



**POPULAR SECURITIES®**

**INVESTMENT ADVISOR  
&  
PROGRAM DESCRIPTION**

This Brochure provides you with information about Popular Securities, Inc. and the investment advisory services it offers. This information should be considered before one becomes a client of Popular Securities, Inc. ("Popular Securities") under the Investment Advisory Program.

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## **I. INTRODUCTION**

As one of the broker/dealers in Puerto Rico, Popular Securities has been providing its customers with investment alternatives. In addition to traditional investment products, Popular Securities offers to its customers investment advisory services. The investment advisory services are available for individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities. Popular Securities, Inc. is a registered broker/dealer, a NASD/SIPC member.

The services from which customers will benefit include the following:

- Reviewing the client's investment objectives and goals as outlined by the client and his/her financial consultant.
- Recommending asset allocation strategies to meet the financial goals of the client.
- Recommending specific investment style allocations.
- Identifying tax optimization strategies.
- Identifying specific money management/mutual funds firms appropriate for client's portfolio.
- Reviewing investment management firms and mutual fund performance.
- Recommending periodic re-balancing and investment plan tuning.

## **II. INVESTMENT PROCESS**

Popular Securities offers advice on the following type of investments: exchange-listed securities, securities traded over the counter, foreign issuers, corporate debt securities, municipal securities, mutual fund shares, United States government securities, and option contracts on securities.

Our analysis methods are mainly fundamental<sup>1</sup> and the main sources of information include: financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission (SEC), and company press releases.

## **III. SERVICES PROVIDED**

Popular Securities' Financial Consultants will provide continuous investment advisory services to clients. Advisory services will consist of obtaining financial information from clients to assist in identifying financial objectives and specific investment strategies that are tailored to every individual customer.

Popular Securities' Financial Consultants will make recommendations to the clients as to selection of Money Management Firms ("Managers") and/or Mutual Funds. Each client will make the final determination of the financial vehicles to be utilized for specific objectives within the clients overall investment strategy. Nevertheless, Popular Securities will have the authorization to implement investment strategies.

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<sup>1</sup> Fundamental analysis refers to analysis made using Financial Statements data which differs from what is known as Technical Analysis. Such analysis attempts to predict and explain capital markets behavior using charts and graphs of the major indices.

Popular Securities has a program agreement with Envestnet, Inc. whereby it uses money manager and capital markets research, and performance reporting services for its advisory clients. Envestnet, Inc. is a registered Investment Adviser with the SEC. Please access Envestnet's Schedule F for more information.

The customer will delegate trading authority to the Managers/Mutual Funds selected and to Popular Securities. Popular Securities will meet with the client, at least annually, to determine if there have been changes in the financial conditions of the client or if there are any modifications to current investment restrictions the client wishes to impose. As a result, Popular Securities may recommend and implement changes in the client's Managers and/or investment strategy.

#### **IV. REVIEW OF ACCOUNTS**

Accounts under investment advisory services are reviewed at least on an annual basis. The review includes assessments of opportunities affecting the portfolio under management, revision of compliance with client restrictions imposed by advisory contracts with the clients, and the revision of portfolios according to client's objectives. Account reviews may be triggered by other potential changes, including analysis, reports, fund management changes, interest rate and movement.

Financial Consultants will review accounts opened by them with general overview of account activity by persons designated as supervising principals. There is no limit to the number of accounts assigned to each review.

Popular Securities will provide each client with a statement, at least quarterly, containing a description of all activity in the client's account during the preceding period. Statements including all transactions made on behalf of the account, all contributions and withdrawals made by the client, all fees and expenses charged to the account, and the value of the account at the beginning and the end of the period. The client will also received statements, no less than quarterly from the account custodian

#### **V. INVESTMENT ADVISORY FEES**

Investment advisory fees are based on annual percentage of assets under management. Fees will be debited from client's account on a quarterly basis on advance and computed on the ending balance of the previous quarter. Please note that Fees includes the cost of trading, execution, custodial and related services, and the investment management service of all managed account solutions products.

The fee schedule for equity, balanced and fixed income portfolios is as follows:

<u>Asset Level Breakpoints (\$)</u>	<u>Equity and Balanced (%)</u>	<u>Fixed Income (%)</u>
\$0 - \$250,000	3.00	1.25
\$250,001 - \$500,000	3.00	1.25
\$500,000 - \$1,000,000	2.20	1.00
\$1,000,001 - \$2,000,000	1.90	0.85
\$2,000,001 - \$5,000,000	1.70	0.75
\$5,000,001 +	1.70	0.75

Clients may terminate the investment advisory agreement without penalty within five days of its execution. If the client terminates its investment advisory agreement, fees will be prorated up to the day of termination. Any fees paid over the amount due will be refunded to the client.

## **VI. THIRD PARTY RELATIONSHIP**

Popular Securities has a program agreement with Envestnet, Inc. whereby it uses money manager and capital markets research, and performance reporting services for its advisory clients. Envestnet, Inc. is a registered Investment Adviser with the Securities and Exchange Commission (SEC). Please access Envestnet's Schedule F for more information. Popular Securities uses National Financial Services for clearing and custody services. Also for accounts of certain size, Popular Securities has an agreement with Banco Popular whereby it uses its custody and administrative services of the Bank's Trust Division.

Popular Securities also has a program agreement with Lockwood Financial Services, Inc. whereby it uses money manager and capital markets research, and performance reporting services for its advisory clients. Lockwood Financial Services Inc. is a registered Investment Adviser with the Securities and Exchange Commission (SEC). In addition, Lockwood is also registered with the SEC as a securities broker-dealer.

Popular Securities, Inc. is a subsidiary of Popular, Inc. and an affiliate of Banco Popular of Puerto Rico, a commercial bank. Banco Popular of Puerto Rico and Popular, Inc. are not registered broker-dealers. Investments are not secured by the FDIC, are not deposits, obligations of, or guaranteed by Banco Popular of Puerto Rico or any of its affiliates, and they are subject to risks and possible loss of principal.

## **VII. ADDITIONAL COMPENSATION**

Popular Securities Investment Advisory program doesn't have any arrangements, oral or in writing, where it is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients<sup>2</sup>. Popular Securities does not directly or indirectly compensates any person for client referrals. The advisory representatives are also registered representatives and receive commission compensation on transactions that they effect in that capacity.

## **VIII. CODE OF ETHICS**

Popular Securities has a strict Code of Ethics under which 100% of employees personal transactions are reviewed for compliance with the Code of Ethics an to help assure avoidance of conflicts of interest, it is available upon request.

Popular Securities employees may buy or sell securities that it also recommends to clients.

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<sup>2</sup> This paragraph refers to soft dollar practices.

## **IX. CONDITIONS FOR MANAGING ACCOUNTS**

The minimum initial investment for the program is: \$50,000.

## **X. POPULAR SECURITIES, INC. PERSONNEL**

Generally, Popular Securities requires a college degree from those employees that provide service other than clerical or administrative services to its investment advisory clients.

Michael McDonald, born 1961, is President. Previously, he was Senior Vice President and Head of Corporate Finance & Advisory Services for Banco Popular de Puerto Rico. Mr. McDonald has over 18 years of experience advising large and small, private and public corporations in the areas of financial strategy and capital raising. His experience spans a broad base of industries including retail, manufacturing, real estate, financial services, health care, telecom, media, real estate, and energy. He is an advisor to senior management of many of Puerto Rico's leading local companies.

Prior to joining Banco Popular de Puerto Rico in 2003, Mr. McDonald was Co-Head, Investment Banking for Citibank, N.A./Salomon Smith Barney. While he was there, he built one of the most successful and well-recognized corporate finance businesses in Puerto Rico. His responsibilities included originating, structuring, and negotiating highly complex transactions. Under his management, Citibank, N.A./Salomon Smith Barney carved out a leading position in the investment banking industry. Mr. McDonald received a B.A. from Boston College and an M.B.A. from the Harvard Business School.

Alberto Castañer, born 1955, is Senior Vice President and Branch Manager. Mr. Castañer has been in the securities industry for over 22 years. Prior to joining Popular Securities, was the Branch Manager at Smith Barney where he worked from 1990 to 2007. Prior to 1990, Mr. Castañer was a Financial Consultant at Prudential Bache. He holds a B.A. from the University of Puerto Rico, Mayaguez Campus.

María J. Miranda, CPA, born 1971, is Vice President and Advisory Group Manager. She joined Popular Securities in 2005. Prior to joining Popular Securities, she worked from 2002 to 2005 for Consultiva Internacional, Inc., an independent advisory firm, as a Senior Investment Management Consultant. From 1997 to 2002, Ms. Miranda was the internal investment compliance officer of the Sistema Universitario Ana G. Méndez University System's Endowment Fund, Scholarship Fund, 401(k) and Pension Plan. María graduated from Babson College with a B.A. in Finance and Investments.

Leyda Morales, CPA, born 1968, is Vice President and Manager of the retail sales force. Mrs. Morales has worked with Popular, Inc. for the last 12 years. Initially in Banco Popular branches in the Commercial Credit area, later in Private Banking, and for the last 8 years in Popular Securities. She holds a B.A. in Accounting with high honors from the University of Puerto Rico.

The primary business activity of Popular Securities is broker dealer, approximately 95% of the time is spent on this activity.

The principal business of Executive Officers is related to broker dealer and includes approximately 85% of time is spent on this activity.

