

September 30, 2013 FIRST PUERTO RICO TAX EXEMPT FUND (Class A)

Category	
Non-Diversified Open-Ended Fund	
Puerto Rico Tax-Exempt Fixed Income	
Inception Date	
Class A	August 30, 1995
Minimum Initial Investment	
	\$10,000
Total Assets	
	US \$461.15 million
Net Assets	
	US \$162.03 million
Cusip	
	998397A60 Class A
Investment Adviser	
	Santander Asset Management (787) 759-5340
NAV	
	Class A Shares \$4.83
Redemption Charge-Class A	
	1% within first 60 days of purchases
Sales Charge	
	Class A Maximum 3.5%
Frequency of Purchases	
	Each Wednesday
Frequency of Redemptions - Weekly	
	Each Wednesday
Annual Operating Expense Ratios	
Class A	0.90%
Shares of Common Stock Outstanding	
Class A	33,565,258

The Fund's investment objectives are to (i) provide a high level of current income exempt from U.S. federal and Puerto Rico income taxes consistent with the preservation of capital and (ii) to distribute monthly dividends of substantially all of the Fund's net investment income. The Fund invests primarily in fixed income tax-exempt securities including Puerto Rico and U.S. Government securities, mortgage-backed and asset backed securities and municipal obligations. Normally, at least 67% of the Fund's assets must be invested in Puerto Rico securities. The Fund will invests, at the time of purchase, at least 95% of its assets in investment grade securities, or, if unrated, deemed by the Investment Adviser to be of comparable credit quality. The Fund could invest up to 10% of its assets on taxable securities, the amounts distributed as ordinary dividends will be subject to a preferential tax rate of 10%, in the case of individuals. The Fund is authorized to issue preferred stock and debt securities and engage in other forms of leverage to increase amounts available for investment.

Performance at NAV**

Total Returns								
Class A	1 month	3 months	YTD	1 year	3 years*	5 years*	10 years*	Since Inception*
Excl. max. sales charge	-33.10%	-44.02%	-45.76%	-46.33%	-11.98%	-5.05%	-0.23%	3.05%
Incl. max. sales charge	-35.44%	-45.98%	-47.66%	-48.19%	-13.02%	-5.72%	-0.58%	2.85%

* Annualized
 **Does not reflect the effect of income taxes. The performance quoted is past performance and is not a guarantee of future results. The investment return and principal value of an investment in the Fund will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Performance changes over time and currently may be lower or higher than performance data shown above. The Fund is subject to certain market risks. Market volatility can significantly impact short-term performance. For performance current to the most recent month-end please call 1 (888) 756-0003.

Calendar Year Total Return - Class A

Based on NAV and excluding max. sales charge

2012	8.76%
2011	19.19%
2010	2.37%
2009	18.71%
2008	-5.61%
2007	6.67%
2006	2.96%
2005	3.89%
2004	6.22%
2003	3.03%
2002	10.91%
2001	11.94%
2000	6.72%
1999	-2.94%
1998	9.95%

Growth of \$10,000 Since Inception



This chart assumes reinvestment of dividend and capital gain distributions and excludes the impact of any sales charge and the effect of income taxes.

Portfolio Characteristics

Average Maturity	16.53 years
Average Duration	9.48
Effective Duration	9.71
Average Price	76.41
Average Yield⁽¹⁾	6.02%
Weighted Average Coupon⁽²⁾	2.99%
Market Weighted Average Coupon⁽²⁾	4.30%
Asset Leverage Ratio⁽³⁾	64.64%
Leverage Cost	0.71%
Leverage Cost*	2.40%

*Including hedging transactions

Class A Shares

52-Week NAV Low/High \$4.83 / \$9.83

YTD NAV Change (4.63)

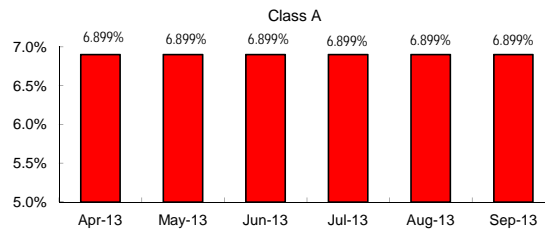
Last 12-month Dividend \$0.6902

⁽¹⁾ Average Yield is the return obtained from the portfolio and is calculated by multiplying the last month of the quarter gross income by twelve and dividing by the portfolio amortized cost at quarter end.

⁽²⁾ Weighted Average Coupon "WAC" is calculated from the Fund's portfolio by weighting the coupon of each security by its relative size in the portfolio based on face amount. Market Weighted Average Coupon is WAC calculation based on market value.

⁽³⁾ The Fund may borrow money from banks or other financial institutions, enter into reverse repurchase agreements and dollar rolls and offer commercial paper and other debt securities or shares of preferred stock. The Asset Leverage Ratio is all such forms of leverage divided by the Fund's total assets immediately after such leverage. The Asset Leverage Ratio may represent up to 50% of the Fund's total assets; in addition, the Fund is allowed to borrow an additional 20% of the Fund's total assets for temporary, emergency and/or defensive purposes.

Monthly Distributions (As of September 30, 2013)+



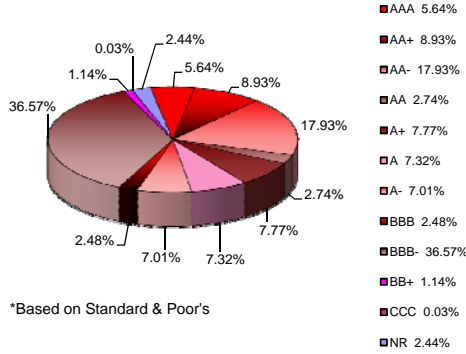
+September Dividend refers to dividend paid on October 15, 2013. The Fund intends to declare and distribute monthly dividends of substantially all of its net investment income. Monthly distributions to holders of Common Stock consisted of all or a portion of its net investment income remaining after the payment of interest on the commercial paper or other debt securities or borrowings or dividends on any preferred stock. Please note that monthly distribution rates may vary.

First Puerto Rico Tax Exempt Fund

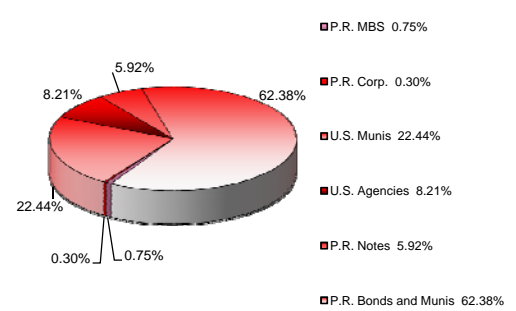
Top 10 Holdings

1. U.S. Municipal Bonds	22.44%
2. P.R. Sales Tax Financing Corp. (zero)	17.08%
3. P.R. Gov Dev Bank Senior Notes	14.61%
4. P.R. Senior Pension Funding	9.44%
5. P.R. Government Obligations Bonds	6.28%
6. Federal Home Loan Bank Bonds	5.83%
7. P.R. Hsng. and Human Dev. Trust	5.35%
8. P.R. Sales Tax Financing Corp.	5.06%
9. P.R. Highway	4.25%
10. P.R. Senior Pension Funding (zero)	2.84%

Credit Rating



Asset Allocation



PORTFOLIO HOLDINGS SUMMARY AS OF SEPTEMBER 30, 2013

Description	% of Portfolio	Description	% of Portfolio	Description	% of Portfolio	Description	% of Portfolio
P.R. GDB SENIOR NOTE	13.70%	IL ST-BAB-3-AGM-CR	1.14%	PR S/TAX-SER B	0.46%	GN 401479	0.04%
P.R. BUILDING	6.23%	PR COMWLTH HWY-REF-A	1.10%	NYC FIN AUTH	0.42%	GN 407849	0.04%
FIDEVI NOTE 7.01% (1)	5.35%	CT HOUSING FIN AUTHORITY	1.03%	NYC TRANS AUTH REV	0.39%	GN 420030	0.04%
PR S/TAX CAB-CONV	5.11%	P.R. BUILDING	1.01%	FEDERAL HOME LOAN BANK	0.38%	PR S/TAX-SER B	0.04%
EMP RETIRE-B-SR PENSION	3.80%	ILLINOIS ST-BABS	0.96%	PR S/TAX-CABS-B-1ST S	0.35%	GN 420145	0.04%
ILLINOIS STATE	3.54%	ILLINOIS ST-BABS	0.96%	PR S/TAX-SER B	0.35%	GN 420003	0.03%
EMPLOYEES RETIREMT-A	3.34%	ILLINOIS STATE TAX PENSION	0.94%	PR S/TAX-SER B	0.34%	GN 436861	0.03%
FEDERAL HOME LOAN BANK	3.08%	PR S/TAX-CABS-SER B	0.92%	PR AQUEDUCT REF-SER A	0.30%	GN 437580	0.03%
PR HWY/TRN REF-SER L	2.48%	P.R. GDB SENIOR NOTE	0.91%	TRIPLE-S MANAGEMENT CORP	0.29%	GN 397421	0.03%
PR S/TAX SER C	2.43%	PR S/TAX CAB-SER C	0.88%	PR COMWLTH HWY-REF-A	0.29%	GN 412705	0.03%
EMPLOYEES RETIREMT-A	2.29%	ILLINOIS ST-BABS-AGM-	0.86%	FEDERAL FARM CREDIT BANK	0.27%	DMSI 2006-PR1 1A1	0.02%
EMP RETIRE-CABS-B	2.18%	PR S/TAX CAB-SER C	0.86%	PR COMWLTH HWY-REF-A	0.25%	GN 420001	0.02%
CA ST-TXBL	1.98%	ILLINOIS ST-BABS	0.85%	PENNSYLVANIA ST - BAB 5.35%	0.24%	LBGT 1993-3 H	0.02%
FL BOE PECO-SER G	1.71%	NYC TRANSL FIN-QSCB	0.81%	TACOMA BAB 5.791%	0.23%	GN 420008	0.02%
CT ST-QSCB-TXB	1.70%	PR S/TAX-CABS-B-1ST S	0.81%	P.R. BUILDING	0.20%	GN 419994	0.02%
STATE PUB SCH-A-QSCB	1.62%	FEDERAL HOME LOAN BANK	0.76%	PR COMWLTH GEN PURP	0.15%	PR COMWLTH CAB	0.02%
FEDERAL HOME LOAN BANK	1.61%	FEDERAL FARM CREDIT BANK	0.73%	PR S/TAX CAB-SER C	0.14%	GN 437589	0.02%
PR S/TAX-CABS-SER B	1.59%	TX ST TRANSN-1ST TIER	0.69%	PR COMWLTH HWY-REF-A	0.13%	GN 397424	0.01%
PR S/TAX CAB-CONV	1.51%	PR S/TAX-CABS-SER B	0.69%	EMP RETIREMENT SR-A	0.09%	GN 397431	0.01%
PR S/TAX-SER B	1.45%	ILLINOIS BABS-AGM-CR	0.66%	GN 407848	0.07%	EMP RETIRE-B-SR PENSI	0.01%
PR S/TAX-CABS-SER B	1.44%	ILLINOIS ST-BABS	0.62%	GN 407862	0.05%	GN 425540	0.01%
PR S/TAX CAB-SER C	1.41%	NYS URBAN DEV CORP	0.59%	PR COMWLTH PUB IMPT	0.05%	GN 436858	0.01%
PR S/TAX CAB-SER C	1.39%	P.R. TRADE & EXPORT 5.101% (1)	0.58%	GN 420000	0.05%	GN 420005	0.01%
FEDERAL FARM CREDIT BANK	1.37%	EMP RETIREMENT SR-A	0.57%	GN 420006	0.05%	GN 436854	0.01%
PR AQUEDUCT SR LIEN-B	1.14%	TRENTON-TXB-REF-CABS	0.53%	GN 407847	0.05%	PR INDL REF-A	0.01%

The Fund's holdings are subject to change.

(1) Collateralized with U.S. securities

Disclosures

Before you invest, you should review the Fund's prospectus, which contains more information about the Fund and its risks. You can find the Fund's prospectus and other information about the Fund including its most recent reports to shareholders, online at www.santandersecurities.com. You can also get this information at no cost by calling 1(888) 756-0003 or from your financial consultant.

The Fund is a non-diversified investment company registered under the Puerto Rico Investment Companies Act. An investment in the Fund is not equivalent to an investment in the underlying securities of the Fund. The shares are offered for sale exclusively to individuals whose main residence is located in Puerto Rico and persons, other than individuals, whose principal office and place of business are located in Puerto Rico. The shares may be offered for sale and sold only in Puerto Rico. Past performance is not predictive of future performance. Performance changes overtime and currently may be lower than stated above. An investment in the Fund is not a deposit or an obligation of a bank (including Banco Santander Puerto Rico), and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. An investment in the shares of the Fund is designed and is suitable only for long-term investors, and may not be suitable for all investors. Investors in the shares should not view the Fund as a vehicle for trading purposes.

The Fund is subject to risks that may result in a loss of all or part of your investment in the Fund. The Fund's net asset value can deteriorate rapidly, including as a result of declines in the value of Puerto Rico fixed-income securities from downgrades to their credit rating or otherwise. The shares of the Fund are subject to market risk, including the loss of principal. As a non-diversified investment company, the Fund may invest a greater portion of its assets in a single issuer or asset class and as such may be susceptible to loss due to adverse occurrences affecting that issuer or asset class. The Fund's utilization of leverage creates certain additional risks to investors including higher volatility in the net asset value and market value of its shares of common stock and in the dividend rate paid by the Fund on its shares. Please see "Risk Factors and Special Considerations" and "Risk Factors and Special Considerations of Leverage" in the prospectus for a more detailed description of the Fund's risks.

The Fund may enter into various types of transactions with affiliated parties as described in the Fund's prospectus. All transactions with affiliates are subject to procedures adopted by the Board of Directors from time to time and, particularly, the independent directors of the Board, in an effort to address potential conflict of interest. There is no assurance that the procedures will be effective. Any claim against the Fund or its directors and officers by any investor in the securities issued by the Fund will be subject to the jurisdiction of the courts of the Commonwealth of Puerto Rico.

This document is not authorized for distribution unless preceded or accompanied by a current prospectus for the Fund which contains more complete information about the Fund including fees and expenses that you may pay if you buy and hold shares of the Fund.

MARKET COMMENTARY SEPTEMBER 30, 2013

Advanced estimates of economic growth during the third quarter remained unimpressive, highlighting a downward trend in consumer spending and capital investment that coupled with the looming political debate related to the federal budget and debt ceiling do not foreshadow a favorable outlook for short-term economic activity. As a result of the aforementioned factors, the Federal Reserve deferred the decision to gradually remove monetary policy accommodation at their most recent policy committee meeting. The multi-speed economic performance of this cycle has been characterized by a downtrend in capital investments and its subsequent effect on the labor market, a disconcerting tendency given the long-term consequences of a secular change in the manner by which capital is deployed by U.S. companies. The drift towards lower investment in capital has been accompanied by a surge in shareholder-friendly initiatives, such as higher dividend payouts and share buybacks, that in the short-term give the illusory effect of wealth creation but ultimately creates exceptionally negative repercussions in the economy. The dynamic has increasingly frustrated the Federal Reserve given the unprecedented amount of stimulus injected into the U.S. economy as the unemployment rate remains inert when factoring the sharp drop in the labor participation rate. There are ways other than monetary policy to induce the flow of capital into investment outlays, such as comprehensive tax reform, but the odds of achieving such a milestone are slim given the polarized environment in Congress.

Interest and credit markets in general reacted immediately to the stance adopted by the Fed towards the end of the quarter, prompting risk free long-term rates and credit sectors to recuperate a portion of the unrealized losses incurred during the previous months. The risk free yield curve steepened by 16 basis points with the 2-year Treasury note decreasing by 0.4% and the 10-year Treasury note yield increasing by 12 basis point, from 2.49% to 2.61%. Within sectors, the U.S. Agency MBS sector outperformed on a relative basis during the period with an increase of 1.03% return. On the other hand, Corporates, Treasuries and U.S. Taxable Municipals underperformed on a relative basis, increasing by 0.82%, 0.10% and dropping by 1.76% respectively for the quarter. The average spread on corporate debt decreased by 11 basis points during the period, from 152 to 141 basis points.

Notwithstanding the negative headwinds related to U.S. fiscal policy debate and the uncertain impact of higher long-term interest rates in the real estate market, there are encouraging signs that the economy will slowly continue to heal, but with unabated support from the U.S. central bank. Specifically, the continued deleveraging at the household level, strong corporate balance sheets, a highly accommodative monetary policy and an expansion in the real estate market should gradually help propel the economy towards full employment. The latter factor in our opinion is the key to a vigorous recovery at the household level and the financial system and a subsequent sustained economic recovery without the dependency of highly accommodative monetary policies. Against this backdrop, we expect the long-term interest rates to remain volatile and to remain a function of economic fundamentals and subsequent future Federal Reserve involvement in open market operations.

In Puerto Rico, the municipal market experienced one of the most extraordinary levels of volatility in history. Credit markets in general deteriorated after the Fed signaled the possible end to quantitative easing measures, but municipals were particularly affected by the announcement by City of Detroit that it would enter Chapter 9 bankruptcy proceedings and a newspaper article in Barron's highlighting many of the fiscal challenges facing P.R. All these factors triggered a wave of concern about the government's willingness and ability to service the debt. Consequently, yields on all issuers within the jurisdiction surged to unprecedented levels, including COFINA debt. Notwithstanding, Moody's and S&P published commentaries highlighting that the reforms to the central employees' retirement system, the increase in water rates, tax on petroleum derivatives, corporate tax rates and expansion of sales taxes were all credit positive developments that addresses a long-term structural problem and substantially reduces the burden of the general fund and reduces the dependency of several instrumentalities, including the Puerto Rico Aqueduct & Sewer Authority and the Highway & Transportation Authority. However, the rating agencies reiterated they would continue to assign a negative outlook to P.R. and its instrumentalities until further information was available on the implementation of all these measures and the actual revenues collected meet the projections outlines by the administration. Given the willingness by the new administration to deal with these politically difficult matters, we feel constructive on the credit. Notwithstanding, we still remain concerned on the ability of policy makers to enact policies that foster real economic growth and a subsequent reduction in debt levels.

In summary, the economic expansion in the U.S. is being supported by the Fed's aggressive monetary policy stand, but the deleveraging process at the household and government level will continue to lead to below potential output for the balance of the year. SAM will continue monitoring the investment portfolios and the markets on a daily basis in order to seize opportunities that may arise due to market inefficiencies. SAM will remain vigilant of any changes in the interest rate and geopolitical environment in order to make appropriate adjustments that are consistent with long-term objectives.

The statements contained herein are based upon the opinions of Santander Asset Management and the data available at the time of publication and are subject to change at any time without notice.

This communication does not constitute investment advice, is for informational purposes only and is not intended to meet the objectives or suitability requirements of any specific individual or account. An investor should assess his/her own investment needs based on his or her own financial circumstances and investment objectives. Past performance is not a guarantee of and may not be indicative of future results.

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