a manner that it is found to be engaged in a trade or business in the United States it will be subject to full U.S. federal income tax.

The Shares are intended to be issued to Qualifying Individuals. If any Qualifying Individual has not been a bona fide resident of Puerto Rico during 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.”

Illiquid Securities. There presently is a limited number of participants in the market for certain Puerto Rico Securities or other securities that may be acquired by the Fund the disposition of which may be limited by Puerto Rico or Federal securities laws. In addition, certain Puerto Rico Securities may have periods of illiquidity. The term “illiquid securities” for this purpose 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 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. The Fund will seek to maintain a dollar weighted average maturity of 90 days or less in its investment portfolio to limit the effect of owning illiquid securities.

THE FUND

General

The Fund is a non-diversified, no-load, open-end management investment company. The Fund was incorporated under the laws of Puerto Rico on November 4, 2004 and commenced operations on December 20, 2004. The Fund is registered under the Puerto Rico Investment Companies Act and its principal office is located at Eighth Floor, Popular Street Building, 153 Ponce de León Avenue, San Juan, Puerto Rico 00918, and its telephone number is (787) 754-4488. The Fund provides investors with stability of principal, high liquidity and current income that, in the case of a Qualifying Individual, estate or trust, is subject to the special 10% tax rate imposed on dividends and, with regard to ordinary dividends distributed by the Fund to corporations or other business organizations whose principal office and place of business are in Puerto Rico, qualifies for the dividend received deduction provided by Section 1033.19 of the Internal Revenue Code for a New Puerto Rico, as amended (the “Puerto Rico Code”). See “Tax Matters.”

The authorized capital of the Fund is 2,000,000,020 shares of common stock consisting of (i) 2,000,000,000 Class A shares with \$0.01 par value per share, and (ii) 20 Class Q shares with \$0.01 par value per share. It is expected that the number of authorized shares of the Fund will increase as needed to satisfy demand therefor. Any such increase will require the prior approval of the shareholders of the Fund.

Although the Fund has two classes of common stock, the Fund is only offering the Shares to investors. See “Purchase of Shares.” The Class Q shares 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.

The Fund employs the “amortized cost method” of valuing portfolio securities for the purpose of determining the net asset value per share and intends to use its best efforts to maintain a constant net asset value per share of \$1.00. See “Valuation of Shares.”

The Fund is intended as an investment vehicle for investors that seek current income, stability of principal and high liquidity. It is not designed to provide investors with a means of speculating on short-term fluctuations in financial markets.

To the extent required by Puerto Rico law, the Fund will hold annual shareholder meetings. Directors of the Fund may be removed only with cause and upon the vote of not less than 75% of the issued and outstanding Shares of common stock of the Fund 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 By-laws.

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.

LIMITATION ON OFFERING AND TRANSFER OF SHARES

The 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 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 initial 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, participating in the distribution of the Shares, in writing, that the above conditions are satisfied. 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 prior to the purchase and delivery of such Shares. Purchasers selecting the Fund as their core money market option may be required to make similar representations on their account opening documentation. Shareholders of the Fund that cease to be residents of Puerto Rico have an obligation to immediately notify the Distributor or other agent through which they hold the shares of the change in their residency and to liquidate their investment in the Shares as soon as practicable, and to refrain from purchasing any additional Shares, including through the Fund’s dividend reinvestment plan. The Fund may redeem Shares of any shareholder that ceases to meet the above residency requirements and does not comply with his obligation to redeem his Shares. The Fund and the Distributor reserve the right to change the form of representation letter or the procedures required to ensure the availability of exemptions under the federal securities laws. See “Mandatory Redemption of Shares.”

INVESTMENT OBJECTIVE AND POLICIES

Investment Objective and Policies

The Fund’s investment objective is to provide to its shareholders stability of principal, high liquidity and current income that is exempt from federal income taxes and taxed in Puerto Rico, in the case of Qualifying Individuals, at the special tax rate of 10% imposed on dividends. The Fund will pursue its objective by investing, under normal market conditions, at least 67% of its total assets in repurchase agreements with broker-dealers and other financial institutions, primarily Popular Securities, and in Puerto Rico Securities having maturities of 13 months or less. The Fund is also permitted to invest up to 33% of its total assets directly in high quality, short-term, money market instruments with maturities of 13 months or less consisting of Non-PR Eligible Securities and, in the case of repurchase agreements, backed by Non-PR Eligible Securities. In furtherance of the foregoing, the Fund will seek to maintain a dollar-weighted average maturity of 90 days or less. The securities to be acquired by the Fund directly or under repurchase agreements shall consist exclusively of securities that the Investment Adviser determines, in accordance with the guidelines established by the Board, to be Permissible Securities.

Repurchase agreements are transactions in which the Fund purchases securities from Popular Securities or another broker-dealer or financial institution and simultaneously commits to resell the securities to Popular Securities or such broker-dealer or financial institution after an agreed-upon period of time at a price reflecting a market rate of interest unrelated to the coupon rate or maturity of the purchased securities. The price at which the securities will be repurchased by Popular Securities or such broker-dealer or financial institution represents the yield to the Fund on each such investment. Such price will be determined pursuant to a formula approved by the Board, which formula will provide a price to be calculated based on the LIBOR rates for instruments with similar maturities and this formula-based pricing will be approved by the Fund's non-affiliated directors.

The securities to be acquired directly by the Investment Adviser on behalf of the Fund will only consist of fixed-income securities with maturities of 13 months or less that, at the time of investment, the Investment Adviser determines present minimal credit risk and are either:

- Puerto Rico Securities, whether rated or unrated;
- rated, or otherwise shall have been issued by entities that have received ratings with respect to other short-term debt securities, in one of the two highest short-term rating categories of Moody's Investors Service, Inc. or Standard & Poor's Rating Services, a division of The McGraw Hill Companies (the "Rating Agencies"), without regard to any subcategory, or in the alternative, have received an equivalent rating from another nationally recognized statistical rating organization; or
- unrated but deemed to be of comparable quality by the Investment Adviser ("Short-Term Permissible Securities").

The Fund intends to enter into repurchase agreements backed by securities that, at the time of investment, the Investment Adviser determines present minimal credit risk and are either:

- Short-Term Permissible Securities;
- fixed-income securities that are rated, or otherwise shall have been issued by entities that have received ratings with respect to other long-term debt securities, within the four highest rating categories of any of the Rating Agencies, without regard to any subcategory, or in the alternative, have received an equivalent rating from another nationally recognized statistical rating organization; or
- unrated but deemed to be of comparable quality by the Investment Advisor (the "Permissible Securities").

The Permissible Securities in which the Fund may invest directly or as collateral for repurchase agreements will consist only of Puerto Rico Securities and Non-PR Eligible Securities (or participation interests or repurchase agreements involving any of the foregoing) and short-term deposits in banks located in the United States and its territories (certificates of deposit, bankers' acceptances and time deposits) or in U.S. branches and agencies of foreign banks (dollar-denominated certificates of deposit, bankers' acceptances and time deposits) whose obligations with respect to deposits are not rated, provided that such banks must have at least \$50 billion in total assets. See Appendix B – "Description of Certain Investment Techniques and Securities in Which the Fund May Invest."

Except for temporary defensive purposes upon the proven scarcity of Puerto Rico Securities (i.e., the unavailability of Puerto Rico Securities or their availability at a price unreasonably above their fair market value or at interest rates inconsistent with the Fund's investment objective, as determined by the Investment Adviser with the approval of the Office of the Commissioner) and as required by the Puerto Rico Investment Companies Act, at least 67% of the market value at the time of purchase of the Permissible Securities to be acquired (either directly or through repurchase agreements) by the Fund (the "67% Investment Requirement") will consist of the following securities (collectively, "Puerto Rico Securities"):

- bank deposits with, and bankers acceptances issued by, commercial banks doing business in Puerto Rico, commercial paper and other money market instruments issued by entities 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;
- securities of, or guaranteed by, the government of Puerto Rico or any instrumentality, political subdivision, agency or public corporation thereof;
- Puerto Rico mortgage-backed or asset-backed securities (including certificates issued by the Government National Mortgage Association backed by Puerto Rico mortgages);
- corporate obligations of entities organized under the laws of Puerto Rico; and/or
- corporate obligations of entities 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.

Up to 33% of the market value at the time of purchase of the Permissible Securities to be acquired (either directly or through repurchase agreements) by the Fund will be securities (including, but not limited to, mortgage-backed securities, asset-backed securities, corporate obligations and commercial paper) (collectively “Non-PR Eligible Securities”):

- of, or guaranteed by, the United States of America, or any political subdivision, agency, public corporation or instrumentality thereof, or of any State of the United States or any political subdivisions of any such State; or
- any private entity that satisfies the rating requirements discussed above.

In order for the Administrator to determine the Fund’s compliance with the 67% Investment Requirement, the value of the Fund’s net assets (i.e., the value of its assets less liabilities) will be determined weekly, as of the close of regular trading of the last business day of such week. Only for such purpose, the value of the Fund’s assets shall be equal to the sum of the aggregate value of the securities in which the Fund invested directly and the aggregate contract value of repurchase agreements, unless a default occurs thereunder, in which case the value of the Fund’s assets acquired under repurchase agreements shall be equal to the lesser of (i) the aggregate value of the securities underlying repurchase agreements (the “Underlying Securities”), or (ii) the contract value of repurchase agreements. For this purpose, the value of securities in which the Fund invested directly and Underlying Securities shall be determined by the Administrator as follows: (i) in the case of securities traded on a national exchange, the last available bid price on the particular exchange on the applicable date; (ii) in the case of United States government obligations, the market value reported by Bloomberg’s, Reuters or any other nationally recognized pricing service entity approved by the Board; and (iii) in the case of all other assets, the market value as determined by the Administrator with the assistance of the Investment Adviser and the supervision of the Board, in good faith, or based upon market quotations when such quotations are available. Primarily because it may be an administrative inconvenience for dealers or advisers other than the Investment Adviser to provide the Administrator with market quotations, independent sources of valuation may be unavailable for a substantial portion of the Fund’s assets. When market quotations for assets held by the Fund are not readily available from any such independent sources, the Administrator will attempt to obtain quotations from the Investment Adviser. When market quotations for assets held by the Fund are not available from any sources, such assets 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 assets or information regarding the trading spreads quoted by recognized dealers between such assets and U.S. Treasury obligations whose maturities are determined to be most closely matched to the average life of the Fund’s assets. Notwithstanding the foregoing, assets 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 does not represent fair value.

The Administrator will also oversee the daily calculation of the net asset value per share of the Fund, which is made by dividing the Fund's net assets, determined as set forth above, by the total number of Shares of the Fund issued and outstanding on the applicable date, in order to compare such valuation with the calculation of net asset value per share made daily on the basis of the "amortized cost method" of valuing portfolio securities in its efforts to maintain the net asset value per Share at \$1.00. If a deviation of one-half of one percent (0.50%) or more were to occur between the net asset value per share of the Fund calculated by reference to market values and the \$1.00 per share amortized cost value of the Fund, or if there were any other deviation which the Board believes would result in a material dilution to shareholders or purchasers, the Board would promptly consider what action, if any, should be initiated. See "Valuation of Shares."

Regulatory Investment Requirements

The determination of the value of the Fund's total assets, for purposes of determining whether the Fund is complying with the 67% Investment Requirement, will be based on the valuation of the Fund's assets to be made weekly by the Administrator or any duly appointed sub-administrator, with the assistance of the Investment Adviser. For this purpose, the market value of the Fund's total assets will be determined as follows: (i) in the case of assets traded on a national exchange, the market value established by the particular exchange; (ii) in the case of U.S. fixed-income obligations, based on the market value reported by any nationally recognized pricing service company or on the value provided by a broker-dealer that makes a market for such security; and (iii) in the case of U.S. fixed-income obligations whose value cannot be determined pursuant to (ii) and in the case of all other assets, as determined by the Administrator with the assistance of the Investment Adviser based on publicly available information, quotes from market makers, or as otherwise determined by the Board.

The Fund will not be required to comply with the 67% Investment Requirement (i) during a period of up to 30 days, but not more than twice in a year, if the Fund has defensive or strategic reasons for not complying with this investment requirement, such as strategies designed to protect the Fund's assets from fluctuations in interest rates or market conditions that could adversely affect the Fund's net asset value per Share, (ii) during one period of a maximum of 30 days in a year, upon a proven scarcity of Puerto Rico fixed-income securities or of a market disruption, or (iii) otherwise, for such longer periods as approved by the Office of the Commissioner. For these purposes, the term "proven scarcity" means the unavailability of Puerto Rico fixed-income securities or their availability at a price unreasonably above their fair market value or at maturities or interest rates inconsistent with the Fund's investment objective, as determined by the investment adviser of the Fund.

The appreciation in value of one type of asset held by the Fund such as Non-PR Eligible Securities may be greater than that of another type of asset such as Puerto Rico 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 Fund and the Investment Adviser to the effect that if the market value of the Fund's Puerto Rico Securities were to constitute less than 67% 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 67% Investment Requirement 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 Securities until the 67% Investment Requirement is met.

The Fund will not be able to change its investment objective and fundamental policies without the vote of a majority of the Shares outstanding and the prior approval of the Office of the Commissioner. The Investment Adviser may determine, at any time, that market conditions warrant the Fund adopting a temporary defensive investment posture. To the extent the Fund's assets are invested for temporary defensive purposes, such assets will not be invested in a manner designed to achieve the Fund's investment objective.

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, 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;
- invest more than 25% of its assets (taken at market value at the time of each investment), in the securities of any particular issuer provided this restriction shall not apply to: (1) U.S. Government Obligations, (2) mortgage-backed securities (whether or not issued or guaranteed by any agency or instrumentality of the U.S. Government), or (3) municipal securities, including securities issued by any state, commonwealth or territory of the United States of America or any political subdivision thereof, that are not considered to be part of any industry, except those backed only by the assets or revenues of a non-government entity;
- purchase or sell real estate, except that, to the extent permitted by applicable law, the Fund may invest in securities directly or indirectly secured by real estate or interests therein (including Puerto Rico GNMA's) or issued by companies which invest in real estate or interests therein, including real estate investment trusts, shall not be "U.S. real property interests" within the meaning of Section 897 of the U.S. Code;
- make loans to other persons, provided that this restriction shall not be deemed to apply to the purchase of debt securities in which the Fund may otherwise invest, to repurchase agreements or to loans of its portfolio securities, entered into in accordance with applicable law and guidelines set forth in the Fund's prospectus, as it may be amended from time to time;
- underwrite securities of other issuers, except insofar as the Fund technically may be deemed an underwriter under the 1933 Act or the Puerto Rico Uniform Securities Act in disposing of its portfolio securities;
- purchase any securities issued by the Investment Adviser or its affiliates, including Popular, Inc., Banco Popular, Popular Securities, Popular Mortgage or their affiliates, or any successor thereto; provided, that the Fund may purchase securities of such affiliated entities in accordance with the conflict of interest provisions adopted by the Board in an amount not to exceed 5% of the market value of the Fund's total assets (after giving effect to such purchase) and; provided, further that deposit accounts or shares in a money market fund that is sponsored or administered by Banco Popular or any affiliate thereof and mortgage-backed securities for which Popular Mortgage or any other affiliate acts as seller, settlor or servicer will not be deemed securities of an affiliate for purposes of these restrictions;
- purchase or sell commodities or contracts on commodities, except to the extent the Fund may do so in accordance with applicable law and the Fund's prospectus, as it may be amended from time to time, and without registering as a commodity pool operator under the U.S. Commodity Exchange Act;
- make short sales of securities or maintain a short position except to the extent permitted by applicable law. The Fund currently does not intend to engage in short sales, except short sales "against the box"; and
- purchase the securities of any one issuer if after such purchase it would own more than 75% of the voting securities of the issuer.

VALUATION OF SHARES

The net asset value per Share is determined as of the close of regular trading on the NYSE on each business day. For purposes of determining the net asset value of a Share, the amortized cost value of the securities held by

the Fund plus any cash or other assets minus all liabilities allocable to such Share is divided by the total number of Shares outstanding at such time.

The Fund employs the “amortized cost method” of valuing portfolio securities for the purpose of calculating the net asset value per Share and intends to use its best efforts to continue to maintain a constant net asset value of \$1.00 per Share; however, there can be no assurance that the Fund’s net asset value will always remain at \$1.00 per Share. The amortized cost method of valuation involves valuing a security at its cost and thereafter assuming a constant amortization to maturity of any discount or premium. Although the amortized cost method provides certainty in valuation, it may result in periods during which the stated value of a security is higher or lower than the price the Fund would receive if the security were sold.

DIVIDENDS AND AUTOMATIC REINVESTMENT

The Fund declares a dividend of substantially all of its net investment income on each business day. This determination is made once during each such day. Only shareholders of record at the time of such determination will be entitled to such dividend. Net investment income consists of the daily accrued interest on repurchase agreements and other investments of the Fund, less accrued expenses. Such dividends are distributed monthly two business days before the last day of the calendar month. Such dividends will automatically be reinvested monthly in Fund shares at net asset value. If a shareholder redeems his shares in full between monthly payment dates, all dividends accrued up to and including the date of liquidation will be paid with the proceeds of the redemption of shares. See “Redemption of Shares.” Dividends to Qualifying Individuals, estates and trusts consisting of Ordinary Dividends (as defined below under “Tax Matters”) will be distributed net of the 10% tax imposed by Section 1023.06 of the Puerto Rico Code, which will be automatically withheld at source by the Fund unless such Qualifying Individual, estate or trust elects otherwise. See “Tax Matters – Special Withholding Tax Considerations.”

PURCHASE OF SHARES

General

Purchases of Fund shares may be made only through a brokerage account maintained with the Distributor, or with the Puerto Rico branch of any other broker-dealers or financial institution that has entered into a selected dealer agreement with the Distributor. No maintenance fee will be charged by the Fund in connection with a brokerage account through which an investor purchases or holds shares. However, the Fund has agreed to pay a client service fee to the Distributor for services it will offer on the accounts it establishes and maintains for the shareholders of the Fund. See “Investment Advisory and Administrative Services - Distributor.” No minimum initial investment amount is required in order to invest in the Shares. The Fund reserves the right to waive or change minimums, if any, to decline any order to purchase its shares and to suspend the offering of shares from time to time. Shares purchased through the Distributor or other broker-dealers that enter into a selected dealer agreement with the Distributor will be held by the Distributor or such other broker-dealers that enter into a selected dealer agreement with the Distributor, as applicable, as nominee for each shareholder. The Distributor may enter into an agreement with a sub-contractor to maintain individual account records for the shareholders of the Fund who acquire Shares through the Distributor.

For investors who maintain a brokerage account with Popular Securities and who have selected the Fund as their core money market option, the Distributor has advised the Fund that depending on the type of securities account, its client’s free credit balances (i.e., immediately available funds) may be invested automatically in full Shares on a daily basis. All shareholders will benefit from free dividend reinvestment. A complete record of Fund dividends, purchases and redemptions will be included on a shareholders’ regular statements or, if a client of the Distributor, in such shareholder’s regular Popular Securities statements. Prospective investors should contact the Distributor or their Popular Securities Financial Consultant at such branch office for more complete information.

Continuous Offering

The Shares are sold continuously at their net asset value next determined after a purchase order is received and becomes effective. See “Valuation of Shares.” A purchase order becomes effective when the Distributor or other broker-dealers that enter into a selected dealer agreement with the Distributor receives, or converts the purchase amount into, federal funds (i.e., monies of member banks within the Federal Reserve System held on deposit at a Federal Reserve Bank). When orders for the purchase of Fund shares are paid for in federal funds, or are placed by an investor with sufficient federal funds or cash balance in the investor’s brokerage account with the Distributor, the order becomes effective on the day of receipt if received prior to 1:00 p.m., Atlantic Standard Time, on any day the Fund calculates its net asset value. See “Valuation of Shares.” Purchase orders received after 1:00 p.m., Atlantic Standard Time, on any business day are effective as of the time the net asset value is next determined. When orders for the purchase of Shares are paid for other than in federal funds, the Distributor or other broker-dealers that enter into a selected dealer agreement with the Distributor, acting on behalf of the investor, will complete the conversion into, or itself advance, federal funds, and the order will become effective on the day following its receipt by the Distributor or the other broker-dealers that enter into a selected dealer agreement with the Distributor. All shares purchased begin to accrue income dividends on the next business day following the day that the purchase order becomes effective. Because purchase orders for which payment is made in U.S. dollar checks and negotiable bank drafts may take up to ten days or more to become effective, it is strongly recommended that payment be effected by bank wire. It is the responsibility of investors to transmit payment for purchase orders promptly.

The Fund reserves the right to waive or change minimums, to decline any order to purchase Shares and to suspend the offering of Shares from time to time. Shares purchased through the Distributor or other broker-dealers that enter into a selected dealer agreement with the Distributor will be held by the Distributor or such other broker-dealers that enter into a selected dealer agreement with the Distributor, as applicable, as nominee for each shareholder. Shares purchased will be registered in the name of the nominee by the Fund’s transfer agent, Banco Popular (in its capacity as transfer agent of the Fund, the “Transfer Agent”). Share certificates are issued only upon shareholder’s written request to the Fund.

Purchase orders received by the Fund or the Distributor and which have become effective prior to the close of regular trading on the NYSE on each business day are priced according to the net asset value determined on that date (“trade date”). Orders received by broker-dealers that enter into a selected dealer agreement with the Distributor and which have become effective prior to the close of regular trading on each business day are priced according to the net asset value determined on that day; provided, that the order is received by the Fund or the Distributor on or prior to 1:00 p.m., Atlantic Standard Time, on such business day. Payment for Shares purchased through the Distributor or broker-dealers that enter into a selected dealer agreement with the Distributor purchasing through the Distributor is due on the trade date. In all other cases, payment must be made concurrently with the purchase order.

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 monthly. In this regard, the Board adopted a policy whereby shareholders may redeem for cash all full and fractional Shares of the Fund on a daily basis on any business day at a price per share equal to the net asset value per Share at the close of business on the date of redemption. In order for Shares to be redeemed on a particular date, the redemption order in proper form must be received by the Fund on a business day by the close of trading on the NYSE (generally, 4:00 P.M., New York time) from the Distributor or other broker-dealers 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 Share as of the close of regular trading on the date of redemption. 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.

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 the Shares, the market price of the Shares may vary

from time to time from the net asset value per Share. 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 are expected to reduce any spread between net asset value per Share and market price per Share that otherwise may develop. However, there can be no assurance that such action would result in the 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 Investment 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 the NYSE, the Federal Reserve or banks in San Juan, Puerto Rico are closed for trading or regular business, respectively (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.

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 ("1934 Act"), 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 other broker-dealer or financial institution through which the shareholder 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.

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, and that do not comply with their obligation to liquidate their investment in the Fund as described under "Limitation on Offering and Transfer of Shares."

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 Investment Adviser, the Administrator, the Custodian and the Transfer Agent. 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 the past 27 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 and Puerto Rico Baseball Academy and High School. He is also a former president of the Securities Industry Association of Puerto Rico. Mr. Guerrero is the beneficial owner of between \$100,001 and \$150,000 in equity securities of the Popular Family of Funds.

Carlos A. Pérez, M.D.:⁽²⁾

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 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), the CRE (1995) and the CCIM (1999) designations. Mr. Vallejo is also partner of various special partnerships involved in real estate development and a trustee, since May, 2011, of the Real Estate Appraisers Group Insurance Trust, a wholly owned subsidiary of the Appraisal Institute. 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 \$1,000,001 and \$1,500,000 in equity securities of the Popular Family of Funds.

Enrique Vila del Corral:⁽²⁾

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. He is director and audit committee chairman of the Popular Family of Funds and the chairman of the board and the audit committee of the Puerto Rico Investors Tax Free Family of Funds, which are mutual funds managed and co-managed by Banco Popular. He is also a director and audit committee chairman of V. Suárez Group of Companies. Mr. Vila is the

beneficial owner of between \$15,001 and \$25,000 in equity securities of the Popular Family of Funds.

Hector Rivera Rivera: ⁽¹⁾⁽²⁾

Treasurer of the Fund. Mr. Rivera has been in charge of Banco Popular's Mutual Funds' Administration Division since 2008 and is a Vice President of Banco Popular de Puerto Rico and Trust Officer.

Javier D. Ferrer, Esq.: ⁽¹⁾⁽²⁾

Secretary of the Fund. Mr. Ferrer is Executive Vice President in charge of the General Counsel and Corporate Matters Group and has been Popular, Inc.'s Chief Legal Officer and Secretary of the Board of Directors, since October 2014. Prior to joining Popular, Inc., Mr. Ferrer was a partner of Pietrantonio Méndez & Alvarez LLC, from September 1992 to December 2012 and from August 2013 to September 2014; President of the Government Development Bank for Puerto Rico and Vice Chairman of its Board of Directors from January to July 2013; and Chairman of the Economic Development Bank for Puerto Rico from January to July 2013.

Illich Omar Colón, Esq.: ⁽¹⁾⁽²⁾

Assistant Secretary of the Fund. Mr. Colón has been an attorney in Banco Popular's Legal Division since 2005. From 2003 to 2004, Mr. Colón acted as Director of New Business Development in the Continental Promotions Office of the Puerto Rico Industrial Development Company (PRIDCO). From 2000 to 2003, Mr. Colón worked as an attorney with the law firm O'Neill & Borges.

⁽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 Board.

No officer, director or employee of the Investment Adviser or of any affiliate thereof receives any compensation from the Fund for serving as an officer or director of the Fund. The Fund will pay each director who is not an officer, director or employee of the Investment Adviser or an affiliate thereof 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 below set forth the compensation paid by the Fund to its non-affiliated directors from January 1, 2014 to December 31, 2014 and from January 1, 2015 to December 31, 2015, and the aggregate compensation paid to such persons by all investment companies advised or co-advised by the Investment Adviser during such periods. The Fund does not accrue any retirement benefits for its directors as part of its expenses.

Compensation from January 1, 2014 to December 31, 2014

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	\$4,200.00	\$20,000.00
Jorge I. Vallejo	\$5,200.00	\$63,000.00
Enrique Vila del Corral	\$5,700.00	\$78,000.00

Compensation from January 1, 2015 to December 31, 2015

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	\$2,000.00	\$27,000.00
Jorge I. Vallejo	\$5,200.00	\$64,000.00
Enrique Vila del Corral	\$5,200.00	\$79,000.00

Indemnification of Directors

The Fund has obtained directors and officers' 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 division 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 Investment Adviser is responsible for all investment decisions regarding the Fund's assets. The Investment Adviser currently acts as investment adviser or co-investment adviser to twelve other Puerto Rico investment companies and as of December 31, 2015, managed or co-managed approximately \$1,873,651,681 in assets.

A team of investment professionals led by Javier Rubio, CFA is primarily responsible for the day to day management of the Fund's assets. Mr. Rubio has worked in the asset management division of the Investment Adviser since September 1996 acting as its Chief Investment Officer where he oversees more than \$2.7 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.

Unless earlier terminated as described below, the investment advisory agreement between the Fund and the Investment 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 except under limited circumstances to an affiliated entity of the Investment Adviser 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 total assets of approximately \$27.9 billion as of March 31, 2016. Banco Popular is a wholly-owned subsidiary of Popular, Inc., a bank-holding company headquartered in San Juan, Puerto Rico that 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 Investment Adviser will be compensated monthly by the Fund at the annual rate of 0.25% 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 Investment Adviser are located at the Eighth Floor, Popular Street Building, 153 Ponce de León Avenue, San Juan, Puerto Rico 00918.

Administrator

Banco Popular, in its capacity as administrator of the Fund, 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 the Fund, 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 coordination of 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 an administrative fee accrued daily and paid monthly at an annual rate of 0.10% of the Fund's "average daily net assets" as defined above under "Investment Adviser."

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 of common stock of the Fund 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 will not receive a separate fee or additional compensation for acting as the transfer agent of the Fund, but will be reimbursed for the out-of-pocket expenses it incurs in providing transfer agency services to the Fund.

Custodian

The Fund's securities and cash will be 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 will not

receive a separate fee or additional compensation for acting as custodian of the Fund, but will be 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 of common stock of the Fund 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 and a client service 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 0.50% of the “average daily net assets” of the Fund in order to compensate the Distributor (and selected broker-dealers or financial institutions that enter into selected dealer agreements with the Distributor) for distributing or providing other related services in connection with the Shares. The Fund also pays the Distributor a client service fee accrued daily and paid monthly at the annual rate of 0.10% of the “average daily net assets” of the Fund (computed as described above under Investment Adviser) in order to compensate the Distributor for providing certain client service activities. 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 fees 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 Investment 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 “Portfolio Transactions - Transactions Involving Affiliates.”

PORTFOLIO TRANSACTIONS

Subject to policies established by the Board, the Investment Adviser is primarily responsible for the execution of the Fund’s portfolio transactions. In executing such transactions, the Investment Adviser seeks to obtain the best results for the Fund, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution and operational facilities of the firm involved and the firm’s risk in positioning a block of securities. While the Investment Adviser generally seeks reasonably competitive commission rates, the Fund does not necessarily pay the lowest commission or spread available.

The Fund has no obligation to deal with any broker or dealer in the execution of transactions in portfolio securities. The Investment Adviser intends to execute portfolio transactions in (i) Puerto Rico fixed-income obligations, including mortgage-backed obligations, through brokers, dealers or banks in or outside Puerto Rico, and (ii) U.S. Government fixed-income obligations, municipal obligations and short-term investments through brokers or dealers either in or outside Puerto Rico, in either case including Popular Securities, Banco Popular or any of their respective affiliates as discussed below. Subject to obtaining the best price and execution, securities firms which provide supplemental investment research to the investment adviser, including Popular Securities, may receive orders for transactions by the Fund. Information so received will be in addition to and not in lieu of the services required to be performed by the Investment Adviser under the investment advisory agreement, and the expenses of the investment adviser will not necessarily be reduced as a result of the receipt of such supplemental information.

The securities in which the Fund primarily will invest are traded in the over-the-counter markets, and the Fund intends to deal directly with the dealers, including Popular Securities or one of its affiliates as discussed below, who make markets in the securities involved, except in those circumstances where better prices and execution are available elsewhere.

Transactions Involving Affiliates

The Fund is not registered under the 1940 Act and therefore, is not subject to the restrictions regarding, among other things, transactions between the Fund and Banco Popular, Popular Securities and their respective

affiliates (each such person an “Affiliated Party,” and each such transaction an “Affiliated Transaction”) contained therein.

As disclosed in this Prospectus, the Fund intends to engage in Affiliated Transactions, such as securities purchase and sale transactions and repurchase agreement transactions, directly with Banco Popular, Popular Securities and possibly other of the Investment Adviser’s affiliates. The Fund may also purchase securities that are offered in underwritings in which one or more Affiliated Parties acts as the lead manager or senior manager of the offering or as a member of the underwriting or selling group. For most securities purchased by the Fund, one of those entities may be the only dealer, or one of only a few dealers, in the securities being purchased or sold by the Fund. In that event, independent sources for valuation or liquidity of a security may be limited or nonexistent. The Fund is expected to invest a substantial portion of its assets in those securities. The Fund may also invest up to 5% of its total assets (excluding for these purposes, time deposits, shares of money market Funds and mortgage-backed securities) in securities issued by, or make deposits with, an Affiliated Party. As a result of such Affiliated Transactions and other dealings, the interests of an Affiliated Party may conflict with those of the Fund as to the price and other terms of transactions that they engage with each other. Portfolio transactions between the Fund and an Affiliated Party will be executed on terms and conditions comparable to those with unrelated third parties in the ordinary course of the Fund’s investment activities and pursuant to procedures adopted by the Board .

Affiliated Parties may also engage, at the present or in the future, in business transactions with or related to any one of the issuers of the Fund’s investment assets, or with competitors of such issuers, as well as provide them with investment banking, asset management, trust, or advisory services, including merger and acquisition advisory services. These activities may present a conflict between an Affiliated Party and the interest of the Fund. Affiliated Parties may also publish or may have published research reports on one or more of such issuers and may have expressed opinions or provided recommendations inconsistent with the purchasing or holding of the securities of such issuers. Any of these activities may affect the market value of the securities issued by them and therefore, will affect the value of the Shares.

Other conflicts of interest may arise in the future, which will be addressed by the Board at such time.

TAX MATTERS

As with any investment, your investment in the Fund could have tax consequences for you. 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 Internal Revenue Code of 2011, as amended (the “Puerto Rico Code”) and the regulations promulgated or applicable thereunder (the “Puerto Rico Code Regulations”), 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 (Act 6 of October 19, 1954), as amended (“PRICA”), and the Federal Relations Act, Public Law 97-258, 96 Stat. 945 (31 U.S.C. § 3124(a)). The discussion of U.S. 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 shareholders 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”) or corporations or other business organizations whose principal office and place of business are in Puerto Rico (“Qualifying Corporations”) or trusts organized under the laws of Puerto Rico (“Qualifying Trusts”),

including trusts funding employee retirement plans described in Section 1081.01 of the Puerto Rico Code (“Qualifying Retirement Trusts,” and together with Qualifying Individuals, Qualifying Corporations and Qualifying Trusts, the “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, corporation of individuals 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 shareholder 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

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

A dividend attributable to the Fund’s tax-exempt income under the Puerto Rico Code (“Exempt Dividend”) will not be taxable under the Puerto Rico Code to a Qualifying Investor if (i) such dividend is designated as an “Exempt Dividend” by the Fund in a written notice submitted to its shareholders no later than 59 days after the close of the Fund’s taxable year, and (ii) such dividend does not exceed the earnings and profits of the Fund attributable to income exempt from Puerto Rico income tax under Section 1031.02 of the Puerto Rico Code, or pursuant to any other Puerto Rico or United States law.

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 have been held by the shareholder. Capital Gain Dividends will qualify for the special income tax 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 Exempt Dividends and Capital Gain Dividends distributed by the Fund to estates and trusts.

A dividend distributed by the Fund that is not an Exempt Dividend or a Capital Gain Dividend is considered an Ordinary Dividend (“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 pursuant to the Fund’s dividend reinvestment plan. 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 shareholders basis in the Shares, and any excess will be treated as a gain from the sale or exchange of such shares.

Ordinary Dividends and Capital Gains Dividends derived by Qualifying Individuals that have a decree issued pursuant to Act 22-2012 are subject to taxation in accordance with the rules provided therein.

By purchasing the Shares, Qualifying Investors that are not Qualifying Retirement Trusts 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 source by the Fund or its paying agent.

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 the Puerto Rico income tax imposed on the Ordinary Dividends.

An Ordinary Dividend paid to 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 Puerto Rico Income taxes due by the Qualifying Corporation.

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

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 the special 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 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, except for Qualifying Corporations, are deductible only to the extent of gains recognized by such shareholders from the sale, exchange or other disposition of capital assets. Such Qualifying Investors, except for Qualifying Corporations, may also deduct up to \$1,000 of such capital losses against ordinary income. Capital losses from the sale, exchange or other disposition of the Shares that constitute capital assets in the hands of Qualifying Corporations are deductible in the year if the loss only to the extent of gains

recognized by such Shareholders from the sale, exchange or other disposition of capital assets in such year, the deduction for losses carried over to subsequent taxable years is limited to 80% of the amount of capital gains.

Capital gains derived by Qualifying Individuals that have a decree pursuant to Act 22-2012 are subject to taxation in accordance with the rules provided therein.

For purposes of the Puerto Rico Code, an investment in Shares by a “financial institution” may be treated as an investment in an “exempt obligation” for purposes of the interest expense allocation rules for financial institutions of the Puerto Rico Code.

Alternative Minimum Tax. Puerto Rico resident individuals are subject to alternative minimum tax if their regular tax liability is less than the alternative minimum tax liability. The alternative minimum tax rates range from 10% 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. It should be noted that exempt dividends disbursed by the Fund are not subject to the alternative minimum tax.

Estate and Gift Taxes. The transfer of Shares by gift by a Qualifying Individual will not be subject to gift taxes imposed by the Puerto Rico Code if such Qualifying Individual is a resident of Puerto Rico for purposes of the Puerto Rico Code as of the time of the gift. The transfer of Shares by death by a Qualifying Individual will not be subject to estate taxes imposed by the Puerto Rico Code if such Qualifying Individual (i) is a U.S. citizen who acquired his citizenship solely by reason of birth or residence in Puerto Rico and (ii) is a resident of Puerto Rico for purposes of the Puerto Rico Code as of the time of death. Special rules may apply to Qualifying Individuals holding more than 10% of the Shares of Fund and such investors are urged to consult their own tax advisers.

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 a non-financial business. 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 Pietrantoní Méndez & Alvarez LLC based on certain representations made by the Fund, under current U.S. federal income tax law the Fund will not be engaged in a U.S. trade or business and will not be required to file a U.S. federal income tax return. Such opinion is based on certain representations made by the Fund to the effect that it 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 in the United States, the Fund will only be subject to United States federal income taxation if it realizes certain items of income of a fixed or determinable annual or periodic nature, in which case the Fund will be subject to a 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 (known as the “FACTA 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 currently is expected to 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, payments made after December 31, 2018. Regulations issued by the U.S. Department of the Treasury and the IRS on January 17, 2013 and temporary regulation published on March 6, 2014 (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 United States Internal Revenue 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 United States Internal Revenue 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 be Puerto Rico source rather than U.S. source income. 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 with a U.S. trade or business carried on by such corporation.

Under U.S. Code Sections 933 and 937, and based upon certain administrative guidance of the IRS, 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. 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 Individual's 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.

Individual shareholders of the Fund 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, an individual shareholder determines that he or she is a 10% shareholder of the Fund, such individual 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 US Code include an exception to the general source of income rules 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 US 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. The Fund, however, understands 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 in the preceding paragraph.

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.

The U.S. Code also provides that certain shareholders of PFICs, 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, a shareholder of a the Fund will not have to file the required annual return (Form 8621) with respect to the Fund for a taxable year if : (i) (a) on the last day of the taxable year of the shareholder, the aggregate value of all PFIC stock owned directly or indirectly by the shareholder does not exceed \$25,000 (\$50,000 for joint filers), or if the stock of the Fund is held indirectly, the value of the stock does not exceed \$5,000; (b) the shareholder has not made a “Qualified Electing Fund” election with respect to the Fund, and (c) the shareholder is not treated as having received an “excess distribution” by reason of a distribution or disposition of the stock of the Fund, (ii) the shareholder is a tax exempt entity (as defined in the regulations issued under Section 1298 of the US Code);or (iii) is a shareholder whose passive foreign investment company information reporting pertains to a taxable year ending before December 31, 2013. 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.

Qualifying 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 U.S. federal or Puerto Rico taxes or as to the consequences of investing in the Fund.

DESCRIPTION OF CAPITAL STOCK

The Fund has the authority to issue, upon resolution approved by the Board from time to time, 2,000,000,020 shares of common stock consisting of (i) 2,000,000,000 Class A shares with a par value of one cent (\$0.01) per share, and (ii) 20 Class Q shares with a par value of one cent (\$0.01) per share. The Class Q shares 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. The Board is authorized, to the extent permitted by law, to classify or reclassify any unissued shares of common stock.

Common Stock. Although the Fund has two classes of common stock, the Fund is only offering the Shares to the public. Shares of common stock, when issued and outstanding, will be fully paid and non-assessable. Shareholders are entitled to share pro-rata in the net assets of the Fund available for distribution to holders of common stock upon the liquidation of the Fund. Except as set forth above with respect to the voting rights of Class Q shares, holders of shares of common stock are entitled to one vote for each share held. All voting rights for the election of directors are non-cumulative, which means that the holders of more than 50% of the shares of common stock of the Fund can elect 100% of the directors then nominated for election if they choose to do so, and, in such event, the holders of the remaining shares will be unable to elect any directors. The Puerto Rico Investment Companies Act provides that not more than 50% of the shares may be controlled by less than six shareholders.

LEGAL MATTERS AND AUDITORS

Certain legal matters in connection with the issuance of the Shares offered hereby will be passed upon by Pietrantoní Méndez & Álvarez 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. The independent auditors are responsible for auditing the financial statements of the Fund.

PRIVACY POLICY

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

GENERAL INFORMATION

Reports to Shareholders

The fiscal year of the Fund ends on November 30 of each year. An annual report, containing financial statements audited by the Fund's independent auditors, will be sent to shareholders each year. The Fund plans to consolidate the mailing of its annual report by household in an effort to reduce the Fund's printing and mailing costs. A household having multiple accounts with identical address of record will receive a single copy of each report. Shareholders who do not want this consolidation to apply to their accounts must contact their broker. After the end of each calendar year, shareholders will receive Puerto Rico income tax information regarding dividends and capital gains distributions.

Performance Information

From time to time, the Fund may include its yield and/or total return on its common stock in advertisements and other types of sales literature. The Fund may also include comparative performance information in advertising or marketing of its shares. Such performance information may include data from independent financial publications. Yield or total return figures will be based on the Fund's historical performance and are not intended to indicate future performance.

Additional Information

Additional information regarding the Fund is on file with the Office of the Commissioner.

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.

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 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 ("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, Inc. 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, Inc. may declare any such purchase to be null and void.

Signature

Date

Name

Account Number

Business Organization

DESCRIPTION OF CERTAIN INVESTMENT TECHNIQUES AND SECURITIES IN WHICH THE FUND MAY INVEST

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.

Description of Certain Fixed-Income Securities

Bankers' Acceptances. The Fund may invest in bankers' acceptances, which are short-term credit instruments used to finance commercial transactions. Generally, an 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.

Certificates of Deposit and Time Deposits. The Fund may invest in certificates of deposit ("CDs") and time deposits of FDIC insured depository institutions. 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.

Commercial Paper. The Fund may invest in commercial paper that is limited to obligations rated Prime-1 or Prime-2 by Moody's, or A-1 or A-2 by S&P, or F-1 or F-2 by Fitch. Commercial paper includes notes, drafts or similar instruments payable on demand or having a maturity at the time of issuance not exceeding nine months, exclusive of days of grace or any renewal thereof.

Debt Securities. The Fund may invest in debt securities. 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 Puerto Rico or 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.

Forward Commitments. The Fund may make contracts to purchase securities for a fixed price at a future date beyond customary settlement time (“forward commitments”), if the Fund either (1) holds, and maintains until the settlement date in a segregated account, cash or high grade debt obligations in an amount sufficient to meet the purchase price or (2) enters into an offsetting contract for the forward sale of securities of equal value that it owns. Forward commitments may be considered securities in themselves. They involve a risk of loss if the value of the security to be purchased declines prior to the settlement date, which risk is in addition to the risk of decline in value of the Fund’s other assets. The Fund may dispose of a commitment prior to settlement and may realize short-term profits or losses upon such disposition.

Illiquid Securities. There is no limitation in the Fund’s ability to purchase or otherwise acquire illiquid securities that is, securities that are illiquid by virtue of the absence of a readily available market or legal or contractual restrictions on resale. However, the Fund does not intend to invest in illiquid securities other than Puerto Rico illiquid securities.

Over-the-counter (“OTC”) options and their underlying collateral are currently considered to be illiquid investments. The Fund may sell OTC options and, in connection therewith, segregate assets or cover its obligations with respect to OTC options written. The assets used as cover for OTC options written will be considered illiquid unless OTC options are sold to qualified dealers who agree that the Fund may repurchase any OTC option it writes at a maximum price to be calculated by a formula set forth in the option agreement. The cover for an OTC option written subject to this procedure would be considered illiquid only to the extent that the maximum repurchase price under the formula exceeds the intrinsic value of the option.

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 investment 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 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 nongovernmental 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 of the underlying mortgage assets may cause CMOs to be retired substantially earlier than their stated maturities of final distribution dates, resulting in a loss of all or part of any premium paid.

REMICs. A REMIC is a CMO that qualifies for special tax treatment under the U.S. Internal Revenue Code and invests in certain mortgages principally secured by interests in real property. REMICs are not available in Puerto Rico and do not qualify as Puerto Rico Securities. Investors may purchase beneficial interests in REMICs, which are known as “regular” interests or “residual” interests. Guaranteed REMIC pass-through certificates (“REMIC Certificates”) issued by FNMA or FHLMC represent beneficial ownership interests in a REMIC trust consisting principally of mortgage loans or FNMA, FHLMC or GNMA-guaranteed mortgage pass-through certificates. For FHLMC REMIC Certificates, FHLMC guarantees the timely payment of interest, and also guarantees the payment of principal as payments are required to be made on the underlying mortgage participation certificates. FNMA REMIC Certificates are issued and guaranteed as to timely distribution of principal and interest by FNMA.

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.

Municipal Bonds, Industrial Development Bonds and Private Activity Bonds. Municipal bonds are debt obligations issued to obtain Funds for various public purposes. The two principal classifications of municipal bonds are “general obligation” bonds and “revenue” bonds. General obligation bonds are secured by the issuer’s pledge of its full faith, credit and taxing power for the repayment of principal and the payment of interest. Revenue bonds are payable only from the revenues derived from a particular source, such as the user of the facility being financed. Certain municipal bonds are “moral obligation” issues, which normally are issued by special purpose public corporations. In the case of such issues, an express or implied “moral obligation” of a related government unit is pledged to the payment of the debt service but is usually subject to annual budget appropriations.

The Fund may invest in industrial development bonds (“IDBs”) and private activity bonds (“PABs”), which are municipal bonds issued by or on behalf of public corporations to finance various privately operated facilities, such as airports or pollution control facilities. IDBs and PABs are generally revenue bonds and thus are not payable from the unrestricted revenue of the issuer. The credit quality of IDBs and PABs is usually directly related to the credit standing of the user of the facilities being financed.

The Fund does not presently intend to concentrate its investments, e.g., invest a relatively high percentage of its assets in Puerto Rico Government Obligations (such as revenue bonds) issued by entities which may pay their debt service obligations from the revenues derived from similar projects such as hospitals, multi-family housing, nursing homes, continuing care facilities, commercial facilities (including hotels), electric utility systems or industrial companies. That limitation may in the future be changed by the Fund’s Board of Directors. Any future determination to allow concentration of the Fund’s investments may make the Fund more susceptible to similar economic, political, or regulatory occurrences.

Municipal Lease Obligations. Municipal lease obligations are government securities that may take the form of leases, installment purchase contracts or conditional sales contracts, or certificates of participation with respect to such contracts or leases. Municipal lease obligations are issued by municipalities and public corporations to purchase land or various types of equipment and facilities. Although municipal lease obligations do not constitute general obligations of the municipality for which the municipality’s taxing power is pledged, they ordinarily are

backed by the municipality's covenant to budget for, appropriate and make the payments due under the lease obligation.

The liquidity of municipal lease obligations varies. Certain municipal lease obligations contain non-appropriation clauses which provide that the municipality has no obligation to make lease or installment purchase payments in future years unless money is appropriated for such purpose on a yearly basis. Some municipal lease obligations of this type are insured as to timely repayment of principal and payment of interest, even in the event of a failure by the municipality to appropriate sufficient Funds to make payments under the lease. However, in the case of an uninsured municipal lease obligation, the Fund's ability to recover under the lease in the event of non-appropriation or default will be limited solely to the repossession of the leased property, without recourse to the general credit of the lessee, and disposition of the property in the event of foreclosure might prove difficult.

Participation Interests. The Fund may invest in participation interests in fixed and variable rate securities. A participation interest gives the Fund an undivided interest in a security or asset owned by a bank. The Fund has the right to sell the instrument back to the bank. Such right is generally backed by the bank's irrevocable letter of credit or guarantee and permits the Fund to draw on the letter of credit on demand, after specified notice, for all or any part of the principal amount of the Fund's participation interest plus accrued interest. Generally, the Fund intends to exercise the demand under the letters of credit or other guarantees only upon a default under the terms of the underlying security or asset, or to maintain the Fund's portfolio in accordance with its investment objective and policies. The ability of a bank to fulfill its obligations under a letter of credit or guarantee might be affected by possible financial difficulties of its borrowers, adverse interest rate or economic conditions, regulatory limitations or other factors. The investment adviser will monitor the pricing, quality and liquidity of the participation interests held by the Fund, and the credit standing of banks issuing letters of credit or guarantees supporting such participation interests on the basis of published financial information reports of rating services and bank analytical services.

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 in value 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. The Fund will not invest in preferred stock convertible into shares of common stock.

Puerto Rico Government Obligations. The Fund may invest in securities issued or guaranteed by the Commonwealth of Puerto Rico or its agencies and instrumentalities. Such securities include Puerto Rico government securities, such as bills, notes, bonds and certificates of indebtedness, which differ in their interest rates, maturities and times of issuance, and issues of Puerto Rico agencies and instrumentalities established under the authority of an act of the Puerto Rico Legislature. These securities may bear fixed, floating or variable rates of interest, subject to the limitations established in the investment guidelines for the Fund. See "Floating and Variable Rate Obligations" herein. While the Commonwealth of Puerto Rico may provide financial support to some Puerto Rico agencies or instrumentalities, no assurance can be given that it will always do so, since it is not always so obligated by law. The Fund will invest in such securities only when such securities meet the rating requirements established under the guidelines adopted by the Fund's Board of Directors and when the Investment Adviser deems such investment to be consistent with the Fund's investment objective and policies.

Repurchase Agreements. The Fund intends invest in 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 (a broker-dealer or other financial institution) 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.

U.S. Government Securities. The Fund may invest in U.S. Government securities, including a variety of securities that are issued or guaranteed by the U.S. Government, its agencies or instrumentalities and repurchase agreements secured thereby. These securities include securities issued and guaranteed by the U.S. Government,

such as Treasury bills, Treasury notes, and Treasury bonds; obligations supported by the right of the issuer to borrow from the U.S. Treasury, such as those of the Federal Home Loan Banks; and obligations supported only by the credit of the issuer, such as those of the Federal Intermediate Credit Banks.

When-Issued and Delayed Delivery Transactions. The Fund may enter into agreements with banks or broker-dealers for the purchase or sale of securities at an agreed-upon price on a specified future date. Such agreements might be entered into, for example, when the investment adviser anticipates a decline in interest rates and is able to obtain a more advantageous yield by committing currently to purchase securities to be issued later. When the Fund purchases securities on a when-issued or delayed delivery basis, it is required either (1) to create a segregated account with the Fund's custodian and to maintain in that account cash, U.S. Government securities or other high grade debt obligations in an amount equal on a weekly basis to the amount of the Fund's when-issued or delayed delivery commitments or (2) to enter into an offsetting forward sale of securities it owns equal in value to those purchased. The Fund will only make commitments to purchase securities on a when-issued or delayed-delivery basis with the intention of actually acquiring the securities. However, the Fund may sell these securities before the settlement date if it is deemed advisable as a matter of investment strategy. When the time comes to pay for when-issued or delayed-delivery securities, the Fund will meet its obligations from then available cash flow or the sale of securities, or, although it would not normally expect to do so, from the sale of the when-issued or delayed delivery securities themselves (which may have a value greater or less than the Fund's payment obligation).

Futures, Forwards and Hedging Transactions

General Description. The Fund may use a variety of financial instruments ("Derivative Instruments"), including options on securities, financial futures contracts (sometimes referred to as "futures" or "futures contracts"), options on futures contracts and other interest rate protection transactions such as swap agreements, to attempt to hedge the Fund's investment portfolio. In addition to hedging, the Fund may also invest in Derivative Instruments for income enhancement purposes, including enhancing portfolio returns and reducing borrowings costs. The investment in Derivative Instruments for income enhancement purposes subjects the Fund to substantial risk of losses that may not be off set by gains on other portfolio assets.

Cover for Hedging Strategies. Some Hedging Instruments expose the Fund to an obligation to another party. The Fund will not enter into any such transactions unless it owns either (1) an offsetting ("covered") position in securities, options, futures contracts or swap agreements or (2) cash and other liquid assets with a value sufficient at all times to cover its potential obligations to the extent not covered as provided in (1) above. The Fund will comply with applicable regulatory guidelines regarding cover for instruments and will, if the guidelines so require, set aside cash or other liquid assets in a segregated account with the Fund's custodian, in the prescribed amount.

Assets used as cover or otherwise set aside cannot be sold while the position in the corresponding Hedging Instrument is open, unless they are replaced with other appropriate assets. As a result, the commitment of a large portion of a Fund's assets to cover in segregated accounts could impede its ability to meet redemption requests or other current obligations.

Options and Futures Trading. The Fund may engage in certain options (including options on securities, equity and debt indices, and futures strategies) in order to hedge its investments as well as for income enhancement purposes. There is no limit on the amount of these transactions that may be entered into for bona fide hedging purposes. For non-hedging purposes, the Fund may enter into such transactions if, immediately after the transactions, the sum of the initial margin deposits on the Fund's existing futures positions and option premiums entered into for non-hedging purposes does not exceed 5% of the liquidation value of the Fund's portfolio, after taking into account unrealized profits and unrealized losses on such transactions. Certain special characteristics of and risks with these strategies are discussed below.

Characteristics and Risks of Options Trading. The Fund effectively may terminate its right or obligation under an option by entering into a closing transaction. If the Fund wished to terminate its obligation to purchase or sell securities under a put or call option it has written, it may purchase a put or call option of the same-series (i.e., an option identical in its terms to the option previously written); this is known as a closing purchase transaction. Conversely, in order to terminate its right to purchase or sell under a call or put option it has purchased, the Fund may write a call or put option of the same series. This is known as a closing sale transaction. Closing transactions essentially permit the Fund to realize profits or limit losses on its options positions prior to the exercise

or expiration of the option. Whether a profit or loss is realized from a closing transaction depends on the price movement of the underlying security, index or futures contract and the market value of the option.

In considering the use of options to hedge, particular note should be taken of the following:

(1) The value of an option position will reflect, among other things, the current market price of the underlying security, index or futures contract, the time remaining until expiration, the relationship of the exercise price to the market price, the historical price volatility of the underlying instrument and general market conditions. For this reason, the successful use of options as a hedging strategy depends upon the ability of the Fund's investment adviser to forecast the direction of price fluctuations in the underlying instrument.

(2) At any given time, the exercise price of an option may be below, equal to or above the current market value of the underlying instrument. Purchased options that expire unexercised have no value. Unless an option purchased by the Fund is exercised or unless a closing transaction is effected with respect to that position, a loss will be realized in the amount of the premium paid.

(3) A position in an exchange-listed option may be closed out only on an exchange that provides a secondary market for identical options. Most exchange-listed options relate to futures contracts and stocks. The ability to establish and close out positions on the exchanges is subject to the maintenance of a liquid secondary market. Closing transactions may be effected with respect to options traded in the OTC markets (currently the primary markets of options on debt securities) only by negotiating directly with the other party to the option contract, or in a secondary market for the option if such market exists. Although the Fund intends to purchase or write only those options for which there appears to be an active secondary market, there is no assurance that a liquid secondary market will exist for any particular option at any specific time. In such event, it may not be possible to effect closing transactions with respect to certain options, with the result that the Fund would have to exercise those options that it has purchased in order to realize any profit. With respect to options written by the Fund, the inability to enter into a closing transaction may result in material losses to it. For example, because the Fund may maintain a covered position with respect to any call option it writes on a security, it may not sell the underlying security during the period it is obligated under such option. This requirement may impair the Fund's ability to sell a portfolio security or make an investment at a time when such a sale or investment might be advantageous.

(4) Activities in the options market may result in a higher portfolio turnover rate and additional brokerage costs; however, the Fund also may save on commissions by using options as a hedge rather than buying or selling individual securities in anticipation of market movements.

Guidelines, Characteristics and Risks of Futures Trading. Although futures contracts by their terms call for actual delivery or acceptance of financial instruments, in most cases the contracts are closed out before the settlement date without the making or taking of delivery. Closing out a futures contract sale is effected by purchasing a futures contract for the same aggregate amount of the specific type of financial instrument and the same delivery date. If the price of the initial sale of the futures contract exceeds the price of the offsetting purchase, the seller is paid the difference and realizes a gain. Conversely, if the price of the offsetting purchase exceeds the price of the initial sale, the seller realizes a loss. Similarly, the closing out of a futures contract purchase is effected by the purchaser entering into a futures contract sale. If the offsetting sale price exceeds the purchase price, the purchaser realizes a gain, and if the purchase price exceeds the offsetting sale price, he realizes a loss.

The Fund is required to maintain margin deposits with brokerage firms through which it buys and sells futures contracts. Initial margin deposits vary from contract to contract and are subject to change. Margin balances will be adjusted weekly to reflect unrealized gains and losses on open contracts. If the price of an open futures position declines so that the Fund has market exposure on such contract, the broker will require the Fund to deposit variation margin. If the value of an open futures position increases so that the Fund no longer has market exposure on such contract, the broker will pay any excess variation margin to the Fund.

Most of the exchanges on which futures contracts are traded limit the amount of fluctuation permitted in futures prices during a single trading day. The daily price limit establishes the maximum amount that the price of a futures contract may vary either up or down from the previous day's settlement price at the end of a trading session. Once the daily price limit has been reached in a particular type of contract, no trades may be made on that day at a price beyond that limit. The daily price limit governs only price movement during a particular trading day and

therefore does not limit potential losses because the limit may prevent the liquidation of unfavorable positions. Futures contract prices occasionally have moved to the daily limit for several consecutive trading days with little or no trading, thereby preventing prompt liquidation of futures positions and subjecting some traders to substantial losses.

Another risk in employing futures contracts as a hedge is the prospect that prices will correlate imperfectly with the behavior of cash prices for the following reasons. First, rather than meeting additional margin deposit requirements, investors may close contracts through offsetting transactions. Second, the liquidity of the futures market depends on participants entering into offsetting transactions rather than making or taking delivery. To the extent that participants decide to make or take delivery, liquidity in the futures market could be reduced, thus producing distortion. Third, from the point of view of speculators, the deposit requirement in the futures market is less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market may cause temporary price distortions. Due to the possibility of distortion, a correct forecast of general interest rate or security price trends by the investment adviser may still not result in a successful transaction.

Writing Covered Options. The Fund is authorized to write (i.e., sell) covered call options on the securities in which it may invest and to enter into closing purchase transactions with respect to certain of such options. A covered call option is an option where the Fund in return for a premium gives another party a right to buy specified securities owned by the Fund at a specified future date and price set at the time of the contract. The principal reason for writing call options is to attempt to realize, through the receipt of premiums, a greater return than would be realized on the securities alone. By writing covered call options, the Fund gives up the opportunity, while the option is in effect, to profit from any price increase in the underlying security above the option exercise price. In addition, the Fund's ability to sell the underlying security will be limited while the option is in effect unless the Fund effects a closing purchase transaction. A closing purchase transaction cancels out the Fund's position as the writer of an option by means of an offsetting purchase of an identical option prior to the expiration of the option it has written. Covered call options serve as a partial hedge against the price of the underlying security declining.

The Fund also may write put options which give the holder of the option the right to sell the underlying security to the Fund at the stated exercise price. By writing a put, the Fund may be obligated to purchase the underlying security at a price that may be higher than the market value of that security at the time of exercise for as long as the option is outstanding. The Fund may engage in closing transactions in order to terminate put options that it has written.

Purchasing Options. The Fund is authorized to purchase put options to hedge against a decline in the market value of its securities. By buying a put option, the Fund has a right to sell the underlying security at the exercise price, thus limiting the Fund's risk of loss through a decline in the market value of the security until the put option expires. The amount of any profit on the sale in the value of the underlying security will be partially offset by the amount of the premium paid for the put option and any related transaction costs. Prior to its expiration, a put option may be sold in a closing sale transaction and profit or loss from the sale will depend on whether the amount received is more or less than the premium paid for the put option plus the related transaction costs. A closing sale transaction cancels out the Fund's position as the purchaser of an option by means of any offsetting sale of an identical option prior to the expiration of the option it has purchased.

In certain circumstances, the Fund may purchase call options on securities held in its portfolio on which it has written call options or on securities which it intends to purchase.

Options. The Fund is authorized to engage in transactions in options. The Fund may purchase or write put and call options on bond indices to hedge against the risk of market wide bond price movements in the securities in which the Fund invests. Options on indices are similar to options on securities except that on exercise or assignment, the parties to the contract pay or receive an amount of cash equal to the difference between the closing value of the index and the exercise price of the option times a specified multiple. The Fund may invest in bond index options based on a broad market index or based on a narrow index representing an industry or market segment.

The Fund also has authority to purchase and write call and put options on bond indices. Generally, these strategies are utilized under the same market and market sector conditions (i.e., conditions relating to specific types

of investment) in which the Fund enters into futures transactions. Similarly, the Fund may purchase call options to hedge against the increased cost resulting from an increase in the market value of securities which the Fund intends to purchase.

Swaps and Interest Rate Protection Transactions. The Fund may enter into interest rate and other swaps, including interest rate protection transactions, interest rate caps, collars and floors. Swap transactions involve an agreement between two parties to exchange payments that are based, respectively, on indices or specific securities or other assets, such as variable and fixed rates of interest that are calculated on the basis of a specified amount of principal (the “notional principal amount”) for a specified period of time. Interest rate cap and floor transactions involve an agreement between two parties in which the first party agrees to make payments to the counterparty when a designated market interest rate goes above (in the case of a cap) or below (in the case of a floor) a designated level on predetermined dates or during a specified time period. Interest rate collar transactions involve an agreement between two parties in which the first party makes payments to the counterparty when a designated market interest rate goes above a designated level of predetermined dates or during a specified time period, and the counterparty makes payments to the first party when a designated market interest rate goes below a designated level on predetermined dates or during a specified time period.

The Fund will engage in swap transactions directly with other counterparties. This subjects the Fund to the credit risk that a counter party 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. Additionally, the financial integrity of swap transactions is generally unsupported by other regulatory or self-regulatory protections such as margin requirements, capital requirements, or financial compliance programs. Therefore, there are much greater risks of defaults with respect to swap transactions than with respect to exchange-traded futures or securities transactions.

The Fund expects to enter into interest rate protection transactions to preserve a return or spread on a particular investment or portion of its portfolios to protect against any increase in the price of securities the Fund anticipates purchasing at a later date or to effectively manage the rate of interest that it pays on one or more borrowings or series of borrowings. The Fund intends to use these transactions as a hedge and not as a speculative investment.

The Fund may enter into swaps, caps, collars and floors on either an asset-based or liability-based basis, depending on whether it is hedging its assets or its liabilities, and will usually enter into interest rate swaps on a net basis, i.e., the two payment streams are netted out, with the Fund receiving or paying, as the case may be, only the net amount of the two payments. Inasmuch as these transactions are entered into for good faith hedging purposes, the investment adviser and the Fund believe such obligations do not constitute debt securities and, accordingly, will not treat them as being subject to its borrowing restrictions.

The Fund will enter into such transactions only with banks and recognized securities dealers believed by the investment adviser to present minimal credit risks in accordance with guidelines established by the Fund’s Board of Directors. If there is a default by the other party to such a transaction, the Fund will have to rely on its contractual remedies (which may be limited by bankruptcy, insolvency or similar laws) pursuant to the agreements related to the transaction.

The swap market has grown substantially in recent years with a large number of banks and investment banking firms acting both as principals and as agents utilizing standardized swap documentation. Caps, collars and floors are more recent innovations for which documentation is less standardized, and accordingly, they are less liquid than swaps.

Combined Transactions. The Fund may enter into multiple futures transactions, instead of a single transaction, as part of a single or combined strategy when, in the opinion of its investment adviser, it is in the best interests of the Fund to do so. A combined transaction usually will contain elements of risk that are present in each of its component transactions. Although combined transactions normally are entered into based on the judgment of the investment adviser that the combined strategies will reduce risk or otherwise more effectively achieve the

desired portfolio management goal, it is possible that the combination instead will increase such risks or hinder achievement of the portfolio management objective.

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 Investment Adviser to be of good standing and will not be made unless, in the judgment of the Investment 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 Investment Adviser.

FORM TO ELECT OUT OF THE 10% WITHHOLDING

Popular Money Market Fund, Inc.

I hereby elect that the Ordinary Dividends payable to me on the shares of common stock of the Popular Money Market Fund, Inc. will not be subject to a 10% Puerto Rico income tax withholding.

Very truly yours,

By: _____

Name:

Title (if applicable):

PRIVACY POLICY

Popular Money Market 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.