

Item 1 – Cover Page

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This Brochure provides information about the qualifications and business practices of Santander Asset Management, LLC (hereinafter the “Firm” or “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.

The Firm 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 the Firm also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This Brochure was last updated on March 29, 2019. This is the Firm’s annual update. The Firm’s has amended its last Firm Brochure filing with the following material change:

Item 5 and 10 – On January 23, 2020, Santander Securities LLC (“SSLLC”) entered into an Assignment and Assumption Agreement with First Southern LLC for the Common Stock Distribution Agreement of the open-end funds of the First Puerto Rico Family of Funds (the “PR Funds”). First Southern LLC is the new principal underwriter for the close-end funds and the exclusive distributor for open-end funds of PR Funds.

Item 10 – On October 21, 2019, First BanCorp, the bank holding company of FirstBank Puerto Rico (“FirstBank”), unaffiliated Holding Company, reached an agreement in which FirstBank acquire Banco Santander Puerto Rico (“BSPR”), the transaction is expected to be completed by mid-2020 subject to the Regulator’s approval.

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Item 4 – Advisory Business

A. Description of the Firm and principal owners.

SAM is a wholly-owned subsidiary of Santander BanCorp, a privately held financial holding company organized under the laws of the Commonwealth of Puerto Rico and parent company of Banco Santander Puerto Rico (“BSPR”). Santander BanCorp’s is wholly owned by Santander Holdings USA, Inc. (“SHUSA”), a wholly owned subsidiary of Banco Santander, S.A. (“Santander”), a public company traded on the New York Stock Exchange.

However, as part of Santander, 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 the Firm has material relationships and the method in which SAM manages certain conflicts that arise in such relationships.

B. Types of advisory services. The Firm has been providing advisory services since November 1999. The Firm 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 investment companies organized under the laws of the Commonwealth of Puerto Rico and registered under the Puerto Rico Investment Companies Act of 1954, that are offered exclusively to residents of Puerto Rico, who maintain their principal residence in Puerto Rico and to entities that have their principal office and principal place of business in Puerto Rico. The PR Funds invests in fixed-income tax-exempt securities, including Puerto Rico and U.S. Government securities, mortgage-backed and asset-backed securities and municipal obligations. Under normal market conditions, PR Funds must be invested primarily in Puerto Rico fixed-income securities, therefore PR Funds are more susceptible to factors adversely affecting Puerto Rico market conditions.

The Firm also provides customized continuous investment management services to investors in separately managed accounts. The Firm is primarily engaged in fixed income management. The primary objective of all of the Firm’s engagements is to manage client investment portfolios by first understanding each client's objectives and constraints, and then manage within a given strategy consistent with the client’s stated investment objectives, policies and restrictions. The Firm aims to provide superior returns for given levels of acceptable risk. In its fixed income management, the Firm focuses on the following areas: Governments securities (Treasuries and Government Sponsor Enterprises (“GSEs”)), municipal obligations (“MO”), mortgage-backed securities (“MBS”), investment-grade corporate securities, and asset-backed securities (“ABS”).

The Firm also utilizes a sub-adviser for a number of investment objectives, including both U.S. domestic equity and fixed income objectives. A client may impose reasonable restrictions on the investments to be made by the Firm or a sub-adviser. At present, the Firm has sub-advisory relationship in place with Eagle Asset Management, Inc. (hereinafter “Eagle”) an unaffiliated investment adviser.

The Firm does not utilize any of the PR Funds as investments within separately managed accounts. Any overlap of the PR Fund mandates with the separate accounts advised by the Firm is as described in Item 5 and 12 of this Brochure.

C. Client assets. The Firm only manages client accounts on a discretionary basis. As of December 31, 2019, the Firm had assets under management of approximately \$1,106MM.

Item 5 – Fees and Compensation

A. Fees for Management of Separate Accounts:

While all fees are negotiable at the Firm’s discretion, and typically vary depending on a number of factors, the standard fee schedule for separate accounts, based on a percentage of assets under management is the following:

Equity Income, All Cap and Large Cap Fee Schedule (Eagle):

0.65% on assets under \$25,000,000
0.55% on assets between \$25,000,000 and \$50,000,000
0.50% on assets between \$50,000,000 and \$150,000,000
0.40% on assets greater than \$150,000,000

Small Cap and Mid Cap Equity Fee Schedule (Eagle):

0.95% on assets under \$10,000,000
0.90% on assets between \$10,000,000 and \$25,000,000
0.85% on assets between \$25,000,000 and \$75,000,000
0.80% on assets between \$75,000,000 and \$150,000,000
0.75% on assets greater than \$150,000,000

Fixed Income Fee Schedule (SAM and Eagle):

0.40% on assets under \$2,000,000
0.30% on assets between \$2,000,000 and \$10,000,000
0.25% on assets between \$10,000,000 and \$50,000,000
0.20% on assets greater than \$50,000,000

The above referenced fee schedule replaces older schedules. Existing clients who contracted with the Firm under a previous fee schedule will continue to be billed under the previous fee schedule unless otherwise agreed.

The Firm's management fees are calculated as a percentage of assets under management. Fees are paid quarterly, or as agreed in the contractual arrangement. 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 which are not earned. In the case where a client's account is managed by a sub-adviser, the Firm pays a portion of the above fee to the sub-adviser. The Firm will invoice a client for advisory fees incurred.

The Firm may negotiate its management fee arrangement, thereby resulting in lower management fees, depending on a number of factors including, but not limited to: the type of client, the size of the account, whether the client wishes to impose particular restrictions on the Firm's discretionary investment authority, and other business considerations. Moreover, the Firm may, on occasion, make exception to annual management fee minimums or minimum account sizes based upon the specific circumstances of an account.

The separate account Investment Management Agreement may be terminated by either party upon written notice within the timeframe established pursuant to the provisions of the agreement. There is no penalty for a client terminating its account.

The Firm'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, and other third parties such as fees charged by managers, custodial fees, odd-lot differentials, transfer and registration fees and taxes, wire transfer and electronic fund fees, interest charges, and other fees and taxes, fiscal or governmental charges on brokerage accounts and securities transactions. The Firm may use a broker dealer affiliated to the sub-adviser to execute trades. When selecting executing broker dealers, the Firm follows its Best Execution Policy. Please refer to Item 12 of this Brochure for information on the Firm's brokerage practices.

While it is not anticipated that mutual funds will be included in separately managed account client portfolios, clients may choose to include in their brokerage accounts money market mutual funds managed by the Firm to 'sweep' unused cash balances until they can be appropriately invested. Clients should recognize that all fees paid to the Firm 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, account maintenance and distribution fee, and other fund expenses.

B. Fees for Management of the PR Funds:

With respect to management of the PR Funds, the Firm's advisory fees, along with detailed information on the other fees and expenses charged to shareholders, are set forth in each PR Fund's prospectus. The Firm's advisory fees for the PR Funds generally range from 0.40% to 0.75%. In addition to acting as investment manager, the Firm also provides administrative services for the PR Funds, as described in Item 10 of this Brochure. Administrative fees are generally 0.13%. As the range of average daily/weekly¹ net assets of the respective PR Fund increase, the administrative fees decrease at varying rates all the way down to 0.07%, as defined in the prospectus.

Advisory fees and administrative fees are indirectly paid entirely by shareholders on a monthly basis, and are charged as a percentage of each PR 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. The Firm pays a portion of these fees to sub-advisers, if any, on a monthly basis, based on the market value of the weekly portfolio assets. The fees billed by the Firm to the PR Funds and by the sub-advisers, if any, to the Firm are payable monthly in arrears.

In addition to the above-stated fees, other charges indirectly paid by shareholders include custodial, transfer agent, sub-transfer agent, and account maintenance and distribution fees. Such fees and expenses are described in each PR Fund's prospectus.

During the first two years of operations of each of the PR Funds, the Firm has agreed to reduce its investment advisory fee, and if necessary, reimburse PR Funds expenses, in the event that total annual operating expenses (including the investment advisory fees but excluding interest, taxes, brokerage commissions and extraordinary expenses) for the said fiscal years of operations, exceed an established percentage of such PR Funds' 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. Thereafter, the Firm may, from time to time voluntarily waive or reimburse advisory fees, although the Firm has historically

¹ For some PR Funds, net assets are calculated daily and for others, it is calculated weekly.

maintained the waiver when the total annual operating expenses (as described above) exceed a percentage amount of the PR Fund's average daily/weekly net assets, as set forth in the relevant PR Fund prospectus. Under the Investment Advisory Agreement between the Firm and each of the PR Funds, any reduction in the Firm's advisory fees as a result of the Firm's fee waivers may be recovered by the Firm within the two fiscal years following such fee waiver if overall PR Fund expenses fall below the percentage limitation.

The overall management of the business and affairs of 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, the Firm. The Board also approves all significant agreements of the PR Funds, including the PR Funds' agreements with the Firm, as advisor, and administrator, PR Funds agreements with custodians, and transfer agents, and the Firm's agreements with sub-advisers to the PR Funds, if any. Until January 23, 2020, the Firm's affiliate company, Santander Securities LLC ("SSLLC"), acted as the exclusive distributor of the open-end PR Funds, and also as lead underwriter of the closed-end PR Funds together with the engagement of a qualified independent underwriter. SSLLC entered into an Assignment and Assumption Agreement for Distribution Agreement with First Southern LLC for the distribution of the open-end PR Funds.

The advisory contract between the Firm and the PR Funds may be terminated without penalty (i) by any of the particular PR Funds or by the Firm 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.

C. Portfolio Valuation for Fee Calculations

Calculation of advisory fees is based on the value of the assets in the portfolio. Portfolio valuation is generally determined by third party pricing vendors, or using other sources such as broker-dealer quotes. The Firm reserves the right to override valuation made by third parties. This presents a possible conflict of interest, as an adviser might be motivated to establish a higher valuation with the desire to calculate a higher fee. The Firm has adopted a Pricing Procedure to govern the pricing of portfolio assets and the override process. If the Firm does not agree with the vendor's valuation, the Firm uses various factors following the Pricing Procedure to determine fair value. Also, the valuation process is overseen by the Firm's Pricing Committee, and any overridden price shall have supporting documentation.

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

The Firm 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. The Firm does not engage in side-by-side management (simultaneous management of accounts that are charged a performance-based fee and accounts that are charged another type of fee).

Item 7 – Types of Clients

The Firm provides investment management services to the PR Funds as well as various institutional clients, which include state government entities within different industries (such as insurance companies and university endowments), corporations or other organizations and corporate pension plans. The Firm generally imposes a minimum dollar amount of \$20,000,000 of assets for institutional separate accounts; however, smaller accounts may be accepted at the Firm's discretion. For accounts with equity or fixed income objectives, for which the Firm uses Eagle as sub-adviser, the Firm generally accepts accounts with a minimum dollar amount of \$2,000,000; however, smaller accounts may be accepted at the Firm's and Eagle's discretion.

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

A. Methods of Analysis and Investment Process

The Firm's investment decision process for its fixed income management service utilizes a top/down-bottom/up total rate of return approach, whereby the Firm 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 companies² must be

² 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.

respected at all times. After these trends and sector exposures are identified, the Firm 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. The Firm will then take into consideration different mixtures of securities, given a variety of interest rate and credit spreads scenarios, to obtain a portfolio that seeks to optimize potential rate of return, while maintaining an acceptable level of risk. The investment process is applicable to each of the Firm's strategies.

Once the investment strategy is implemented, the Firm 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. Portfolios are monitored by the team 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 on the 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 officers of the Firm, which meets on a quarterly basis or ad hoc, as needed (the "Investment Committee").

The Firm has a team approach with regards to investment strategy, but the Senior Portfolio Manager has decision making power with regards to strategy, and also makes the final investment decisions in the strategy being implemented. During periodic investment team meetings, the Senior Portfolio Manager and portfolio analysts discuss ideas for implementing investment strategies.

The Firm research, portfolio management, and trading are all carried out by the team. As part of its investment process the Firm 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 different 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 broker dealers is widely distributed and read by all team members. The Firm does not maintain "soft dollar" arrangements with any brokerage firm with which it conducts business.

B. Risks of Loss

Clients should recognize that investing in securities involves risk of loss of all or part of the investment.

The Firm views risk management as a function of portfolio design and review. The Firm seeks a portfolio design of relative value 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.

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 explanation presents the material risks involved with significant investment strategies that the Firm uses. These 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.

Risks in significant investment strategies

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.

In addition, clients should also be prepared to bear ‘regulatory risk’, which is the risk that changes in laws and regulations or an increase in taxes may reduce the attractiveness of investments or change the competitive landscape for a business, sector or market as a whole, and thereby may materially affect the clients’ returns.

The primary investment objective utilized by the Firm is fixed-income. There are many factors that may affect the risk and return profile of a fixed income portfolio. General economic and market conditions influence securities’ values. In recent years, certain structural changes in the secondary market are resulting in decreased liquidity and increased volatility in the fixed income securities market. The ability of broker-dealers to provide liquidity in the secondary market has changed fundamentally, apparently as a consequence of certain regulatory initiatives. Therefore, the overall value of a fixed-income portfolio may experience greater volatility during the upcoming periods than historically been the case.

Some of other prominent risk factors of fixed income securities are described below.

- Credit risk -

With respect to fixed income securities, credit risk is the uncertainty of the repayment of principal and interest, stemming from an issuer's failure to fulfill or meet its contractual obligation.

Investors are also subject to credit risk coming from the Firm's selection of service providers, such as lenders, borrowers, broker-dealers and derivatives counterparties. 'Counterparty risk' is a particular type of credit risk coming from such service provider's potential failure to meet its contractual obligations.

- Interest-rate risk -

When interest rates decline, the market value of fixed-income securities tends to increase. A fundamental risk of these securities, however, is that their market value will fall if interest rates rise. The volatility of a security's market value will differ depending upon the security's duration, the issuer and the type of instrument. Fixed income securities with a fixed coupon and a short maturity date will generally lose less value than fixed income securities with a fixed coupon and a longer maturity date. Therefore, in general, an investment objective with a shorter duration and shorter maturity will be less sensitive to interest rate volatility than an investment objective with longer duration and longer maturity. In addition, in the case of the PR Funds, since the value of a fixed-income portfolio will generally decrease when interest rates rise, the PR Fund's net asset value may likewise decrease.

- Liquidity risk -

Generally characterized by the level of trading activity, liquidity is the ability to negotiate an asset and convert it to cash quickly without affecting its price. Consequently, liquidity risk is the uncertainty stemming from the lack of marketability of an investment.

- Concentration risk –

Concentration risk is the risk derived from investing a relatively high percentage of assets in a particular group of obligations. Most of the PR Funds have a substantial portion of their assets in Puerto Rico securities due to legal requirements applicable to the PR Funds. As a result, PR Funds are less diversified geographically than funds investing across different assets and therefore have greater exposure to adverse economic, regulatory and political changes in Puerto Rico.

- Call, Prepayment and Income risk –

Call and prepayment risks, refer to the chance that a fixed income security will be paid off early. If interest rates fall, an issuer of an obligation may decide to pay off its debt. 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 perhaps lower interest rates, an account 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 with call features. Income risk is the chance that falling interest rates will cause the PR Fund's income to decline. Income risk is generally low for long-term non-callable bonds.

- Leverage –

Investing with the proceeds of borrowed money, or leverage, causes increased volatility in the price and magnifies the impact of adverse market changes.

For the PR Funds, while the use of leverage provides the opportunity for increased net income, it can create special risks, including higher volatility of the net asset value, market value and dividend rate of the shares of the PR Funds. Since any decline in the value of the PR Funds' investments will be borne entirely by holders of shares, the effect of leverage in a declining market would result in a greater decrease in net asset value per share than if the PR Funds were not leveraged.

In separately managed accounts, the Firm historically has not used leverage, and is not currently using leverage. However, in the event that the Firm determines that leverage is appropriate in its investment program for separately managed accounts, in those cases where the client investment policy guideline permits the use of leverage, the Firm, following the client investment policy guidelines, 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 the Firm 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, the Firm'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.

The use of leverage, including activities on behalf of the PR Funds, may be subject to loan collateral requirements or “Margin” set by the leverage providers or may be subject to U.S. Federal Reserve Board (“FRB”) Margin requirements as set forth in Regulation T. Margin requirements may be computed daily. 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 client is made. If the client does not deposit additional funds with the leverage provider to meet the Margin call within a reasonable time, the client’s position may be closed out. In the event of a precipitous drop in the value of the assets managed by the Firm, the Firm 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 the Firm’s trading activities on behalf of a client account, the account, and not the Firm, 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 involves certain risks, with a greater potential for losses, than a program that does not utilize leverage.

- Examples of risk per asset-type

Most of the assets held in the separately managed accounts are held in liquid asset classes, such as US corporate bonds and U.S.-dollar-denominated investment grade corporate debt securities of domestic or foreign issuers. The Firm may also invest in US Agency Pass-Through MBS (mortgage-backed securities), US Municipal and US Agency Benchmark bonds.

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.

Corporate debt securities in which the Firm invests may bear fixed, as well as variable (floating) payment schedules. Cash flow stream from floating rate securities may vary directly as well as inversely with respect to a reference rate. Debt securities may be acquired with warrants attached. These securities are subject to credit risks, interest rate risks, liquidity and other market risks. Investments in securities of foreign issuers may be affected by uncertainties in political developments, changes in government policies, changes in

taxation, restrictions on foreign investment and currency repatriation, and other developments in the laws and regulations of the countries in which the investment may be made.

Municipal obligations share a number of attributes of corporate debt securities. However, municipal obligations are generally issued by states, municipalities and other political subdivisions, agencies, authorities and instrumentalities of states and multi-state agencies or authorities. Municipal obligations are subject to credit and market risk, and at times may be less liquid than other debt/fixed income securities. Additionally, municipal obligations rated below investment grade (*i.e.*, high yield municipal obligations) may not be as liquid as higher-rated municipal obligations. Investment grade refers to fixed-income securities rated BBB or better by Fitch and Standard & Poor's ("S&P") or Baa or better by Moody's. Reduced liquidity in the secondary market may have an adverse impact on the market price of a municipal obligation and on the ability to sell a municipal obligation in response to changes or anticipated changes in economic conditions.

Unfavorable circumstances created by government actions, regulatory and political developments, deteriorating economic conditions, and public perception, among others, may adversely affect financial conditions of municipal issuers and the value of municipal securities. With respect to obligations issued by the government of Puerto Rico, its agencies and instrumentalities, in which the PR Funds invest, the high degree of volatility in the prices, the uncertainty surrounding the financial situation of the Commonwealth of Puerto Rico, including lack of access to credit markets and the interruption of interest payments or default of other municipal bonds issuers and restructuring process of some public corporations, creates heightened risks to the PR Funds.

Puerto Rico Municipal securities are under severe pressure, as the Commonwealth has about \$70 billion in debt outstanding. The Governor of Puerto Rico has adopted a public policy of prioritizing Puerto Rico essential and non-essential services over payments to Puerto Rico bondholders.

In the Firm's opinion, if the government does not meet its obligations, there may be additional significant negative effects on the Puerto Rico economy, and the value of the Puerto Rico government securities holdings in the PR Funds may decrease further, with the corresponding decrease in the net asset value of the PR Funds. If the haircuts materialize, they will have additional material negative effect on the PR Funds.

On June 30, 2016, President Barack Obama signed the Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA") into law. The legislation authorizes the creation of

the Financial Oversight and Management Board's (the "FOMB") with seven-member which possesses broad financial and administrative faculties, such as the power to approve budgets, elaborate fiscal plans, implement non-debt spending cuts, and initiate court supervised debt restructuring, among other things. PROMESA, according to the terms of its text, intends to "assist the Government of Puerto Rico, including instrumentalities, in managing its public finances", including its outstanding debt.

On May 3, 2017, the FOMB filed a petition with the US District Court for the District of Puerto Rico on behalf of and as requested by the government of Puerto Rico to restructure Puerto Rico government debt under Title III of PROMESA, including general obligation bonds issued by the Government of Puerto Rico. On May 5, 2017, the Chief of Justice of the United States, as authorized by PROMESA, appointed United States District Judge of the United States District Court for the Southern District of New York Laura Taylor Swain as the presiding judge to oversee the Puerto Rico's Title III case.

Hurricane Maria struck Puerto Rico on September 20, 2017 provoking widespread damage; the magnitude of the event was devastating to Puerto Rico. Everyone is mindful of the human misery caused by the hurricane and the daily challenges faced by the island's residents, the situation delay the court process.

The restructuring of the Puerto Rico Sales Tax Financing Corporation ("COFINA") was approved by the US District Court Judge Laura Taylor Swain on February 4, 2019, which represents \$17.6 billion (\$7.7 billion on senior and \$9.9 billion on subordinate) or about 24% of the total debt of Puerto Rico, the effect reduced the debt of COFINA to \$12 billion, that represents a reduction of 32% of the original structure. Thereafter, on February 12, 2019, the Third Amended Plan was consummated and the bond holders received a pro-rata distribution of the new bonds in exchange for the COFINA existing securities. Furthermore, in June 2019, the Internal Revenues Service ("IRS") notified COFINA that it would permit COFINA to offer to exchange the newly issued taxable sales-tax bonds, which include the \$3.59 billion of Series 2019 A-2 bonds and the \$45.57 million of Series 2019 B-2 bonds, for tax-exempt bonds pursuant to the Tax Exemption Implementation Agreement. Accordingly, COFINA launched an exchange offer to eligible bondholders offering them the opportunity to exchange these taxable securities for ones that are tax-exempt with yields that are 0.25 percentage points lower than the current restructured bonds, with the same principal amount, maturity and payment rank. On August 1, 2019, the tender was successfully completed.

On June 2019, the FOMB published a memorandum stating that it entered into a Plan of Adjustment (“POA”) with a group of investors holding Puerto Rico General Obligation (“GO”) bonds and Puerto Rico Public Building Authority (“PBA”) bonds. The POA, as later revised in September 2019, provides a debt-adjustment proposal to restructure \$35 billion of debt and other claims against the GO, PBA, and Puerto Rico Employee Retirement System (“ERS”) bonds; and more than \$50 billion of pension liabilities. It reduces the Commonwealth’s \$35 billion of total liabilities –bonds and other claims – by more than 60%, to \$12 billion. The Plan, combined with the completed COFINA debt restructuring, reduces the maximum annual amount of government net-tax supported debt service from \$4.2 billion to \$1.5 billion. The proposed reductions in the GO debt vary depending on the issue date of the securities, going from 64% recovery value for pre-2012 GO securities to as little as 35% for those 2014 GO bondholders who decide to settle their claim rather than litigate in court. The proposal also includes a provision for a “Litigation Trust”, GO and PBA bondholders who are subject to the Recovery Litigation and who choose to litigate, and lose, may be subject to a demand that they return prior payments of principal and interest to their respective bond issuers, but holders of GO and PBA bonds who opt to settle their claims would be immune to any collateral effects of the Recovery Litigation on their claims and distributions. Moreover, the plan also includes alterations to the monthly pension payments for those retirees who earn over \$1,200 a month. The applicable haircut would be the smaller “of (a) the lesser of 8.5% of the Total Monthly Benefit or the reduction of the Total Monthly Benefit to \$1,200 per month, or (b) 25% of the difference of the Total Monthly Benefit plus the Monthly Medical Insurance benefit, if any, minus either (i) \$1,000 for those Participants without Social Security benefits or (ii) \$600 per month for those Participants with Social Security benefits.” As of the end of September the Plan included support from holders of approximately \$4 billion in claims, representing 22% of all GO and PBA claims.

Later, on August 9, the Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF”) announced that the PR Government had reached a consensual agreement with the Federal Government on behalf of Puerto Rico Aqueduct and Sewer Authority (“PRASA”) to restructure approximately \$1 billion loans with several federal agencies, including United States Environmental Protection Agency (“EPA”) and United States Department of Agriculture (“USDA”), under different government programs. The deal, among other things, would reduce PRASA’s debt service by \$380 million over the next ten years as well as renew access to potential sources of funds under federal programs for infrastructure projects.

In addition, Puerto Rico has been experiencing a series of recurrent earthquakes, including a 6.4 magnitude on the Richter scale that struck the island on January 7, 2020. The damages amounts from the effects of the quakes and the total repercussion of the natural disaster to the economy have not yet determined. Also, the Governor of Puerto Rico fired various

government officials as a result of a controversy related to the misuse of emergency supplies discovered in a warehouse. The recent developments delay ongoing debt restructurings.

Finally, at the time of this publication, Puerto Rico like the other countries in the world has been experiencing the effects of the COVID-19 pandemic. The actual damages amounts from the effects of the COVID-19 and the total repercussion of the pandemic disaster to the economy are yet to be determined. SAM understands that recent developments could further delay ongoing debt restructurings, undermine the Commonwealth's economic recovery and deter tourism and investment on the island.

Here at Firm, we note that the island's economic recovery, and bondholder recoveries, is all a function of economic growth in Puerto Rico. A Federally sponsored economic development plan, with detailed sectoral programs, might be beneficial to multiple stakeholders – the people of Puerto Rico, Puerto Rico bondholders, and the Federal agencies with a stake in Puerto Rico, such as the Federal Deposit Insurance Corporation ("FDIC") and the EPA, among others.

The Firm 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. The Firm 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, as opposed to corporate bonds in which creditworthiness is derived from the earning power of the issuing company. There is no established, liquid secondary market for many of the ABS the Firm 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 Firm's ability to sell them. Further, ABS may be subject to certain transfer restrictions that may further restrict liquidity.

Asset-backed securities and mortgage-backed securities are also subject to 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.

Subject to certain limitations imposed by law, the PR Funds may invest in certain derivative instruments, which are securities or contracts that provide for payments based on or "derived" from the performance of an underlying asset, index or other economic benchmark. Derivatives include options, futures contracts, forward contracts, forward commitment and when-issued securities transactions, forward foreign currency exchange contracts and interest rate, mortgage and currency swaps. Transactions in derivative instruments can be,

but are not necessarily, riskier than investments in conventional stocks, bonds and money market instruments.

More information about the risks of any particular market sector can be reviewed in representative mutual fund prospectuses managing assets within each applicable sector. For equity and other fixed income strategies not managed by the Firm, managed account clients are provided with the sub-adviser Brochure explaining material risks of the sub-adviser's significant investment strategies.

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 the Firm or the integrity of the Firm's management. The Firm hereby documents the following event, although it is still in its early stages.

On May 2, 2019 and May 20, 2019 the Commonwealth of Puerto Rico, the FOMB and the Committee of Unsecured Creditors ("UCC") of the Commonwealth of Puerto Rico filed a complaint naming SAM as one of the defendants, all holders of certain GO and Puerto Rico Highway and Transit Authority ("HTA") bonds that filed GO and HTA bonds Proofs of Claim, respectively, in the bankruptcy, and seeking to declare that the bonds are not secured debt. There is no direct claim against the Firm and SAM was not a holder of GO and HTA bonds. SAM submitted a Proof of Claim for COFINA on May 25, 2018 that was also considered for the GO and HTA bonds but the Funds do not hold any positions on GO and HTA bonds. Kramer Levin Naftalis & Frankel LLP, that represents the PR Funds, has been assisting with the process of notifying the withdrawal for the Commonwealth Proof of Claim. On June 12, 2019, the Court indicated that the GO Lien Avoidance Action was scheduled to stay until September 1, 2019, but then Judge Swain has been requesting additional recess to continue making a final determination about the cases related Title III PROMESA, due to the different factors that have occurred including, the negotiation with bond holders through mediation, the governor and government officials' resignations, the hurricane, the earthquake and now the pandemic. The Judge Swain already extended the stay order until April 30, 2020, pending confirmation of possible new extension date.

Item 10 – Other Financial Industry Activities and Affiliations

A. Other Financial Industry Activities

Administration of funds

The Firm, 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 daily/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 certain regulatory compliance services.

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 other regular Committee meetings, reconciliations with custodian and operations transactions.

Shareholder services support

Shareholder services and support related to the PR Funds are managed directly by the PR Funds' distributor, First Southern LLC which appointment on January 23, 2020 (previously provided by SSLLC). The Firm provides certain support for these shareholder services that may include preparation for annual shareholder meetings, review of fund disclosure documents, preparation of fund financial statements and fund fact sheets.

Servicing Agent

The Firm also provides servicing to a number of clients advised by Eagle in Puerto Rico. As servicing agent, the Firm serves as initial contact and continuous liaison for clients for inquiries they may have related to their accounts, receives requests for and coordinates objective changes, coordinates and maintains a schedule of performance review meetings with Eagle clients, holds meetings in person to discuss performance, with quarterly performance reports prepared by Eagle, and keeps Eagle clients advised on news and marketing materials related to Eagle. As per the agreement between the Firm and Eagle,

Eagle pays the Firm a portion of the management fee calculated under Eagle's contractual fee schedule with its clients in exchange for the Firm acting as servicing agent for its Puerto Rico accounts. The Firm's fee is a component of the total investment advisory fee paid by an investor to Eagle in the specific advisory service.

Since the Firm selects Eagle as sub-adviser for certain clients, an apparent conflict of interest exists. Clients are required to acknowledge in their Investment Management Agreement with the Firm that Eagle is currently the sole sub-adviser engaged by the Firm, with respect to their accounts and that the Firm does not anticipate engaging any other sub-adviser in the near future. The Firm monitors Eagle as sub-advisor based on certain objective and subjective criteria in accordance with the Firm's adopted procedures for sub-adviser monitoring, and periodically meets with clients to discuss performance.

B. Other Financial Industry Affiliations

Affiliates with which the Firm has arrangements that are material to the Firm's clients are:

- Banco Santander Puerto Rico ("BSPR")
- Santander Holdings USA, Inc. ("SHUSA")
- SAM Investment Holdings Limited
- Banco Santander, S.A. ("Santander")
- Santander Securities LLC ("SSLLC")

The Trust Department of BSPR provides certain services for the PR Funds, including transfer agency, dividend disbursing agency, paying agency, shareholder servicing agency and custody, the custodian appointment was on February 28, 2019 for securities in physical certificates only. The Trust Department of BSPR also serves as collateral agent in connection with the PR Funds' Collateralized Exempt Obligations ("CEO's"), as well as issuing; paying and transfer agent of the CEO's acting on behalf of each PR Fund. In addition, some of our PR Funds use BSPR to purchase overnight time deposit, based on market value.

In addition, the Firm maintains contractual services agreements with BSPR for administrative services including but not limited to supply purchases, comptrollership accounting, legal, information systems hosting and support (technology hardware) information security and contingency planning, human resources, and executive office. On October 21, 2019, First BanCorp, unaffiliated Holding Company, reached an agreement to acquire Banco Santander Puerto Rico, the transaction is expected to be completed by mid-2020 subject to the Regulator's approval. Upon completion of the transaction, the services proved by Banco Santander Puerto Rico might be provided by FirstBank Puerto Rico,

Santander Holdings USA, Inc. or an unaffiliated Vendor.

The Firm is currently receiving corporate support services from Santander Holdings USA, Inc. The Firm also received support related to policies, risk, market research, legal, financing, administration, etc. from SAM Investment Holdings Limited, the Santander Global Asset Management entity. Santander Securities LLC is a limited service broker dealer in Puerto Rico exclusively offering a limited client services, in U.S. they provides investment advisory services to clients via various services, which include financial planning and access to wrap-fee programs, including fund strategist portfolios, unified manage accounts and separately managed accounts sponsored by Envestnet Asset Management Inc.

Banco Santander, S.A. ("Santander") is a foreign banking organization ("FBO") and indirect shareholder of the Firm. As U.S. regulatory mandates requires FBOs, such as Santander, to hold their U.S. operating entities under a single intermediate holding company ("IHC"). On July 2, 2018, in conformity with Regulation YY of the Board of Governors of the Federal Reserve System, SAM Investment Holdings Limited transferred SAM to Banco Santander, S.A., then Banco Santander, S.A. transferred SAM to Santander Holdings USA, Inc. ("SHUSA") and SHUSA transferred SAM to Santander BanCorp.

C. Potential Conflict of Interests

With respect to the Firm as adviser to the PR Funds, the Firm may have a conflict of interest in formulating a recommendation to the Fund as to whether, and to what extent, it should use leverage. In periods during which a particular PR Fund is utilizing leverage, the advisory fee payable to the Firm will be higher than when it is not doing so because the fee is calculated as a percentage of average net assets (including the proceeds of leverage).

All PR Fund transactions with affiliates will be subject to procedures adopted by the Board of Directors 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. Information about the transactions involving affiliates of the PR Funds and conflicts of interests can be reviewed in the applicable prospectus for complete information.

The Firm has adopted the corporate enterprise-wide Conflicts of Interest Policy designed to help identify and fairly address situations that may present actual or potential conflicts of interests in the relationship between an investment adviser and a client.

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

A. Code of Ethics and Personal Trading

The Firm has adopted a Code of Ethics expressing the Firm's commitment to ethical conduct. The Firm's Code of Ethics describes the Firm's general business standards and sets forth its practice of supervising the personal securities transactions of employees with access to client information. Persons related with the Firm may buy or sell securities for their personal accounts identical or different than those recommended by the Firm to clients. It is the expressed policy of the Firm that no employee, directors or officers of the Firm 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, the Firm requires that persons associated with the Firm's advisory practice with access to advisory recommendations or portfolio trades, provide annual securities holding reports and periodic transaction reports to the Firm's Chief Compliance Officer. Subject to certain exempted transactions, the Firm also requires such access persons to receive approval from the Chief Compliance Officer or her designee prior to any investment in their personal brokerage account.

The Firm's Code of Ethics further makes reference to the Firm's policy prohibiting the use of material non-public information and protecting the confidentiality of client nonpublic information. The Firm requires that all individuals must act in accordance with all applicable Federal and Puerto Rico securities laws governing registered investment advisory practices. Any individual not in observance of the above may be subject to discipline.

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

B. Participation in Client Transactions

It is the Firm's policy that the Firm will not perform any principal or agency cross transactions for separately managed client accounts. The Firm will also not cross trades between these client accounts.

The PR Funds may make investments in securities issued by, or make deposits with, an affiliated party.

In addition, a PR Fund may purchase obligations issued by other investment companies advised by the Firm, which are affiliates of the particular PR Fund, or perform cross-trades with respect to securities held in their portfolios.

As a result of any affiliated transactions and other dealings, the interests of the affiliated party may conflict with those of the PR Fund as to the price and other terms of the transaction in which they engage.³ Such portfolio transactions will be carried out on an arms' length basis and will be subject to procedures adopted by the Board of Directors of the particular PR Fund and particularly, by the independent directors, in an effort to address potential conflicts of interest that may arise from such transactions. The independent directors engaged Deloitte & Touche LLC to review and confirm that all affiliated transactions, on a quarterly basis, are in accordance to the procedures adopted by the Board of Directors. Information about the transactions involving affiliates of the PR Funds can be reviewed in the applicable prospectus for complete information and disclosures.

Item 12 – Brokerage Practices

A. Best Execution

As a fiduciary, the Firm has the obligation to seek the best execution of client transactions. It is the Firm's policy, in placing each transaction for a client, to seek best execution by using its best efforts to obtain the most favorable price and execution with respect to portfolio transactions under the circumstances. Best execution is not measured solely by reference to commission rates or price. The Firm will determine and evaluate the circumstances under which the overall value of investment decisions for its clients with respect to those securities will be maximized. As part of this analysis, the Firm will also consider whether the transaction represents the best qualitative execution.

The Firm will only place client trades with approved counterparties. In connection with each client transaction, the Firm will endeavor to select the broker or dealer that will provide the best services at the lowest commission rates possible. The Firm may take into account components other than price, including favorable and efficient executions. The relevant factors typically considered, include among others: price, quality of execution, responsiveness/staff commitment, financial commitment, product scope, costs, operational capabilities and any other considerations relevant to the particular transaction.

³ PR Funds are not registered under the Investment Company Act of 1940, and therefore, are not subject to the restrictions contained therein regarding, among other things, transactions between a Fund on the one hand and the Investment Adviser and its affiliates on the other hand.

Transaction allocation to specific counterparties is determined through a competitive process where the most competitive bid/offer is chosen from a group of broker dealers that have demonstrated depth and knowledge in the specific asset class. The Firm is not obligated to choose the broker dealer paying the lowest available rate and may determine that it is reasonable to pay a higher rate based upon the other factors considered.

The Firm may at times invest client assets in new issue municipal bonds due to favorable pricing opportunities. As such, the Firm's broker dealer execution selection will be limited to the broker dealers who are syndicate members of the new issue. When a new issue is brought to market, the price is set in syndicate by the underwriting manager. As all purchasers of the primary market bonds receive the same price, best execution is deemed to be obtained. When secondary municipal bond offerings are utilized in client accounts, the Firm as a matter of policy will seek to obtain the best execution possible while taking into account current market conditions and other alternative investment opportunities.

B. Client Commissions

The Firm does not have, nor anticipate entering into, any client commission ("soft dollar") relationships. Eagle, a sub-adviser engaged by the Firm, maintains "soft dollar" arrangements. For additional information on Eagle's client commission practices, please see their Form ADV, Part 2 available on the SEC's website at www.adviserinfo.sec.gov.

C. Trade Errors

In exercising investment discretion over client accounts, or in responding to specific client instructions, the Firm places orders with broker-dealers to execute transactions for the accounts. When trading errors occur for which the Firm is responsible, the Firm'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 the Firm is responsible for covering.

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

The Firm may be able to obtain better prices and lower execution costs for its clients if it aggregates or "bunches" multiple smaller orders for the same security into one large order. The Firm may aggregate client sales and purchases with similar trades being made contemporaneously for other accounts for which it has discretionary authority. This includes aggregating orders for separately managed accounts as well as FPR mandates. If

the Firm aggregates orders, it will treat participating clients fairly, and it will continue to seek best execution. The Firm will not include proprietary or employee accounts in aggregated client orders.

The Firm will allocate all investment opportunities among eligible clients promptly, and on a documented fair and equitable manner while taking into consideration each client's investment guidelines, financial objectives and current portfolio composition. The Firm must not favor one account over another, absent specific disclosure to the contrary.

All client accounts participating in a "bunched" trade shall receive the same execution price. Purchases are allocated pro rata for all accounts in the same investment strategy, based on assets but subject to specific security or account constraints and/or circumstances. Allocations must account for minimum trading quantities and increments. Sales are allocated pro rata for all accounts involved based on the current holdings of the security being sold.

The Firm may depart from this general approach, however, for appropriate reasons which shall be documented, but always in a fair manner and equitable manner, and making appropriate disclosures.

E. Directed Brokerage

Pursuant to the investment management agreements with clients in general, the Firm shall have full and complete discretion to establish and execute through accounts with one or more securities broker/dealer firms as the Firm may select. The Firm permits the client to direct the Firm, in writing, to execute transactions with one or more specific brokers at such commission rate or rates as may be agreed to by the client and such brokers. If the client directs the Firm to use a specific broker, the client forfeits best execution and agrees that the Firm will enter into the transaction on a "best efforts" basis. If the client directs the Firm to use a specific broker, the client may not receive rates as low as it might otherwise obtain if the Firm had discretion to select the broker-dealers, as the Firm may be unable to negotiate terms and conditions (including, but not limited to, commission rates) relating to the services provided by such broker. For example, in a directed brokerage account, the client may pay higher brokerage commissions because the Firm may not be able to aggregate orders to reduce transactions costs or obtain volume discounts, or the client may receive less favorable prices. This may also result in a disparity in commission charges among clients.

Item 13 – Review of Accounts

Reviews:

Client transactions, of accounts managed directly by the Firm, are reviewed daily by the Firm's Investment team and Operations Department. In addition, the Firm's Risk & Control Department reviews each client account periodically to ensure that accounts adhere to their investment strategy and policy, and that account performance is consistent with the client's policy. Additional account reviews may be triggered by any of the following events, among others:

- a specific client request;
- a change in client goals and objectives; and
- market/economic conditions.

The Firm's Advisory Office also reviews accounts managed by the sub-advisers on a monthly basis, including the monitoring of the investment performance, followed by review by the Investment team, at least quarterly. The Investment Committee receives quarterly reports on the performance and operations of the PR Funds and managed account clients, including information from the sub-advisers.

Reports:

At least quarterly, the client receives a portfolio valuation statement from the Firm and any utilized sub-advisor. The Firm/sub-advisor statement contains the cash balance, type, name, amount of each security, 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; monthly securities holdings reports; 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

The Firm does not engage any solicitor and in the future may engage solicitors, or receive client referrals from third parties that are not registered investment advisors.

Item 15 – Custody

The Firm has access to or authority over, cash and securities for purposes other than issuing trading instructions for the PR Funds. For example, the Firm has authority to cause a custodian to transfer cash from a PR Funds' account in payment of services, including the Firm's advisory fees. Although the Firm does not physically hold the securities and other assets of the PR Funds, the Firm is deemed to have custody of the PR Funds' assets. PR Funds' investors do not receive account statements from any custodians; rather, the PR Funds are subject to an annual audit and the audited financial statements are distributed to each PR Fund investor.

For separately managed account, no securities, cash or other assets are physically held by the Firm or an affiliate of the Firm. Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. The Firm urges the client to carefully review such statements and compare such official custodial records to the account statements that the Firm may provide to the client and notify the Firm immediately if there are any significant discrepancies. The Firm's 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, the Firm 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 managed clients are required to execute an investment advisory services agreement, to provide discretionary investment advisory services. The investment advisory services agreement will grant the Firm or sub-adviser sufficient authority to act as a discretionary investment manager, including granting the Firm or sub-adviser the authority to execute trades. As discussed in Item 4, above, the Firm or sub-adviser will accept reasonable limitations on its authority through client guideline restrictions, provided that the restrictions are essentially consistent with the Firm and/or sub-adviser 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. The Firm has

retained proxy voting authority for clients that have specifically requested it. Although some matters that may be voted on by the Firm might not be considered conventional "proxy votes" for issuers of listed equity securities, nevertheless the Firm applies the basic requirements of Rule 206(4)-6 if and 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, the Firm may have the authority to vote on matters relating to, or give approval/consent to amendments proposed by a proxy vote. The Firm's general policy is to vote proxies in accordance with the recommendation of an issuer's management on routine and administrative matters. With respect to non-recurring matters, the Firm will vote on a case-by-case basis in accordance with the goals of achieving a client's stated objective. If the Firm determines that this policy does not adequately address any detected conflict of interest between the Firm and a client, the Firm will notify the client of the conflict and request that the client consent to the Firm's intended response to the proxy solicitation. If the client consents to the Firm's intended response or fails to respond to the notice within a reasonable period of time specified in the notice, the Firm will vote the proxy as described in the notice. If the client objects to the Firm's intended response, the Firm will vote the proxy as directed by the client. Additional information about the Firm Proxy Policy and related practices and how a client's proxies were voted is available upon written request to the Firm.

Clients should note that the Firm 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, the Firm will transmit copies of class action notices to the client or a third party. Upon such direction, the Firm will make commercially reasonable efforts to forward such notices in a timely manner.

The sub-advisers retained by the Firm for management of equity or fixed income mandates are responsible for the voting of all proxies and corporate actions related to assets which they sub-advise. For additional information on Eagle's proxy voting policy, please see their Form ADV, Part 2 available on the SEC's website at www.adviserinfo.sec.gov.

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. The Firm 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.