

Cover Page - Item 1

**Part 2A of Form ADV: Investment Adviser Brochure**



**Investment Adviser**

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**March 30, 2023**

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

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

**Material Changes - Item 2**

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

Since the last amendments to Popular Securities' Form ADV Part 2A on March 31, 2022, Popular Securities has not made material changes to its brochure.

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**Advisory Business - Item 4**

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

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

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

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

The Program Assets may be invested in one or more of the following programs available through the MAS Program:

- **Separately Managed Account Program** – assets invested in separate accounts managed by other investment advisers, as sub-managers (the “Sub-Managers”), pursuant to agreements entered into by and between Investnet and the Sub-Managers.
- **MMA Program and Manager Blend Program** – assets invested in a single account managed by Investnet pursuant to the directions of one or more Sub-Managers.
- **UMA Program** – assets invested in a single account for a portfolio customized by Popular Securities and managed by Investnet pursuant to the directions of one or more Sub-Managers. Under this program, Investnet is responsible for determining the target asset mix and providing

overlay management. Popular Securities is responsible for selecting the specific, underlying investment vehicles in the appropriate model to meet your needs. In certain instances, Popular Securities may determine the target asset mix in addition to selecting the underlying investment vehicles and utilize Envestnet solely for administrative and trading services.

- **Mutual Fund and ETF Asset Allocation Program** – assets invested in mutual funds and/or exchange traded funds (“ETFs”) available through the MAS Program managed directly by Envestnet or using one or more investment models available under the MAS Program that are created by one or more independent investment advisers consisting of mutual funds, ETFs and/or other securities and investments (the “Investment Model Program”). Under the Investment Model Program using a model portfolio developed by a Model Provider, Envestnet provides overlay management of the investment models by performing administrative and trading services (such as directing the relevant broker-dealer to rebalance your portfolio). Envestnet is not responsible for the selection of the specific investment choices made under the Investment Model Program, except that Envestnet is responsible for determining the target asset mix.
- **DFA Asset Allocation Program** - Popular Securities also provides investment advice based on asset allocation models utilizing the family of funds of Dimensional Fund Advisors (“DFA”). Popular Securities will create model portfolios of DFA no-load mutual funds. The DFA mutual funds follow a passive asset class investment philosophy with low holdings turnover. DFA provides historical market analysis, risk/return analysis, research and continuing education to Popular Securities. Under this program, using a model portfolio developed by Popular Securities, Envestnet provides overlay management of the investment models by performing administrative services and trading services (such as directing the broker-dealer to rebalance your portfolio). Envestnet is not responsible for the selection of the specific DFA mutual funds. Popular Securities is responsible for determining the target asset mix.
- **Advisor Directed Model** – assets invested in mutual funds, ETFs and/or other securities and investments managed by Popular Securities. Under this model, Envestnet provides only administrative services to Popular Securities. Envestnet will not have discretion over Program Assets managed pursuant to an Advisor Directed Model and does not provide investment advisory services to you. Popular Securities will select the specific investment choices and asset allocations. Popular Securities will have full discretionary authority over these types of accounts granted by the Terms and Conditions agreed upon with customers.
- **PMC Select Portfolios** – assets invested in PMC Select Portfolios, a series of portfolios comprised predominately of Envestnet’s proprietary sub-advised mutual funds, the PMC Funds (“PMC Funds”), which are managed by Envestnet in its capacity as investment adviser. You may select that Program Assets be invested in Envestnet’s proprietary sub-advised mutual funds, PMC Funds. Envestnet also serves as the investment adviser to PMC Funds and receives advisory fees paid by PMC Funds in addition to the fee that you pay for services provided for participation in the MAS Program as described below in the Fees and Compensation Section of this brochure (See Item 5). Disclosure of the advisory fees paid by the PMC Funds is included in the PMC Funds prospectus. A portion of your assets invested in the MAS Program may be invested in PMC Funds, where appropriate, in conjunction with using multiple asset managers that comprise the

investment models. Since Envestnet serves as the investment adviser to the PMC Funds, the amount that Envestnet receives with respect to MAS Program that are invested in the PMC Funds may be greater than just the portion of the MAS Program fee remitted to Envestnet. In order to address the economic incentive that Envestnet may have in investing your assets in the MAS Program in PMC Funds, when PMC Funds are utilized in the MAS Program, Envestnet makes a corresponding fee reduction to the fee that Envestnet charges for the MAS Program. This fee reduction offsets the fees Envestnet receives as a result of those assets invested in the MAS Program that are invested in the PMC Funds. Envestnet may still recognize ancillary benefits in investing assets in the MAS Program in PMC Funds. Similarly, should Envestnet otherwise exercise its grant of investment discretion to select PMC Funds, a corresponding credit-back or reduction to the Program Fee shall be made.

- **Alternative Investment Products** – assets invested in alternative investment products available through the MAS Program. Unless otherwise stated, Envestnet provides Reporting Only Services and you will be required to enter into a separate client agreement with the third-party portfolio manager of the alternative investment provider, containing separate terms and conditions and important disclosures.
- **Reporting Only Services** – you may elect to receive account administration and reporting services with respect to those assets or accounts invested outside of the MAS Program.

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

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

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

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

Sub-Managers shall be retained by Envestnet pursuant to agreements entered between the Sub-Managers and Envestnet. For certain Sub-Managers, Envestnet has entered into a licensing agreement with the Sub-Manager, whereby Envestnet performs administrative and/or trading duties pursuant to the direction of the Sub-Manager. In such instances, the Sub-Manager is acting in the role of a Model Provider. Your execution of the advisory agreement authorizes Popular Securities, Envestnet, and/or any Sub-Manager expressly designated by Popular Securities or Envestnet and retained by Envestnet, as its agent and attorney-in-fact, to issue to brokers, dealers, and banks in its sole discretion, without prior consultation with you, instructions to purchase, sell, exchange, convert and otherwise trade in and deal with any security or cash in your accounts at your risk and generally to perform the services described in the advisory agreement.

#### **Non-MAS Program Services**

Popular Securities also offers investment management services through certain fixed income money managers ("Fixed Income Managers") outside of the MAS Program (the "Fixed Income Program"). If you chose to invest your assets in the Fixed Income Program, you will be required to enter into a separate agreement with the Fixed Income Manager containing separate terms and conditions and important disclosures. We will provide you with a copy of the Fixed Income Manager's disclosure statement. If you enter into an advisory agreement with a Fixed Income Manager, you will be appointing such Fixed Income Manager as your investment adviser and will be granting such Fixed Income Manager full discretionary authority to invest, reinvest and otherwise deal with the assets invested under the Fixed Income Program in such Fixed Income Manager's discretion, including without limitation the authority to select, allocate and reallocate the assets under the Fixed Income Program to different Sub-Managers and to delegate such investment discretion to such Sub-Managers. Such discretionary authority allows the Fixed Income Manager to make all investment decisions with respect to the assets invested under the Fixed Income Program and when it deems appropriate and without prior consultation with you, to buy, sell, exchange, convert and otherwise trade in any bonds, mutual funds, and other securities. In selecting investment vehicles and Sub-Managers for the assets invested under the Fixed Income Program, the Fixed Income Manager will consider factors it deems relevant, including but not limited to, your investment goals and objectives, and any reasonable restrictions imposed by you on the management of such assets, including the designation of particular securities or types of securities that should not be purchased for your accounts, or that should be sold if held in such accounts. You should understand and be willing and able to

accept the risk involved in the selection of investments before entering into an advisory agreement. There is no assurance that your investment objective will be achieved.

#### **Financial Planning Services**

Popular offers financial planning services to its advisory clients. For such clients, a financial planning report is created to assist advisory clients in the area of personal financial planning, and can cover or analyze various topics, including, but not limited to, net worth, budgeting and cash flow, retirement planning, asset allocation, college financial planning, and disability planning.

#### **Wrap Fee Programs**

A wrap-fee program is a type of investment program that provides clients with access to several money managers or mutual fund asset allocation models for a single fee that includes administrative fees, management fees, and commissions. If you participate in this program, we will provide you with a copy of Envestnet's disclosure document. You will also be provided with separate disclosure documents for each independent Sub-Manager managing a separate account for you. In addition, if the investment program recommended to you is a wrap fee program, you will also receive the Appendix 1 or equivalent wrap fee brochure provided by the sponsor of the program. If you participate in a wrap fee program, you will pay a single fee, which includes our money management fees, certain transaction costs, and custodial and administrative costs. We would receive a portion of the wrap fee for our services. The overall cost you will incur if you participate in a wrap fee program may be higher or lower than those that you might incur by separately purchasing the types of securities available in the wrap fee program. You are encouraged to review all disclosure document(s) to learn more about the particular characteristics of each of the services offered within the wrap fee program.

#### **Types of Investments**

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

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

You may request that we, Envestnet, the Fixed income Manager and/or Sub-managers refrain from investing in particular securities or certain types of securities. You must provide these restrictions in writing. We will employ our reasonable best efforts to accommodate your request.

#### **Assets Under Management**

As of December 31, 2022, we provide continuous management services for \$1,837,947,254 in client regulatory assets. The Firm also provides services to \$71,955,248 in client non-regulatory assets, for which Popular Securities provides limited investment advice.

#### **Other Investment Advisory Services**

We provide co-asset management services to the Popular Mezzanine Fund, LLC (the "Mezzanine Fund") a private equity fund organized as a limited liability company under the laws of the Commonwealth of Puerto Rico that is designed to provide customized financing solutions to



privately held companies organized or engaged in a trade or business in Puerto Rico that meet the requirements of the Community Reinvestment Act. Our services to the Mezzanine Fund generally consist of the following: (i) determining the composition of the Mezzanine Fund's investment portfolio (ii) identifying, evaluating and negotiating the structure of such investments; and (iii) recommending changes to the securities and other assets that may be acquired by the Mezzanine Fund from time to time. The Mezzanine Fund is a subsidiary of our affiliate Banco Popular de Puerto Rico. The other co-asset manager of the Mezzanine Fund is Enhanced Puerto Rico LLC a wholly owned company of Enhanced Asset Management. Enhanced Asset Management is a subsidiary of Enhanced Capital Group.

We also provide limited advisory services to 13 retirement plan and/or personal trust accounts held at our affiliate, Banco Popular of Puerto Rico.

#### **Fees and Compensation - Item 5**

##### **Advisory Fees**

Popular Securities' annual advisory fee (also known as the "Total Client Fee") for the services it provides to clients in the MAS Program or the Fixed Income Program has a cap of 2.50% or 1.10% respectively, of your total assets invested in the MAS Program or the Fixed Income Program, as applicable. The total client fee is negotiated on a case-by-case basis and it can be determined by considering several factors (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). The total client fee will be disclosed in your investment management agreement or statement of investment selection. You should note that an advisory fee greater than 2.00% of the total assets under management is higher than industry norms.

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

The Total Client Fee is a composite fee calculated either from a fee schedule based on the asset levels (or "tiers") invested, also known as "Tier Rate Fees", or from a single fee, also known as an "All Assets Fee Rate", applicable to all assets invested in the account regardless of the total asset levels or tiers. In both cases, the Total Client Fee Rate is composed of both the "Program Fees", as described below, and the "Advisor Fees", depending on the type of strategy selected. The Advisor Fees are fees paid directly to the Investment Advisor for the services rendered.

Generally, if the total client fee is calculated based on "tier rates", the overall fee rate will decrease, as the asset value in the account increases. With an "All Assets Fee Rate" structure, although the total client fee rate remains fixed, the program fees and the advisor fees could fluctuate over time. In these cases, if the program fee rates decrease, the advisor fee rate could increase.

You will receive a separate disclosure document (Form ADV Part 2 Brochure) prepared by Investnet or the applicable investment adviser describing the specific fees charged within the MAS Program or the Fixed Income Program, as applicable, the minimum account requirements, billing arrangements and service termination provisions. You are encouraged to review this disclosure document, as well as the investment management agreement, regarding the particular characteristics of the fees charged within the applicable program. Fees payable for your participation under the MAS Program or the Fixed Income Program, as applicable (the "Program Fees"), are separate and in addition to the advisor fees paid to Popular Securities.

#### Program Fees

Investnet and/or the Fixed Income Manager will charge you a Program Fee that is established and payable in accordance with the applicable investment adviser's disclosure documents and any written agreements you are required to execute in connection with the MAS Program and/or the Fixed Income Program. The Program Fees are based on a percentage of assets under management and are billed quarterly in advance by the applicable investment adviser based on the market value of the assets on the last day of the preceding quarter. Fees will be assessed pro rata in the event the services agreement is executed at any time other than the first day of a calendar quarter. The Program Fee for each quarter will equal (on an annualized basis) the percentage set forth in the Fee Schedule, of the fair market value of the assets under management in the applicable category (including interest paid or accrued) as calculated on the last business day of the previous calendar quarter. The Investment Adviser will determine the fair market value of the assets under management for purposes of calculating the Program Fee. If the investment management agreement is terminated prior to the end of a quarter, a pro rata portion of the Program Fee will be reimbursed to you.

Popular Securities and applicable investment advisers are authorized, pursuant to your investment advisory agreement with such advisers, to instruct NFS to deduct from your account the Program Fees payable for services rendered under the aforesaid agreements. NFS shall retain the custodial fee due to NFS in connection with the applicable program and shall disburse the remainder of the Program Fee to Popular Securities and/or the applicable investment adviser in accordance with your investment management agreement or statement of investment selection. Investnet or the Fixed Income Manager, as agent for you, shall retain or distribute to Sub-Managers and any third-party service providers any amounts due such parties in connection with the MAS Program or the Fixed Income Program, as applicable. NFS will not determine whether fees are properly calculated. It is your responsibility to verify the accuracy of such fee calculation.

Program Fees are composed of Custody Fees, Platform Fees and Manager Fees.

The agreed upon fees and terms will be stated in your investment advisory agreement with the applicable investment adviser(s).

There is a minimum annual Program Fee charged per account for participation in the MAS Program or the Fixed Income Program. The Program Fee does not cover certain charges associated with securities transactions in clients' accounts, including: (i) dealer markups, markdowns or spreads charged on transactions in over-the-counter securities; (ii) costs relating

to trading in certain foreign securities; (iii) the internal charges and fees that may be imposed by any collective investment vehicles, such as mutual funds and closed-end funds, unit investment trusts, ETFs or real estate investment trusts (such as fund operating expenses, management fees, redemption fees and other fees and expenses).

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

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

If there is insufficient cash in your accounts at the time the Program Fee is to be debited from your accounts, Envestnet, the Sub-Managers or the Fixed Income Managers, as applicable, may sell assets in your account to generate sufficient cash to pay the Program Fee. This may create a taxable gain or tax loss for you. If the assets in your account are illiquid, Envestnet, Popular Securities or the Fixed Income Manager will send you an invoice for the Program Fee for the quarter, due within ten (10) days of receipt.

#### Other Fees and Expenses

All fees paid to Popular Securities for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and ETFs to their shareholders. In the case of mutual funds, these fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and possibly a distribution fee. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. Accordingly, the client should review the fees charged by the funds, Popular Securities, Envestnet, the Fixed income Manager, NFS, and others to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

#### Referral/Solicitation Compensation

We have referral/solicitation arrangements with Russell Investments and Appleton Partners, Inc. (the "Unaffiliated Advisors") pursuant to which we receive compensation from the Unaffiliated

Advisors if/when we refer clients to such Unaffiliated Advisors. That compensation is received for the duration of the engagement. Therefore, we have a financial incentive to recommend the Unaffiliated Firms over other firms offering similar services that do not pay us compensation for referring clients to them. Moreover, we have no obligation to refer any clients to the Unaffiliated Advisors.

#### Financial Planning

The fees for financial planning services are presented as a flat fee amount per plan for customers. Fees may vary depending on the complexity of each financial plan and number of modules prepared. Fees for financial planning services are typically billed directly to the customer. However, advisory clients may also pay by deducting from their checking/savings account at our affiliate Banco Popular de Puerto Rico. There may be instances where Popular Securities may cover the cost of a financial plan partially or in its entirety. This may happen if the client appears to have significant potential for establishing a new investments relationship or for increasing his/her assets in an established investment account at Popular Securities. This creates a conflict of interest because Popular Securities obtains a financial benefit when you increase your assets or establish new investment relationships with us. The financial benefit includes the ability to make additional brokerage recommendations (generating additional commissions). Popular does not allow prepayment of fees in excess of \$1200 per client six months or more in advance of services rendered. For more information on financial plans and any additional fees that may apply, please refer to the Understanding How We Are Compensated Disclosure by following this link

<https://www.popular.com/en/popularone/services/investments/understandinghowwearecompensated>.

#### Third Party Training and Conferences

Certain advisory money managers or mutual fund companies provide our advisors the opportunity to attend training and education conferences. Such conferences include the payment or reimbursement of travel, meals and lodging expenses for attendees. Popular Securities may have an incentive to recommend advisory money managers or mutual fund companies that provide the above referenced opportunities over those that do not.

#### Revenue Sharing Compensation

Popular Securities maintains a revenue sharing arrangement with Russell Financial Services, LLC, for which the Firm receives up to .03% in fees per annum, based on the average daily net asset value of outstanding qualifying shares of Class S of Russell Investment Company's (affiliated to Russell Financial Services, LLC) mutual funds. Russell Investment Company has access to our advisors to provide training and other educational presentations and product information. Popular Securities' advisors do not receive compensation in connection with Russell's revenue sharing arrangement. Nevertheless, advisors may prefer recommending products offered by Russell Investment Company over other mutual funds due to the access they have to Russell Investment Company's resources and personnel.

#### Mutual Fund Share Class Selection and Rebates of 12b-1 Fees

Mutual funds are not offered under the Fixed Income Program. This section is applicable to the MAS Program. None of the mutual funds currently offered in the MAS Program impose a front-

end sales charge. Advisory, institutional or other share classes that do not have a sales-load and do not assess 12b-1 fees (collectively "Advisory Shares") are offered in the MAS Program as the primary mutual fund share class, where available to us through a selling agreement or through NFS Platform. Popular Securities seeks to make available to clients mutual funds, and share classes of those mutual funds, that Popular Securities believes are suitable for investment, but does not seek to offer mutual funds or share classes of mutual funds that are necessarily the least expensive. Other mutual funds and share classes may have different charges, fees, and expenses, which may be lower than the charges, fees, and expenses of the mutual funds we make available. For example, Advisory Shares are less expensive than other share classes because they typically do not pay a 12b-1 fee or assess a sales charge. Advisory Shares are not always the least expensive available share class offered by a particular mutual fund. Some mutual funds offer institutional shares in addition to the Advisory Share class offered in our managed accounts that may be less expensive than the Advisory Share class we offer because they do not use a portion of operating expenses for the payment of sub-transfer agent or networking fees or pay cost reimbursement or marketing support to distributors. You may be eligible to purchase a lower-cost institutional or other share class for a mutual fund that is less expensive than the Advisory Share class offered in our MAS Program for that fund. Please contact your Financial Consultant for information on fund families and mutual funds offered in our MAS Program including the applicable Advisory Share and for information about any limitations on share classes available through a managed account.

To the extent that Popular Securities receives 12b-1 fees for Non-Advisory Share classes in managed accounts, they will be rebated to clients, except in the case of the Popular Money Market Fund, for which Popular Securities receives 12b-1 fees that will not be rebated to clients. Because Popular Securities does not rebate these 12b-1 fees, and because these 12b-1 fees are received from Popular Securities' affiliate, this creates a conflict of interest. Other money market funds are available to clients, and these funds have different charges, fees, and expenses, which may be lower than the charges, fees, and expenses of the Popular Money Market Fund. These funds may also pay higher or lower interest to clients than the Popular Money Market Fund. Clients may elect NOT to use the Popular Money Market Fund and, instead, use one of these other funds.

#### Termination of Services and Refund of Fees

You, our firm and/or the applicable investment advisor may terminate the advisory relationship in accordance with the provisions of the applicable agreement. Any unearned, pre-paid fees shall be refunded to you, but you shall be responsible for any transactions executed prior to Popular Securities' receipt of the cancellation notice.

#### Payment of Fees

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

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

#### Compensation for the Sale of Securities or Other Investment Products

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

Financial Planning clients are not required to implement any of the recommendations delivered through the financial planning services offered by Popular. However, should a financial planning client decide to implement any of the recommendations made in the financial plan through Popular, the client will pay any applicable charges, commissions or fees relating to the purchased product or service. A significant portion of these charges or commissions will be paid to the advisor in his/her capacity as a broker-dealer representative of Popular. The change in role from an investment adviser to a broker-dealer means Popular and its advisors face conflicts of interests and Popular's interests may be different than those of the advisory client.

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

Persons providing investment advice on behalf of our firm may also be licensed as insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. You are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

Compensation received from Mezzanine Fund

Popular Securities provides BPPR, the sole limited partner in the Popular Mezzanine Fund (PMF), certain services, including but not limited to, (i) review of BPPR's internal credit policies and procedures; (ii) assistance in preparation and filing of the legal documentation establishing and governing the PMF; (iii) assistance in the regulatory approvals process; and (iv) coordination among the PMF's relevant stakeholders. In exchange for such services, BPPR compensates Popular Securities in the form of certain contingent payments, pursuant to the Operating Agreement of the PMF.

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

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

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

**Types of Clients - Item 7**

We offer advisory services to a wide array of clients, including, individuals, high net worth individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, non-profit organizations, governmental organizations, corporations and certain private equity funds.

Popular Securities' minimum initial account size requirement is \$50,000 for certain products. Many products may have a higher minimum requirement. However, the minimum requirement may be waived if you appear to have significant potential for increasing your assets under management. We may also combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum. While the minimum account size requirement may be negotiable, a lower than required minimum size may result in higher fees. Your advisory relationship may be terminated if your account falls below a minimum size which is too small to manage effectively.

You will receive a separate disclosure document (Form ADV Part 2 Brochure or equivalent brochure) prepared by the Fixed Income Manager, Envestnet and/or Sub-managers, as



applicable, describing account minimums and any other requirements for opening an account within the MAS Program or the Fixed income Program. You are encouraged to review all disclosure documents to learn more about account requirements.

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

We may use a variety of investment strategies and analytical methods in formulating its investment advice. The strategies and analysis methods used will depend on the specific situation being evaluated, but in general will be based on the client's goals, risk tolerance, needs and current holdings, amongst others. These will be used to determine an asset allocation and suitable investment vehicles as well as to monitor and suggest on-going monitoring and recommendations. Analysis may include but is not necessarily limited to several quantitative techniques and qualitative evaluations.

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

##### **Third-Party Active Manager Analysis**

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

The process consists of the following steps:

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

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



internal controls which enforcement is necessary to prevent business, regulatory or reputational deficiencies.

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

The investment advice provided along with the strategies we suggest will vary depending on each client's specific financial situation and goals. Investing in securities involves risk of loss that you should be prepared to bear. In light of the risks associated with investing in financial markets, you should fully understand the nature of the contractual relationship(s) into which you are entering and the extent of your exposure to risk. Certain investing strategies may not be suitable for many members of the public. You should carefully consider whether the strategies employed will be appropriate for you in light of your investment experience, objectives, financial resources and other relevant circumstances. You should understand that investing in any securities involves a risk of loss of both income and principal and that diversification of a portfolio does not ensure a profit or operate as a guarantee against a loss.

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

#### **Disciplinary Information - Item 9**

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

- On December 11, 2014, Popular Securities executed a Letter of Acceptance, Waiver and Consent ("AWC") pursuant to which FINRA agreed to accept a settlement to conclude its examination of the firm. Under the terms of the AWC, Popular Securities (1) accepted that the firm's written supervisory procedures ("WSPs") for the period beginning on July 1, 2011 and ending on June 30, 2013 did not outline the steps that the firm should have taken to review its customers' securities purchases in Puerto Rico securities for concentration, and that, apart from

a procedure that required quarterly reviews of “elderly” customer accounts for concentration of one product in client’s account, the firm did not establish, maintain, or enforce any systems or procedures that required supervisors to review for concentrated purchases in Puerto Rico securities or document such reviews; and (2) agreed to a censure and a fine of \$125,000. The firm has accepted the above referenced finding without admitting or denying the same.

- On March 11, 2019, Popular Securities LLC entered into an agreement with the U.S. Securities and Exchange Commission (the “SEC”) to settle charges relating to the sale of certain mutual funds under the SEC’s Share Class Selection Disclosure Initiative. Pursuant to the terms of that Initiative, without admitting or denying the findings, Popular Securities voluntarily self-reported its failure during the period from January 1, 2014 to February 28, 2017 to disclose a conflict of interest related to the sale of higher-cost mutual fund share classes when a lower-cost share class was available. Specifically, the settlement found that Popular placed its clients in mutual fund share classes that charged higher 12b-1 fees – which are recurring fees deducted from the fund’s assets – when lower-cost share classes of the same fund were available to its clients without adequately disclosing that the higher cost share class would be selected. Because these 12b-1 fees were paid to Popular Securities, and Popular Securities did not rebate these fees to its clients, this created a conflict of interest with its clients. As part of the settlement, Popular Securities agreed (1) that it violated Section 206(2) of the Advisers Act, (2) to promptly disgorge to its current and former clients who were affected by this situation the difference between the fees they actually paid and the lower fees they would have paid, had they been placed into the lower-cost share class (the total amount paid was \$544,577, comprised of disgorgement of \$490,020 and prejudgment interest of \$54,557), and (3) to undertake to (a) review and correct disclosure documents concerning mutual fund share class selection, (b) evaluate whether existing clients should be moved to a lower-cost share class and move clients as necessary, (c) evaluate and update (if necessary) policies and procedures relating to disclosures regarding mutual fund share class selection, (d) notify affected investors of the settlement terms of this Order, and (e) certify, in writing, compliance with the undertakings. Consistent with the terms of the Initiative, the SEC agreed not to impose penalties against Popular Securities.

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

Details related to our firm's disciplinary history can be found at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

#### **Other Financial Industry Activities or Affiliations - Item 10**

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

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

- Banco Popular of Puerto Rico (BPPR): a banking institution that offers a broad spectrum of banking products and financial services to consumers, small businesses and commercial clients.
- Popular Bank: a banking institution offering banking related services in the US.
- Popular Auto LLC: a leasing and auto loan company that also provides daily rental services.
- Popular Insurance LLC: a licensed insurance agency.
- Popular Risk Services LLC: a licensed insurance producer.
- Popular Asset Management, LLC.: a registered Investment Advisor which provides investment advice to certain open-end mutual funds which are more commonly known as the "Popular Family of Funds" and certain closed-end mutual funds which are more commonly known as the "PRRTFF Family of Funds". The Popular Family of Funds and the PRRTFF Family of Funds are registered investment companies under the Puerto Rico Investment Company Act. Popular Securities is a distributor of the Popular Family of Funds and receives compensation as part of an on-going 12(b)1 distribution fee. The PRRTFF is co-advised by Popular Asset Management, LLC. and UBS Asset Managers of Puerto Rico, Inc.

Where appropriate, Popular Securities and its employees may recommend various investments, including the Popular and PRRTFF Family of Funds and the banking, insurance, and other investment-related services of the Related Companies to our advisory clients. This constitutes a conflict of interest insofar as Popular Securities and/or its employees may earn additional compensation as a result of such recommendations. To the extent that such recommendation involves an investment in the Popular or PRRTFF Family of Funds, Popular Asset Management, LLC. may receive additional compensation as investment adviser to each of the aforesaid funds.

The Related Companies and their employees may also recommend the advisory services of our firm to their clients. The services provided by the Related Companies are separate and distinct from our advisory services and are provided for separate and additional compensation. There may also be arrangements between Popular Securities and these Related Companies where Popular Securities and/or the Related Companies and their employees receive payment in exchange for client referrals. No Popular Securities' client is obligated to use the products or services of any of the Related Companies.

In addition to Popular Securities branch locations and BPPR branch office sites, the services of Popular Securities are being offered through office centers under the trade name of Popular One. Popular One office centers are a place where customers can obtain an integrated service offering from a multidisciplinary team of specialized professionals from Popular Securities, BPPR, Popular Insurance and Popular Risk Services, respectively, who will work with the customer to help him reach his/her financial goals.

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

Wealth Advisors and other BPPR employees with appropriate securities registrations may become investment advisor representatives in certain accounts for which they also provide financial planning, or other banking related services for which they are compensated. The receipt of such additional compensation constitutes a conflict of interest.

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

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

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

Popular Securities endeavors at all times to put the interest of its clients first. In order to comply with this general principle:

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

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

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

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

**Participation or Interest in your Transactions**

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

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

**Brokerage Practices - Item 12**

If you participate in the Fixed Income Program, you will be required to open a brokerage account with NFS.

NFS is designated to provide trade execution and custodial services with respect to the Fixed Income Program. Services provided by NFS in this capacity are governed by a separate agreement between you and NFS. By participating in the Fixed Income Program, you authorize the Fixed Income Program managers and Popular Securities to direct brokerage to NFS; therefore, you may not receive the benefit of the lowest trade price then available for any particular transaction for the accounts. In effecting brokerage transactions, Fixed Income Program Managers or Popular Securities may consider not only available prices and commission

rates (including the fact that certain transaction effected through NFS are included in the Program Fee), but also other relevant factors such as execution capabilities, research and other services provided by the broker-dealer.

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

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

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

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

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

**Brokerage for Client Referrals**

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

**Directed Brokerage**

Transactions for Program Assets are routinely directed to NFS. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services. Not all advisers require their clients to direct brokerage.

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

**Economic Benefits**

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

**Review of Accounts - Item 13**

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

Popular Securities will provide reviews of a client account(s) with Envestnet and Fixed Income Managers on at least an annual basis. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by



material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

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

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

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

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

#### **Client Referrals and Other Compensation - Item 14**

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

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

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

#### **Client Solicitation/Referrals**

As disclosed in the Fees and Compensation at Item 5 of this brochure, we have solicitation/referral arrangements with Russell Investments and Appleton Partners, Inc. for



certain institutional/large clients whereby we receive a referral/solicitation fee for the duration of the engagement (while the Unaffiliated Advisor is the consultant).

**Other Compensation**

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

**Custody - Item 15**

We previously disclosed in the Fees and Compensation section (Item 5) of this brochure that our firm's custodian directly debits advisory fees from client accounts. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period. You should contact Popular Securities directly if you have any questions regarding your advisory fees shown on your statement.

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

**Investment Discretion - Item 16**

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

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

Sub-Managers shall be retained by Investnet or the Fixed Income Manager, as applicable, pursuant to agreements entered between the Sub-Managers and Investnet or the Fixed Income Manager. For certain Sub-Managers, Investnet has entered into a licensing agreement with the Sub-Manager, whereby Investnet performs administrative and/or trading duties pursuant to the direction of the Sub-Manager. In such situation the Sub-Manager is acting in the role of a Model Provider. Your execution of the advisory agreement authorizes Popular Securities, Investnet, the Fixed Income Manager and/or any Sub-Manager expressly designated by Popular Securities, Investnet or the brokers, and retained by Investnet, as its agent and attorney-in-fact, to issue to brokers, dealers, and banks in its sole discretion, without prior consultation with you, instructions to purchase, sell, exchange, convert and otherwise trade in and deal with any security or cash in the Accounts for your account at your risk and generally to perform the services described in the advisory agreement.

#### **Voting Client Securities - Item 17**

Popular Securities does not vote client proxies and does not typically provide advice to clients regarding the clients' voting of proxies. You should refer to Investnet or the Fixed Income Manager's disclosure document for the MAS Program or the Fixed income Program, as applicable (Form ADV Part 2), for information regarding the proxy voting policy of Investnet, the Sub-Managers or the Fixed Income Manager.

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

#### **Financial Information - Item 18**

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