Fitch Ratings

Fitch Affirms Note Programs of 7 Banco Popular Puerto Rico/UBS Closed-End Funds

Fitch Ratings - New York - 24 September 2019: Fitch Ratings has affirmed the ratings assigned to the medium-term notes series and short-term notes programs of the seven Puerto Rico Investment Family of Funds Closed-End Funds (CEFs) co-advised by Popular Asset Management and UBS Asset Managers of Puerto Rico.

KEY RATING DRIVERS

The main drivers for the rating actions are:
--The asset coverage requirements for each series of notes at the individual, sub-account level when notes are outstanding;
--The structural protections afforded by mandatory collateral maintenance provisions in the event of asset coverage declines;
--The legal and regulatory parameters that govern the funds' operations;
--The capabilities of UBS Asset Managers of Puerto Rico and Popular Asset Management as co-advisers.

As of Sept. 6, 2019, only Puerto Rico Investors Bond Fund I had rated notes outstanding, and for this fund, current asset coverage levels at the sub-account level is a key rating driver. For the remaining funds with no notes currently outstanding, the rating affirmations are not driven by current asset coverage levels but by the structural protection, legal and regulatory parameter and investment adviser capability rating drivers listed above.

FUND SUMMARY

The funds are corporations organized under the laws of the Commonwealth of Puerto Rico and are duly registered as non-diversified, closed-end management investment companies under the Puerto Rico Investment Companies Act of 1954, as amended.

The funds normally invest at least 67% of total assets in securities issued by Puerto Rico entities. These include securities issued by the Commonwealth of Puerto Rico, Puerto Rico mortgage-backed and asset-backed securities and corporate obligations and preferred stock of Puerto Rico entities. However, due to the sustained increased volatility in the Puerto Rico bond market, the Puerto Rico Office of the Commissioner of Financial Institutions has granted a temporary regulatory waiver from such 67% investment requirement of such securities.

The funds increase amounts available for investment through the issuance of preferred stock, debt securities, or other forms of leverage, representing not more than 50% of total assets immediately after any such issuance. Currently, the funds utilize short-term and medium-term notes and reverse repurchase agreements.

STRUCTURAL PROTECTIONS

As of the review date, Puerto Rico Investors Bond Fund I, the only fund with notes outstanding, had asset
coverage ratios, as calculated in accordance with the Fitch overcollateralization (OC) tests using the asset-specific discount factors and the minimum discount factors found in the guidelines outlined in Fitch's criteria, in excess of 100%. These are the minimum asset coverage amounts deemed consistent with the assigned ratings.

When rated notes are outstanding, each fund segregates collateral for each series of 100% Principal Protected Notes (comprised of a medium-term note series and a short-term note series). The Fitch OC tests calculate asset coverage available to the notes and preferred stock, based on discounted market prices and diversification of the assets in each segregated collateral account. Should either of the asset coverage tests decline below 100% (as tested weekly) and not cure within the pre-specified timeframe of five business days, the governing documents would require the fund to reduce leverage in a sufficient amount to restore compliance with the applicable asset coverage tests on the final day of the cure period.

INVESTMENT MANAGER

UBS Asset Managers of Puerto Rico and Popular Asset Management are the funds' investment advisors. Subject to the supervision of each fund's board of directors, they are responsible for each fund's overall investment strategy and implementation. Popular Asset Management is a division of Banco Popular de Puerto Rico. UBS Asset Managers of Puerto Rico is a division of UBS Trust Company of Puerto Rico, which is an affiliate of UBS Financial Services Incorporated of Puerto Rico.

RATING SENSITIVITIES

The ratings may be sensitive to material changes in the credit quality or market risk profiles of the funds. A material adverse deviation from Fitch guidelines for any key rating driver could cause the ratings to be lowered by Fitch. Changes in the supply-demand dynamics with respect to invested collateral types may influence Fitch's analytical approach to the liquidity of underlying collateral types. In addition, the amount of total leverage assumed by a fund could also influence Fitch's analytical conclusion if such leverage increased the likelihood of a bankruptcy stay with respect to the overall fund.

SOURCES OF INFORMATION

The sources of information used to assess this rating were the public domain, Popular Asset Management and UBS Asset Managers of Puerto Rico.

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RATING ACTIONS
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Applicable Criteria

Short-Term Ratings Criteria (pub. 02 May 2019)
Closed-End Funds and Market Value Structures Rating Criteria (pub. 28 Jun 2019)

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Dodd-Frank Rating Information Disclosure Form
Solicitation Status
Endorsement Policy

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