

Item 1 – Cover Page

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September 28, 2012

This Brochure provides information about the qualifications and business practices of Santander Asset Management (hereinafter “SAM”). If you have any questions about the contents of this Brochure, please contact us at (787) 759-5340. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

SAM is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about SAM also is available on the SEC’s website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. The CRD number for SAM is 109399.

Item 2 – Material Changes

On July 28, 2010, the SEC published “Amendments to Form ADV” which amends the disclosure document (hereinafter “Brochure” or “Document”) that we provide to clients as required by SEC Rules. This Brochure, dated September 28, 2012, is a new document prepared according to the SEC’s requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past, we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year, December 31st. We may further provide other ongoing disclosure information about material changes as necessary. Also, we will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Luis Roig, SAM’s Chief Compliance Officer, at (787) 759-5378.

Additional information about SAM is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with SAM who are registered, or are required to be registered, as investment adviser representatives of SAM.

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Item 4 – Advisory Business

SAM is a wholly-owned subsidiary of Santander Securities LLC (hereinafter “SSL”), a full-service broker-dealer and investment adviser, which in turn is a wholly-owned subsidiary of Santander BanCorp, a privately held financial holding company organized under the laws of the Commonwealth of Puerto Rico. Santander BanCorp’s common stock is wholly owned by Banco Santander, S.A. (hereinafter “Santander” or “Santander Group”), a public company traded on the New York Stock Exchange. Other affiliates of SAM include Banco Santander Puerto Rico, Santander Mortgage Corporation, Santander Insurance Agency, Santander Financial Services and Santander International Bank. However, as part of the Santander Group, SAM is affiliated with numerous other entities throughout a number of different companies. Please refer to Item 10 for information on affiliated entities with which SAM has material relationships and the method in which SAM manages certain conflicts that arise in such relationships.

As of June 30, 2012, SAM managed \$4,171MM on a discretionary basis.

SAM has been providing advisory services since November 1999. SAM currently serves as the investment adviser to the First Puerto Rico Family of Funds (the “PR Funds”), a series of non diversified, open-end and closed-end registered investment companies under the Puerto Rico Investment Companies Act and organized under the laws of the Commonwealth of Puerto Rico, that are exclusive for Puerto Rico residents. SAM also provides customized continuous investment management services to institutional investors such as university endowments, insurance companies, governmental agencies, pension funds and individual investors, among others. Prospective investors in the PR Funds should review the applicable prospectuses for complete information on each of the PR Funds.

SAM primary business as a predominantly fixed income manager is to serve the PR Funds as investment adviser. SAM also provides customized fixed income portfolio management services for institutional and individual clients. The primary objective of all of SAM’s engagements is to first understand each client’s needs and constraints, and then build portfolios that provide superior returns for given levels of acceptable risk. In its fixed income management, SAM specializes in the following areas: Governments securities (Treasuries and Government Sponsor Entities (GSEs), municipal obligations (MO), mortgage-backed securities (“MBS”), investment-grade corporate securities, and asset-backed securities (“ABS”).

SAM only manages client accounts on a discretionary basis. For clients that have equity components to their mandates (including certain of the PR Funds), or in those situations where a client's fixed income mandate falls outside SAM's core areas of expertise, SAM utilizes a sub-adviser. A client may impose reasonable restrictions on the investments to be made by SAM or a sub-adviser.

At present, SAM has sub-advisory relationship in place with Eagle Asset Management (hereinafter "Eagle") an unaffiliated investment adviser. SAM does not utilize any of the PR Funds as investments within institutional client separate accounts. In general terms, PR fund mandates have minimal, if any, overlap with the separate accounts advised by SAM. SAM never utilizes its discretion to invest separate account client assets in the PR Funds.

In addition to acting as investment manager, SAM also provides administrative services for the PR Funds, include initial set-up, provide facilities and personnel in the performance of certain services, including the daily determination of the net asset value per share of common stock, pricing of the portfolios securities, maintaining and preserving the books and records, generating and reviewing financial information for each individual fund, reports to regulators and to external auditors, coordination of meetings and materials for Quarterly Board of Directors Meetings or Monthly Committee Meetings, reconciliations with custodian, and operations transactions.

Item 5 – Fees and Compensation

Fees for Management of the PR Funds:

With respect to management of the PR Funds, SAM's advisory fee ranges from 0.40% to 0.75%. Investment advisory and administrative fees ranges from 0.07% to 0.13%, which are indirectly paid entirely by shareholders on a monthly basis, and are charged as a percentage of each Fund's average daily/weekly net assets (including assets purchased with the proceeds of leverage) plus the proceeds of any outstanding commercial paper or other debt securities, and the proceeds from borrowing from banks or other financial institutions. SAM pays a portion of these fees to sub-advisers on a monthly basis, based on the market value of the weekly assets. The fees billed by SAM to the PR Funds and by the sub-advisers to SAM are payable in arrears.

SAM has agreed to reimburse the PR Funds to the extent that total annual operating expenses (including the investment advisory fees but excluding interest, taxes, brokerage commissions and extraordinary expenses) exceed an established percentage of each of the PR Funds' average net assets. Under the Investment Advisory Agreement between SAM

and each of the PR Funds, any reduction in SAM's advisory fees as a result of SAM's fee waivers may be recovered by SAM within the first two fiscal years following such fee waiver if overall Fund expenses fall below the percentage limitation.

The overall management of the business and affairs of funds under the PR Funds are vested with its Board of Directors (with a majority of independent directors). The Board of Directors selects and oversees the investment adviser, SAM. The Board also approves all significant agreements of the PR Funds, including the PR Funds' agreements with SAM, as advisor, administrator, custodian, and transfer agent, and SAM's agreements with sub-advisers. SAM's parent company, SSL, has been appointed as the distributor of the PR Funds.

The following actions cannot be taken without the unanimous vote of the Board's independent directors:

- a) Removal of SAM as investment advisor
- b) Removal of SAM as Fund Administrator
- c) Appointment of the replacement of SAM as investment advisor
- d) Appointment of the replacement of SAM as Fund Administrator
- e) Approval of service contracts

The advisory contract between SAM and the PR Funds may be terminable without penalty (i) by any of the particular PR Funds or by SAM on sixty (60) days' written notice to the other party; (ii) by the vote of holders of a majority of the outstanding shares of common stocks of any of the particular PR Funds; or (iii) at any time by the unanimous vote of the independent directors.

Fees for Management of Institutional Accounts:

While all fees are negotiable at SAM's discretion, SAM typically charges management fees for Institutional Clients as a percentage of assets under management according to the following schedules:

Equity Fee Schedule:

Accounts less than \$1,000,000:

- 1.00% on assets under \$200,000
- 0.90% on assets between \$200,000 and \$500,000
- 0.80% on assets between \$500,000 and \$1,000,000

Accounts greater than \$1,000,000:

- 0.80% on assets under \$1,000,000
- 0.75% on assets between \$1,000,000 and \$2,000,000
- 0.70% on assets between \$2,000,000 and \$10,000,000
- 0.60% on assets greater than \$10,000,000

Select Balanced Fee Schedule:

All Account Sizes:

- 1.00% on assets under \$500,000
- 0.85% on assets between \$500,000 and \$1,000,000
- 0.70% on assets between \$1,000,000 and \$5,000,000
- 0.60% on assets between \$5,000,000 and \$10,000,000
- 0.50% on assets greater than \$10,000,000

Fixed Income Fee Schedule:

All Account Sizes:

- 0.50% on assets under \$500,000
- 0.40% on assets between \$500,000 and \$2,000,000
- 0.35% on assets between \$2,000,000 and \$10,000,000
- 0.30% on assets greater than \$10,000,000

SAM's management fees are calculated as a percentage of assets under management. Fees may be paid quarterly, depending on the contractual relationship. Fees may be paid after investment advisory services are provided (i.e., in arrears) or paid in advance (i.e., pre-paid). If investment advisory service fees are paid in advance, then early termination of a client account will result in a proportionate (i.e., pro-rata) return of such pre-paid fees. In the case where a client's account is managed by a sub-adviser, SAM pays a portion of the above fee to the sub-adviser. If provided authority by a client, SAM will deduct fees from the client's custodial account. However, SAM will also invoice a client for its advisory fees.

SAM may, on occasion, negotiate its management fee arrangement, thereby resulting in lower management fees or fees that may be billed semi-annually or annually. Moreover, SAM may, on occasion, make exception to annual management fee minimums or minimum account sizes based upon the specific circumstances of an account.

A separate account Investment Management Agreement may be terminated by either party at any time upon written notice pursuant to the provisions of the agreement. There is no

penalty for a client terminating its account. Upon termination, the client receives a refund for the portion of the prepaid management fee which is not earned.

SAM's fees are exclusive of brokerage commissions (markups/markdowns in the case of fixed income securities), transaction fees, and other related costs and expenses which are incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Please refer to Item 12 of this brochure for information on SAM's brokerage practices.

While it is not anticipated that mutual funds will be included in client portfolios, money market mutual funds may be used to 'sweep' unused cash balances until they can be appropriately invested. Clients should recognize that all fees paid to SAM for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee.

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

SAM does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). All fees are calculated as described above and are not charged on the basis of income or capital gains or capital appreciation of the funds or any portion of the funds of an advisory client.

Item 7 – Types of Clients

SAM provides investment management services to the PR Funds as well as various institutional clients, which include endowments/foundations, public funds, insurance and other financial companies, corporations and corporate pensions plans, and health organizations.

SAM generally imposes a minimum dollar amount of \$1,000,000 of assets for institutional separate accounts; however, smaller accounts may be accepted at SAM's discretion.

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

SAM's investment decision process for its fixed income management service utilizes a top/down-bottom/up total rate of return approach, whereby SAM seeks to maximize a portfolio's rate of return with the least amount of risk. The process begins by identifying such macroeconomic factors as monetary policy and the economic cycle in order to make decisions regarding duration, term structure of interest rates and sector exposures, all while keeping in mind that specific mandates of accounts and investment companies must be respected at all times. After these trends and sector exposures are identified, SAM focuses on finding an assortment of individual securities that are attractive on a relative value basis and that may outperform similar securities within each sector. SAM will then model different mixtures of securities, given a variety of interest rate and credit spreads scenarios, to obtain the portfolio that optimizes potential rate of return, while maintaining an acceptable level of risk.

Once the investment strategy is implemented, SAM Investment Team (hereinafter "the team") meets on a regular basis in order to analyze and discuss recent developments and to make decisions with regards to the current and future investment strategy. Notwithstanding, portfolios are monitored by the team on a daily basis in order to take advantage of any inefficiencies or investment opportunities that may arise. Throughout the whole investment decision process, the team always remains focused with regards to specific investment objectives and risk constraints of each mandate. When ideas, market conditions, or a combination require major strategy re-evaluations, the topic is escalated to the Investment Committee, composed by managers of SAM, which meets on a quarterly basis or ad hoc, as needed (the "Investment Committee").

SAM has a team approach with regards to investment strategy, but portfolio managers have decision making power with regards to strategy and also make the final investment decisions and executions in the strategy being implemented. During weekly investment meetings, the portfolio managers along with the portfolio analysts discuss investment strategies and input and ideas are obtained from the analysts.

PR Funds shareholders should be aware that the PR Funds are managed according to each of the PR Funds' specific investment objectives, policies, and restrictions, and are not tailored for particular investors. Investors and potential investors in the PR Funds are requested to refer to the applicable prospectus for complete information on each of the PR Funds.

Size and Depth of Research Staff

SAM research, portfolio management, and trading are all carried out by the team. SAM believes this allows for better flow of ideas, better client focus, and more efficient implementation. It also allows for better personnel backup, in case of illness, vacations, or staffing changes. SAM utilizes various third-party research providers, which we believe provides benefits such as cost efficiency and a wide array of investment thesis and opinions. SAM does not maintain “soft dollar” arrangements with any brokerage firm with which it conducts business.

As part of its investment process SAM conducts research in a variety of ways. Research is conducted primarily through Bloomberg, Excel-based analytical models, CMS Bond Edge, Reuters and third party publications (i.e. broker dealers or media publications). Data is obtained from all sources in order to perform comprehensive macroeconomic and security analyses. The data obtained from such analyses is discussed by team members in order to make decisions regarding investment strategy and individual security selection. Economic and market commentary from Wall Street brokerage firms is widely distributed and read by all team members. However, first-hand analysis and a thorough understanding of an instrument's analytical structure are required prior to purchase.

Risk Control

SAM views risk management as a function of portfolio design and review. We seek a portfolio design relative to its benchmark that will add value to our clients within the expected economic and market conditions, and apply a review process to ensure consistency and evaluate the design principles. Most of the assets held in the intermediate fixed income mandate are held in very liquid asset classes, such as US Agency Pass-Through MBS, US Municipal and US Agency Benchmark bonds.

The investment management team meets on a weekly basis and is composed of the portfolio manager and the portfolio analysts. Ideas are presented by the manager and analysts and discussed in detail. Usually a discussion is carried out with regards to buy and sells decisions, with the portfolio manager making final investment decisions based on information gathered and discussed during such meetings. The Investment Committee meets at least quarterly to review all investment activity as carried out by the firm.

It is not possible to identify all of the risks associated with investing and the particular risks applicable to a client account will depend on the nature of the account, its investment strategy or strategies and the types of securities held. The following risk factors do not

purport to be a complete list or explanation of the risks associated with the portfolio investments or investments in the PR Funds.

Risk of Loss

Investing in securities involves risk of loss that clients should be able to understand and bear.

All investments present the risk of loss of principal – the risk that the value of securities, when sold or otherwise disposed of, may be less than the price paid for the securities. Even when the value of the securities when sold is greater than the price paid, there is the risk that the appreciation will be less than inflation. In other words, the purchasing power of the proceeds may be less than the purchasing power of the original investment.

More information about the risks of any particular market sector can be reviewed in representative mutual fund prospectuses managing assets within each applicable sector.

Generally, SAM does not use leverage in institutional and individual accounts. However, in the event that SAM determines that leverage is appropriate in its investment program for institutional and individual accounts, SAM, following the client investment policy guideline, may use borrowed funds and/or investments in certain types of options, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities while giving the purchaser the full benefit of movement in the market of those underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. To the extent SAM purchases securities for a client account with borrowed funds, its net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. The level of interest rates generally, and the rates at which such funds may be borrowed in particular, could affect the operating results of an account. If the interest expense on borrowings were to exceed the net return on the investments made with borrowed funds, SAM's use of leverage would result in a lower rate of return than if an account was not leveraged.

If the amount of borrowings outstanding for a client account at any one time is large in relation to such Account's capital, fluctuations in the market value of the account will have disproportionately large effects in relation to the account's capital and the possibilities for profit and the risk of loss will therefore be increased. Any investment gains made with the additional monies borrowed will generally cause the net asset value of a client account to rise more rapidly than would otherwise be the case. Conversely, if the investment performance of the additional monies borrowed fails to cover their cost to a client account,

the net asset value of the account will generally decline faster than would otherwise be the case.

Certain of SAM's trading and investment activities may be subject to U.S. Federal Reserve Board ("FRB") margin requirements, which are computed daily. At present, the FRB's Regulation T permits a broker to lend no more than 50% of the purchase price of "margin stock" bought by a customer. When the market value of a particular open position changes to a point where the margin on deposit does not satisfy maintenance margin requirements, a "margin call" on the customer is made. If the customer does not deposit additional funds with the broker to meet the margin call within a reasonable time, the customer's position may be closed out. In the event of a precipitous drop in the value of the assets managed by SAM, SAM might not be able to liquidate assets quickly enough to pay off the margin debt and might suffer mandatory liquidation of positions in a declining market at relatively low prices, incurring substantial losses. With respect to SAM's trading activities on behalf of a client account, the account, and not SAM, will be subject to margin calls.

Overall, the use of leverage, while providing the opportunity for a higher return on investments, also increases the volatility of such investments and the risk of loss. Clients should be aware that an investment program utilizing leverage is inherently more speculative, with a greater potential for losses, than a program that does not utilize leverage.

Information about the use of leverage in the PR Funds can be reviewed in the applicable prospectus for complete information and disclosures.

SAM also invests in a variety of types of asset-backed securities ("ABS"), including (but not limited to) residential mortgage backed securities, commercial mortgage-backed securities and collateralized debt obligations. SAM may invest in any tranche of an ABS, including unrated tranches. ABS are primarily exposed to the performance and credit risk of the underlying collateral. There is no established, liquid secondary market for many of the ABS SAM may purchase. The lack of such an established, liquid secondary market may have an adverse effect on the market value of such ABS and the SAM's ability to sell them. Further, ABS may be subject to certain transfer restrictions that may further restrict liquidity.

Risks Specific to Fixed Income Management:

Historically, bonds have indeed provided less volatility and less risk of loss of capital than equity investing. However, there are many factors that may affect the risk and return profile of a fixed-income portfolio. The two most prominent factors are interest-rate

movements and the credit-worthiness of the bond issuer. Bonds issued by the U.S. government have generally less risk of default than those issued by corporations and municipalities. However, the overall return on government bonds tends to be less than these other types of fixed-income securities.

Asset-backed securities and mortgage-backed securities are created by pooling loans from a variety of sources and issuing bonds that are backed by these loans. Creditworthiness stems from the credit quality of the underlying loans, as opposed to corporate bonds in which creditworthiness is derived from the earning power of the issuing company. The primary risk of these securities is interest-rate risk. Rising interest rates might cause loan principal prepayments to slow, resulting in less available principal to invest at prevailing higher rates. Conversely, rate decreases might accelerate prepayments, leaving more dollars to invest at lower rates. Investment grade refers to fixed-income securities rated BBB or better by Standard & Poor's or Baa or better by Moody's.

Convertible securities and preferred stock combine the fixed-income characteristics of bonds with some of the potential for capital appreciation of equities and, thus, may be subject to greater risk than pure fixed-income instruments. Unlike bonds, preferred stock and some convertible securities do not have a fixed par value at maturity, and in this respect may be considered riskier than bonds. Convertible securities may include convertible bonds, convertible preferred stocks and other fixed-income instruments that have conversion features.

Investments in high-yield bonds and convertible securities are subject to the client's authorization, as set forth in the Investment Management Agreement. Such investments may be subject to greater risks than other fixed-income investments. The lower rating of high-yield bonds (less than investment grade) reflects a greater possibility that the financial condition of the issuer or adverse changes in general economic conditions may impair the ability of the issuer to pay income and principal. Periods of rising interest rates or economic downturns may cause highly leveraged issuers to experience financial stress, and thus markets for their securities may become more volatile. Moreover, to the extent that no established secondary market exists, there may be thin trading of high-yield bonds, which increases the potential for volatility.

Investors and potential investors in the PR Funds are requested to refer to the applicable prospectus for complete information and disclosures on each Fund.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of SAM or the integrity of SAM's management. There is no legal or disciplinary event to report.

Item 10 – Other Financial Industry Activities and Affiliations

Other Financial Industry Activities

SAM, as administrator of the PR Funds, performs, or arranges for the performance of, certain administrative services (i.e., services other than investment advice and related portfolio activities) necessary for the operation of the PR Funds. These administrative services include, among other things, providing facilities and personnel to the PR Funds in the performance of certain services including the weekly determination of the net asset value per share of common stocks of the PR Funds, based upon among other things, the pricing of PR Funds' portfolio securities, maintaining and preserving the books and records of the PR Funds, assisting in the preparation and filing of the PR Funds' income tax returns, assisting in the preparation, printing and dissemination of reports and other communications to shareholders, and providing regulatory compliance services.

Funds advisory and administrative services for the PR Funds also include the initial set-up of mutual funds, execution of funds transactions (leverage, buying and selling on behalf of the fund), generating, reviewing financial information for each individual fund, reports to regulators and to external auditors, coordination of meetings and materials for Quarterly Board of Directors Meetings or Monthly Committee Meetings, reconciliations with custodian and operations transactions.

SAM shareholder services support

Shareholder services and support related to the PR Funds are managed directly by the PR Funds' distributor, SSL. SAM's direct responsibilities relating to shareholder services and support include assisting SSL in the preparation of quarterly fund information fact sheets and general marketing materials for the PR Funds.

Other responsibilities of SAM with respect to shareholders of the PR Funds include:

- a. ***Annual shareholders meetings:*** SAM is responsible for the overall preparation and coordination of shareholder meetings for each of the PR Funds. Among SAM's responsibilities and duties in connection with each annual shareholder meeting are:
 - (i) assisting legal counsel in the preparation of a proxy statement, (ii) assisting in

the coordination of the mailing of the proxy statement, (iii) preparing presentation materials discussing annual performance and financial results of each fund and (iv) causing SAM's senior management and investment management team to be available to present and discuss the business of each fund at the annual shareholder meeting.

- b. ***Marketing and wholesaling efforts:*** SAM is currently working in the development of marketing materials for the open end investment companies of the PR Funds in an attempt to reach out to a larger number of financial consultants that will be able to offer our products to a larger asset base. Our efforts also include the development of wholesaling efforts with the objective of creating greater awareness of the PR Funds we advise and ultimately maintain our existing and future shareholders well informed.
- c. ***Financial Statements:*** SAM assists in the preparation of the financial statements of the PR Funds that are audited by Deloitte & Touche. In addition, SAM is responsible for drafting, together with the Chairman of the Board of Directors of the PR Funds, the letter to shareholders that forms part of the annual report to shareholders of each of the PR Funds.
- d. ***Prospectus reviews:*** On an annual basis, SAM works together with SSL and legal counsel in updating the prospectus for each of the open end funds.

Other Financial Industry Affiliations

SAM is a wholly-owned subsidiary of SSL. SSL is a Puerto Rico corporation and a full-service broker-dealer registered with the SEC and member of FINRA. SSL is a wholly-owned subsidiary of Santander BanCorp, a financial holding company organized under the laws of the Commonwealth of Puerto Rico. Santander BanCorp's common stock is wholly owned by Banco Santander, S.A. While this is not an exhaustive list, other affiliates of SAM include:

- Banco Santander Puerto Rico
- Santander Mortgage Corporation
- Santander Insurance Agency
- Santander Financial Services
- Santander International Bank

Certain of SAM's Directors also serve as officers of Santander BanCorp, Banco Santander Puerto Rico and/or SSL.

SSL is a full-service broker- dealer operation engaging in three principal areas of business: retail and institutional sales, trading and investment banking. While SAM remains operationally independent of the vast majority of its affiliates via ultimate ownership by Banco Santander, S.A., SAM maintains arrangements that are material to its advisory business with SSL, its parent company, through the use of SSL, in its capacity as a broker-dealer, as an executing counterparty for certain PR Funds transactions. SSL may also be member of an underwriting syndicate from which SAM purchases new issue bonds. SAM maintains written procedures with respect to PR Funds portfolio transactions involving affiliated persons, which are designed to meet regulatory requirements and minimize any potential conflict arising from these relationships.

SAM never utilizes SSL or another affiliate as executing counterparty, or purchases a new issue bond in which a SAM affiliate is a syndicate member, for separate account clients.

In addition, SAM maintain contractual agreements with SSL for administrative services including accounting, management consulting, marketing, compliance, etc.

Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading

SAM has adopted a Code of Ethics expressing the firm's commitment to ethical conduct. SAM's Code of Ethics describes SAM's fiduciary duties and responsibilities to clients and sets forth its practice of supervising the personal securities transactions of employees with access to client information. Individuals associated with SAM may buy or sell securities for their personal accounts identical or different than those recommended to clients. It is the expressed policy of SAM that no person employed by SAM shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on investment decisions of advisory clients.

To supervise compliance with its Code of Ethics, SAM requires that anyone associated with this advisory practice with access to advisory recommendations, provide annual securities holding reports and quarterly transaction reports to the SAM's principal. SAM also requires such access persons to receive approval from the Chief Compliance Officer or his designee prior to any investment in their personal brokerage account.

SAM's Code of Ethics further includes its policy prohibiting the use of material non-public information and protecting the confidentiality of client information. SAM requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. Any individual not in observance of the above may be subject to discipline.

SAM will provide a complete copy of its Code of Ethics to any client or prospective client upon request.

Item 12 – Brokerage Practices

SAM requests that it be provided with written authority to determine which securities and the amounts of securities that are bought or sold, as well as the broker dealer to be used and the commission rates to be paid (or markups/markdowns in the case of fixed income investments).

Any limitations on this discretionary authority shall be included in this written authority statement. Clients may change/amend these limitations, as required. Such amendments shall be submitted in writing.

SAM will endeavor to select those brokers or dealers which will provide the best services at the lowest commission rates possible. In instances where SAM is aware that the same security is offered by more than one broker/dealer at the same price, SAM will take into consideration the reasonableness of the commissions based on the broker's ability to provide professional services, competitive rates, research and other services which will help SAM in providing investment management services to clients.

SAM only places client trades with approved counterparties. Transaction allocation to specific counterparties is determined through a competitive process where the best competitive bid/offer among a group of broker dealers that have demonstrated depth and knowledge in the specific asset class is chosen:

- When dealing in US securities, SAM typically requests no less than 3 competitive bids/offers (on a regular basis, between 5 and 10 offers/bids are requested) and the most competitive bid/offer is chosen.
- When dealing in PR securities, SAM typically requests at least 3 competitive bids/offers. Due to the limited number of market participants in Puerto Rico SAM normally cannot obtain a larger numbers of bids/offers, as typically done when

dealing with US securities. The selection of the most competitive bid is the same as described above, where the most competitive bid/offer is selected.

SAM may at times invest client assets in new issue municipal bonds due to favorable pricing opportunities. As such, SAM's broker dealer execution selection will be limited to the broker dealers who are syndicate members of the new issue. As disclosed under Item 10 of this brochure, this may also include situations (but only for the PR Funds, not separate account clients) where affiliates of SAM are syndicate members. While SAM will make every effort to attain best execution on these transactions, the Firm's ability to get multiple quotes will be limited. When secondary municipal bond offerings are utilized in client accounts, SAM as a matter of policy will seek the best execution possible taking into account current market conditions and other alternative investment opportunities. With respect to sale transactions, under normal market conditions, a competitive bidding process is utilized for those securities deemed to be liquid by SAM Investments. Execution via a negotiated sale is permitted for all other instances. In the event that two or more brokers competitively bid identical price levels, SAM will go back to each and request a re-bid. If all brokers again return identical new bids, then a broker is selected randomly.

SAM does not have, nor anticipate entering into, any soft dollar relationships.

In exercising investment discretion over client accounts, or in responding to specific client instructions, SAM places orders with broker-dealers to execute transactions for the accounts. When trading errors occur to which SAM is responsible, SAM's policy is to make the client whole by correcting the error (i.e. to restore the client's account to the position it would have been in if the error had not occurred). The process of correction may result in cash shortfalls which SAM is responsible for covering.

Allocation of Aggregated Securities Transactions Between the PR Funds and Other Advisory Business

In general terms, the PR Funds mandates have minimal, if any, overlap with the separate institutional accounts managed by SAM and therefore very few, if any, allocation issues occur between the two investment advisory businesses. Allocation issues that do occur are subject to SAM's Global Order Control Procedure described below.

The distribution of purchases and sales securities in global orders for client accounts managed by SAM are executed based on a capacity report that indicates, previous to placement of the transaction, the capacity of each client account to purchase or sell securities by geographical sector, credit rating, and/or tax treatment based on the Fund or

client's specific mandates and restrictions ("Capacity Reports"). Capacity Reports are prepared by SAM weekly and on the first day of each month.

In addition to the Capacity Report, SAM's Portfolio Management team constantly reviews the investment portfolios for each client account in search of opportunities to get better returns without adversely affecting the overall risk level. At the time, where deemed necessary to enter into transactions of purchase and/or sale of the same values in more than one client account (including the PR Funds), the procedure for global orders allocation is applied as described and values are assigned in pro rata based on needs.

Before making any purchase or sale of securities, SAM's Portfolio Management team completes a rigorous analysis based on the current Capacity Report in order to determine the specific needs (and capacity) of each client. After completing the analysis, the Portfolio Management area allocates completed transactions pro rata.

Item 13 – Review of Accounts

Reviews:

Client transactions are reviewed daily by SAM. In addition, SAM reviews each client account periodically. Additional account reviews may be triggered by any of the following events:

- a specific client request;
- a change in client goals and objectives;
- an imbalance in a portfolio asset allocation; and
- market/economic conditions.

SAM also reviews accounts managed by the sub-advisers on a monthly basis, including the monitoring of the investment performance, compliance controls and daily operations. The Investment Committee receives quarterly reports on the performance and operations of the PR Funds and institutional/individual clients prepare by the sub-adviser.

Reports:

The client receives either a confirmation of each transaction from the broker, or if elected by the client, a monthly or quarterly trade confirmation report from the broker. At least quarterly, clients are also provided with a brokerage statement from the broker and a portfolio valuation statement from SAM and any utilized sub-advisor. The brokerage

statement contains the cash balance, type, name and amount of each security, and current market value of each security. The SAM/sub-advisor statement also contains the market value of the account and a performance report.

The PR Funds provide investors, directly or via intermediaries, various type of communications including but not limited to, a website, fact sheets, annual reports that contain recent information on a PR Fund's portfolio, performance, and investment goals and policies, and written prospectuses describing, among other things, a PR Fund's objective, its investment methods, information on how to purchase and redeem shares, information about the investment adviser, the level of risk a PR Fund is willing to assume in pursuit of its objective, the risks associated with the particular PR Fund and a PR Fund's fees and expenses.

Item 14 – Client Referrals and Other Compensation

Certain financial consultants from affiliates receive special discounts on the management of their individual and related accounts after achieving certain levels of assets managed.

SAM also has a program under which financial consultants who refer institutional clients to SAM will receive a fee from SAM based on a portion of the management fees earned by SAM. SAM may also, on a very limited basis, pay a fee equal to a percentage of the management fee to an account executive whose client(s) maintains substantial assets under management with SAM, and negotiates an institutional type brokerage arrangement with the referring account executive's firm.

Item 15 – Custody

SAM does not maintain custody of institutional/individual clients or PR Funds cash or securities. Furthermore, no separate account client assets are custodied at any affiliate of SAM. SAM may have access to or authority over, cash and securities for purposes other than issuing trading instructions for the PR Funds. For example, SAM may have authority to cause a custodian to transfer cash from a PR Funds' account in payment of services, including SAM's advisory fees.

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. SAM urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you and notify SAM immediately if there are any significant discrepancies. Our statements may vary slightly from custodial statements

based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

As discussed in Item 12 of this Brochure, SAM exercises discretion regarding the amount and which securities to be bought or sold for client accounts, as well as broker or dealer to be used and commission rates paid. All institutional/individual clients are required to execute an investment advisory services agreement, either directly with SAM or with Eagle to provide discretionary investment advisory services. The investment advisory services agreement will grant SAM or Eagle sufficient authority to act as a discretionary investment manager, including granting SAM or Eagle the authority to execute trades. As discussed in item 4, above, SAM or the sub-adviser will accept reasonable limitations on its authority through client guideline restrictions, provided that the restrictions are essentially consistent with SAM and/or Eagle investment process.

Item 17 – Voting Client Securities

The SEC has adopted Rule 206(4)-6 under the Advisers Act. Under this rule, a registered investment adviser that exercises voting authority over client securities is required to implement proxy voting policies and describe those policies to its clients. Although some matters that may be voted on by SAM might not be considered conventional "proxy votes" for issuers of listed equity securities, nevertheless SAM applies the basic requirements of Rule 206(4)-6 when it votes clients' proxies.

Generally, as a fixed income manager, there would be few instances where proxies are required to be voted. In these instances, SAM may have the authority to vote on matters relating to, or give approval/consent to amendments proposed by a proxy vote. SAM's policy is to vote proxies in the best interest of its clients with a view to maximize value for clients. However, due to the nature of the fixed income investments that SAM invests clients' assets in, proxy voting occurs very infrequently and typically only as a result of a proposed bond restructuring that SAM is requested to approve by the issuer. As such, SAM endeavors to vote proxies in the manner that it determines in good faith will be the most likely to cause the investments to increase the most or decline the least in value. Additional information about the SAM Proxy Policy and related practices and how a client's proxies were voted is available upon written request to SAM.

Clients should note that SAM will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held or previously were held in the clients account(s), including, but not limited to, the filing of proofs of claim in class action settlements. If directed by the client, SAM will transmit copies of class action notices to the client or a third party. Upon such direction, SAM will make commercially reasonable efforts to forward such notices in a timely manner.

The sub-advisers retained by SAM for management of equity mandates are responsible for the voting of all proxies and corporate actions related to SAM assets which they sub-advise.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about any financial conditions that are reasonably likely to impair the investment adviser's ability to meet their contractual commitments to their clients. SAM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.