

PUERTO RICO SHORT TERM INVESTMENT FUND, INC.

PROSPECTUS

February 19, 2016

This prospectus offers shares of common stock in the Puerto Rico Short Term Investment Fund, Inc. (the “Fund”) exclusively to residents of Puerto Rico (as described below), including eligible participants in the UBS Financial Services Inc.SM Resource Management Account[®] (RMA[®]) Program, the UBS Business Services Account[®] (BSA[®]) Program, or advisory programs that may be offered by UBS Financial Services Incorporated of Puerto Rico and those investing through other securities dealers or directly from the Fund.

THE FUND IS NOT A MONEY MARKET FUND REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, DOES NOT COMPLY WITH THE RULES APPLICABLE TO THOSE FUNDS AND MAY PRESENT A HIGHER DEGREE OF RISK THAN THOSE FUNDS.

THE SECURITIES DESCRIBED IN THIS PROSPECTUS ARE OFFERED FOR SALE ONLY IN THE COMMONWEALTH OF PUERTO RICO THROUGH REGISTRATION OF THE FUND WITH THE OFFICE OF THE COMMISSIONER OF FINANCIAL INSTITUTIONS OF PUERTO RICO AS AN INVESTMENT COMPANY UNDER THE PUERTO RICO INVESTMENT COMPANIES ACT OF 1954. THE SECURITIES HAVE NOT BEEN REGISTERED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933 OR WITH THE OFFICE OF THE COMMISSIONER OF FINANCIAL INSTITUTIONS OF PUERTO RICO AND THE FUND HAS NOT BEEN REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940. NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION NOR THE OFFICE OF THE COMMISSIONER OF FINANCIAL INSTITUTIONS OF PUERTO RICO HAVE PASSED IN ANY WAY UPON THE MERITS OF OR RECOMMENDED OR APPROVED FOR THE SECURITIES. ANY REPRESENTATION TO THE CONTRARY IS A CRIME.

THE SHARES ARE OFFERED EXCLUSIVELY TO INDIVIDUALS WHOSE PRINCIPAL RESIDENCE IS WITHIN THE COMMONWEALTH OF PUERTO RICO AND TO PERSONS, OTHER THAN INDIVIDUALS, ORGANIZED UNDER THE LAWS OF PUERTO RICO AND WHOSE PRINCIPAL OFFICE AND PRINCIPAL PLACE OF BUSINESS ARE LOCATED WITHIN PUERTO RICO, PROVIDED THAT IF THE ENTITY IS A NON-BUSINESS TRUST, THE TRUSTEE AND ALL BENEFICIARIES OF THE TRUST ARE ALSO PUERTO RICO RESIDENTS.

UBS ASSET MANAGERS OF PUERTO RICO, INVESTMENT ADVISER TO THE FUND, AND ITS AFFILIATES MAY HAVE INTERESTS THAT COMPETE WITH THOSE OF THE FUND, AMONG OTHER THINGS, BECAUSE THE INVESTMENT ADVISER AND ITS AFFILIATES WILL ACT IN NUMEROUS CAPACITIES IN CONNECTION WITH THE FUND AND THE PUERTO RICO INVESTMENT COMPANIES IN WHICH THE FUND INVESTS, AND WILL ENGAGE IN TRANSACTIONS DIRECTLY WITH THE FUND. FOR A DETAILED DISCUSSION OF THESE RISKS AND OTHER RISKS APPLICABLE TO AN INVESTMENT IN THE FUND, SEE “INVESTMENT OBJECTIVES, STRATEGIES AND RISKS—PRINCIPAL RISKS” AND “MORE ABOUT RISKS AND INVESTMENT STRATEGIES” IN THIS PROSPECTUS.

AN INVESTMENT IN THE FUND IS NOT INSURED OR GUARANTEED BY THE U.S. GOVERNMENT OR BY THE GOVERNMENT OF THE COMMONWEALTH OF PUERTO RICO. YOU SHOULD BE AWARE THAT THE SHARES ARE NOT AN OBLIGATION OF OR GUARANTEED BY UBS TRUST COMPANY OF PUERTO RICO OR ANY OF ITS AFFILIATES. IN ADDITION, YOUR INVESTMENT IN THE FUND IS NOT A DEPOSIT AND IS NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER AGENCY OF THE U.S. GOVERNMENT OR THE GOVERNMENT OF THE COMMONWEALTH OF PUERTO RICO. THE VALUE OF AN INVESTMENT IN THE FUND MAY BE MORE OR LESS THAN THE ORIGINAL AMOUNT INVESTED. AN INVESTMENT IN THESE SECURITIES ENTAILS INVESTMENT RISK.

THE FUND IS A NON-DIVERSIFIED INVESTMENT COMPANY. THIS MEANS THAT THE FUND MAY INVEST A GREATER PERCENTAGE OF ITS ASSETS IN A LIMITED NUMBER OF ISSUERS, PARTICULARLY PUERTO RICO INVESTMENT COMPANIES, THAN A DIVERSIFIED INVESTMENT COMPANY. CONSEQUENTLY, THE FUND’S NET ASSET VALUE AND ITS YIELD MAY FLUCTUATE TO A GREATER EXTENT THAN THAT OF A MORE DIVERSIFIED INVESTMENT COMPANY AS A RESULT OF CHANGES IN THE MARKET’S VIEW OF THE FINANCIAL CONDITION AND PROSPECTS OF SUCH ISSUERS. THE FUND WILL BE MORE SUSCEPTIBLE TO ANY SINGLE ECONOMIC, POLITICAL OR REGULATORY OCCURRENCE THAN A MORE WIDELY DIVERSIFIED INVESTMENT COMPANY.

The Fund’s principal office is located at 250 Muñoz Rivera Ave., Tenth Floor, San Juan, Puerto Rico 00918 and its telephone number is (787) 773-3888.

(This page intentionally left blank)

Contents

PUERTO RICO SHORT TERM INVESTMENT FUND, INC.

What every investor should know about the Fund	1	Investment Objective, Investment Strategy, Legally Required Investments and Principal Risks
	4	Performance
	4	Expenses and Fee Tables
	7	Investment Practices
	11	More About Risks
	19	Fundamental Policy and Investment Restrictions

YOUR INVESTMENT

Information for managing your Fund account	20	Managing Your Fund Account
--	----	----------------------------

ADDITIONAL INFORMATION

Additional important information about the Fund	23	Management
	32	Portfolio Transactions
	32	Valuation of Shares
	34	Dividends and Taxes
	38	Distribution Arrangements
	39	Other Information
	40	Financial Highlights
	Appendix A	Puerto Rico Asset Requirements
	Appendix B	Types of Municipal Obligations
	Appendix C	Mortgage-Backed Securities
	Appendix D	Puerto Rico Residency Representation Letter
	Appendix E	Privacy Policy
	Appendix F	Proxy Voting Policy

Where to learn more about the Fund

Back Cover

The Fund is not a complete or balanced investment program.

(This page intentionally left blank)

Puerto Rico Short Term Investment Fund, Inc.

INVESTMENT OBJECTIVE, INVESTMENT STRATEGY, LEGALLY REQUIRED INVESTMENTS AND PRINCIPAL RISKS

About the Fund

The Fund is an open-end, non-diversified management investment company registered under the Puerto Rico Investment Companies Act of 1954, as amended (the “Puerto Rico Investment Companies Act”).

Only residents of Puerto Rico, including such residents that are participants in the UBS Financial Services Inc. RMA[®] or BSA[®] programs that select the Fund as their primary brokerage account sweep option, may invest in the Fund. The RMA[®] and BSA[®] programs are more fully described in separate materials your Financial Advisor can provide you. See “Managing Your Fund Account—Buying Shares.”

Investment Objective

Current income, consistent with liquidity and conservation of capital.

No assurance can be given that the Fund will achieve its investment objective.

Investment Strategy and Legally Required Investments

As its investment strategy, the Fund invests in a portfolio of high quality tax-exempt short term debt instruments of governmental and private issuers, including instruments issued by other Puerto Rico investment companies advised by or co-advised by the Investment Adviser. The Fund may also invest in longer-term bonds with only a short time remaining to maturity or that have variable interest rates or other special features that give them the financial characteristics of short term debt. “Short term” means instruments that mature in 397 calendar days or less from the date when the Fund acquires the instrument. The maturity of Second Tier Securities may not exceed 180 days. The Fund invests only in U.S. dollar-denominated instruments. “High quality” means instruments that at the time of investment are rated within the two highest short term rating categories by one or more nationally recognized statistical rating organizations, without

regard to any subcategory, or that are unrated but deemed to be of comparable quality by the Fund’s Investment Adviser. The Fund may continue to hold these instruments even if their rating is downgraded.

The Fund seeks to maintain a stable price of \$1.00 per share. **The Fund is not a money market fund registered under the U.S. Investment Company Act of 1940 and does not comply with the rules that apply to those funds.** As a result, among other things, the Fund may present a higher degree of risk than those funds and the Fund may be less able than those funds to maintain a stable price of \$1 per share. In particular, the Fund will not be subject to the requirements of Rule 2a-7 under the U.S. Investment Company Act, which, among other things, contains strict issuer diversification, maturity and credit quality requirements. The Fund, for example, may invest to a greater degree than a U.S. Investment Company Act-registered money market fund in securities rated in the second highest short term rating category (Second Tier Securities) and the Fund is less diversified than such a fund. Further, the Fund will not have available the more general regulatory protections afforded to U.S. registered investment companies, including money market funds. **You may have a greater risk of losing money than if you invested in a U.S. registered money market fund or in one of the other sweep options offered in the UBS Financial Services Inc. RMA[®] or BSA[®] programs.**

In order to comply with the legal requirements of the Puerto Rico Investment Companies Act, the Fund generally must invest at least 67% of its total assets in securities issued by Puerto Rico issuers. To achieve its objective, except for temporary purposes, the Fund will normally invest at least 67% of its total assets in short term Puerto Rico obligations, such as Puerto Rico municipal obligations, Puerto Rico mortgage-backed and asset-backed securities, obligations of Puerto Rico investment companies (the majority of which will be obligations issued principally or solely by investment companies having the same Investment Adviser as the Fund), reverse repurchase agreements and commercial paper. The types of securities issued by Puerto Rico issuers in which the Fund may invest are described in “Appendix A – Puerto Rico Asset Requirements.”

In order to meet these requirements, the Fund may invest to a large extent in securities issued by the Commonwealth of Puerto Rico, which are currently Second Tier Securities.

The Fund may hold up to 33% of its total assets in U.S. high quality short term instruments, including securities issued or guaranteed by the U.S. government, its agencies and instrumentalities, municipal securities of issuers in the United States, non-Puerto Rico mortgage-backed and asset-backed securities and other securities. The Fund will seek to maintain a dollar-weighted average portfolio maturity of 90 days or less.

Pursuant to a ruling issued by the Office of the Commissioner of Financial Institutions (“OCFI”) on July 27, 2015, the Fund has obtained a waiver of the requirement that it invest 67% of its assets in securities issued by Puerto Rico issuers until July 31, 2016. As of July 31, 2015, approximately 20.12% of the Fund’s assets consisted of securities issued by Puerto Rico issuers. The OCFI granted such ruling as a result of volatile market conditions in the Puerto Rico municipal bond market and the ratings downgrades of bonds issued by the Commonwealth of Puerto Rico and certain of its agencies. See “Geographic Concentration Risk” on page 2 below. There can be no assurance that this ruling will be extended beyond July 31, 2016.

The Fund’s investment objective may not be changed unless such change is authorized by (i) the holders of a majority of the Fund’s outstanding shares if the change is recommended by the Fund’s Board of Directors or at least 75% of the Fund’s shares if the change is not recommended by the Fund’s Board of Directors and (ii) the OCFI. The Fund’s investment strategy may be changed by the Investment Adviser in its discretion.

Principal Risks

An investment in the Fund is not a bank deposit and is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The value of an investment in the Fund may be more or less than the original amount invested. While the Fund seeks to maintain the value of your investment at \$1.00 per share, it may not be able to do so because of the following or other risks. You may lose money by investing in the Fund. There can be no guarantee that the Fund will meet its investment objective or that the Fund’s performance will be positive for any period of time. The principal risks presented by an investment in the Fund are:

- *General* – The Fund’s investments may be harmed by the performance of U.S., Puerto Rico, and foreign investment securities markets, which, in turn, may be influenced by a number of factors including (i) the level of interest rates, (ii) the rate of inflation, (iii) political decisions, (iv) fiscal policy, and (v) current events in general. Because the Fund invests in investment securities, the Fund’s net asset value may fluctuate due to market conditions **and you may lose money.**

- *Credit Risk* – Credit Risk is the risk that issuers may fail, or become less able, to make payments when due. The Fund is subject to higher credit risk than a registered U.S. money market fund because, among other things, the Fund may invest up to 30% of its total assets in Second Tier Securities while a U.S. money market fund may invest significantly less of its total assets in such securities. Generally, in addition, the Fund may invest more of its total assets in any single issuer of Second Tier Securities (with no per issuer limit for Puerto Rico issuers) than a U.S. money market fund.

- *Interest Rate Risk* – Interest rate risk is the risk that interest rates will rise, so that the value of the Fund’s investments will fall. The value of the Fund’s investments generally will fall when short term interest rates rise and its yield will tend to lag behind prevailing rates.

- *Geographic Concentration Risk* – Geographic Concentration Risks are risks resulting from reduced geographic diversification. Because the Fund will invest a substantial portion of its assets in Puerto Rico securities, its performance will be more severely affected by unfavorable economic, political, regulatory or other factors in Puerto Rico than investments that are not concentrated in this way.

Currently, the Puerto Rico bond market is experiencing a period of increased volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the prior two (2) years. This is likely the result of several factors, including a downgrade of certain municipalities by independent credit rating agencies, with some observers believing the default on certain interest and principal payments and the bankruptcy protection sought by the City of Detroit may have been a contributing factor, as well as the tapering of purchases of fixed-income securities by the U.S. Federal Reserve. Puerto Rico municipal securities have also experienced a decline in prices due, in part, to concerns about the Puerto Rico economy and the fiscal position of the Government of Puerto Rico.

The Government of Puerto Rico has taken steps to strengthen its fiscal position, such as tax and fee increases to bolster the revenues of the central government and certain of its public corporations, as well as major reforms to the Commonwealth's employee retirement systems, and the enactment of the Puerto Rico Public Corporations Debt Enforcement and Recovery Act (the "Recovery Act"), which is intended to provide an option for public corporations with financial difficulties to restructure their debt with their respective creditors due to their inability to avail themselves of the provisions of Chapter 9 of the U.S. Bankruptcy Code, thereby allowing such governmental agencies to become self-sufficient.

The provisions of the Recovery Act are designed to apply to all Puerto Rico government agencies and instrumentalities, except for the Commonwealth central government and its 78 municipalities; the Government Development Bank for Puerto Rico ("GDB") and its subsidiaries and affiliates; the Children's Trust; the Puerto Rico Government Employees Retirement System; the Puerto Rico Judiciary Retirement System; the Puerto Rico Municipal Finance Agency; the Puerto Rico Public Finance Corporation; the Puerto Rico Industrial Development Company; the Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority; the Puerto Rico Infrastructure Financing Authority; the Puerto Rico Sales Tax Financing Corporation ("COFINA"); the Puerto Rico System of Annuities and Pensions for Teachers; and the University of Puerto Rico.

On July 6, 2015, the U.S. Court of Appeals for the First Circuit reaffirmed a judgment by the United States District Court for the District of Puerto Rico, declaring the Recovery Act unconstitutional. The Government of Puerto Rico has appealed the ruling to the U.S. Supreme Court. The Government of Puerto Rico is also lobbying U.S. Congress to amend the provisions of Chapter 9 of the U.S. Bankruptcy Code, to include the Government of Puerto Rico and/or its instrumentalities.

On June 29, 2015, the Government of Puerto Rico presented a report entitled "Puerto Rico--A Way Forward" by consultants and former International Monetary Fund economists Krueger, Teja and Wolfe, which identified a deteriorating cash flow position and very large out-year central government budget gaps that approach the size of current full year general fund revenues. The report projects a fiscal 2016 budget gap of \$3.7 billion, absent corrective action, which would rise to \$6.0 billion by 2018 and higher in subsequent years. The Government of

Puerto Rico also announced that it would seek to negotiate with bondholders to defer and/or restructure its \$72 billion debt load, as part of a plan to bolster its finances and revive the Puerto Rico economy, and also designated the Working Group for the Fiscal and Economic Recovery of Puerto Rico (the "Working Group") to provide a debt restructuring plan by August 30, 2015. Thereafter, on August 3, 2015, the Puerto Rico Public Finance Corporation failed to make a required \$58 million payment on its debt, representing the first time a Puerto Rico agency defaulted on its debt.

In accordance with its mandate, the Working Group released the Puerto Rico Fiscal and Economic Growth Plan (the "FEG Plan") on September 9, 2015, which among other things, recommends restructuring all tax-backed debt, including general obligation bonds ("GOs") and COFINA sales tax debt. Absent meaningful additional fiscal and structural reforms, the Working Group projects that the Government of Puerto Rico (on a consolidated basis) will incur significant financing gaps for at least the next five (5) years, despite the significant historical measures previously undertaken to reduce expenses, increase revenues, and address structural budgetary challenges. Furthermore, while the Working Group recognized that a restructuring of the Commonwealth's debt may result in hardship to individual bondholders, the Working Group asserted that the payment of the public debt is not sustainable unless the persistent stagnation of Puerto Rico's economy, that has continued to fuel the increase in Government debt over the past decade, can be reversed. The Working Group also stated that a voluntary adjustment of the terms of the Commonwealth's debt will provide the leeway for the measures described in the FEG Plan to be implemented and will be the best way to maximize all creditor recoveries.

Fitch Ratings ("Fitch"), Moody's Investors Service ("Moody's"), and Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") have downgraded the GOs of the Commonwealth of Puerto Rico, as well as the obligations of certain Commonwealth agencies and public corporations, including COFINA, on numerous occasions over several months. On June 29, 2015, Fitch and S&P downgraded the GOs and related debt ratings from "B" to "CC" and from "CCC+" to "CCC-", respectively. Moody's followed suit on July 1, 2015, downgrading the GOs and COFINA's senior bonds to "Caa3," and S&P further downgraded all of the Commonwealth of Puerto Rico's tax-backed debt to "CC" on September 10, 2015. All such ratings carry a negative outlook. As an investment strategy, the Fund's assets are invested in securities that, at the

time of purchase, are rated within the two highest short term rating categories by one or more nationally recognized statistical rating organizations, without regard to any subcategory, or that are unrated but deemed to be of comparable quality by the Fund's Investment Adviser. **Currently, most of the bonds issued by the Government of Puerto Rico and its instrumentalities do not carry an investment-grade rating. As a result, in the event that the ruling issued by the OCFI waiving the requirement that 67% of the Fund's assets be invested in securities issued by Puerto Rico issuers is not extended, the ability of the Fund to comply with its investment policy will be constrained.**

Recently, the U.S. Department of Treasury has also presented a legislative proposal titled "Addressing Puerto Rico's Economic and Fiscal Crisis and Creating a Path to Recovery: Roadmap for Congressional Action" before the U.S. Congress, outlining a series of legislative actions to address Puerto Rico's urgent fiscal crisis. Such legislative proposal encompasses a four-step plan that includes the creation of a new class of bankruptcy under the U.S. Bankruptcy Code only available to U.S. territories, but such proposal has failed to gain sufficient Congressional support. Moreover, on December 8, 2015, the Governor of Puerto Rico signed Senate Bill 1513 into law, which provides for the creation of the Puerto Rico Fiscal Oversight and Economic Recovery Board, which would have fiscal oversight authority over the central government and most of its instrumentalities and requires the submission by the Working Group to the Board of a government-wide, consolidated five-year Fiscal and Economic Growth Plan.

As a result and in light of deteriorating government revenues and liquidity, the Puerto Rico Public Corporation ("PFC") failed to make the required \$58 million payment on its debt, representing the first default on Puerto Rico agency debt on August 3, 2015. Thereafter, on November 30, 2015, the Puerto Rico Governor redirected available revenues from certain government instrumentalities, namely the Puerto Rico Highways and Transportation Authority, the Puerto Rico Infrastructure Financing Authority ("AFI," by its Spanish acronym), the Metropolitan Bus Authority, and the Integrated Transport Authority, to make principal and interest payments on GOs, the payment of which is guaranteed by the Puerto Rico Constitution. The Puerto Rico Tourism Company was also ordered to transfer amounts collected on certain taxes to the Department of the Treasury, for the payment of certain obligations of the Puerto Rico Convention Center District Authority. The Puerto Rico Legislature may also consider new fiscal emergency measures, in order to

provide additional resources to Puerto Rico's general fund. On December 30, 2015, the Governor of Puerto Rico announced that the Commonwealth would make all bond payments due on January 4, 2016 except for \$37.3 million in interest corresponding to \$35.9 million of AFI bonds and \$1.4 million of PFC bonds. **In this context, one could expect to see additional interruptions in cash flow on debt payments, in addition to more price volatility across Puerto Rico securities, as the results of many of the fiscal and budgetary measures adopted and to be adopted in the future by the Government of Puerto Rico are fully realized and a debt restructuring is implemented.**

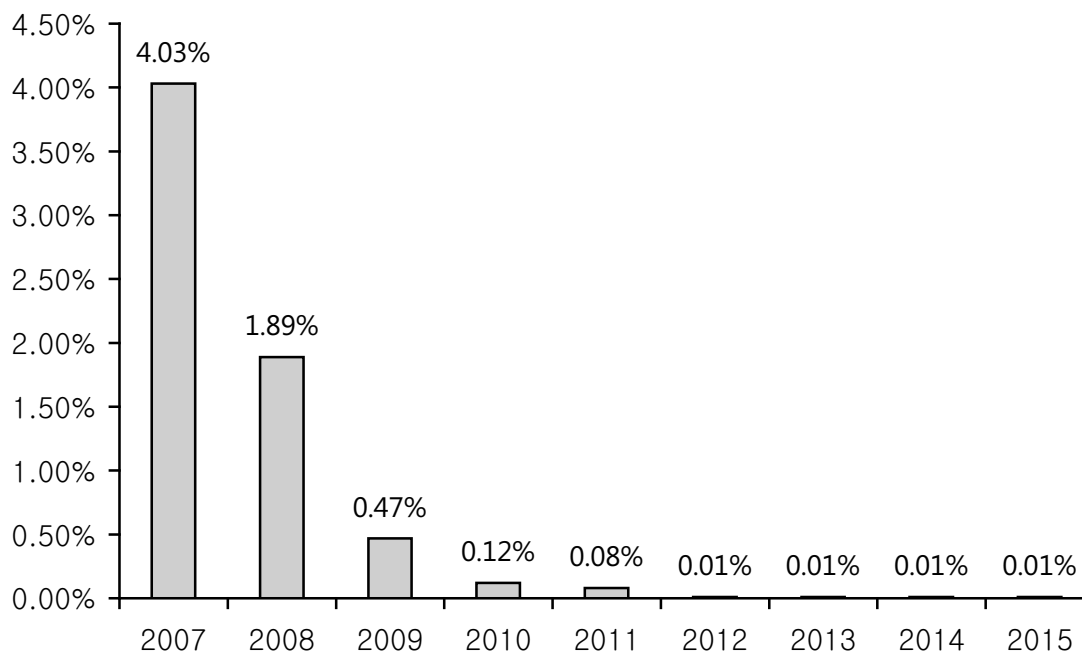
- *Industry Concentration Risk* – Industry Concentration Risk is the risk that concentrating investments in a particular industry or business segment will increase costs or fluctuations in the value of an investment portfolio.
- *Non-Diversification Risk* – Non-Diversification Risk is the risk that large positions in a small number of issuers may cause greater fluctuations in net asset value and yield as a result of changes in the market's assessment of the financial condition of those issuers.
 - *Illiquid Securities Risk* – Illiquid Securities Risk is the risk that securities held cannot be readily sold, particularly at a time when it is advisable to do so to avoid losses. Holdings of illiquid securities may also harm the Fund's continued use as a "sweep" option for management of daily securities account cash balances since it needs to be able to make daily redemptions.
- *Conflicts of Interest Risk* – Conflicts of Interest Risk is the risk that UBS Financial Services Incorporated of Puerto Rico and its affiliates, including the Investment Adviser, may have interests that compete with those of the Fund, among other things, because they will engage in transactions directly with the Fund. UBS Financial Services Incorporated of Puerto Rico and its affiliates will also act in numerous capacities in connection with the Fund and the Puerto Rico investment companies in which the Fund invests. These relationships also make the Fund very dependent upon UBS Financial Services Incorporated of Puerto Rico and its affiliates. To the extent that the Fund invests in obligations issued by investment companies affiliated with the Investment Adviser, such investments present certain conflict of interest and other related issues.

More information about these and other risks of an investment in the Fund is provided on p. 6 in "More About Risks and Investment Strategies."

PERFORMANCE

Risk/Return Bar Chart and Table

The bar chart below shows the Fund's annual performance for the calendar years since inception.



During the period shown in the bar chart, the highest quarterly return was 1.03% (1st quarter 2007), and the lowest quarterly return was 0.002% (2nd quarter 2013). Calculations are based on the last valuation date of each quarter.

EXPENSES AND FEE TABLES

Fees and Expenses The following tables describe the fees and expenses that you should expect to pay if you buy and hold shares of the Fund.

Shareholder Transaction Expenses (fees deducted directly from your investment in the Fund)

Maximum Sales Charge (Load) Imposed on Purchases (as a % of offering price)	None
Maximum Contingent Deferred Sales Charge (Load) (as a % of offering price)	None
Maximum Account Fee*	
UBS Financial Services Inc. RMA [®] Program.....	\$ 150
UBS Financial Services Inc. BSA [®] Program	\$ 150

* These fees are payable on an annual basis. Additional fees may apply for optional RMA[®]/BSA[®] services, please refer to the Account Information Booklet or contact your Financial Adviser. Purchases of shares of the Fund from other securities dealers may also involve additional fees.

Annual Fund Operating Expenses (expenses that are paid by the Fund)

Management Fees	0.500%
Distribution and/or Service (12b-1) Fees.....	0.125% ¹
Other Expenses	<u>0.153%</u> [†]
Total Annual Fund Operating Expenses (before Reimbursed Expenses).....	0.778%
Waived Fees and Reimbursed Expenses	(0.675%)*
Net Total Annual Fund Operating Expenses	<u>0.103%</u> [†]

¹ A portion of this fee may be paid to Financial Advisors in connection with their sale of Fund shares.

* The Investment Adviser has contractually agreed to reimburse the Fund for fees and expenses to the extent that the Fund's total annual fund operating expenses exceed 1.00% of the Fund's net assets through June 30, 2016 subject to reimbursement by the Fund within the subsequent three years if annual operating expenses do not exceed the percentage limitation. The Investment Adviser may choose to continue the Expense Limitation and Reimbursement Agreement for one-year periods following its termination, but is not required to do so. The Investment Adviser has also voluntarily waived its investment advisory fees for the fiscal year ended June 30, 2015. These waived fees are subject to future reimbursement by the Fund at the Investment Adviser's option, so long as such reimbursement does not cause the Fund's net asset value to fall below \$1.00 per share. During the year, \$2,817,993 in fees and expenses were waived or reimbursed to the Fund by UBS Trust Company of Puerto Rico. The fees and expenses potentially reimbursable to the Investment Adviser at June 30, 2015 amounted to \$3,584,129, of which \$89,514 expires during the fiscal year ending on June 30, 2016, \$676,622 expires during the fiscal year ending on June 30, 2017 and \$2,817,993 expires during the fiscal year ending on June 30, 2018.

[†] Other expenses include, among others, fees for certain shareholder services, administration, custodial and transfer agency fees, legal, regulatory and accounting fees, printing costs and registration fees. This expense information is estimated and does not include offering and organizational expenses.

Example

This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds. **This example does not reflect the effect of RMA program fees.** Investors that are not participants in the RMA program do not pay such fees and are not entitled to the services offered through the RMA program.

This example assumes that you invest \$10,000 in the Fund for the time periods indicated and then sell all of your shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund's total annual operating expenses is 0.778% annually. This assumption is not meant to indicate you will receive a 5% annual rate of return. Your annual return may be more or less than the 5% used in this example. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

<u>1 year</u>	<u>3 years</u>	<u>5 years</u>
\$79	\$249	\$432

INVESTMENT PRACTICES

The following are brief descriptions of the major categories of securities in which the Fund may invest:

Municipal Obligations. Municipal obligations are debt obligations or similar securities issued by or on behalf of Puerto Rico, a state of the United States, or any of their respective subdivisions, organizations, agencies or instrumentalities, or by multi-state agencies or authorities. Municipal obligations are issued for various public purposes, including construction of public or privately-operated facilities, such as airports, bridges, hospitals, housing, mass transportation, schools, streets and water and sewer works. Other public purposes for which municipal obligations may be issued include refinancing outstanding obligations and obtaining funds for general operating expenses and for loans to other public institutions and facilities. The types of municipal obligations in which the Fund may invest, and certain of their related risks, are described in “Appendix B – Types of Municipal Obligations.” Not all such types of municipal obligations are currently available in Puerto Rico.

Puerto Rico Investment Company Obligations. The Fund expects to invest a substantial portion of its assets (including possibly all of its Puerto Rico investments) in obligations of investment companies organized and registered under the laws of Puerto Rico and advised or co-advised by the Investment Adviser. These obligations will be issued principally or solely by investment companies having the same Investment Adviser as the Fund and collateralized by a pledge of certain securities constituting the assets of those investment companies (“TSOs”). The pledged securities are not high quality tax-exempt short term debt instruments. If the Fund were to foreclose on such collateral, it would be required to liquidate such securities and re-invest the proceeds. TSOs issued by affiliated investment companies may generally be issued in two series: Short Term Notes, which have maturities up to 270 days, and Medium Term Notes, which have maturities of over 270 days. Each series of TSOs is collateralized by a pledge of certain securities constituting the assets of those investment companies. The TSOs will bear interest, if any, at a fixed, variable or floating rate, or at a rate determined by reference to an index, determined at the time of issuance. The TSOs may also be issued at a discount with no stated rate of interest. The interest rate payable with respect to TSOs issued at the same time and having the same maturity, or the discount at which such TSOs are issued, may vary depending on the principal amount of the TSOs being issued.

TSOs issued in a greater principal amount may bear a higher rate of interest or may be sold at a greater discount than TSOs that are otherwise identical but that are issued in a lesser principal amount. The Medium Term Notes may be redeemable prior to their stated maturity at the option of the investment company issuing them as provided in the relevant TSOs or in an offering circular supplement describing such TSOs. The Short Term Notes will not be redeemable prior to their stated maturity unless otherwise provided in the relevant TSOs or in an offering circular supplement describing such TSOs. To the extent that the Fund invests in obligations issued by investment companies affiliated with the Investment Adviser such investments present certain conflicts of interest and other related issues. See “More About Risks and Investment Strategies—Conflicts of Interest Risk.”

Reverse Repurchase Agreements. The Fund may enter into reverse repurchase agreements with respect to any security in which it is authorized to invest, except that securities subject to reverse repurchase agreements may have maturities in excess of 13 months. Reverse repurchase agreements are transactions in which the Fund purchases securities from a broker-dealer or other financial institution, and at the same time commits to resell the securities to that entity at a specified future time and at a price reflecting a market rate of interest unrelated to the coupon rate or maturity of the purchased securities. The Fund maintains custody of the underlying obligations prior to their repurchase, either through its regular custodian or sub-custodian that maintains separate accounts for both the Fund and the counterparty. Thus, the obligation of the counterparty to pay the repurchase price on the date agreed to or upon demand is, in effect, secured by such obligations.

Commercial Paper. Commercial paper consists of short term, unsecured promissory notes issued by banks, municipalities, corporations and other entities to finance their short term credit needs. The commercial paper purchased by the Fund will include obligations issued by Puerto Rico governmental agencies, corporations located in Puerto Rico or the Puerto Rico subsidiaries of foreign entities, as well as obligations of U.S. issuers.

Mortgage-Backed Securities. Mortgage-backed securities are participations in, or are secured by and are payable from, mortgage loans secured by real property. Investors in mortgage-backed securities typically receive interest and principal on the

underlying mortgage loans (and/or any related credit support). In the case of Puerto Rico mortgage-backed securities, the underlying real property is located in Puerto Rico. Investments in mortgage-backed securities may include those issued or guaranteed by the Government National Mortgage Association (“GNMA”), Federal National Mortgage Association (“FNMA”) or Federal Home Loan Mortgage Corporation (“FHLMC”), as well as mortgage-backed securities that are not guaranteed or issued by GNMA, FNMA, FHLMC or any other government agency (“Private Label mortgage-backed securities”), and in either case may include collateralized mortgage obligations (“CMOs”). Private Label mortgage-backed securities are issued in connection with a securitization and represent a beneficial interest in a privately sponsored trust or other entity, the assets of which are mortgage loans or GNMA, FNMA, FHLMC or other mortgage-backed securities, including CMOs.

CMOs are multiple-class mortgage-backed securities. Some CMOs are directly supported by other CMOs, which in turn are supported by pools of mortgage loans. Investors in them typically receive payments out of the interest and principal on the underlying mortgage loans. The portions of these payments that investors receive, as well as the priority of their rights to receive payments, are determined by the specific terms of the CMO class. CMOs involve special risks. The types of GNMA, FNMA, FHLMC and certain other mortgage-backed securities in which the Fund may invest are described in more detail in “Appendix C – Mortgage-Backed Securities.” Not all types of mortgage-backed securities are currently available in Puerto Rico.

Bank Instruments. The Fund may invest in bankers’ acceptances, which are short term credit instruments used to finance commercial transactions. Generally, an acceptance is a time draft drawn on a bank by an exporter or an importer to obtain a stated amount of funds to pay for specific merchandise. The draft is then “accepted” by a bank that, in effect, unconditionally guarantees to pay the face value of the instrument on its maturity date. The acceptance may then be held by the accepting bank as an asset, or it may be sold in the secondary market at the going rate of interest for a specified maturity. Although maturities for acceptances can be as long as 270 days, most acceptances have maturities of six months or less.

The Fund may invest in bank certificates of deposit or other time deposits, including deposits with affiliates of the Fund and the Investment Adviser, or

of other investment companies in which the Fund invests. The U.S. Federal Deposit Insurance Corporation is an agency of the U.S. Government that insures the deposits of certain banks and savings and loan associations up to \$100,000 per deposit. The interest on such deposits may not be insured if this limit is exceeded. Current U.S. regulations also permit such institutions to issue insured negotiable Certificates of Deposit in amounts of \$100,000 or more, without regard to the interest rate ceilings on other deposits. To remain fully insured, these investments currently must be limited to \$100,000 per insured bank or savings and loan association. Investments in bank deposits are made only with U.S. or Puerto Rico institutions with assets in excess of \$1 billion.

Asset-Backed Securities. Asset-backed securities are securities generally backed by a pool of obligations (other than mortgage loans) of a number of different obligors. The securitization techniques used for asset-backed securities are similar to those used for mortgage-backed securities. The receivables supporting asset-backed securities presently are primarily automobile and credit card receivables, but may also consist of other types of obligations. Asset-backed securities and the underlying receivables are not generally insured or guaranteed by any government agency. However, in certain cases, such securities are collateralized by loans guaranteed by the U.S. Small Business Administration (“SBA”). The SBA is an independent agency of the United States.

The SBA guarantees the payment of principal and interest on portions of loans made by private lenders to certain small businesses. The loans are generally commercial loans such as working capital loans and equipment loans. The SBA is authorized to issue from time to time, through its fiscal and transfer agent, SBA-guaranteed participation certificates evidencing fractional undivided interests in pools of these SBA-guaranteed portions of loans made by private lenders. The SBA’s guarantee of such certificates, and its guarantee of a portion of the underlying loans, are backed by the full faith and credit of the United States.

Asset-backed securities will be considered Puerto Rico asset-backed securities when the securitization vehicle is organized under the laws of Puerto Rico or, regardless of where organized, when a majority of the underlying assets are obligations of Puerto Rico residents as defined in this Prospectus.

U.S. Government Securities. U.S. government securities include direct obligations of the U.S. Treasury (such as Treasury bills, notes or bonds) and obligations issued or guaranteed as to principal and interest (but not as to market value) by the U.S. government, its agencies or its instrumentalities. These U.S. government securities may include mortgage-backed securities issued or guaranteed by government agencies or government-sponsored enterprises. Other U.S. government securities may be backed by the full faith and credit of the U.S. government or supported primarily or solely by the creditworthiness of the government-related issuer or, in the case of mortgage-backed securities, by pools of assets.

The Fund may invest in separately traded principal and interest components of securities issued or guaranteed by the U.S. Treasury, which are traded independently under the Separate Trading of Registered Interest and Principal of Securities (“STRIPS”) program. Under the STRIPS program, the principal and interest components are individually numbered and separately issued by the U.S. Treasury.

Variable and Floating Rate Securities and Demand Instruments. The Fund may purchase variable and floating rate securities with remaining maturities in excess of 13 months issued by U.S. government agencies or instrumentalities or guaranteed by the U.S. government. In addition, the Fund may purchase variable and floating rate securities of other issuers, including tender option bonds. The yields on these securities are adjusted in relation to changes in specific rates, such as the prime rate, and different securities may have different adjustment rates. Certain of these obligations contain a demand feature that gives the Fund the right to tender them back to a specified party, usually the issuer or a remarketing agent, prior to maturity. The Fund will purchase variable and floating rate securities of non-U.S. government issuers that have remaining maturities of more than 13 months only if the securities are subject to a demand feature exercisable within 13 months or less.

Generally, the Fund may exercise demand features (1) upon a default under the terms of the underlying security, (2) to maintain its portfolio in accordance with its investment objective and policies or (3) as needed to provide liquidity to the Fund in order to meet redemption requests, including in accordance with its use as a sweep option. The ability of a bank or other financial institution to fulfill its obligations under a letter of credit, guarantee or other liquidity arrangement might be affected by possible financial

difficulties of its borrowers, adverse interest rate or economic conditions, regulatory limitations or other factors. The interest rate on floating rate or variable rate securities ordinarily is readjusted on the basis of the prime rate of the bank that originated the financing or some other index or published rate, such as the 90-day U.S. Treasury bill rate, or is otherwise reset to reflect market rates of interest. Generally, these interest rate adjustments cause the market value of floating rate and variable rate securities to fluctuate less than the market value of fixed rate securities.

Variable Amount Master Demand Notes. The Fund may invest in variable amount master demand notes, which are unsecured redeemable obligations that permit investment of varying amounts at fluctuating interest rates under a direct agreement between the Fund and an issuer. The principal amount of these notes may be increased from time to time by the parties (subject to specified maximums) or decreased by the Fund or the issuer. These notes are payable on demand (subject to any applicable advance notice provisions) and may or may not be rated.

Stand-By Commitments. The Fund may acquire stand-by commitments under unusual market conditions to facilitate portfolio liquidity. Under a stand-by commitment, a dealer agrees to purchase the securities that are the subject of the commitment at an amount equal to (1) the acquisition cost (excluding any accrued interest paid on acquisition), less any amortized market premium and plus any accrued market or original issue discount, plus (2) all interest accrued on the securities since the last interest payment date or the date the securities were purchased, whichever is later.

The Fund will enter into stand-by commitments only with those banks or other dealers that, in the opinion of the Investment Adviser, present minimal credit risk. The Fund’s right to exercise stand-by commitments will be unconditional and unqualified. Stand-by commitments will not be transferable by the Fund, although it may sell the underlying securities to a third party at any time. The Fund may pay for stand-by commitments either separately in cash or by paying a higher price for the securities that are acquired subject to such a commitment (thus reducing the yield to maturity otherwise available for the same securities). The acquisition of a stand-by commitment will not ordinarily affect the valuation or maturity of the underlying securities. Stand-by commitments acquired by the Fund will be valued at zero in determining net asset value. Whether the Fund pays directly or indirectly for a stand-by

commitment, its cost will be treated as unrealized depreciation and will be amortized over the period the Fund holds the commitment.

When-Issued and Delayed Delivery Securities. The Fund may purchase securities on a “when-issued” basis or may purchase or sell securities for delayed delivery, i.e., for issuance or delivery to or by the Fund on a specified date at an agreed-upon price and yield. Such agreements might be entered into, for example, when the Investment Adviser anticipates a decline in interest rates and is able to obtain a more advantageous yield by committing currently to purchase securities to be issued later. The Fund will only make commitments to purchase securities on a when-issued or delayed delivery basis with the intention of actually acquiring the securities. However, the Fund may sell these securities before the settlement date if it is deemed advisable as a matter of investment strategy. The Fund generally would not pay for such securities or start earning interest on them until they are received. When the Fund undertakes a when-issued or delayed delivery obligation, it immediately assumes the risks of ownership, including the risks of price fluctuation.

Temporary and Defensive Investments. During adverse market conditions or when the Investment Adviser believes there is an insufficient supply of Puerto Rico securities, the Fund may temporarily invest in other types of non-Puerto Rico securities. These investments may not be consistent with achieving the Fund’s investment objective during the relatively short periods that they are held. In addition, to the extent that they are held for more than 60 days, these investments may require the approval of the OCFI which, if not obtained, may harm Fund performance.

Additional Investment Practices

The Investment Adviser may use a number of professional money management techniques to respond to changing conditions in the economy and high quality short term instruments and to shifts in fiscal and monetary policies. These techniques include varying the Fund’s composition and weighted average maturity based upon its assessment of the relative values of various high quality short term instruments and future interest rate patterns. The Investment Adviser also may buy or sell high quality

short term instruments to take advantage of yield differences.

Defensive Positions for the Fund. During adverse market conditions or when the Investment Adviser believes there is an insufficient supply of Puerto Rico securities, the Fund may temporarily invest in other types of non-Puerto Rico securities. These investments may not be consistent with achieving the Fund’s investment objective during the relatively short periods that they are held. In addition, to the extent that they are held for more than 60 days, these investments may require the approval of the OCFI which, if not obtained, may harm Fund performance.

Portfolio Transactions. The Investment Adviser is responsible for the execution of the Fund’s portfolio transactions. In executing portfolio transactions, the Investment Adviser seeks to obtain the best net results for the Fund, taking into account such factors as the price (including the applicable dealer spread or brokerage commission), size of order, difficulty of execution, and operational facilities of the firm involved. While the Investment Adviser generally seeks the best price in placing orders, the Fund may not necessarily be paying the lowest price available. Securities in which the Fund invests generally are traded on a “net” basis without a stated commission through dealers acting for their own account and not as brokers. Prices paid to dealers in principal transactions of such securities generally include a “spread,” which is the difference between the prices at which the dealer is willing to purchase and sell a specific security at that time. The Investment Adviser may allocate among advisory clients, including the Fund and other investment companies for which it acts as investment adviser, the opportunity to purchase or sell a security or investment that may be both desirable and suitable for them. There can be no assurance of equality of treatment among the advisory clients according to any particular or predetermined standards or criteria.

Borrowing. The Fund may borrow up to 5% of its total assets (including the amount borrowed), and then only from banks as a temporary measure for extraordinary or emergency purposes, such as meeting redemption requests which might otherwise require untimely dispositions of portfolio securities. Interest paid on such borrowings will reduce the Fund’s net income.

MORE ABOUT RISKS

The main risks of investing in the Fund are described below. Any of these, as well as other risks that affect the value of the Fund shares, may cause the Fund's price per share to deviate from \$1.00 and **may cause you to lose money**.

An investment in the Fund is not a bank deposit and is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The value of an investment in the Fund may be more or less than the original amount invested. While the Fund seeks to maintain the value of your investment at \$1.00 per share, it may not be able to do so because of the following or other risks and it is possible to lose money by investing in the Fund.

The following is a summary discussion of the principal risks of investing in the Fund. There can be no guarantee that the Fund will meet its investment objective or that the Fund's performance will be positive for any period of time.

General. The Fund's investments may be harmed by the performance of U.S., Puerto Rico, and foreign investment securities markets, which may be influenced by factors including interest rates, inflation, politics, fiscal policy, and current events. Because the Fund invests in investment securities, the Fund's net asset value may fluctuate due to market conditions.

Credit Risk. Credit Risk is the risk that issuers may fail, or become less able, to make payments when due. The Fund is subject to higher credit risk than a registered U.S. money market fund because, among other things, the Fund may invest up to 30% of its total assets in Second Tier Securities while a U.S. money market fund may invest significantly less of its total assets in such securities. Generally, in addition, the Fund may invest more of its total assets in any single issuer of Second Tier Securities (with no per issuer limit for Puerto Rico issuers) than a U.S. money market fund.

Interest Rate Risk. Interest rate risk is the risk that when interest rates rise, the value of the Fund's investment will fall as a result. That is because the value of high quality short term instruments are generally expected to fall when short term interest rates rise and to rise when short term interest rates fall. Also, the Fund's yield will tend to lag behind

changes in prevailing short term interest rates. This means that the Fund's income will tend to rise more slowly than increases in short term interest rates. Similarly, when short term interest rates are falling, the Fund's income will tend to fall more slowly.

Geographic Concentration Risk. The Fund has certain risks resulting from reduced geographic diversification. Except for temporary defensive purposes upon the proven scarcity of Puerto Rico obligations (i.e. the unavailability of Puerto Rico obligations or their availability at a price unreasonably above their fair market value or at unattractive interest rates as determined by the Investment Adviser, with the approval of the OCFI, the Fund is required to invest at least 67% of its total assets in Puerto Rico Obligations. There can be no assurance that the OFCI will concur in an assessment by the Investment Adviser that there is a proven scarcity of Puerto Rico Obligations. Any such discrepancy between the Investment Adviser and the OFCI may have a material adverse effect on the Fund's performance or affect its continued use as an available sweep option or as an investment vehicle generally. The Fund has obtained a waiver from the OCFI of the Puerto Rico investment requirement until January 31, 2016. There can be no assurance that this ruling will be extended. Consequently, the Fund's performance may be more severely affected by economic, political, regulatory or other factors adversely affecting issuers in Puerto Rico than a fund that is not concentrated in Puerto Rico issuers.

Also, the Fund's ability to achieve its investment objective and to comply with applicable law depends on the availability of Puerto Rico obligations. If those obligations are unavailable or are only available at a price unreasonably above their market value or at unattractive interest rates, it may harm the Fund's performance or affect its continued use as an available sweep option.

Currently, the Puerto Rico bond market is experiencing a period of increased volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the prior two (2) years. This is likely the result of several factors, including a downgrade of certain municipalities by independent credit rating agencies, with some observers believing the default on certain interest and principal payments and the bankruptcy protection sought by the City of Detroit may have been a

contributing factor, as well as the tapering of purchases of fixed-income securities by the U.S. Federal Reserve. Puerto Rico municipal securities have also experienced a decline in prices due, in part, to concerns about the Puerto Rico economy and

The Government of Puerto Rico has taken steps to strengthen its fiscal position, such as tax and fee increases to bolster the revenues of the central government and certain of its public corporations, as well as major reforms to the Commonwealth's employee retirement systems, and the enactment of the Recovery Act, which is intended to provide an option for public corporations with financial difficulties to restructure their debt with their respective creditors due to their inability to avail themselves of the provisions of Chapter 9 of the U.S. Bankruptcy Code, thereby allowing such governmental agencies to become self-sufficient.

The provisions of the Recovery Act are applicable to all Puerto Rico government agencies and instrumentalities, except for the Commonwealth central government and its 78 municipalities; GDB and its subsidiaries and affiliates; the Children's Trust; the Puerto Rico Government Employees Retirement System; the Puerto Rico Judiciary Retirement System; the Puerto Rico Municipal Finance Agency; the Puerto Rico Public Finance Corporation; the Puerto Rico Industrial Development Company; the Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority; the Puerto Rico Infrastructure Financing Authority; COFINA; the Puerto Rico System of Annuities and Pensions for Teachers; and the University of Puerto Rico.

It should be noted that on July 6, 2015, the U.S. Court of Appeals for the First Circuit reaffirmed a judgment by the United States District Court for the District of Puerto Rico, declaring the Recovery Act unconstitutional. The Government of Puerto Rico has appealed such ruling to the U.S. Supreme Court. The Government of Puerto Rico is also lobbying the U.S. Congress to amend the provisions of Chapter 9 of the U.S. Bankruptcy Code, to cover the Government of Puerto Rico and/or its instrumentalities.

On June 29, 2015, the Government of Puerto Rico presented a report entitled "Puerto Rico--A Way Forward" by consultants Ms. Anne Krueger and Messrs. Ranjit Teja and Andrew Wolfe, which identified a deteriorating cash flow position and very large out-year central government budget gaps that

approach the size of current full year general fund revenues. The report projects a fiscal 2016 budget gap of \$3.7 billion, absent corrective action, which would rise to \$6.0 billion by 2018 and higher in subsequent years. The Government of Puerto Rico also announced that it would seek to negotiate with bondholders to defer and/or restructure its \$72 billion debt load, as part of a plan to bolster its finances and revive the Puerto Rico economy and also designated the Working Group to provide a debt restructuring plan by August 30, 2015. Thereafter, on August 3, 2015, the Puerto Rico Public Finance Corporation failed to make the required \$58 million payment on its debt, representing the first default on Puerto Rico agency debt. In accordance with its mandate, the Working Group released the FEG Plan on September 9, 2015, which among other things, recommends restructuring all tax-backed debt, including GOs and COFINA sales tax debt. Absent meaningful additional fiscal and structural reforms, the Working Group projects that the Government of Puerto Rico (on a consolidated basis) will incur significant financing gaps for at least the next five (5) years, despite the significant historical measures previously undertaken to reduce expenses, increase revenues, and address structural budgetary challenges. Furthermore, while the Working Group recognized that a restructuring of the Commonwealth's debt may result in hardship to individual bondholders, it is the Working Group's assertion that the payment of the public debt is not sustainable unless the persistent stagnation of Puerto Rico's economy, that has helped fuel the increase in Government debt over the past decade, can be reversed. The Working Group is also of the opinion that a voluntary adjustment of the terms of the Commonwealth's debt will provide the leeway for the measures described in the FEG Plan to be implemented and will be the best way to maximize all creditor recoveries.

Fitch, Moody's, and S&P have downgraded the GOs of the Commonwealth of Puerto Rico, as well as the obligations of certain Commonwealth agencies and public corporations, including COFINA, on numerous occasions over several months. On June 29, 2015, Fitch and S&P downgraded the GOs and related debt ratings from "B" to "CC" and from "CCC+" to "CCC-," respectively. Moody's followed suit on July 1, 2015, downgrading the GOs and COFINA's senior bonds to "Caa3," and S&P further downgraded all of the Commonwealth of Puerto Rico's tax-backed debt to "CC" on September 10, 2015. All such ratings carry a negative outlook. As an investment strategy, the

Fund's assets are invested in securities that, at the time of purchase, are rated within the two highest short term rating categories by one or more nationally recognized statistical rating organizations, without regard to any subcategory, or that are unrated but deemed to be of comparable quality by the Fund's Investment Adviser. **Currently, most of the bonds issued by the Government of Puerto Rico and its instrumentalities do not carry an investment-grade rating. As a result, in the event that the ruling issued by the OCFI waiving the requirement that 67% of the Fund's assets be invested in securities issued by Puerto Rico issuers is not extended, the ability of the Fund to comply with its investment policy will be constrained.**

Recently, the U.S. Department of Treasury has also presented a legislative proposal titled "Addressing Puerto Rico's Economic and Fiscal Crisis and Creating a Path to Recovery: Roadmap for Congressional Action" before the U.S. Congress, outlining a series of legislative actions to address Puerto Rico's urgent fiscal crisis. Such legislative proposal encompasses a four-step plan that includes the creation of a new class of bankruptcy under the U.S. Bankruptcy Code only available to U.S. territories, but such proposal has failed to gain sufficient Congressional support. Moreover, on December 8, 2015, the Governor of Puerto Rico signed Senate Bill 1513 into law, which provides for the creation of the Puerto Rico Fiscal Oversight and Economic Recovery Board, which would have fiscal oversight authority over the central government and most of its instrumentalities and requires the submission by the Working Group to the Board of a government-wide, consolidated five-year Fiscal and Economic Growth Plan.

As a result and in light of deteriorating government revenues and liquidity, the Puerto Rico Public Corporation ("PFC") failed to make the required \$58 million payment on its debt, representing the first default on Puerto Rico agency debt on August 3, 2015. Thereafter, on November 30, 2015, the Puerto Rico Governor redirected available revenues from certain government instrumentalities, namely the Puerto Rico Highways and Transportation Authority, the Puerto Rico Infrastructure Financing Authority ("AFI," by its Spanish acronym), the Metropolitan Bus Authority, and the Integrated Transport Authority, to make principal and interest payments on GOs, the payment of which is guaranteed by the Puerto Rico Constitution. The Puerto Rico Tourism Company was also ordered to transfer amounts collected on certain taxes to the Department of the Treasury, for the payment of certain obligations of

the Puerto Rico Convention Center District Authority. The Puerto Rico Legislature may also consider new fiscal emergency measures, in order to provide additional resources to Puerto Rico's general fund. On December 30, 2015, the Governor of Puerto Rico announced that the Commonwealth would make all bond payments due on January 4, 2016 except for \$37.3 million in interest corresponding to \$35.9 million of AFI bonds and \$1.4 million of PFC bonds. **In this context, one could expect to see additional interruptions in cash flow on debt payments, in addition to more price volatility across Puerto Rico securities, as the results of many of the fiscal and budgetary measures adopted and to be adopted in the future by the Government of Puerto Rico are fully realized and a debt restructuring is implemented.**

If the Investment Adviser, in its sole discretion, determines that, due to its lack of appropriate investment opportunities or for other reasons, the Fund is no longer a manageable investment and/or may have insufficient assets available for the conduct of its business, the Fund may distribute cash to its shareholders to liquidate their investment or may transfer shareholders' accounts to another available investment option designated and agreed to by them in their UBS Financial Services Inc. Resource Management Account[®] ("RMA[®]") Master Account Agreement or other relevant document.

The obligations of certain issuers of Puerto Rico securities (and of fixed-income securities generally) are subject to the provisions of bankruptcy, insolvency and other laws affecting the rights and remedies of creditors. In the event of a bankruptcy of such an issuer, the Fund could experience delays and limitations with respect to the collection of principal and interest on such securities, and in some circumstances, the Fund might not be able to collect all principal and interest to which it is entitled. In addition, enforcement of the Fund's rights in the event of a payment default by an issuer might increase the Fund's operating expenses.

Industry Concentration Risk. The Fund may substantially invest in the Puerto Rico investment company industry. The Fund's timely receipt of interest and, ultimately, principal can be affected by the ability of those companies to invest successfully, and may result in certain additional costs directly or indirectly to the Fund. To help reduce these risks, the Fund will invest only in investment company obligations that are secured exclusively by securities issued or guaranteed by the U.S. government. However, the Fund still can lose money if the value

of the collateral is less than the amount owed to the Fund. There can also be time delays and expenses in selling the collateral.

Non-Diversification Risk. A relatively high percentage of the Fund's assets will be invested in obligations of a limited number of issuers, particularly Puerto Rico investment companies. In addition, most or all of the Puerto Rico investment companies may be affiliated with the Fund and the Investment Adviser and their obligations may be secured by the same or similar assets. Consequently, the Fund's net asset value and its yield may fluctuate to a greater extent than that of a more diversified investment company as a result of changes in the market's view of the financial condition and prospects of such issuers. The Fund also will be more susceptible to any single economic, political or regulatory occurrence than a more widely diversified fund. However, that risk is mitigated to a certain extent by the degree to which these securities are obligations issued or guaranteed by the U.S. government.

Conflicts of Interest Risk. The Fund is not registered under the U.S. Investment Company Act of 1940 and therefore is not subject to the restrictions regarding, among other things, transactions between the Fund and UBS Financial Services Incorporated of Puerto Rico or its affiliates, including the Investment Adviser, or investment in or deposits with those or other affiliates of the Fund. The Fund will invest to a substantial degree, including, at times, a majority of its assets, in obligations issued by other Puerto Rico investment companies having the same Investment Adviser. That may create divided interests for the Investment Adviser. As a result, the establishment by the Investment Adviser of interest rates and the timing and nature of securities issuances by those companies may adversely affect the Fund. For example, the Investment Adviser may have an incentive to cause the Fund to purchase securities at a lower interest rate or in greater quantities than the Fund might otherwise desire in order to benefit those other companies, and itself, possibly resulting in a lower yield or greater risk to the Fund. Those companies also pay a higher advisory fee than does the Fund. Conversely, it may be in the best interests of those other companies from time to time to cease to issue those securities, reducing their supply for the Fund and possibly its yield. In that regard, among other things, those companies have limits on the extent to which they may issue debt.

It is anticipated that the Fund will engage in transactions directly with UBS Financial Services

Incorporated of Puerto Rico, an affiliate of the Investment Adviser, and possibly other of its affiliates (or with the Investment Adviser itself), such as securities purchase and sale transactions and reverse repurchase agreement transactions. Secondary market transactions may include many securities for which one of the Fund's affiliates has acted as lead manager or senior manager in the initial offering. For most securities purchased by the Fund, including Puerto Rico investment company obligations, one of those entities may be the only dealer, or one of only a few dealers, in or underwriter for the securities being purchased or sold by the Fund. In that event, independent sources for valuation or liquidity of a security may be limited or may not exist at all. The Fund is expected to invest a substantial portion of its assets in those securities. The Fund may also purchase securities that are offered in underwritings in which affiliates of the Fund, such as UBS Financial Services Incorporated of Puerto Rico, are members of the underwriting or selling group.

The Fund may invest in securities issued by investment companies having the same Investment Adviser as the Fund, or make deposits with those investment companies. Finally, the Fund may sell its portfolio securities to, and buy portfolio securities from any of its affiliated investment companies and vice versa. The Investment Adviser and its affiliates (particularly UBS Financial Services Incorporated of Puerto Rico) serve in multiple roles with respect to investment companies in which the Fund invests. In addition to the Investment Adviser acting as investment adviser or co-investment adviser to those companies, affiliates of the Investment Adviser may also act as underwriter or dealer for those investment companies, and as the underwriter for or dealer in portfolio securities purchased or sold by those investment companies. As a result of the above transactions and relationships, the interests of the Investment Adviser (which manages the Fund's investments) may conflict with those of the Fund as to the price and other terms of transactions and cause the operations of the Fund to be more dependent upon the Investment Adviser and its affiliates than is the case with U.S. registered investment companies, which are not permitted to engage in many of the transactions in which the Fund participates.

Municipal Obligations Risk. Certain of the municipal obligations in which the Fund may invest present their own distinct risks. These risks may depend, among other things, on the financial situation of the government issuer, or, in the case of industrial development bonds and similar securities (including

certain bonds offered by the Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority), on that of the entity supplying the revenues that are intended to repay the obligations. It is also possible that, as a result of litigation or other conditions, the power or ability of issuers or those other entities to meet their obligations for the repayment of principal and payment of interest may be materially and adversely affected.

Illiquid Securities. Illiquid securities are securities that cannot be sold within a reasonable period of time, not to exceed seven days, in the ordinary course of business at approximately the amount that the Fund has valued the securities. Illiquid securities include, among other things, securities subject to legal or contractual restrictions on resale that hinder the marketability of the securities. There presently are a limited number of participants in the market for most Puerto Rico securities or other securities or assets that the Fund may own. In addition, as described above under “Conflicts of Interest Risk”, for most of those securities the Fund may have to depend on its affiliates for liquidity; there may be no or few independent sources of liquidity. That is particularly true of the investment company obligations that will likely become the primary investments of the Fund. That and other factors may cause securities to become illiquid, which could hinder the Fund’s ability to redeem your investment or continue as an available sweep option.

The Fund may invest up to 10% of its total assets in illiquid securities, including reverse repurchase agreements with maturities in excess of seven days. However, the Fund may continue to hold, without limitation, securities or other assets that become illiquid after the Fund’s investment in them. To the extent the Fund owns illiquid securities or other illiquid assets, the Fund may not be able to sell them easily, particularly at a time when it is advisable to do so to avoid losses. Since the Fund is intended primarily for use in certain sweep accounts, the possible lack of liquidity also might raise particular difficulties. As a result, among other things, investors might be delayed in receiving funds needed for securities purchases or other matters, which could have other adverse consequences. For investors that are participants in the RMA or BSA programs, if the Investment Adviser or its affiliates, in their sole discretion, determine that due to a lack of liquidity the Fund can no longer continue as an available sweep option, the Fund may transfer your investment to another available investment option designated and agreed to by shareholders in their RMA[®] or BSA[®].

Master Account Agreement or any other relevant document. By investing in the Fund you are deemed to consent to such action.

U.S. Government Securities Risk. There are different types of U.S. government securities with different levels of credit risk. Some U.S. government securities are issued or guaranteed by the U.S. Treasury and are supported by the full faith and credit of the United States. Other types of U.S. government securities are supported by the full faith and credit of the United States (but not issued by the U.S. Treasury). Securities backed by the full faith and credit of the U.S. have the lowest credit risk. Still other types of U.S. government securities are: (1) supported by the ability of the issuer to borrow from the U.S. Treasury; (2) supported only by the credit of the issuing agency, instrumentality or government-sponsored corporation; (3) supported by pools of assets (e.g., mortgage-backed securities); or (4) supported by the United States in some other way. Certain U.S. government securities are riskier than others. The relative level of risk depends on the nature of the particular security. A U.S. government-sponsored entity, although chartered or sponsored by an Act of Congress, may issue securities that are neither insured nor guaranteed by the U.S. Treasury and are riskier than those that are.

Reverse Repurchase Agreement Risk. If a reverse repurchase agreement counter-party defaults, the Fund may suffer time delays and incur costs or possible losses in connection with the disposition of the securities underlying the reverse repurchase agreement. In the event of default, instead of the contractual fixed rate of return, the rate of return to the Fund will depend on intervening fluctuations of the market values of the underlying securities and the accrued interest on the underlying securities. In such an event, the Fund would have contractual rights against the counter-party for breach of contract with respect to any losses resulting from those market fluctuations. However, it is not certain that the Fund would prevail on its claims against the counter-party. It is likely that any such claims would not be resolved expeditiously and that the Fund would incur certain costs and expenses in pursuing such claims.

Reverse repurchase agreements carry certain risks not associated with direct investments in securities, including a possible decline in the market value of the underlying obligations. If their value becomes less than the repurchase price, plus any agreed-upon additional amount, the counterparty must provide additional collateral so that at all times the collateral is at least equal to the repurchase price plus any

agreed-upon additional amount. The difference between the total amount to be received upon repurchase of the obligations and the price that was paid by the Fund upon acquisition is accrued as interest and included in its net investment income. Reverse repurchase agreements involving obligations other than U.S. government securities (such as commercial paper and corporate bonds) may be subject to special risks and may not have the benefit of certain protections in the event of the counterparty's insolvency. If the seller or guarantor becomes insolvent, the Fund may suffer delays, costs and possible losses in connection with the disposition of collateral. The Fund intends to enter into reverse repurchase agreements only in transactions with counterparties believed by the Investment Adviser to present minimum credit risks.

Other Counterparty Risks. The Fund may engage in certain other types of transactions directly with counterparties. This subjects the Fund to the credit risk that a counterparty will default on an obligation to the Fund. Such a risk contrasts with transactions done through exchange markets, where credit risk is reduced through the collection of variation margin and through the interposition of a clearing organization as the guarantor of all transactions. Additionally, the financial integrity of the above transactions is generally unsupported by other regulatory or self-regulatory protections such as margin requirements, capital requirements, or financial compliance programs. Therefore, there are much greater risks of defaults with respect to the above transactions than with respect to exchange traded futures or securities transactions.

Segregated Accounts. When the Fund enters into certain transactions that involve obligations to make future payments to third parties, including the purchase of securities on a when-issued or delayed delivery basis, it will maintain with an approved custodian in a segregated account cash or liquid securities, marked to market daily, in an amount at least equal to a fund's obligation or commitment under such transactions.

Mortgage-Backed Securities Risk. Mortgage-backed securities in general differ from investments in traditional debt securities in that, among other things, principal may be prepaid at any time due to prepayments by the obligors on the underlying obligations. Prepayments might result in reinvestment of the proceeds of such prepayments at interest rates that are lower than the prepaid obligations. Prepayments are influenced by a variety

of economic, geographic, demographic and other factors. Generally, however, prepayments will increase during periods of declining interest rates and decrease during periods of rising interest rates. Since a substantial portion of the Puerto Rico or other securities available to the Fund may be mortgage-backed securities, the potential for increasing the Fund's exposure to these and other risks related to such securities might cause the market value of the Fund's investments to fluctuate more than otherwise would be the case.

The yield on mortgage-backed securities depends on a variety of factors, including general market conditions for such securities, the financial condition of the issuer, the size of the particular offering, the maturity, credit quality and rating of the security. Generally, the longer the maturity of a particular mortgage-backed security, the higher its yield and the greater its volatility. The market value of mortgage-backed securities and, accordingly, the net asset value of the Fund, normally will vary inversely with changes in interest rates. The unique characteristics of certain types of mortgage-backed securities also may make them more sensitive to changes in interest rates.

Certain issuers of mortgage-backed securities are subject to the provisions of bankruptcy, insolvency and other laws affecting the rights and remedies of creditors that may result in delays and costs to the Fund if a party becomes insolvent. It is also possible that, as a result of litigation or other conditions, the power or ability of such issuers to meet their obligations for the repayment of principal and payment of interest, respectively, may be materially and adversely affected. Principal also may be prepaid at any time due to prepayments by the obligors on the underlying loans or other obligations. Prepayments might result in reinvestment of the proceeds of such prepayments at yields that are lower than the yield on prepaid securities. Prepayments are influenced by a variety of economic, geographic, demographic, and other factors. Generally, however, prepayments will increase during periods of declining interest rates and decrease during periods of rising interest rates. In the case of Private Label mortgage-backed securities there is also, among other things, (i) credit risk exposure regarding the underlying obligations and, depending on how the securitization has been structured, exposure to the bankruptcy or insolvency of the entity that originated or sold the underlying obligations, (ii) the risk that underlying obligations may be unenforceable or may expose the securitization vehicle to liability because it was not originated or serviced in accordance with applicable

consumer protection laws, (iii) exposure to downturns in the real estate market, which will affect the amount of foreclosure proceeds that can be realized in respect of defaulted mortgage loans and (iv) if the structure contains third-party credit enhancement or derivative instruments, exposure to the credit of the provider. CMOs present certain special risks. CMO classes may be specially structured in a manner that provides any of a wide variety of investment characteristics, such as yield, effective maturity and interest rate sensitivity. As market conditions change, however, and particularly during periods of rapid or unanticipated changes in market interest rates, the attractiveness of the CMO classes and the ability of the structure to provide the anticipated investment characteristics may be significantly reduced. These changes can result in volatility in the market value, and in some instances reduced liquidity, of the CMO class. The Fund will not invest in mortgage-backed securities that represent residual interests and except as may otherwise be approved by the Board of Directors.

Extension Risk. Certain types of mortgage-backed securities are structured so that principal distributions will be made at a particular planned time or times, assuming that prepayments on the mortgage loans occur each month at a targeted level. There can be no assurance, however, that funds will be available for distribution of principal for any given distribution date. To the extent that prepayments occur at a level below the targeted range, the funds available for principal distributions may be insufficient to make one or more planned principal payments, and the life of the mortgage-backed securities may be extended, resulting in a decrease in the value of the security. This may happen, for example, in periods of rising interest rates.

Asset-Backed Securities Risk. Asset-backed securities present risks similar to those of mortgage-backed securities. However, in the case of many asset-backed securities, the prepayment rates on the underlying assets have historically been less influenced by market interest rate fluctuations and therefore have been more stable. The frequent absence of a government guarantee creates greater exposure to the credit risk on the underlying obligations and, depending on the structure, credit risk regarding the sponsor of such obligations.

Defensive Positions for the Fund. During adverse market conditions or when the Investment Adviser believes there is an insufficient supply of Puerto Rico securities, the Fund may temporarily invest in non-Puerto Rico securities. These investments may not be

consistent with achieving the Fund's investment objective during the relatively short periods that they are held. In addition, to the extent that they are held for more than 30 days, these investments may require the approval of the OCFI which, if not obtained, may harm Fund performance.

Borrowing. The Fund may borrow up to 5% of its total assets (including the amount borrowed), and then only from banks as a temporary measure for extraordinary or emergency purposes, such as meeting redemption requests which might otherwise require untimely dispositions of portfolio securities. Interest paid on such borrowings will reduce the Fund's net income.

The Investment Adviser may use a number of professional money management techniques to respond to changing economic and money market conditions and to shifts in fiscal and monetary policies. These techniques include varying the Fund's composition and weighted average maturity based upon its assessment of the relative values of various money market instruments and future interest rate patterns. The Investment Adviser also may buy or sell money market instruments to take advantage of yield differences.

Credit Ratings. The credit ratings issued by credit rating agencies may not reflect fully the true risks of an investment. For example, credit ratings typically evaluate the likelihood of principal and interest payments, not market value risk, of securities. Also, credit rating agencies may fail to change in a timely manner a credit rating to reflect changes in economic or company conditions that affect a security's market value. Although the Investment Adviser considers ratings of recognized rating agencies, the Investment Adviser relies primarily on its own credit analysis, which will include a study of existing debt, capital structure, ability to service debt, the issuer's sensitivity to economic conditions, its operating history and the current trend of earnings. The Investment Adviser continually monitors the investments of the Fund and carefully evaluates whether to dispose of or retain securities whose credit ratings have changed.

Credit and Liquidity Enhancements. The Fund may invest in securities that have credit or liquidity enhancements or may purchase these types of enhancements in the secondary market. Such enhancements may be structured as demand features that permit the Fund to sell the instrument at designated times and prices. These credit and liquidity enhancements may be backed by letters of

credit or other instruments provided by banks or other financial institutions whose credit standing affects the credit quality of the underlying obligation. Changes in the credit quality of these financial institutions could cause losses to the Fund and affect its share price. The credit and liquidity enhancements may have conditions that limit the ability of the Fund to use them when the Fund wishes to do so.

When-Issued Securities and Delayed Delivery Transactions. The purchase of securities on a when-issued or delayed delivery basis involves the risk that, as a result of an increase in yields available in the marketplace, the value of the securities purchased will decline prior to the settlement date. The sale of securities for delayed delivery involves the risk that the prices available in the market on the delivery date may be greater than those obtained in the sale transaction. At the time the Fund enters into a transaction on a when-issued or delayed delivery basis, it will segregate with the custodian cash or liquid instruments with a value not less than the value of the when-issued or delayed delivery securities. The value of these assets will be monitored daily to ensure that their marked to market value will at all times exceed the corresponding obligations of the Fund. There is always a risk that the securities may not be delivered, and the Fund may incur a loss.

Securities Lending. The Fund does not presently intend to, but may in the future, lend its securities pursuant to agreements that require that the loan be continuously secured by collateral equal to at least 100% of the market value of the loaned securities. Collateral is marked to market daily. There may be risks of delay in recovery of the securities or even loss of rights in the collateral, among other things, should the borrower of the securities fail financially or become insolvent.

Securities of Unseasoned Issuers. Certain issuers may lack a significant operating history and be dependent on one or a few products or services without an established market share. Securities of such issuers also may have limited marketability and, therefore, may be subject to wide fluctuations in market value.

Changes in Applicable Law. Legislation affecting Puerto Rico Assets (as defined in Appendix A), assets other than Puerto Rico Assets and Puerto Rico investment companies, taxes, and other matters related to the business of the Fund are continually being considered by the Legislature of Puerto Rico and the U.S. Congress. Political or regulatory developments in Puerto Rico and in the U.S. could

adversely affect the tax-exempt status of interest paid on securities or the tax-exempt status of the Fund's dividends. These developments could also cause the value of the Fund's money market instruments to fall. There can be no assurance that legislation enacted or regulations promulgated, or other governmental actions, will not have an adverse effect on the operations of the Fund, the economic value of the shares of the Fund, or the tax consequences of the acquisition or the redemption of shares.

On July 31, 2013, the Investment Companies Act of Puerto Rico of 2013 was signed into law (the "Act"). The purpose of the Act is to revise the existing legal and tax regime applicable to Puerto Rico investment companies, their shareholders, and investors in obligations issued by such companies. The Fund operates pursuant to the Puerto Rico Investment Companies Act of 1954, as is permitted by the Act.

No Exchange Privileges. As of the date of this Prospectus, the shares of the Fund may not be exchanged for shares of any class of any other fund of the UBS Family of Funds, whether or not the shares of such other fund are offered in Puerto Rico. The Fund reserves the right to establish exchange privileges at any time.

Impact of federal "conduit arrangement" rules on source of income of dividends. Regulations issued under Section 937(b) of the United States Internal Revenue Code addressing "conduit arrangements" may impact the source of income for U.S. tax purposes of dividends distributed by an investment company that invests in securities that generate income from sources within the United States. Under the rules set forth in these final regulations, income that is otherwise treated as income from sources within Puerto Rico under the general source of income rules is treated as income from sources outside Puerto Rico and not excludable from gross income under Section 933 of the U.S. Code if it consists of income derived in a "conduit arrangement". Based on the current language of the final regulations and the guidance offered therein, in the opinion of Adsuar Muñoz Goyco Seda & Pérez-Ochoa, P.S.C., counsel to the Fund, it is more likely than not that an investment in the Shares will not be considered the type of transaction intended to be covered by these rules. Consequently, in the opinion of Adsuar Muñoz Goyco Seda & Pérez-Ochoa, P.S.C., counsel to the Fund, it is more likely than not that dividends on the Shares will be treated as income from sources within Puerto Rico. OCFI issued a ruling to the Fund that temporarily allows the Fund to invest all of its assets outside of Puerto Rico.

However, the Fund has determined that it will invest at least 20% of its assets in Puerto Rico. In the opinion of Adsuar Muñiz Goyco Seda & Pérez-Ochoa, P.S.C., so long as the Fund invests at least 20% of its assets in Puerto Rico, it is more likely than not that the “conduit arrangements” rule will not be applicable and thus the source of income of dividends on the Shares will be determined pursuant to the rules discussed above. Puerto Rico Individuals should note that the United States Internal Revenue Service may reach a different conclusion as to the applicability of the “conduit arrangement” rules to the Fund. Accordingly, Puerto Rico Individuals should seek the advice of their own tax advisors with respect to this issue.

Additional Risks

FATCA

On March 18, 2010, the Foreign Account Tax Compliance Act (commonly known as “FATCA”) was enacted amending the U.S. code to, among other things, impose a 30% withholding tax at the source to certain “foreign financial institutions” or “non-financial foreign entities” (each, a “NFFE”) upon most payments of U.S. source income and gross proceeds from the disposition of property that can produce U.S. source dividends or interest unless certain certification and reporting requirements are satisfied by such NFFE, including providing information with respect to its respective investors. In the case of most payments of U.S. source income, the 30% withholding will apply to payments made after June 30, 2014, and in the case of gross proceeds from the disposition of property that can produce U.S. source dividends or interest, IRS Notice 2015-66 provides that withholding will apply to payments made after December 31, 2018. The regulations issued by the U.S. Treasury and the IRS provide that the Fund is to be treated as a NFFE. Accordingly, the Fund will be required to provide to the payors of such income (except with respect to certain grandfathered obligations) certain information with respect to its investors. However, the Fund elected to be treated as a direct reporting NFFE, and, as such, it is required to provide such information directly to the IRS (instead of providing it to such payors) by filing Form 8966 with the IRS on or before March 31 of each year.

If the Fund were to be unable to provide such investor information to its payors or otherwise fail or be unable to comply with the legal and regulatory requirements of the U.S. Code, the Fund’s U.S. source income may be reduced, inasmuch as it would be subject to such 30% withholding tax at the source.

This reduction may negatively affect the Fund’s ability to fulfill its obligations under the Notes.

Regulatory Risk and Transfer Restrictions. Shares of the Fund have not been registered with the U.S. Securities and Exchange Commission under the U.S. Securities Act of 1933, and the Fund has not been registered under the U.S. Investment Company Act of 1940. Consequently, Fund shares may be offered, sold or otherwise transferred exclusively to individuals whose principal residence is in Puerto Rico, or to corporations and other business organizations whose principal office and place of business are in Puerto Rico, provided that if the entity is a non-business trust, the trustee and all beneficiaries of the trust are also Puerto Rico residents, and for transfers, only under the circumstances set forth below. A failure to comply with those exemptions will likely jeopardize the continued viability of the Fund and could cause you to lose money. Consequently, prior to the initial sale of Fund shares and use of the Fund as an available sweep option, each purchaser and shareholder will be required to represent in writing that the above conditions to purchase are satisfied. Appendix D to this Prospectus contains in letter form the substance of representations that must be made. The Fund, the Administrator, Distributor or other securities dealers may use such procedures, in addition to the written representations stated above, as they deem appropriate to determine on an ongoing basis that a shareholder is a Puerto Rico resident. Failure by a shareholder to cooperate fully with all such parties in compliance with those procedures may result in a mandatory redemption of shares, an inability to purchase additional shares, and/or a mandatory exchange of shares for another available investment option. There is no assurance that any of these measures will preserve the Fund’s exemption.

Shareholders of the Fund who cease to be residents of Puerto Rico (as described above) will no longer be able to invest in Fund shares, whether automatically under a sweep option or otherwise, except for dividend reinvestment. In addition, those investors will no longer be entitled to the tax benefits that make the Fund an attractive investment, and those shareholders have an obligation to redeem their shares as soon as it becomes economically feasible to do so. Their shares may also be redeemed involuntarily by the Fund or its Administrator in its sole discretion or may be mandatorily exchanged for shares of another available investment option. By investing in the Fund you are deemed to consent to such action.

Fund shares cannot be transferred by the holder other than in special circumstances, by operation of law (for example, by virtue of inheritance). Disposition of the Fund shares (including for example, in connection with the execution of a pledge or hypothecation,) may generally only be effected through a redemption by the Fund, in accordance with and such times as times specified in this Prospectus. Any disposition of Fund shares other than by redemption may only occur with the written consent of the Administrator. The Administrator has the authority to nonetheless compel redemption of the Fund shares if it determines, in its sole discretion, that such transfer did not occur solely by operation of law.

Termination of the Fund. If the Investment Adviser, in its sole discretion, determines that due to a lack of appropriate investment opportunities in securities of Puerto Rico issuers or for other reasons, the Fund is no longer a manageable investment and/or may have insufficient assets available for the conduct of its business, the Fund may, without obtaining shareholder approval, distribute cash to its shareholders to liquidate their investment or may transfer shareholder investments to another available investment option designated and agreed to by shareholders in their RMA[®] or BSA[®] Master Account Agreement or any other relevant document. By investing in the Fund you are deemed to consent to such action.

Valuation Risk. There may be few or no dealers making a market in certain securities owned by the Fund, particularly with respect to securities of Puerto

Rico issuers including, but not limited to, investment companies. Dealers making a market in those securities may not be willing to provide quotations on a regular basis to the Fund's Investment Adviser or, in the case of affiliated investment companies, may have a conflict of interests as to such valuation. It may therefore be particularly difficult to value those securities. The Fund's ability, among other things, to maintain a stable price per share may be adversely affected by an inaccurate valuation.

If an investor in the Fund were to receive a distribution from, or transfer out of, the Fund at a time when the Fund was overvalued, the investor would be overpaid (based on market price) and the value of the investments of remaining investors would be diluted. Conversely, if an investor were to receive a distribution from, or transfer out of, the Fund at a time when the Fund was undervalued, the investor would be underpaid (based on market price) and the value of the investments of remaining investors would be increased.

Political and Other Risk. Political, legal or regulatory developments in Puerto Rico and in the United States or changes in the applicability of existing laws to the Fund could adversely affect the tax-exempt status of interest paid on securities or the tax-exempt status of that portion of the Fund's dividends that are tax-exempt. These developments could also cause the value of the Fund's investments and therefore, the Fund's shares, to fall or jeopardize the continued viability of the Fund, resulting, in either case, in a possible loss to shareholders.

FUNDAMENTAL POLICY AND INVESTMENT RESTRICTIONS

The Fund may not change the following fundamental policy without the approval of either (i) a majority of the outstanding shareholders, if the proposed change has previously been recommended by the Fund's Board of Directors or (ii) at least 75% of the outstanding shares of the Fund upon the failure of the Board to approve a proposal submitted by a shareholder or a group of shareholders that hold in the aggregate at least 20% of the outstanding shares of the Fund. Under current law, the OCFI also must approve any change in such objective or fundamental policy.

As its fundamental policy, the Fund may not issue preferred shares or debt securities, or borrow money from banks or other entities, provided that the Fund may borrow up to an additional 5% of the Fund's

total assets (including the amount borrowed) from banks or other financial institutions for temporary or emergency purposes, including to finance redemptions.

In addition, the Fund may not change the following investment restrictions without the approval of a majority of the Board of Directors and prior written notice to shareholders of the Fund:

(i) purchase the securities of any one issuer if after such purchase it would own more than 25% of the voting securities of such issuer, provided that securities issued or guaranteed by the Commonwealth of Puerto Rico, United States government, or any of their respective agencies or instrumentalities (including GNMA, FNMA and

FHLMC mortgage-backed securities) are not subject to this limitation;

(ii) make investments for the purpose of exercising control or management;

(iii) make an investment in any one industry if, at the time of purchase, the investment would cause the aggregate value of the Fund's investments in such industry to equal 25% or more of the Fund's total assets, provided that this limitation shall not apply to (i) investments in high quality, short-term securities issued by Puerto Rico investment companies, (ii) investments in securities issued or guaranteed by the United States government, its agencies or instrumentalities, (iii) Puerto Rico and other municipal obligations, other than those backed only by the assets or revenues of a non-governmental entity, and (iv) bank instruments of Puerto Rico and U.S. branches of Puerto Rico and U.S. banks. For purposes of this restriction, the intended or designated use of real estate shall determine its industry, domestic and foreign banking will be considered separate industries, and mortgage-backed and asset-backed securities not issued or guaranteed by an agency or instrumentality of the United States government will be grouped in industries based on their underlying assets and not treated as a single, separate industry;

(iv) purchase securities on margin, except for short term credits necessary for clearance of portfolio transactions;

(v) engage in the business of underwriting securities of other issuers, except to the extent that, in connection with the disposition of portfolio securities, the Fund may be deemed an underwriter under U.S. securities laws and except that the Fund may write options;

(vi) make short sales of securities or maintain a short position, except that the Fund may sell short "against the box." A short sale "against the box" occurs when the Fund owns an equal amount of the securities sold or owns securities convertible into or exchangeable for, without payment of any further consideration, securities of the same issue as, and equal in amount to, the securities sold short;

(vii) purchase or sell real estate (including real estate limited partnership interests), provided that the Fund may invest in securities secured by real estate or interests therein or issued by entities that invest in real estate or interests therein (including mortgage-backed securities), and provided further that the Fund may exercise rights under agreements relating to such securities, including the right to enforce security interests and to liquidate real estate acquired as a result of such enforcement, provided, however, that such securities and any such real estate securing a security acquired by the Fund shall not be a "U.S. real property interest" within the meaning of Section 897 of the Internal Revenue Code of 1986, as amended (the "Code");

(viii) purchase or sell commodities or commodity contracts;

(ix) make loans, except through reverse repurchase agreements, provided that for purposes of this restriction the acquisition of bonds, debentures or other debt or similar instruments or interests therein, including investment in government obligations, shall not be deemed to be the making of a loan; or

(x) lend portfolio securities, except to the extent that such loans, if and when made, do not exceed 33 1/3% of the total assets of the Fund taken at market value.

MANAGING YOUR FUND ACCOUNT

Buying Shares

You must be a Puerto Rico resident (i.e., an individual or entity described above) to purchase Fund shares. Shares of the Fund may be purchased directly by investors through the Distributor, selected securities dealers or the Fund's Transfer Agent.

Automatic Deposit Account Sweep Program

Shares of the Fund also are available through the UBS Financial Services Inc. Resource Management

Account[®] (RMA[®]) Program, the Business Services Account (BSA[®]) Program and advisory programs offered by UBS Financial Services Incorporated of Puerto Rico. The RMA[®], BSA[®] and advisory programs are more fully described in separate materials your Financial Advisor can provide you.

Participants in the RMA[®] and BSA[®] programs may select as their primary sweep option the UBS Bank or one of the UBS Financial Services Inc. money market funds. Residents of Puerto Rico also have the Fund as an available sweep option, even though it differs

from a U.S. registered money market fund. If you cease to be a Puerto Rico resident your investment in the Fund will be automatically redeemed and the proceeds will be invested in the default option based on whether you have an RMA[®] or BSA[®] account. By investing in the Fund you are deemed to consent to such action. You may have only one primary sweep option at any time, but you may change your primary sweep option or purchase shares of another fund by contacting your Financial Advisor.

Your order to purchase the Fund's shares will be effective on the business day on which federal funds become available to the Fund. Federal funds are funds deposited by a commercial bank in an account at a Federal Reserve Bank that can be transferred to a similar account of another bank in one day and thus can be made immediately available to the Fund. A business day is any day that the Puerto Rico offices for the Fund's custodian and sub-custodian and the New York City offices of UBS Financial Services Inc. and its bank are open for business.

The Fund and UBS Financial Services Inc. and its affiliates (including the Distributor) reserve the right to reject a purchase order or suspend the offering of Fund shares.

If you would like to place a limit on the amount of available cash that defaults to the Deposit Account Sweep Program, contact your Financial Advisor.

Buying Shares Automatically

All free cash credit balances (that is, immediately available funds) of over \$1.00 in your UBS Financial Services Inc. RMA[®] or BSA[®] brokerage account (including proceeds from securities you have sold) are automatically invested in your primary sweep option, including the Fund, on a daily basis for settlement the next business day, when federal funds normally are available. For cash balances arising from the sale of securities in your brokerage account, federal funds availability can sometimes take longer.

Shares in your sweep option will be purchased only after all debits and charges to your RMA[®] or BSA[®] brokerage account are satisfied. See "Selling Shares Automatically" below.

Buying Shares by Check or Electronic Funds Transfer Credit

RMA[®] and BSA[®] participants may purchase shares of their primary sweep option or another fund by placing an order with their Financial Advisor and

providing a check from a U.S. bank. You should include your UBS Financial Services Inc. account number on the check. In the case of investments in the Fund, such orders must be placed through a Financial Advisor employed by UBS Financial Services Incorporated of Puerto Rico.

Shares of the Fund may also be purchased through other selected securities dealers in Puerto Rico in accordance with their procedures or directly through the Fund's Transfer Agent. To purchase directly from the Transfer Agent, you should call the Transfer Agent and request a purchase application. Mail the completed purchase application to the Transfer Agent at the address listed in "Management — Administrator and Transfer Agent" in this Prospectus.

Federal funds are deemed available to a fund, including the Fund, two business days after the deposit of a personal check or an Electronic Funds Transfer credit initiated by UBS Financial Services Inc. (including the Distributor) and one business day after deposit of a cashier's or certified check. UBS Financial Services Inc. may benefit from the temporary use of the proceeds of personal checks and Electronic Funds Transfer credits if they are converted to federal funds in less than two business days.

Buying Shares by Wire

You may purchase Fund shares by placing an order through your Financial Advisor and instructing your bank to transfer federal funds by wire to:

UBS AG
ABA 026007993
UBS Financial Services Inc. – RMA
A/C 101WA258640000
[Account Name]/[Brokerage Account Number]

The wire must include your name and RMA[®] or BSA[®] brokerage account number. In the case of investments in the Fund, such orders must be placed through a Financial Advisor employed by UBS Financial Services Incorporated of Puerto Rico.

If UBS Financial Services Inc. receives a notice from your bank of wire transfer of federal funds for a purchase of Fund shares by 12:00 noon, Eastern time, UBS Financial Services Inc. will execute the purchase on that day. Otherwise, UBS Financial Services Inc. will execute the order on the next business day. UBS Financial Services Inc. and/or

your bank may impose a service charge for wire transfers.

Minimum Investments

The Fund has no minimum for initial investments or to add to an account for UBS brokerage accounts, but reserves the right to establish minimum investment requirements for such accounts at any time. For accounts at other dealers, the Fund applies a \$10,000 account minimum for initial and subsequent investments in the Fund for an account. The Fund reserves the right to liquidate such accounts that have current values below the \$10,000 minimum.

Redeeming Shares

You may redeem your shares by contacting your UBS Financial Advisor or other selected dealer in person or by telephone or mail. You may also use the checkwriting service, if available, to redeem your shares. Your Fund shares will be redeemed automatically to settle any outstanding securities purchases, charges or debits to your UBS brokerage account, unless you instruct your Financial Advisor otherwise.

If you redeem all your shares in the Fund, you will receive cash credits to your RMA[®] or BSA[®] brokerage account for dividends earned on those shares prior to the sale date. Other investors in the Fund will have the cash proceeds of the sale mailed to them within seven days.

The Fund reserves the right to temporarily delay or suspend the redemption of your Fund shares when (i) banking in Puerto Rico or New York City is closed, (ii) the New York Stock Exchange is closed or trading on the New York Stock Exchange is restricted or (iii) an emergency exists that makes it not reasonably practicable for the Fund to dispose of securities owned by it or to determine fairly the market value of its net assets.

Shares redeemed through selected securities dealers may be subject to additional fees.

Fund shares cannot be transferred by the holder other than in special circumstances, by operation of law (for example, by virtue of inheritance). Disposition of the Fund shares (including for example, in connection with the execution of a pledge or hypothecation,) may generally only be effected through a redemption by the Fund, in accordance with and such times as times specified in this Prospectus. Any disposition of Fund shares other

than by redemption may only occur with the written consent of the Administrator. The Administrator has the authority to nonetheless compel redemption of the Fund shares if it determines, in its sole discretion, that such transfer did not occur solely by operation of law.

Redeeming Shares Automatically

Under the RMA[®] and BSA[®] programs, UBS Financial Services Incorporated of Puerto Rico redeems Fund shares automatically to satisfy outstanding debits and charges in your brokerage account.

- Debits include amounts due UBS Financial Services Incorporated of Puerto Rico on settlement date for securities purchases, margin loans, UBS Financial Services Incorporated of Puerto Rico checks, federal funds wires arranged by UBS Financial Services Incorporated of Puerto Rico and related fees.
- Charges include RMA[®] and BSA[®] checks, MasterCard[®] purchases, cash advances, Bill Payment Service payments and Automated Clearing House transfers, including Electronic Funds Transfer Debits.

Shares are redeemed to cover debits on the day the debit is generated. Shares are redeemed automatically to cover RMA[®] and BSA[®] checks and MasterCard[®] cash advances on the day they are paid.

Shares are redeemed automatically to cover MasterCard[®] purchases at the end of the MasterCard[®] monthly billing period. Shares are redeemed to pay for securities purchases on settlement date.

Redeeming by Mail

If you send an order to redeem your shares by mail to UBS Financial Services Incorporated of Puerto Rico, your request must include:

- Your name and address;
- The Fund's name;
- Your account number;
- The dollar amount or number of shares you want to sell; and
- A guarantee of each registered owner's signature. A signature guarantee may be obtained from a financial institution, broker, dealer or clearing agency that is a participant in one of the

medallion programs recognized by the Securities Transfer Agents Association. These are: Securities Transfer Agents Medallion Program (STAMP), Stock Exchanges Medallion Program (SEMP) and the New York Stock Exchange Medallion Signature Program (MSP). The Fund and its transfer agent will not accept signature guarantees that are not a part of these programs.

Sales by mail may also need to include additional supporting documents for sales by estates, trusts, guardianships, custodianships, partnerships and corporations.

Additional Purchase and Redemption Information

The Fund may, subject to approval by the Board of Directors, accept securities in which the Fund is authorized to invest as consideration for the issuance of its shares, provided that the value of the securities is at least equal to the net asset value of the Fund's shares at the time the transaction occurs. The Fund may accept or reject any such securities in its discretion.

If conditions exist that make cash payments undesirable, the Fund reserves the right to honor any request for redemption by making payment in whole or in part in securities chosen by the Fund and valued in the same way as they would be valued for purposes of computing the Fund's net asset value. If payment is made in securities, a shareholder may incur expenses in converting these securities into cash.

Under normal circumstances, the Fund will redeem shares when so requested by a shareholder's broker-dealer other than UBS Financial Services Incorporated of Puerto Rico by telegram or telephone to UBS Financial Services Incorporated of Puerto Rico. Such a redemption order will be executed at the net asset value next determined after the order is received by UBS Financial Services Incorporated of

Puerto Rico. Redemptions of Fund shares effected through a broker-dealer other than UBS Financial Services Incorporated of Puerto Rico may be subject to a service charge by that broker-dealer.

Additional Information

It costs the Fund money to maintain shareholder accounts. Therefore, the Fund reserves the right to redeem all shares in any account that has a net asset value of less than \$500. If the Fund elects to do this with your account, it will notify you that you can increase the amount invested to \$500 or more within 60 days. This notice may appear on your account statement.

The Fund also has the right, at the sole discretion of it or the Administrator, to redeem any shares held by an investor that either of them reasonably believes has ceased to be a resident of Puerto Rico.

If you want to redeem shares that you purchased recently, the Fund may delay payment to assure that it has received good payment. If you purchased shares by check, this can take up to 15 days.

UBS Financial Services Inc. has the right to terminate your RMA[®] or BSA[®] brokerage account or cease the availability of the Fund to RMA[®] or BSA[®] account holders, and/or the Fund may cease operations, for any reason. In any of those cases, UBS Financial Services Inc. will sell all of the Fund shares held in the RMA[®] or BSA[®] brokerage account and will send you the proceeds within three business days. By investing in the Fund you are deemed to consent to such action.

You will receive confirmation of your purchases and redemptions of Fund shares on periodic account statements. These periodic statements may be sent monthly except that, if your fund activity in a quarter was reinvestment of dividends, the activity may be reported on a quarterly rather than a monthly statement.

MANAGEMENT

The overall management of the business and affairs of the Fund is vested with the Board of Directors. The Board of Directors has approved all significant agreements between the Fund and persons or companies furnishing services to it, including the Fund's agreements with its Investment Adviser, the Administrator, the Distributor, the Custodian and the Transfer Agent. The day-to-day operations of the Fund have been delegated to UBS Trust Company of Puerto Rico, in its capacity as Administrator, subject

to the Fund's investment objective and policies and to general supervision by the Board of Directors of the Fund.

The Board of Directors. The Board of Directors consists of nine Directors. Eight of these are "Independent Fund Directors," as defined in the Fund's Code of Ethics, and one is considered an "Interested Director" of the Fund as a result of his employment as an officer of the Fund, the Fund's

Investment Adviser or an affiliate thereof. The number of members of the Fund's Board of Directors may be changed by resolution of the Board of Directors.

The eight Independent Fund Directors are:

Mario S. Belaval
Gabriel Dolagaray Balado
Luis M. Pellot-González
Agustín Cabrer-Roig
Carlos Nido
Vicente León
Clotilde Pérez
José J. Villamil

The Interested Director is:

Carlos V. Ubiñas

The Board of Directors has three standing committees: an Audit Committee, a Dividend Committee and a Nominating and Governance Committee. The role of the Audit Committee is to oversee the Fund's accounting and financial reporting policies and practices and to recommend to the Board of Directors any action to ensure that the Fund's accounting and financial reporting are consistent with accepted accounting standards applicable to the mutual fund industry. The Audit Committee has four members, all of whom are Independent Fund Directors (currently Messrs. Belaval, Cabrer, Pellot-González and León). The Independent Fund Directors who are Audit Committee members are represented by independent legal counsel in connection with their duties.

The role of the Dividend Committee is to determine the amount, form, and record date of any dividends to be declared and paid by the Fund. The Dividend Committee has four members, three of whom are

Independent Fund Directors (currently Messrs. Belaval, Cabrer, and Pellot) and one who is an Interested Director (Mr. Ubiñas).

The role of the Nominating and Governance Committee is to identify individuals qualified to serve as Independent Fund Directors and to recommend its nominees for consideration by the full Board. The Nominating and Governance Committee has three members, all of whom are Independent Fund Directors (Messrs. Cabrer, Nido and Pellot). The Independent Fund Directors who are Nominating and Governance Committee members are represented by independent legal counsel in connection with their duties. While the Nominating and Governance Committee is solely responsible for the selection and nomination of the Independent Fund Directors, the Nominating and Governance Committee may consider nominations made by Fund shareholders as it deems appropriate. Shareholders who wish to recommend a nominee should send nominations to the Fund's Secretary that include biographical information and set forth the qualifications of the proposed nominee.

Independent Fund Directors. Certain biographical and other information relating to the Independent Fund Directors is set forth below, including their ages and their principal occupations for at least five years. Such information is provided as of June 30, 2015, except as otherwise noted. Messrs. Nido, Pellot-González and Ms. Pérez are members of the boards of directors of all funds that have engaged UBS Trust Company of Puerto Rico as their investment adviser (the "UBS Advised Funds") or as their co-investment adviser (the "UBS Co-Advised Funds") and, together with the UBS Advised Funds, the "Affiliated Funds"). Messrs. Dolagaray, Cabrer-Roig, Belaval, León and Villamil are members solely of the UBS Advised Funds.

Name, (Age) and Address	Position(s) Held with the Fund	Term of Office and Length of Time Served*	Principal Occupation(s) During Past Five Years	Number of Affiliated Funds Overseen	Public Directorships
Gabriel Dolagaray Balado (78) c/o UBS Trust Company of Puerto Rico—250 Muñoz Rivera Avenue, Tenth Floor, San Juan, Puerto Rico 00918	Director	Director since 2003	Former President of the Cooperativa de Seguros de Vida; former President of the Association of Insurance Companies of Puerto Rico, Inc.; former member of the Executive Committee of the North American Association of the International Cooperative Insurance Federation; Member, Advisory Board to the Commissioner of Insurance of Puerto Rico; and former President of the Puerto Rico Chamber of Commerce.	18 funds consisting of 29 portfolios	None
Mario S. Belaval (77) c/o UBS Trust Company of Puerto Rico – 250 Muñoz Rivera Avenue, Tenth Floor, San Juan, Puerto Rico 00918	Director	Director since 2003	Former Member and Vice Chairman of the Board of Directors of Triple S Management, Corp. and Triple S, Inc.; former Chairman of the Board of Bacardí Corp; former Executive Vice-president of Bacardí Corp.	18 funds consisting of 29 portfolios	None

Name, (Age) and Address	Position(s) Held with the Fund	Term of Office and Length of Time Served*	Principal Occupation(s) During Past Five Years	Number of Affiliated Funds Overseen	Public Directorships
Luis M. Pellot-González (67) c/o UBS Trust Company of Puerto Rico – 250 Muñoz Rivera Avenue, Tenth Floor, San Juan, Puerto Rico 00918	Director	Director since 2003	Tax attorney at Pellot-González, PSC since 1989; Member of the Board of Directors of Empresas Santana; Secretary of AA-10,000 Corp.; Member of the Board of Directors and Secretary of Financiadora Primas; 98% Partner and Manager of Lepanto, S.E.; Tax Professor, University of Puerto Rico Business School from 1981-1993; President of Tax Committee, Puerto Rico Chamber of Commerce, from 1996-1997; Member of the P.R. Bar Association, P.R. Manufacturers Association, P.R. Chamber of Commerce, P.R. General Contractors Association and P.R. Hotel and Tourism Association.	27 funds consisting of 38 portfolios	None
Agustín Cabrer-Roig (66) c/o UBS Trust Company of Puerto Rico – 250 Muñoz Rivera Avenue, Tenth Floor, San Juan, Puerto Rico 00918	Director	Director since 2003	President of Starlight Development Group, Inc. since 1994 (real estate development); President of Antonio Roig Sucesores since 1995 (real estate development); Partner of Desarrollos Roig since 1995, Desarrollos Agrícolas del Este S.E. since 1995, and El Ejemplo, S.E. since 1995 (real estate development); Director of Pennock Growers, Inc. since 1997; Administrative Partner of REBAC Holdings, LLP since 2004 (real estate development); Director of V. Suárez & Co., V. Suárez International Banking Entity, Inc., Villa Pedre, Inc. and Caparra Motor Service; Director and Officer of TC Management and Candelero Holding since 2002 and 2001, respectively; 100% owner, President and Registered Principal (Agent) of Starlight Securities Inc. since 1995 (registered broker-dealer); Partner of Los Pinos, S.E. and Forest Cove Homes, Inc. (real estate development).	18 funds consisting of 29 portfolios	None
Carlos Nido (51) c/o UBS Trust Company of Puerto Rico – 250 Muñoz Rivera Avenue, Tenth Floor, San Juan, Puerto Rico 00918	Director	Director since 2007	President of Josefina LLC, real estate ownership and development company; former Senior Vice President of Sales of El Nuevo Día and President of Del Mar Events from 2007 to 2015; former President and founder of Virtual, Inc. and Zona Networks; Manager of Editorial Primera Hora from 1997 to 1999; Member of the Board of Grupo Ferré Rangel, B. Fernandez & Hnos. Inc., and the San Jorge Children's Foundation; former Member of the Board of Grupo Guayacán, Baldwin School, the Muscular Dystrophy Association, Puerto Rico Venture Forum, Puerto Rico Tennis Association and of Solomon Smith Barney family of mutual funds.	27 funds consisting of 38 portfolios	None
Clotilde Pérez (63) c/o UBS Trust Company of Puerto Rico – 250 Muñoz Rivera Avenue, Tenth Floor, San Juan, Puerto Rico 00918	Director	Director since 2009	Corporate Development Officer of V. Suárez & Co., Inc. since 1999; member of the Board of Directors of Grupo Guayacán, Inc. and member of the Board of Trustees of the University of the Sacred Heart; General Partner of the Guayacán Fund of Funds Family; Senior Investment Banker of Citibank, N.A. – Puerto Rico from 1997 to 1999; Executive Director of Grupo	27 funds consisting of 38 portfolios	None

Name, (Age) and Address	Position(s) Held with the Fund	Term of Office and Length of Time Served*	Principal Occupation(s) During Past Five Years	Number of Affiliated Funds Overseen	Public Directorships
			Guayacán, Inc. from 1996 to 1997; Vice President of the Economic and Development Bank for Puerto Rico from 1993 to 1996.		
Vicente J. León (76) c/o UBS Trust Company of Puerto Rico – 250 Muñoz Rivera Avenue, Tenth Floor, San Juan, Puerto Rico 00918	Director	Director since 2008	Independent business consultant since 1999; former Member of the Board of Directors of Triple S Management Corporation; served as a consultant with Falcón Sanchez and Associates, a Certified Public Accounting Firm from 2000 to 2001; partner at KPMG LLP from 1981 to 1998.	18 funds consisting of 29 portfolios	None
José J. Villamil (76) c/o UBS Trust Company of Puerto Rico – 250 Muñoz Rivera Avenue, Tenth Floor, San Juan, Puerto Rico 00918	Director	Director since 2013	Chairman of the Board and Chief Executive Officer of Estudios Técnicos, Inc; Member of the Board of Governors of United Way of Puerto Rico; Chairman of the Puerto Rico Manufacturers Association's Committee on Competitiveness; Chairman of the Board of BBVA-PR from 1998 to 2012; founding Director of the Puerto Rico Community Foundation and the Aspen Institute's Non-Profit Sector Research Fund; former Member of the New York Federal Reserve Bank's Community Affairs Roundtable; former President of the Puerto Rico Chamber of Commerce, as well as former Chairman of its Economic Advisory Council; former President of the Inter-American Planning Society; former President of the Puerto Rico Economics Association; former Chairman of the Puerto Rico – 2025 Commission (formerly, Alianza para el Desarrollo); former Chairman of the Commission on the Economic Future of Puerto Rico; former professor of the Economics Department of the University of Pennsylvania's Wharton School and Graduate School of Arts and Sciences and former Professor of Planning at the University of Puerto Rico. Mr. Villamil has served on numerous Boards, such as the Boards of the Ponce School of Medicine, St. John's School and the Ana G. Méndez University System, the Board of the National Puerto Rican Coalition in Washington and on the Board of Economists of Hispanic Business. In 2009, Mr. Villamil was appointed as a Member of the Economic Advisory Council as well as Chairman of the Strategic Planning Committee of the State Human Resources and Occupational Development Council.	18 funds consisting of 29 portfolios	None
*Each Director serves until his successor is elected and qualified, or until his death or resignation, or removal as provided in the Fund's By-Laws or charter or by statute, or until December 31 of the year in which he turns 80. Each officer is elected by and serves at the pleasure of the Board of Directors.					

Interested Directors and Officers

Certain biographical and other information relating to the Interested Directors and to the officers of the Fund, is set forth below, including their ages, their principal occupations for at least the last five years, the length of time served, and the total number of Affiliated Funds overseen by them. Such information is provided as of June 30, 2015, unless otherwise noted. These persons also serve as directors and officers of the UBS Advised Funds and, in some cases, of certain of the UBS Co-Advised Funds.

Name, Address, and Age	Position(s) Held with the Fund	Term of Office and Length of Time Served*	Principal Occupation(s) During Past Five Years	Number of Affiliated Funds Overseen	Public Directorships
Carlos V. Ubiñas (61) c/o UBS Trust Company of Puerto Rico – 250 Muñoz Rivera Avenue, Tenth Floor, San Juan, Puerto Rico 00918	Director, Chairman of the Board, and President	President since 2015; Director and the Chairman of the Board of Directors since 2012; Director since 2003	President since 2005 and Chief Executive Officer from 2009 – 2014 of UBS Financial Services Incorporated of Puerto Rico; Former Chief Operating Officer and Managing Director of Investment Banking thereof; Executive Vice President of UBS Financial Services Incorporated of Puerto Rico from 1989 to 2005.	18 funds consisting of 29 portfolios	None
Leslie Highley, Jr. (68) c/o UBS Trust Company of Puerto Rico – 250 Muñoz Rivera Avenue, Tenth Floor, San Juan, Puerto Rico 00918	Senior Vice President and Treasurer	Senior Vice President since 2003 and Treasurer since 2006	Managing Director of UBS Trust Company of Puerto Rico since 2006; Executive Vice President of UBS Trust Company of Puerto Rico since 2005 and Senior Vice President of UBS Financial Services Incorporated of Puerto Rico since 1994 and of the Puerto Rico Investors Tax-Free Family of Funds since 1995; member of the Board of Directors of the Fund from 2009 to February 2013; President of Dean Witter Puerto Rico, Inc. and a senior officer responsible for Corporate and Public Finance from 1985 to 1993; Executive Vice President of the Government Development Bank for Puerto Rico, managing Investment and Treasury Operations and supervising Private Lending and the issuance of all Puerto Rico Government debt from 1977 to 1985.	Not Applicable	None
Javier Rodríguez (42) c/o UBS Trust Company of Puerto Rico – 250 Muñoz Rivera Avenue, Tenth Floor, San Juan, Puerto Rico 00918	Assistant Vice President, Assistant Treasurer and Assistant Secretary	Assistant Vice President, Assistant Treasurer and Assistant Secretary since 2006	Divisional Assistant Vice President, trader and portfolio manager of UBS Trust Company of Puerto Rico since 2003; financial analyst with UBS Trust Company of Puerto Rico from 2002 to 2003; financial analyst with Popular Asset Management from 1998 to 2002.	Not applicable	None
Liana Loyola (54)	Secretary	Secretary since 2014	Attorney in private practice since 2009.	Not applicable	None
*Each Director serves until his successor is elected and qualified, or until his death or resignation, or removal as provided in the Fund's by-laws or charter or by statute, or until December 31 of the year in which he turns 80. Each officer is elected by and serves at the pleasure of the Board of Directors.					

Compensation of Independent Fund Directors. Each Independent Director receives a stipend from the Fund of up to \$1,000 plus expenses for attendance at each meeting of the Board of Directors, and \$500 plus expenses for attendance at each meeting of a committee of the Board. The Independent Fund Directors do not receive retirement or other benefits as part of their compensation. The following table sets forth the compensation earned by the Independent Directors through the Fund's full fiscal year ended June 30, 2015, and the total compensation paid by all investment companies advised or co-advised by UBS Asset Managers of Puerto Rico or its affiliates ("UBS Asset Managers of Puerto Rico Advised Funds") to the Independent Directors for the calendar year ending December 31, 2015.

<u>Name of Independent Director</u>	<u>Aggregate Compensation from Fund</u>	<u>Retirement Benefits Accrued as Part of Fund Expenses</u>	<u>Total Compensation from Affiliated Funds Paid to Independent Fund Directors</u>
Gabriel Dolagaray Balado	\$4,168.68	None	\$ 75,000
Mario S. Belaval ⁽²⁾	\$6,722.24	None	\$ 121,000
Luis M. Pellot-González ^{(1) (2)}	\$6,722.24	None	\$ 158,000
Agustín Cabrer-Roig ⁽²⁾	\$6,722.24	None	\$ 121,000
Carlos Nido ⁽¹⁾	\$4,138.90	None	\$ 111,500
Vicente León ⁽²⁾	\$6,722.24	None	\$ 121,000
Clotilde Pérez ⁽¹⁾	\$4,111.12	None	\$ 122,500
José Villamil	\$4,168.68	None	\$ 75,000

¹ Independent Fund Directors who also serve on the boards of the twenty-seven Puerto Rico investment companies advised or co-advised by UBS Asset Managers of Puerto Rico.

² Independent Director who serves on the Audit Committee of each UBS Asset Managers of Puerto Rico Advised Fund.

Director Ownership of Fund Shares and Material Transactions

The following table sets forth the dollar range of shares of the Fund owned by the directors and officers of the Fund as of December 31, 2015:

Name of Director	Dollar Range of Units of the Fund
Carlos Ubiñas and Vicente Leon	Over \$100,000
Gabriel Dolagaray	\$10,001 - \$50,000
Javier Rodriguez	\$1 - \$10,000

None of the other directors and officers of the Fund own any shares of the Fund or have entered into any material transactions with the Fund; provided, however, that certain of the directors and officers of the Fund are employees of entities which have entered into material agreements with the Fund, as described herein.

Code of Ethics. The Fund has adopted a Code of Ethics. The Code of Ethics requires directors and

officers of the Fund who are officers or employees of UBS Financial Services Incorporated of Puerto Rico or UBS Trust Company of Puerto Rico to comply with various requirements in connection with securities transactions by such officers or employees, including obtaining pre-authorization for certain transactions. It also imposes on these directors and officers certain confidentiality obligations, limitations on outside business activities, and certain other obligations. The Code of Ethics requires Independent Fund Directors to report to the Fund's compliance officer purchases or sales of securities by such directors, if such directors know (or should have known) that during the prior 15-day period the Fund purchased or sold such securities, or the Investment Adviser considered purchasing or selling such securities.

The Code of Ethics will apply to the activities of the Investment Adviser with respect to the Puerto Rico Securities Portion of each Portfolio. Each Equity Portion Portfolio Manager of an Equity Portion of a Portfolio is subject to a separate code of ethics

adopted by such investment adviser. The Fund has undertaken, pursuant to the OCFI's Ruling, to review the code of ethics of each unaffiliated Equity Portion Portfolio Manager of an Equity Portion of a Portfolio and to have the Independent Fund Directors ensure that such codes are substantially equivalent to the code of ethics of the Fund.

Investment Advisory Arrangements. Subject to the supervision of the Board of Directors, investment advisory services are provided to the Fund by its Investment Adviser, UBS Asset Managers of Puerto Rico, pursuant to an investment advisory contract (the "Advisory Agreement"). As compensation for its investment advisory services, the Fund pays advisory fees to UBS Asset Managers of Puerto Rico pursuant the Advisory Agreement at an annual rate of 0.50% based on the Fund's net assets.

Prior to the creation of the Fund, UBS Trust Company of Puerto Rico, including UBS Asset Managers of Puerto Rico, had not previously acted as investment adviser, administrator or any other capacity for investment companies used as a sweep option or that invest exclusively in short-term instruments. As of December 31, 2015, UBS Asset Managers of Puerto Rico serves as investment adviser or co-investment adviser to funds with combined portfolio assets of approximately \$3.7 billion.

Pursuant to the Advisory Agreement, the Investment Adviser provides a complete and continuous investment program for the Fund and makes investment decisions and places orders to buy, sell or hold particular securities and other investments. The Investment Adviser may retain the services of its affiliates in making these determinations.

The Investment Adviser will not be liable for any loss, expense, cost, or liability arising out of any error in judgment or any action or omission, including any instruction given to the Custodian (as defined herein), unless (i) such action or omission involved an officer, director, employee, or agent of the Investment Adviser, and (ii) such loss, expense, cost or liability arises out of the Investment Adviser's negligence, malfeasance or bad faith. The Investment Adviser may rely on any notice or communication (written or oral) reasonably believed by it to be genuine. These limitations will not act to relieve the Investment

Adviser from any responsibility or liability for any responsibility, obligation or duty that the Investment Adviser may have under state statutes, the laws of Puerto Rico or any U.S. securities law which is not waivable.

Duration and Termination of the Advisory Agreement. Unless earlier terminated as described below, the Advisory Agreement will continue in effect for a period of two years from the date of execution and will remain in effect from year to year thereafter if approved annually by a vote of a majority of those directors of the Fund who, as indicated below, are "Independent Fund Directors" as defined in the Fund's Code of Ethics (herein, "Independent Directors"). The Advisory Agreement may be terminated, without penalty, (i) at any time by a majority vote of the Independent Directors, (ii) at the option of the Investment Adviser, on 60 days' written notice to the Fund, or (iii) by the vote of a majority of the outstanding shares of the Fund (voting together as a single class) on 60 days' written notice to the Investment Adviser.

The Advisory Agreement is not assignable, except to affiliates of the Investment Adviser, without the consent of the other party. Either party may terminate an Advisory Agreement upon thirty (30) days' prior written notice to the other party. In the case of the Fund, termination of the Advisory Agreements is at the discretion of the Board of Directors of the Fund, or upon the vote of or approval by a majority of the investors in the Fund.

Portfolio Managers. Leslie Highley, Jr. (the "Portfolio Manager") is the portfolio manager of the Fund and is primarily responsible for the day-to-day management of the Fund.

Mr. Highley has been a Managing Director of UBS Trust Company of Puerto Rico since 2006 and a Senior Vice President of the Puerto Rico Investors Tax-Free Family of Funds since inception in 1995. From 1985 to 1993, Mr. Highley was the President of Dean Witter Puerto Rico, Inc. and a senior officer responsible for Corporate and Public Finance. Prior thereto, he was Executive Vice President of the Government Development Bank for Puerto Rico where he managed Investment and Treasury Operations, and also supervised Private Lending and the issuance of all Puerto Rico Government debt from 1977 to 1985.

Portfolio Manager Ownership of Shares. The following table shows the dollar range of equity securities owned beneficially and of record by the Fund's Portfolio Manager in the Fund, including investments by their immediate family members and amounts invested through retirement and deferred compensation plans. This information is provided as of December 31, 2015.

Name of Portfolio Manager	Dollar Range of Equity Securities in the Fund
Leslie Highley, Jr.	Over \$100,000

Other Funds and Accounts Managed. The following table sets forth information about funds and accounts other than the Fund for which the Portfolio Manager is responsible for the day-to-day portfolio management as of December 31, 2015.

Portfolio Manager	Registered Investment Companies		Other Pooled Investment Vehicles		Other Accounts	
	Number of accounts	Total assets	Number of accounts	Total assets	Number of accounts	Total assets
Leslie Highley, Jr.	27	\$3,683,890,642	None	None	None	None

Potential Material Conflicts of Interest. The Portfolio Manager's management of the Fund's portfolio and other accounts could result in potential conflicts of interest if the Fund's portfolio and other accounts have different objectives, benchmarks and fees because the Portfolio Manager must allocate its time and investment expertise across multiple accounts, including the Fund's portfolio. The Investment Adviser manages such competing interests for the time and attention of the Portfolio Manager by having the Portfolio Manager focus on a particular investment discipline. The Portfolio Manager manages the Fund's portfolio and other accounts utilizing a model portfolio approach that groups similar accounts within a model portfolio. The Portfolio Manager manages accounts according to the appropriate model portfolio, including where possible, those accounts that have specific investment restrictions. Accordingly, portfolio holdings, position sizes, and industry and sector exposures tend to be similar across accounts, which may minimize the potential for conflicts of interest.

If the Portfolio Manager identifies a limited investment opportunity that may be suitable for more than one account or model portfolio, the Fund's portfolio may not be able to take full advantage of that opportunity due to an allocation of filled purchase or sale orders across all eligible model portfolios and accounts. To deal with these situations, the Investment Adviser allocates portfolio trades across multiple accounts to provide fair treatment to all accounts. The Investment Adviser may execute orders for the same security for both the

Fund's portfolio and other accounts. With respect to such orders, the Investment Adviser determines which broker to use to execute each order, consistent with its duty to seek best execution for the transaction. The Investment Adviser may aggregate trades of several accounts to obtain more favorable execution and lower brokerage commissions.

Certain investments may be appropriate for the Fund's portfolio and also for other clients advised by UBS Financial Services Incorporated of Puerto Rico and its affiliates, including other client accounts managed by the Fund's Portfolio Manager. Investment decisions for the Fund and other clients are made with a view to achieving their respective investment objectives and after consideration of such factors as their current holdings, availability of cash for investment and the size of their investments generally. Frequently, a particular security may be bought or sold for only one client or in different amounts and at different times for more than one but less than all clients. Likewise, because clients of UBS and its affiliates may have differing investment strategies, a particular security may be bought for one or more clients when one or more other clients are selling the security. The investment results for the Fund may differ from the results achieved by other clients of UBS and its affiliates and results among clients may differ. In addition, purchases or sales of the same security may be made for two or more clients on the same day. In such event, such transactions will be allocated among the clients in a manner believed by UBS to be equitable to each. UBS will not determine allocations based on whether

it receives a performance based fee from the client. In some cases, the allocation procedure could have an adverse effect on the price or amount of the securities purchased or sold by the Fund. Purchase and sale orders for the Fund's portfolio may be combined with those of other clients of UBS and its affiliates in the interest of achieving the most favorable net results to the Fund's portfolio.

In some cases, a real, potential or apparent conflict may also arise where a portfolio manager owns an interest in one fund or account he or she manages and not another.

The Investment Adviser will not be liable for any loss, expense, cost, or liability arising out of any error in judgment or any action or omission, including any instruction given to the Custodian, unless (i) such action or omission involved an officer, director, employee, or agent of the Investment Adviser, and (ii) such loss, expense, cost or liability arises out of the Investment Adviser's negligence, malfeasance or bad faith. The Investment Adviser may rely on any notice or communication (written or oral) reasonably believed by it to be genuine. These limitations will not act to relieve the Investment Adviser from any responsibility or liability for any responsibility, obligation or duty that the Investment Adviser may have under state statutes, the laws of Puerto Rico or any U.S. securities law which is not waivable.

Duration and Termination of the Advisory Agreement. Unless earlier terminated as described below, the Advisory Agreement will continue in effect for a period of one year from the date of execution and will remain in effect from year to year thereafter if approved annually by a vote of a majority of those directors of the Fund who are Independent Fund Directors. The Advisory Agreement may be terminated with respect to a given Portfolio, without penalty, (i) at any time by a majority vote of the Independent Fund Directors, (ii) at the option of the Investment Adviser, on 60 days' written notice to the Fund, or (iii) by the vote of a majority of the outstanding units of such Portfolio on 60 days' written notice to the Investment Adviser.

The Advisory Agreement is not assignable, except to affiliates of the Investment Adviser, without the consent of the other party. Either party may terminate an Advisory Agreement upon thirty (30) days' prior written notice to the other party. In the case of the Fund, termination of the Advisory Agreement is at the discretion of the Board of Directors of the Fund, or upon the vote of or approval

by a majority of the outstanding units of such Portfolio.

Administrator

UBS Trust Company of Puerto Rico serves as Administrator of the Fund. Pursuant to an administration agreement with the Fund, UBS Trust Company of Puerto Rico, subject to the overall supervision of the Board of Directors, provides facilities and personnel to the Fund in the performance of certain services including the determination of the Fund's net asset value and net income. UBS Trust Company of Puerto Rico may enter into agreements with third parties to perform some or all of these tasks, subject to the oversight and ultimate responsibility of UBS Trust Company of Puerto Rico. As compensation for their administration services to the Fund, the Administrator will receive an administration fee (which is indirectly paid entirely by Shareholders) not to exceed 0.05% of the Fund's net assets, payable monthly.

Set forth below are the administration fees paid by the Fund to the Administrator and the amount of fees waived for the fiscal year ended June 30, 2015:

<u>Administration Fee Charged by UBS Trust Company of Puerto Rico</u>	<u>Amount of Administration Fee Waived by UBS Trust Company of Puerto Rico</u>
\$208,718	\$0.00

UBS Trust Company of Puerto Rico is a trust company organized and validly existing under the laws of Puerto Rico. UBS Trust Company of Puerto Rico may retain one or more sub-administrators for the Fund.

Custodian

UBS Trust Company of Puerto Rico serves as Custodian of the Fund's securities and cash. UBS Trust Company of Puerto Rico may retain one or more sub-custodians for the Fund. UBS Trust Company of Puerto Rico has retained State Street Bank and Trust Company as sub-custodian for the Fund. The fee paid to the Custodian for the fiscal year ended June 30, 2015 was \$59,361.

Transfer Agent

Pursuant to the terms of the Transfer Agency, Registrar, and Shareholder Servicing Agreement entered into between the Fund and UBS Trust Company of Puerto Rico prior to the issuance of the Units, the latter is responsible for maintaining a register of the Shares for holders of record and opening and maintaining Unitholder accounts (in

such capacity, the “Transfer Agent”). As compensation for its transfer agency, registrar, dividend disbursing and shareholder services, the Transfer Agent will receive a fee as agreed from time to time with the Fund. Such fee will be at a rate customarily paid to other transfer agents for the provision of similar services. The Transfer Agent may retain the services of a sub-transfer agent, which

may be its affiliate. The fee paid to the Transfer Agent by the Fund for the fiscal year ended June 30, 2015 was \$74,699.

Distributor

UBS Financial Services Incorporated of Puerto Rico serves as the Distributor of the Fund’s shares.

PORTFOLIO TRANSACTIONS

The Fund purchases portfolio securities from dealers and underwriters as well as from issuers. Securities are usually traded on a net basis with dealers acting as principal for their own accounts without a stated commission. Prices paid to dealers in principal transactions generally include a “spread,” which is the difference between the prices at which the dealer is willing to purchase and sell a specific security at the time. When securities are purchased directly from an issuer and in the case of securities issued by affiliated Puerto Rico investment companies, no commissions or discounts are paid. When securities are purchased in underwritten offerings, they generally include a fixed amount of compensation to the underwriter.

For purchases or sales with broker-dealer firms that act as principal, the Investment Adviser seeks best execution. Although the Investment Adviser may receive certain research or execution services in connection with these transactions, it will not purchase securities at a higher price or sell securities at a lower price than would otherwise be paid if no weight was attributed to the services provided by the executing dealer. The Investment Adviser may engage in agency transactions and riskless principal transactions in over-the-counter securities in return for research and execution services. These transactions are entered into only pursuant to procedures designed to ensure that the transaction (including any applicable commissions) is at least as favorable as it would have been if effected directly with a market-maker that did not provide research or execution services.

Research services and information received from brokers or dealers are supplemental to the Investment Adviser’s own research efforts and, when utilized, are subject to internal analysis before being incorporated into its investment processes. Information and research services furnished by brokers or dealers through which or with which the Fund effects securities transactions may be used by the Investment Adviser in advising other funds or accounts and, conversely, research services furnished to the Investment Adviser by brokers and dealers in connection with other funds or accounts that it advises may be used in advising the Fund.

Investment decisions for the Fund and for other investment accounts managed by the Investment Adviser, including other Puerto Rico investment companies, are made independently of each other in light of differing considerations for the various accounts. However, the same investment decision may occasionally be made for the Fund and one or more accounts. In those cases, simultaneous transactions are inevitable. Purchases or sales are then averaged as to price and allocated between the Fund and the other account(s) as to amount in a manner deemed equitable to the Fund and the other account(s). While in some cases this practice could have a detrimental effect upon the price or value of the security as far as a Fund is concerned, or upon its ability to complete its entire order, in other cases it is believed that simultaneous transactions and the ability to participate in volume transactions will benefit the Fund.

VALUATION OF SHARES

The Fund uses its best efforts to maintain its net asset value at \$1.00 per share. The Fund’s net asset value per share is determined by the Administrator as of 12:00 noon, Eastern time, on each Business Day. A sub-custodian retained by the Custodian and the Fund provides assistance in valuation and with the procedures described below. As defined in the

Prospectus, “Business Day” means any day that the Puerto Rico offices for the Fund’s custodian and sub-custodian and the New York City offices of UBS Financial Services Inc. and its bank are open for business. One or more of these institutions will be closed on the observance of the following holidays: New Year’s Day, Martin Luther King, Jr. Day,

Presidents' Day, Good Friday, Patriot's Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans' Day, Thanksgiving Day and Christmas Day.

The Fund values its portfolio securities in accordance with the amortized cost method of valuation.

Amortized cost is an approximation of market value, whereby the difference between acquisition cost and value at maturity of the instrument is amortized on a straight-line basis over the remaining life of the instrument. The effect of changes in the market value of a security as a result of fluctuating interest rates is not taken into account, and thus the amortized cost method of valuation may result in the value of a security being higher or lower than its actual market value. If a large number of redemptions take place at a time when interest rates have increased, the Fund might have to sell portfolio securities prior to maturity and at a price that might not be desirable.

The Board of Directors has established procedures ("Procedures") for the purpose of maintaining a constant net asset value of \$1.00 per share, which include a review of the extent of any deviation of net asset value per share, based on available market quotations, from the \$1.00 amortized cost per share. If that deviation exceeds $\frac{1}{2}$ of 1% for the Fund, the Board of Directors will promptly consider whether

any action should be initiated to eliminate or reduce material dilution or other unfair results to shareholders. Such action may include redeeming shares in kind, selling portfolio securities prior to maturity, reducing or withholding dividends and utilizing a net asset value per share as determined by using available market quotations. As described above, however, the Fund differs from a U.S. registered money fund and as a result is subject to a higher degree of risk than those funds, including an increased risk that it will not be able to maintain a stable price of \$1.00 per share. There is no assurance that constant net asset value per share will be maintained. If amortized cost ceases to represent fair value, the Board of Directors will take appropriate action.

In determining the approximate market value of portfolio investments, the Fund may employ outside organizations, which may use a matrix or formula method that takes into consideration market indices, matrices, yield curves and other specific adjustments. This may result in the securities being valued at a price different from the price that would have been determined had the matrix or formula method not been used. Other assets, if any, are valued at fair value as determined in good faith by or under the direction of the applicable board.

DIVIDENDS AND TAXES

Dividends

The Fund declares daily dividends and pays them monthly. The Fund may also distribute out of its tax-exempt income and taxable income, if any, any net capital gains to maintain the share price at \$1.00 per share.

Shares earn dividends on the day they are purchased but not on the day they are sold.

You will receive dividends in additional shares of the Fund unless you elect to receive them in cash. Contact your Financial Advisor at UBS Financial Services Incorporated of Puerto Rico if you prefer to receive dividends in cash.

If the value of assets held by the Fund declines, the Directors may authorize a reduction in the number of outstanding shares in shareholders' accounts so as to preserve a net asset value of \$1.00 per share.

Taxes

THIS SECTION IS NOT TO BE CONSTRUED AS A SUBSTITUTE FOR CAREFUL TAX PLANNING. PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS WITH SPECIFIC REFERENCE TO THEIR OWN TAX SITUATIONS, INCLUDING THE APPLICATION AND EFFECT OF OTHER TAX LAWS AND ANY INVESTMENT IN TAXABLE SECURITIES BY THE FUND, AS WELL AS POSSIBLE CHANGES IN THE TAX LAWS AFTER THE DATE OF THIS PROSPECTUS.

The following discussion is a summary of the material Puerto Rico and United States ("U.S.") federal tax considerations that may be relevant to prospective investors in the Fund. The discussion in connection with the Puerto Rico tax considerations is based on the current provisions of the Puerto Rico Internal Revenue Code for a New Puerto Rico, as amended, (the "Puerto Rico Code") and the regulations promulgated or applicable thereunder (the "Puerto Rico Code Regulations") issued by the Treasury Department of Puerto Rico (the "Treasury Department"), the Puerto Rico Municipal Property Tax Act of 1991, as amended (the "MPTA") and the regulations promulgated thereunder, the Municipal License Tax Act, as amended (the "MLTA") and the regulations promulgated thereunder, and the Puerto Rico Investment Companies Act of June 30, 2013, as amended (the "PR-ICA"). The U.S. federal tax discussion is based on the current provisions of the

United States Internal Revenue Code of 1986, as amended (the "Code") and the regulations promulgated thereunder and administrative pronouncements issued by the U.S. Internal Revenue Service (the "IRS").

This discussion assumes that (i) the investors will be (a) individuals who for the entire taxable year are bona fide residents of Puerto Rico for purposes of section 933 of the Code and residents of Puerto Rico for purposes of the Puerto Rico Code (the "Puerto Rico Individuals"), (b) corporations organized under the laws of Puerto Rico or entities subject to Puerto Rico income tax as corporations, other than any such corporation or entity subject to a special tax regime under the Puerto Rico Code (the "Puerto Rico Entities") and (c) trusts (other than business trusts), all of the beneficiaries of which are Puerto Rico Individuals (the "PR Trusts," and jointly with the Puerto Rico Entities and the Puerto Rico Individuals, the "Puerto Rico Investors"); and (ii) the Puerto Rico Entities will not be subject at any time to any special tax regime under the Code including, without limitation, the provisions of the Code that apply to "controlled foreign corporations," "passive foreign investment companies," or "personal holding companies".

The tax advantages of the Fund are available only for Puerto Rico Investors and, as a result, the Fund would not be a suitable investment for individuals who are not Puerto Rico Individuals, trusts that are not PR Trusts and corporations that are not Puerto Rico Entities. These persons are urged to consult their own tax advisors with respect to the tax implications of the investment under the laws of the jurisdiction where they or their beneficiaries reside or where they are organized.

This discussion does not purport to deal with all aspects of Puerto Rico and U.S. federal taxation that may be relevant to other types of investors, particular investors in light of their investment circumstances, or to certain types of investors subject to special treatment under the Puerto Rico Code or the Code (e.g., banks, insurance companies or tax-exempt organizations). Unless otherwise noted, the references in this discussion to the Puerto Rico regular income tax will include the alternative minimum tax imposed on Puerto Rico Entities by the Puerto Rico Code.

The existing provisions of the statutes, regulations, judicial decisions, and administrative

pronouncements, on which this discussion is based, are subject to change (even with retroactive effect).

The statements herein have been opined on by Adsuar Muñoz Goyco Seda & Pérez-Ochoa, P.S.C., counsel to the Fund. A prospective investor should be aware that an opinion of counsel represents only such counsel's best legal judgment and that it is not binding on the Treasury Department, the Municipal Revenue Collection Center, any other agency or municipality of Puerto Rico, the IRS, or the courts. Accordingly, there can be no assurance that the opinions set forth herein, if challenged, would be sustained.

Puerto Rico Taxation

The Fund will be exempt from Puerto Rico income tax during each taxable year that it distributes at least 90% of its net taxable income (excluding tax exempt income and capital gains) as Taxable Dividends (as defined below) to its shareholders (the "90% Distribution Requirement"). The Fund intends to meet the 90% Distribution Requirement to be exempt from Puerto Rico income tax.

The fixed income securities of the Fund will be exempt from Puerto Rico personal property tax under the MPTA.

The Fund is exempt from municipal license taxes.

The Fund intends to invest primarily in fixed income securities, the interest from which is exempt from income tax under the Puerto Rico Code. The dividends distributed by the Fund out of such exempt interest income (the "Exempt Dividends"), will not be subject to income tax under the Puerto Rico Code in the hands of the Puerto Rico Investors. However, distributions made to Puerto Rico Entities are subject to a municipal license tax of up to 1.5% in the case of Puerto Rico Entities and up to 0.5% in the case of Puerto Rico Entities engaged in a non-financial business, as defined in the MLTA. Distributions to Puerto Rico Individuals are not subject to municipal license tax.

On November 4, 2013, the Puerto Rico Department of the Treasury issued a ruling to the Fund stating that shares of stock of the Fund qualify as "property located in Puerto Rico" for purposes of the estate and gift tax provisions of the Puerto Rico Code. Accordingly, a transfer of shares of the Fund (the "Shares") by gift or death by a Puerto Rico individual who is a citizen of the U.S. that acquired his or her citizenship solely by reason of his Puerto Rico citizenship, birth or residence in Puerto Rico, and is domiciled in Puerto Rico at the time the gift is made

or at the time of death, will not be subject to Puerto Rico gift or estate taxes, respectively.

United States Taxation

Taxation of the Fund. The Fund intends to operate so that it will not be engaged in a U.S. trade or business and will not be required to file U.S. income tax returns. If the Fund ultimately were found to be engaged in a U.S. trade or business, it would be subject to U.S. corporate income tax on that part of its net taxable income that is effectively connected with such business and to a branch profits tax of 30% on its earnings and profits attributable to such effectively connected income, subject to certain statutory adjustments.

The Code imposes a 30% withholding tax upon most payments of U.S. source income and gross proceeds from the disposition of property that can produce U.S. source dividends or interest (the "Withholdable Payments") made to certain "foreign financial institutions" or "non-financial foreign entities" ("NFFE"), unless certain certification and reporting requirements are satisfied. In the case of most payments of U.S. source income, the 30% withholding is currently applicable, and, in the case of gross proceeds from the disposition of property that can produce U.S. source dividends or interest, IRS Notice 2015-66 provides that withholding will apply to payments made after December 31, 2018. The Regulations provide an exception for certain obligations outstanding on July 1, 2014.

The Regulations treat the Fund as a NFFE. Thus, the Fund has to provide to the payors of such income (except with respect to certain grandfathered obligations) certain information with respect to its investors. The payors in turn have to disclose such information to the IRS. However, the Fund elected to be treated as a direct reporting NFFE, and, as such, is required to provide such information directly to the IRS (instead of providing it to such payors) by filing Form 8966 with the IRS on or before March 31 of each year.

By making an investment in Shares, each investor agrees to timely provide all information and certifications necessary to enable the Fund to comply with these requirements and authorizes the Fund to redeem its Shares if it fails to timely provide such information or certifications. In addition, any investor that fails to timely provide the requested information or certifications will be required to indemnify the Fund for the entirety of the 30% percent tax withheld on all of the Fund's income as a result of such investor's failure to timely provide the information.

The record holders of Shares that acquired Shares based on any prior prospectus and hold such shares after June 30, 2014 will not have the obligation to provide such information to the Fund and the Fund will not be entitled to redeem their Shares. Consequently, unless such holders voluntarily provide such information, the Fund will not be able to comply with the requirements of the Code and the Withholdable Payments will be subject to the 30% withholding tax.

Puerto Rico Individuals and Puerto Rico Entities that are organized in the U.S. have to file Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund with the IRS, unless an exemption from the filing requirement is applicable. If an exemption is not applicable, the informative return must be filed on or before the due date of the federal income tax return, regardless of whether the Puerto Rico Individual or such Puerto Rico Entity has the obligation to file a U.S. federal income tax return. You are urged to consult with your tax advisor whether you have the obligation to file this informative return.

Taxation of Puerto Rico Individuals and Corporate Shareholders. Under section 933 of the Code, Puerto Rico Individuals are not subject to U.S. federal income tax on income from sources within Puerto Rico that is not effectively connected with the conduct of trade or business in the U.S. Generally, dividends paid by the Fund will have a Puerto Rico source and thus, should not be subject to U.S. federal income tax.

However, in the case of Puerto Rico Individuals who own, directly or indirectly, at least 10% of the issued and outstanding voting Shares (the “10% Shareholders”), only the Puerto Rico source ratio of any dividend paid or accrued by the Fund should be Puerto Rico source income not subject to U.S. federal income tax. The Puerto Rico source ratio is a fraction, the numerator of which equals the gross income of the Fund from sources within Puerto Rico during the 3-year period ending with the close of the taxable year of the payment of the dividend (or such part of such period as the Fund has been in existence, if less than 3 years) and the denominator of which equals the total gross income of the Fund for such period. In the case of 10% Shareholders, the part of the dividend determined to be from sources other than Puerto Rico (after applying the rules described in this paragraph) should be subject to U.S. income taxation.

The Code contains certain attribution rules pursuant to which Shares owned by other persons are deemed owned by the Puerto Rico Individuals for purposes of

determining whether they are 10% Shareholders. As a result, a Puerto Rico Individual that owns less than 10% of the issued and outstanding voting Shares may become a 10% Shareholder if he or she is a partner, member, beneficiary or shareholder of a partnership, estate, trust or corporation, respectively, that also owns Shares. To determine whether a Puerto Rico Individual is a 10% Shareholder, the Puerto Rico Individual must consult his or her tax advisor and obtain from the investment adviser the information that the tax advisor deems appropriate for such purpose. If it is determined that a Puerto Rico Individual is a 10% Shareholder, such individual must obtain from his or her investment advisor the information to determine which part of the dividend is from sources outside of Puerto Rico and may thus be subject to U.S. federal income tax.

Puerto Rico Individuals will not be allowed a U.S. tax deduction from gross income for amounts allocable to such Fund’s dividends not subject to U.S. federal income tax.

Puerto Rico Entities are foreign entities under the Code and thus if the Puerto Rico Entities are not engaged in trade or business in the U.S., generally the dividends from the Fund should not be subject to U.S. federal income tax. On the other hand, if the Puerto Rico Entities are engaged in a U.S. trade or business generally the dividends from the Fund should be subject to U.S. federal income tax if the dividends are effectively connected to their U.S. trade or business.

Puerto Rico Investors should note that regulations issued under section 937(b) of the Code addressing “conduit arrangements” may impact the source of income of dividends distributed by the Fund. In general, the regulations describe a “conduit arrangement” as one in which pursuant to a plan or arrangement, income is received by a person in exchange for consideration provided to another person and such other person provides the same consideration (or consideration of a like kind) to a third person in exchange for one or more payments constituting income from sources within the U.S. Based on the current language of the regulations and the guidance offered therein, in the opinion of Adsuar Muñiz Goyco Seda & Pérez-Ochoa, P.S.C., counsel to the Fund, it is more likely than not that an investment in the Shares will not be considered the type of transaction intended to be covered by these rules. Consequently, in the opinion of Adsuar Muñiz Goyco Seda & Pérez-Ochoa, P.S.C., counsel to the Fund, it is more likely than not that the source of income of dividends on the Shares will be determined in accordance with the rules described above.

OCFI issued a ruling to the Fund that temporarily allows the Fund to invest all of its assets outside of Puerto Rico. However, the Fund has determined that it will invest at least 20% of its assets in Puerto Rico. In the opinion of Adsuar Muñoz Goyco Seda & Pérez-Ochoa, P.S.C., so long as the Fund invests at least 20% of its assets in Puerto Rico, it is more likely than not that the “conduit arrangements” rule will not be applicable and thus the source of income of dividends on the Shares will be determined pursuant to the rules discussed above. Puerto Rico Individuals should seek the advice of their own tax advisors with respect to this issue.

Foreign corporations not engaged in a U.S. trade or business are generally not subject to U.S. federal income tax on amounts received from sources outside the U.S. Corporations incorporated in Puerto Rico are treated as foreign corporations under the Code. As previously stated, it is more likely than not that dividends distributed by the Fund to Puerto Rico Entities will constitute income from sources within Puerto Rico. Accordingly, it is more likely than not that Puerto Rico Entities not engaged in a U.S. trade or business will not be subject to U.S. taxation on dividends received from the Fund. Additionally, it is more likely than not, that dividends received or accrued by a Puerto Rico Entity that is engaged in a U.S. trade or business will be subject to U.S. federal income tax only if such dividends are effectively connected to its U.S. trade or business. The Code provides special rules for Puerto Rico Entities that are treated as partnerships for U.S. federal income tax purposes.

PFIC Rules. The Fund will likely be treated as a passive foreign investment company (“PFIC”) for U.S. federal income tax purposes. Under the PFIC rules, a shareholder that is a U.S. person (*i.e.*, a citizen or resident of the U.S., a U.S. domestic corporation or partnership, or an estate or trust that is taxed as a resident of the U.S.) (such a shareholder is referred to as a “U.S. Shareholder”), that disposes of its PFIC stock at a gain, is treated as receiving an “excess distribution” equal to such gain. In addition, if a U.S. Shareholder receives a distribution from a PFIC in excess of 125% of the average amount of distributions such shareholder has received from the PFIC during the three preceding taxable years (or shorter period if the U.S. Shareholder has not held the stock for three years), the U.S. Shareholder is also

treated as receiving an “excess distribution” equal to such excess. In general, an “excess distribution” is taxed as ordinary income, and to the extent it is attributed to earlier years in which the PFIC stock was held, is subject to an interest charge which the Code refers to as the “deferred tax amount.”

Prop. Reg. Sec. 1.1291-1(f) states that a “deferred tax amount” will be determined under Section 1291 of the Code on amounts derived from sources within Puerto Rico by Puerto Rico Individuals only to the extent such amounts are allocated to a taxable year in the shareholder’s holding period during which the shareholder was not entitled to the benefits of section 933 thereof. Thus, under the proposed regulations, Puerto Rico Individuals will not be subject to the PFIC provisions if they are entitled to the benefits of section 933 of the Code for each entire taxable year that they hold Shares; provided that the dividends from the Fund qualify as Puerto Rico source income. As previously stated, if the Fund invests all or substantially all of its assets in securities that generate income from U.S. sources, it is more likely than not that the dividends paid by the Fund out of such earnings will be treated as income from Puerto Rico sources. In such event, section 1.1291-(f) would be applicable and the foregoing rules applicable to dividends and sale, exchange or other disposition of a PFIC’s shares of stock would not be applicable to the dividends distributed by the Fund to Puerto Rico Individuals and the gains realized by Puerto Rico Individuals from the sale, exchange or other dispositions of Shares. Puerto Rico corporations are not U.S. Shareholders for purposes of the PFIC provisions.

Under the provisions of the Code, the Shares will not be subject to U.S. estate and gift taxes if held by a Puerto Rico Individual who is a citizen of the U.S. who acquired his or her citizenship solely by reason of his or her Puerto Rico citizenship, birth or residence in Puerto Rico and was domiciled in Puerto Rico, in the case of estate taxes, at the time of death, and in the case of gift taxes, at the time the gift was made.

A more detailed description of the tax consequences under current Puerto Rico and U.S. federal tax law of an investment in the Fund is included under “Taxes” in the Statement of Additional.

DISTRIBUTION ARRANGEMENTS

UBS Financial Services Incorporated of Puerto Rico acts as distributor of Fund units under a distribution contract with the Fund (the “Distribution Contract”) that requires UBS Financial Services Incorporated of Puerto Rico to use its best efforts, consistent with its other business, to sell Fund shares. Fund shares are offered continuously. UBS Financial Services Incorporated of Puerto Rico is located at 250 Muñoz Rivera Avenue, Penthouse, San Juan, Puerto Rico. Payments from the Fund to compensate UBS Financial Services Incorporated of Puerto Rico for certain expenses incurred in connection with its activities in providing certain unitholder and account maintenance services are authorized under the Distribution Contract and made in accordance with a related distribution and unitholder servicing plan (“Plan”) adopted by the Board of Directors of the Fund for the shares. Separately, the Fund has agreed to reimburse certain dealers’ expenses incurred in retaining an independent agent to provide customer recordkeeping and certain other services to the dealers.

Under the Plan, the Fund pays UBS Financial Services Incorporated of Puerto Rico a service fee, computed weekly and payable monthly. The Fund currently pays monthly service fees to UBS Financial Services Incorporated of Puerto Rico at the annual rate of 0.125% of its net assets. Any increase from the current annual rates would require the prior approval of a majority of the Board of Directors, including a majority of the Independent Fund Directors, as well as the approval of a majority of the shareholders of the Fund.

Under the Plan, UBS Financial Services Incorporated of Puerto Rico primarily uses the service fees to pay for unitholder servicing performed by UBS Financial Services Incorporated of Puerto Rico (or other dealers). UBS Financial Services Incorporated of Puerto Rico offsets its expenses in servicing and maintaining shareholder accounts including expense for telephone and other communications services. UBS Financial Services Incorporated of Puerto Rico uses the distribution fees under the Plan as compensation to the sales personnel and to other dealers for selling the shares and to offset the Fund’s marketing costs, such as preparation, printing and distribution of sales literature, advertising and

prospectuses to prospective investors and related overhead expenses, such as employee salaries and bonuses and telephone and other communications expenses. UBS Financial Services Incorporated of Puerto Rico (and other dealers) compensate investment executives when shares are purchased by investors, as well as on an ongoing basis.

The Plan and related agreement specify that the Fund must pay service and distribution fees to UBS Financial Services Incorporated of Puerto Rico for its activities, not as reimbursement for specific expenses incurred. (UBS Financial Services Incorporated of Puerto Rico, as described above, will make payments to participating dealers.) Therefore, even if UBS Financial Services Incorporated of Puerto Rico’s expenses exceed the service or distribution fees it receives, the Fund will not be obligated to pay more than those fees. On the other hand, if UBS Financial Services Incorporated of Puerto Rico’s expenses are less than such fees, it will retain the full fees and realize a profit. Expenses in excess of service and distribution fees received or accrued through the termination date of the Plan will be UBS Financial Services Incorporated of Puerto Rico’s sole responsibility and not that of the Fund. The Plan will be submitted each year for approval by the Board of Directors.

Among other things, the Plan provides that (1) UBS Financial Services Incorporated of Puerto Rico will submit to the Board of Directors at least quarterly, and the Directors will review, reports regarding all amounts expended under the Plan and the purposes for which such expenditures were made, (2) the Plan will continue in effect only so long as it is approved at least annually, and any material amendment thereto is approved, by the Board of Directors, including the Independent Fund Directors of the Fund and who have no direct or indirect financial interest in the operation of the Plan or any agreement related to the Plan, (3) payments by the Fund under the Plan shall not be materially increased without the affirmative vote of the holders of a majority of the Fund’s outstanding shares and (4) while the Plan remains in effect, the selection and nomination of Directors who are Independent Fund Directors of the Fund shall be committed to the discretion of the Independent Fund Directors of the Fund.

OTHER INFORMATION

Voting Rights. Shareholders of the Fund are entitled to one vote for each full share held and fractional votes for fractional shares held. Voting rights are not cumulative and, as a result, the holders of more than 50% of all the shares of the Fund may elect all its board members.

Legal Proceedings. The Fund is not a party to any legal proceeding as of the date hereof.

Claims against the Fund. A claim by an investor against the Fund, its directors, or officers will be subject to the jurisdiction of the Puerto Rico courts, and therefore, arbitration proceedings will not be the sole forum to resolve any claims.

Counsel. The law firm of Adsuar Muñoz Goyco Seda & Pérez-Ochoa, P.S.C., located at Popular Center Building, 208 Ponce de León Avenue, Suite 1600, San Juan, Puerto Rico 00918, serves as counsel to the Fund.

Auditors. PriceWaterhouseCoopers LLP, 254 Muñoz Rivera Avenue, Oriental Building, 9th Floor, San Juan, Puerto Rico 00918, serves as independent auditors for the Fund.

Privacy Policy. Attached as Appendix E is a copy of the Privacy Policy as to the information the Fund compiles and maintains on its investors.

Reports to Shareholders. The fiscal year of the Fund ends on June 30 of each year. An annual report, containing financial statements audited by the Fund's independent auditors, will be sent to shareholders each year. After the end of each year, shareholders will receive Puerto Rico income tax information regarding dividends and capital gains distributions.

Additional Information. Additional information regarding the Fund is on file with OCFI.

FINANCIAL HIGHLIGHTS

The Financial Highlights tables are intended to help you understand the Fund's financial performance for the periods shown. Certain information reflects the financial results for a single Fund share. The total returns in the table represent the rate that an investor would have earned or lost on an investment in the Fund (assuming reinvestment of all dividends)

without taking into consideration commissions. The information in the Financial Highlights tables has been obtained from the Fund's audited financial statements, which are included in the Fund's Annual Report. A copy of the Annual Report is available upon request.

Puerto Rico Short Term Investment Fund, Inc.

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the financial statements. It should be read in conjunction with the Fund's financial statements and notes thereto.

FINANCIAL HIGHLIGHTS

Increase in Net Asset Value:

Per Share Operating Performance:		For the fiscal year ended June 30, 2015	For the fiscal year ended June 30, 2014	For the fiscal year ended June 30, 2013	For the fiscal year ended June 30, 2012	For the fiscal year ended June 30, 2011
		\$	\$	\$	\$	\$
	Net asset value, beginning of period	1.00	1.00	1.00	1.00	1.00
	Net investment income (a)	0.00	0.00	0.00	0.00	0.00
	Total from investment operations	0.00	0.00	0.00	0.00	0.00
	Less: Distributions from net investment income	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
	Net asset value, end of period	1.00	1.00	1.00	1.00	1.00

Total Investment

Return:	(b)	Based on net asset value per share	0.01%	0.01%	0.02%	0.05%	0.13%
Ratios:	(c) (d)	Expenses to average net assets - net of reimbursed expenses	0.10%	0.59%	0.74%	0.66%	0.66%
	(c) (d)	Net investment income to average net assets - net of waived and/or reimbursed expenses	0.01%	0.01%	0.03%	0.05%	0.14%
		Net assets, end of period (in thousands)	\$ 376,689	\$ 357,935	\$ 396,824	\$ 370,540	\$ 274,314

**

Net investment income and distributions from net investment income for the fiscal years ended June 30, 2015; June 30, 2014; June 30, 2013; June 30, 2012; and June 30, 2011 were \$0.0001; \$0.0001; \$0.0007; \$0.0005; and \$0.001 per share, respectively.

(a) Based on average outstanding common shares of 417,436,242; 372,084,694; 413,266,244; 388,570,290; and 286,621,889 for the fiscal years ended June 30, 2015; June 30, 2014; June 30, 2013; June 30, 2012; and June 30, 2011, respectively.

(b) Dividends are assumed to be reinvested at the per share net asset value on the date dividends are paid.

(c) Based on average net assets applicable to common shareholders of \$417,436,242; \$372,084,694; \$413,266,244; \$388,570,290; and \$286,621,889 for the fiscal years ended June 30, 2015; June 30, 2014; June 30, 2013; June 30, 2012; and June 30, 2011, respectively.

(d) The effect of the expenses waived and reimbursed for the fiscal year ended June 30, 2015; June 30, 2014; June 30, 2013; June 30, 2012; and June 30, 2011, respectively, was to decrease the expense ratios, thus increasing the net investment income ratio to average net assets by 0.68%; 0.18%; 0.003%; 0.10%; and 0.10%, respectively.

Statement of Assets and Liabilities

Assets:	Investment securities, at value (at cost \$375,583,930) with:	
	Affiliates	\$ 91,850,000
	Unaffiliates	283,733,930
	Cash	683,200
	Interest receivable	3,359
	Receivable for fee waiver reimbursed	452,023
	Prepaid insurance expense	113,256
	Total assets	<u>376,835,768</u>

Liabilities:	Payables:	
	Dividends	719
	Administration fees	15,644
	Distribution fees	43,650
	Transfer agent fees	<u>14,589</u>
		74,602
	Accrued expenses and other liabilities	<u>71,998</u>
	Total liabilities	<u>146,600</u>

Net Assets:	<u>\$ 376,689,168</u>
--------------------	-----------------------

Net Assets**consist of:**

Common shares, \$0.001 par value, 1,000,000,000 shares authorized, 376,689,168 issued and outstanding	\$ 376,689
Paid-in capital	<u>376,312,479</u>
Net assets	<u>\$ 376,689,168</u>
Net asset value per share; 376,689,168 shares outstanding	<u>\$ 1.00</u>

PUERTO RICO ASSET REQUIREMENTS**Investment Requirements**

1. General. The Fund intends to comply at all times with the 67% investment requirement in Puerto Rico securities imposed by the Puerto Rico Investment Companies Act, as amended (the “67% Investment Requirement”), by investing in any of the following financial instruments (collectively referred to as the “Puerto Rico Assets”) at least 67% of the Fund’s total assets:
 - (a) securities issued by investment companies registered in Puerto Rico;
 - (b) securities issued by the Commonwealth of Puerto Rico, its political subdivisions, agencies or instrumentalities (the “Puerto Rico Government Obligations”);
 - (c) Government National Mortgage Association (“GNMA”) mortgage-backed securities representing or guaranteed by Puerto Rico mortgages;
 - (d) Federal National Mortgage Association (“FNMA”) mortgage-backed securities representing or guaranteed by Puerto Rico mortgages;
 - (e) Federal Home Loan Mortgage Corporation (“FHLMC”) mortgage-backed securities representing or guaranteed by Puerto Rico mortgages;
 - (f) other mortgage-backed securities representing or guaranteed by Puerto Rico mortgages as may become available from time to time;
 - (g) debt securities of corporations or partnerships organized under the laws of Puerto Rico;
 - (h) debt securities of foreign or United States corporations or partnerships that have their principal place of business in Puerto Rico and derive at least 80% of their gross income from Puerto Rico sources;
 - (i) other securities as the Commissioner of Financial Institutions (the “Commissioner”) may determine by rule, regulation or ruling to be Puerto Rico Assets.
2. Up to 33% of the cost of the Fund’s total assets may be invested in securities that do not constitute Puerto Rico Assets (the “Non-Puerto Rico Assets”), including without limitation:
 - (a) debt securities of issuers organized outside of Puerto Rico, including commercial paper and other corporate debt securities;
 - (b) debt or similar securities issued or guaranteed by the United States government, its agencies and instrumentalities;
 - (c) municipal securities of issuers in the United States;
 - (d) GNMA mortgage-backed securities;
 - (e) FNMA mortgage-backed securities;

- (f) FHLMC mortgage-backed securities;
- (g) asset-backed securities of issuers organized in the United States;
- (h) zero-coupon securities of issuers organized in the United States;
- (i) convertible securities of issuers organized in the United States;
- (j) U.S. dollar-denominated securities of foreign issuers that are traded on recognized U.S. exchanges or in the U.S. over-the-counter market; and
- (k) any security which may now, or in the future, not be subject to any U.S. tax if held by the Fund.

TYPES OF MUNICIPAL OBLIGATIONS

The Fund may invest in a variety of municipal securities, as described below:

Municipal Bonds

Municipal bonds are debt obligations that are issued by states, municipalities, public authorities or other issuers and that pay interest that is exempt from federal income tax in the opinion of issuer's counsel. The two principal classifications of municipal bonds are "general obligation" and "revenue" bonds. General obligation bonds are secured by the issuer's pledge of its full faith, credit and taxing power for the payment of principal and interest. Revenue bonds are payable only from the revenues derived from a particular facility or class of facilities or, in some cases, from the proceeds of a special excise tax or other specific revenue source such as from the user of the facility being financed. The term "municipal bonds" also includes "moral obligation" issues, which are normally issued by special purpose authorities. In the case of such issues, an express or implied "moral obligation" of a related government share is pledged to the payment of the debt service, but is usually subject to annual budget appropriations. Custodial receipts that represent an ownership interest in one or more municipal bonds also are considered to be municipal obligations.

The Fund may invest in industrial development bonds ("IDBs") and private activity bonds ("PABs"), which are municipal bonds issued by or on behalf of public authorities to finance various privately operated facilities, such as airports or pollution control facilities. IDBs and PABs are generally revenue bonds and thus are not payable from the unrestricted revenue of the issuer. The credit quality of IDBs and PABs is usually directly related to the credit standing of the user of the facilities being financed. The Fund may invest more than 25% of its assets in a single IDB or PAB.

The Fund may not presently concentrate its investments, e.g., invest a relatively high percentage of its assets in municipal obligations (e.g. revenue bonds) issued by entities which may pay their debt service obligations from the revenues derived from similar projects such as hospitals, multifamily housing, nursing homes, continuing care facilities, commercial facilities (including hotels), electric utility systems or industrial companies. That limitation may in the future be changed by the Fund's Board of Directors. Any future determination to allow concentration of the Fund's investments may make the Fund more susceptible to similar economic, political, or regulatory occurrences. As the similarity in issuers increases, the potential for fluctuation of the net asset value of shares of the Fund also increases. Also it is anticipated that a significant percentage of the municipal obligations in the Fund's portfolio may be issued by entities or secured by facilities with a relatively short operating history.

Municipal Lease Obligations

Municipal lease obligations are municipal obligations that may take the form of leases, installment purchase contracts or conditional sales contracts, or certificates of participation with respect to such contracts or leases. Municipal lease obligations are issued by state and local governments and authorities to purchase land or various types of equipment and facilities. Although municipal lease obligations do not constitute general obligations of the municipality for which the municipality's taxing power is pledged, they ordinarily are backed by the municipality's covenant to budget for, appropriate and make the payments due under the lease obligation. The leases underlying certain municipal obligations, however, provide that lease payments are subject to partial or full abatement if, because of material damage or destruction of the leased property, there is substantial interference with the lessee's use or occupancy of such property. This "abatement risk" may be reduced by the existence of insurance

covering the leased property, the maintenance by the lessee of reserve funds or the provision of credit enhancements such as letters of credit.

The liquidity of municipal lease obligations varies. Certain municipal lease obligations also contain “non-appropriation” clauses which provide that the municipality has no obligation to make lease or installment purchase payments in future years unless money is appropriated for such purpose on a yearly basis. Some municipal lease obligations of this type are insured as to timely payment of principal and interest, even in the event of a failure by the municipality to appropriate sufficient funds to make payments under the lease. However, in the case of an uninsured municipal lease obligation, the Fund’s ability to recover under the lease in the event of non-appropriation or default will be limited solely to the repossession of the leased property, without recourse to the general credit of the lessee, and disposition of the property in the event of foreclosure might prove difficult. The Fund does not intend to invest a significant portion of its assets in such uninsured “non-appropriation” municipal lease obligations. There is no limitation on the Fund’s ability to invest in other municipal lease obligations.

Zero Coupon Obligations

Zero coupon municipal obligations include “pure zero” obligations, which pay no interest for their entire life (either because they bear no stated rate of interest or because their stated rate of interest is not payable until maturity), and “zero/fixed” obligations, which pay no interest for an initial period and thereafter pay interest currently. Zero coupon obligations also include derivative instruments representing the principal-only components of municipal obligations from which the interest components have been stripped and sold separately by the holders of the underlying municipal obligations. Zero coupon obligations usually trade at a deep discount from their face or par value and will be subject to greater fluctuations in market value in response to changing interest rates than obligations of comparable maturities that make current distributions of interest.

Floating and Variable Rate Obligations

Floating and variable rate municipal notes and bonds frequently permit the holder to demand payment of principal at any time, or at specified intervals, and permit the issuer to prepay principal, plus accrued interest, at its discretion after a specified notice period. The issuer’s obligations under the demand feature of such notes and bonds generally are secured by bank letters of credit or other credit support arrangements. There frequently will be no secondary market for variable and floating rate obligations held by the Fund, although the Fund may be able to obtain payment of principal at face value by exercising the demand feature of the obligation.

Participation Interests

Participation interests in municipal bonds, including IDBs, PABs, and floating and variable rate securities give the Fund an undivided interest in a municipal bond owned by a bank. The Fund has the right to sell the instrument back to the bank. Such right is generally backed by the bank’s irrevocable letter of credit or guarantee and permits the Fund to draw on the letter of credit on demand, after specified notice, for all or any part of the principal amount of the Fund’s participation interest plus accrued interest. Generally, the Fund intends to exercise the demand under the letters of credit or other guarantees only upon a default under the terms of the underlying bond, or to maintain compliance with the investment objective and policies of the Fund. The ability of a bank to fulfill its obligations under a letter of credit or guarantee might be affected by possible financial difficulties of its borrowers, adverse interest rate or economic conditions, regulatory limitations or other factors. The Investment Adviser will monitor the pricing, quality and liquidity of the participation interests held by the Fund, and the credit standing of

banks issuing letters of credit or guarantees supporting such participation interests on the basis of published financial information reports of rating services and bank analytical services.

Put Bonds

Put bonds are municipal bonds which give the holder an unconditional right to sell the bond back to the issuer or a remarketing agent at a specified price and exercise date, which is typically well in advance of the bond's maturity date. If the put is a "one time only" put, the Fund ordinarily will sell the bond or put the bond, depending on the more favorable price. If the bond has a series of puts after the first put, the bond will be held as long as, in the respective Investment Adviser's opinion, it is in the best interests of the Fund to do so. The obligation to purchase the bond on the exercise date of the put may be supported by a letter of credit or other credit support agreement from a bank, insurance company or other financial institution, the credit standing of which affects the credit standing of the obligation. There is no assurance that an issuer or remarketing agent for a put bond will be able to repurchase the bond on the put exercise date if the Fund chooses to exercise its right to put the bond back to the issuer or remarketing agent.

Tender Option Bonds

Tender option bonds are long-term municipal securities sold by a bank subject to a "tender option" that gives the purchaser the right to tender them to the bank at par plus accrued interest at designated times (the "tender option"). The tender option may be exercisable at intervals ranging from bi-weekly to semi-annually, and the interest rate on the bonds is typically reset at the end of the applicable interval in order to cause the bonds to have a market value that approximates their par value. The tender option generally would not be exercisable in the event of a default on, or significant downgrading of, the underlying municipal securities. Therefore, the Fund's ability to exercise the tender option will be affected by the credit standing of both the bank involved and the issuer of the underlying securities.

Detachable Call Options and Embedded Caps

Detachable call options are sold by issuers of municipal obligations separately from the municipal obligations to which the call options relate and permit the purchasers of the call options to acquire the municipal obligations at the call price(s) and call date(s). In the event that interest rates drop, the purchaser could exercise the call option to acquire municipal obligations that yield above-market rates. The Fund expects to acquire detachable call options relating to municipal obligations that the Fund owns or will acquire in the immediate future and thereby, in effect, make such municipal obligations non-callable so long as the Fund continues to hold the detachable call option. Municipal obligations with embedded caps provide for additional tax-free payments for a stated period (generally a period that is shorter than the bond's maturity) above the fixed-rated interest payable on the municipal obligations to the extent that the average level of a particular index exceeds a specified base level.

[This page intentionally left blank.]

MORTGAGE-BACKED SECURITIES

General

Mortgage-backed securities were introduced in the 1970s when the first pool of mortgage loans was converted into a mortgage pass-through security. Since the 1970s, the mortgage-backed securities market in general has vastly expanded and a variety of structures have been developed to meet investor needs.

New types of mortgage-backed securities are developed and marketed from time to time and, consistent with its investment limitations, the Fund expects to invest in those new types of mortgage-backed securities that the Investment Adviser believes may assist the Fund in achieving its investment objective. Not all of the types of securities described below are available in Puerto Rico.

Government National Mortgage Association (“GNMA”) Securities

GNMA is a wholly-owned corporate instrumentality of the United States within the Department of Housing and Urban Development. The National Housing Act of 1934, as amended (the “Housing Act”), authorizes GNMA to guarantee the timely payment of the principal of and interest on securities that are based on and backed by a pool of specified mortgage loans. To qualify such securities for a GNMA guarantee, the underlying mortgages must be insured by the Federal Housing Administration under the Housing Act, or Title V of the Housing Act of 1949 (“FHA Loans”), or be guaranteed by the Veterans’ Administration under the Servicemen’s Readjustment Act of 1944, as amended (“VA Loans”), or be pools of other eligible mortgage loans. The Housing Act provides that the full faith and credit of the United States Government is pledged to the payment of all amounts that may be required to be paid under any guarantee. In order to meet its obligations under such guarantee, GNMA is authorized to borrow from the United States Treasury with no limitations as to amount.

GNMA mortgage-backed securities include securities which are backed by mortgage loans insured by the Federal Housing Administration or guaranteed by the Veterans Administration, and which consist of mortgage-backed certificates with respect to pools of such mortgages guaranteed as to the timely payment of principal and interest by the Government National Mortgage Association. That guarantee is backed by the full faith and credit of the United States.

GNMA pass-through mortgage-backed securities may represent a *pro rata* interest in one or more pools of the following types of mortgage loans: (i) fixed rate level payment mortgage loans; (ii) fixed rate graduated payment mortgage loans; (iii) fixed rate growing equity mortgage loans; (iv) fixed rate mortgage loans secured by manufactured (mobile) homes; (v) mortgage loans on multifamily residential properties under construction; (vi) mortgage loans on completed multifamily projects; (vii) fixed rate mortgage loans as to which escrowed funds are used to reduce the borrower’s monthly payments during the early years of the mortgage loans (“buydown” mortgage loans); (viii) mortgage loans that provide for adjustments in payments based on periodic changes in interest rates or in other payment terms of the mortgage loans; and (ix) mortgage-backed serial notes.

Federal National Mortgage Association (“FNMA”) Securities

FNMA is a federally chartered and privately owned corporation established under the Federal National Association Charter Act. FNMA was originally organized in 1938 as a United States Government agency to add greater liquidity to the mortgage market. FNMA was transformed into a

private sector corporation by legislation enacted in 1968. FNMA provides funds to the mortgage market primarily by purchasing home mortgage loans from local lenders, thereby providing them with funds for additional lending. FNMA acquires funds to purchase such loans from investors that may not ordinarily invest in mortgage loans directly, thereby expanding the total amount of funds available for housing.

Each FNMA pass-through mortgage-backed security represents a *pro rata* interest in one or more pools of FHA Loans, VA Loans or conventional mortgage loans (*i.e.*, mortgage loans that are not insured or guaranteed by any governmental agency). The loans contained in those pools consist of: (i) fixed rate level payment mortgage loans; (ii) fixed rate growing equity mortgage loans; (iii) fixed rate graduated payment mortgage loans; (iv) variable rate mortgage loans; (v) other adjustable rate mortgage loans; and (vi) fixed rate mortgage loans secured by multifamily projects. FNMA guarantees timely payment of principal and interest on FNMA mortgage-backed securities. The obligations of FNMA are not backed by the full faith and credit of the United States. Nevertheless, because of the relationship between FNMA and the United States, it is widely believed that FNMA Mortgage-Backed Securities present minimal credit risks.

Federal Home Loan Mortgage Corporation (“FHLMC”) Securities

FHLMC is a corporate instrumentality of the United States established by the Emergency Home Finance Act of 1970, as amended (the “FHLMC Act”). FHLMC was organized primarily for the purpose of increasing the availability of mortgage credit to finance needed housing. The operations of FHLMC currently consist primarily of the purchase of first lien, conventional, residential mortgage loans and participation interests in such mortgage loans and the resale of the mortgage loans so purchased in the form of mortgage-backed securities.

FHLMC mortgage-backed securities represent direct or indirect participations in, and are payable from, conventional residential mortgage loans. The mortgage loans underlying the FHLMC mortgage-backed securities typically consist of fixed rate or adjustable rate mortgage loans with original terms to maturity of between ten and thirty years, substantially all of which are secured by first liens on one- to four-family residential properties or multifamily projects. Each mortgage loan must meet the applicable standards set forth in the FHLMC Act. Mortgage loans underlying FHLMC mortgage-backed securities may include whole loans, participation interests in whole loans and undivided interests in whole loans and participations in another FHLMC mortgage-backed securities.

FHLMC guarantees: (i) the timely payment of interest on all FHLMC mortgage-backed securities; (ii) the ultimate collection of principal with respect to some FHLMC mortgage-backed securities; and (iii) the timely payment of principal with respect to other FHLMC mortgage-backed securities. The obligations of FHLMC are not backed by the full faith and credit of the United States, although they are generally considered to present minimal credit risks.

ARM and Floating Rate Mortgage-Backed Securities

Because the interest rates on ARM and Floating Rate mortgage-backed securities are reset in response to changes in a specified market index, the values of such securities tend to be less sensitive to interest rate fluctuations than the values of fixed-rate securities. ARM mortgage-backed securities represent a right to receive interest payments at a rate that is adjusted to reflect the interest earned on a pool of ARMs. ARMs generally provide that the borrower’s mortgage interest rate may not be adjusted above a specified lifetime maximum rate or, in some cases, below a minimum lifetime rate. In addition, certain ARMs provide for limitations on the maximum amount by which the mortgage interest rate may adjust for any single adjustment period. ARMs also may provide for limitations on changes in the maximum amount by which the borrower’s monthly payment may adjust for any single adjustment

period. In the event that a monthly payment is not sufficient to pay the interest accruing on the ARM, any such excess interest is added to the mortgage loan (“negative amortization”), which is repaid through future monthly payments. If the monthly payment exceeds the sum of the interest accrued at the applicable mortgage interest rate and the principal payment that would have been necessary to amortize the outstanding principal balance over the remaining term of the loan, the excess reduces the principal balance of the ARM. Borrowers under ARMs experiencing negative amortization may take longer to build up their equity in the underlying property and may be more likely to default.

The rates of interest payable on certain ARMs, and therefore on certain ARM mortgage-backed securities, are based on indices, such as the one-year constant maturity Treasury Rate, that reflect changes in market interest rates. Others are based on indices, such as the 11th District Federal Home Loan Bank Cost of Funds index, that tend to lag behind changes in market interest rates. The values of ARM mortgage-backed securities supported by ARMs that adjust based on lagging indices tend to be somewhat more sensitive to interest rate fluctuations than those reflecting current interest rate levels, although the values of such ARM mortgage-backed securities still tend to be less sensitive to interest rate fluctuations than fixed-rate securities.

Floating rate mortgage-backed securities are classes of mortgage-backed securities that have been structured to represent the right to receive interest payments at rates that fluctuate in accordance with an index but that generally are supported by pools comprised of fixed-rate mortgage loans. As with ARM mortgage-backed securities, interest rate adjustments on floating rate mortgage-backed securities may be based on indices that lag behind market interest rates. Interest rates on floating rate mortgage-backed securities generally are adjusted monthly. Floating rate mortgage-backed securities are subject to lifetime interest rate caps, but they generally are not subject to limitations on monthly or other periodic changes in interest rates or monthly payments.

Specified Mortgage-Backed Securities

The Fund generally does not invest in derivatives but may invest in mortgage-backed securities that are derivatives such as interest only obligations (“POs”) (other than IOs and POs that are PAC Bonds) or inverse floating rate obligations or other types of mortgage-backed securities that may be developed in the future and that are determined by the Investment Adviser to present types and levels of risk that are comparable to such IOs, POs and inverse floating rate obligations (collectively, “Specified Mortgage-Backed Securities”). The Fund will invest in Specified Mortgage-Backed Securities only when the Investment Adviser believes that such securities, when combined with the Fund’s other investments, would enable the Fund to achieve its investment objective and policies. In the opinion of the Investment Adviser, GNMA mortgage-backed securities issued under the GNMA I or GNMA II programs, securities with earlier maturities of mortgage-backed securities issued under the GNMA Serial Note program, mortgage pass-through certificates issued by FNMA and other types of substantially similar mortgage-backed pass-through or participation certificates (including collateralized mortgage obligations (“CMOs”)) are not considered derivative investments for purposes of the Fund’s investment policies, except as set forth below. The Investment Adviser also does not consider Private Label mortgage-backed securities (including CMOs) of any class that entitle the holder thereof to payments of principal and interest to be derivatives for that purpose (other than Private Label mortgage-backed securities the principal payments of which at the time of purchase by the Fund (i) are not limited by a schedule of principal distributions and (ii) support a schedule of principal distributions for another related class of Private Label mortgage-backed securities).

Stripped mortgage-backed securities (“SMBSs”) are classes of mortgage-backed securities that receive different proportions of the interest and principal distributions from the underlying pool of mortgage assets. SMBSs may be issued by agencies or instrumentalities of the United States government

or by private mortgage lenders. A common type of SMBS will have one class that receives some of the interest and most of the principal from the mortgage assets, while the other class will receive most of the interest and the remainder of the principal.

An IO is an SMBS that is entitled to receive all or a portion of the interest, but none of the principal payments, on the underlying mortgage assets; a PO is an SMBS that is entitled to receive all or a portion of the principal payments, but none of the interest payments, on the underlying mortgage assets. The Investment Adviser believes that investments in POs may facilitate its ability to manage the price sensitivity of the Fund's investments to interest rate changes. Generally, the yields to maturity on both IO and PO classes are extremely sensitive to the rate of principal payments (including prepayments) on the underlying mortgage assets. If the underlying mortgage assets of an IO class of mortgage-backed security held by the Fund experience greater than anticipated prepayments of principal, the Fund may fail to recoup fully its initial investment in such securities even though the securities are rated in the highest rating category. The Investment Adviser believes that, since principal amortization on PAC Bonds is designed to occur at a predictable rate, IOs and POs that are PAC Bonds generally are not as sensitive to principal prepayments as other IOs and POs.

Mortgage-backed securities that constitute inverse floating rate obligations are mortgage-backed securities on which the interest rates adjust or vary inversely to changes in market interest rates. Typically, an inverse floating rate mortgage-backed security is one of two components created from a pool of fixed rate mortgage loans. The other component is a variable rate mortgage-backed security, on which the amount of interest payable is adjusted directly in accordance with market interest rates. The inverse floating rate obligation receives the portion of the interest on the underlying fixed-rate mortgages that is allocable to the two components and that remains after subtracting the amount of interest payable on the variable rate component. The market value of an inverse floating rate obligation will be more volatile than that of a fixed-rate obligation and, like most debt obligations, will vary inversely with changes in interest rates. Certain of such inverse floating rate obligations have coupon rates that adjust to changes in market interest rates to a greater degree than the change in the market rate and accordingly have investment characteristics similar to investment leverage. As a result, the market value of such inverse floating rate obligations is subject to greater risk of fluctuation than other mortgage-backed securities, and such fluctuations could adversely affect the ability of the Fund to achieve its investment objectives and policies.

The yields on certain of the above mortgage-backed securities may be more sensitive to changes in interest rates than GNMA mortgage-backed securities. While the respective Investment Adviser will seek to limit the impact of these factors on the Fund, no assurance can be given that it will achieve this result.

APPENDIX D

UBS Financial Services Incorporated of Puerto Rico

Puerto Rico Residency Status

In connection with the opening and maintenance of your account with UBS Financial Services Incorporated of Puerto Rico ("Account") where Puerto Rico investments are purchased and/or held in the Account, each Account owner, or for an Account of an entity, the authorized person(s), certifies the following:

You may hold or purchase certain investments in your Account, including, but not limited to, closed-end and open-end mutual funds, preferred stock and debt securities that are not registered under the U.S. Securities Act of 1933 or the U.S. Investment Company Act of 1940 and are exempt from registration under the U.S. Securities Act of 1933 and/or the U.S. Investment Company Act of 1940 ("Puerto Rico Investments"), based in part, on the requirement that they be offered or sold only to individuals who have their principal residence in Puerto Rico and to entities whose principal office and place of business are in Puerto Rico ("Puerto Rico Residents"), as disclosed in the respective prospectuses or offering materials. You are aware that certain Puerto Rico Investments may not be suitable to all investors as they may be designed primarily for long-term investors.

Accordingly, you hereby represent that:

- You have acquired or propose to acquire Puerto Rico Investments for your own Account and will be the beneficial owner of those assets.
- If you propose to acquire Puerto Rico Investments for the Account of a retirement plan that is the beneficial owner of the assets, you acknowledge that UBS may limit, in part or in total, the amount of any such purchase, whether or not the retirement plan is subject to (ERISA).
- As of the date of this agreement, (i) you are an individual whose principal residence is in Puerto Rico, or (ii) if organized as a non-business trust, the trust has its principal office and principal place of business within Puerto Rico and the trustee and all beneficiaries of the trust are Puerto Rico Residents, or (iii) if organized as a trust, the trustee and all beneficiaries of the trust are residents of Puerto Rico, or (iv) if organized as a corporation, partnership or other form of business organization, the entity has its principal office and principal place of business within Puerto Rico and has not been organized for the purpose of acquiring Puerto Rico investments.
- If you cease to be a Puerto Rico Resident, you will (i) notify UBS within 30 days of ceasing to be a Puerto Rico Resident, (ii) liquidate your holdings in any Puerto Rico Investment when such liquidation becomes economically feasible, and (iii) not acquire additional Puerto Rico Investments.
- You acknowledge that if at the time of your acquisition of Puerto Rico Investments you are not a Puerto Rico Resident, UBS may declare such acquisition null and void.

Name of Account holder

Name of Account holder

Signature

Signature

Name of Authorized Representative
(if signing on behalf of an entity)

Name of Authorized Representative
(if signing on behalf of an entity)

Title of Authorized Representative
(if signing on behalf of an entity)

Title of Authorized Representative
(if signing on behalf of an entity)

Date

Date

**NEW INVESTMENT - CLEARING FIRM PUERTO RICO
RESIDENCY REPRESENTATION LETTER**

TO: UBS Trust Company of Puerto Rico, as transfer agent to the following Puerto Rico Investment Companies:

- Tax-Free Puerto Rico Fund, Inc.
- Tax-Free Puerto Rico Target Maturity Fund, Inc.
- Tax-Free Puerto Rico Fund II, Inc.
- Puerto Rico AAA Portfolio Target Maturity Fund, Inc.
- Puerto Rico AAA Portfolio Bond Fund, Inc.
- Puerto Rico AAA Portfolio Bond Fund II, Inc.
- Puerto Rico GNMA & U.S. Government Target Maturity Fund, Inc.
- Puerto Rico Fixed Income Fund, Inc.
- Puerto Rico Fixed Income Fund II, Inc.
- Puerto Rico Fixed Income Fund III, Inc.
- Puerto Rico Fixed Income Fund IV, Inc.
- Puerto Rico Fixed Income Fund V, Inc.
- Puerto Rico Fixed Income Fund VI, Inc.
- Puerto Rico Mortgage-Backed & U.S. Government Securities Fund, Inc.
- Puerto Rico Short-Term Investment Fund, Inc.
- Multi-Select Securities Puerto Rico Fund
- U.S. Municipal & Income Fund, Inc.

San Juan, Puerto Rico

RE: Puerto Rico Residency Status

To Whom It May Concern:

We provide the following information and representations in connection with the purchase of securities to our account, as clearing firm for one or more introducing broker-dealers, of certain investments issued by the above-mentioned Puerto Rico investment companies, including, but not limited to, common stock, preferred stock, and debt and other securities, that are exempt from registration (and are not otherwise registered) under the U.S. Securities Act of 1933 or the U.S. Investment Company Act of 1940 ("Puerto Rico Investments"), based in part, on the requirement that they be offered or sold only to individuals who have their principal residence in Puerto Rico or to corporations or other business organizations that have their principal office and principal place of business within Puerto Rico ("Puerto Rico Residents"), all as disclosed in their respective prospectuses or offering materials.

Accordingly, we hereby represent to you that each beneficial owner holding Puerto Rico investments in our accounts has issued a representation letter to us to the effect that such account owner:

1. It has acquired such Puerto Rico Investments for its own account and will be the sole beneficial owner thereof.

2. In the case of beneficial owners of Puerto Rico Investments in our accounts which are corporations or business organization, it is a corporation, partnership, or other form of business organization that has its principal office and principal place of business within Puerto Rico that has not been organized for the purpose of acquiring Puerto Rico Investments and, if organized as a trust, the trustee and all beneficiaries of the trust are residents of Puerto Rico.

3. In the case of beneficial owners of Puerto Rico Investments in our accounts that are organized as a non-business trust, it has its principal office and principal place of business within Puerto Rico and the trustee and all beneficiaries of the trust are Puerto Rico Residents.

4. In the case of beneficial owners of Puerto Rico Investments in our account that are individuals, it was a resident of Puerto Rico at the time of acquisition of the Puerto Rico Investments.

5. It has acknowledged their obligation to (i) not effect any acquisitions of Puerto Rico Investments on behalf of a retirement plan subject to ERISA; (ii) notify you within 30 days of ceasing to be a Puerto Rico Resident, (iii) liquidate its holdings in any Puerto Rico Investment when such liquidation becomes economically feasible, and (iv) not acquire additional Puerto Rico Investments (including discontinuation of participation in any dividend reinvestment plan) upon ceasing to be a Puerto Rico Resident.

We further represent that, with respect to the holding of Puerto Rico Investments in our accounts, (i) nothing has come to our knowledge that would lead us to believe that any of the representation letters are inaccurate in any respect, and (ii) upon being notified that a beneficial owner holding Puerto Rico investments in our accounts has ceased to be a Puerto Rico resident, we will (a) instruct the transfer agent for the above-referenced investment companies to discontinue participation in any dividend reinvestment plan as to such beneficial owner's Puerto Rico Investments, (b) inform such beneficial owner of its obligation to liquidate its Puerto Rico Investments as soon as economically feasible, and (c) not process any order for the acquisition of additional Puerto Rico Investments. We further represent that both we and any introducing firm holding an account with Puerto Rico Investments are duly registered as broker-dealers with the Puerto Rico Office of the Commissioner of Financial Institutions and any such introducing firm maintains an office / branch within Puerto Rico, and any individual registered representative assigned to an account in which Puerto Rico Investments are held is duly registered as a registered representative with the Puerto Rico Office of the Commissioner of Financial Institutions.

We also acknowledge that if any of the above representations is determined to be incorrect, the transfer agent for any of the above-referenced investment companies may declare any transaction effected by us with respect to the Puerto Rico Investments to be null and void, and you will indemnify any such investment company for any consequential damage thereto.

Company Name

Signature

Name and Title

Date

**NEW INVESTMENT - BROKER-DEALER PUERTO RICO RESIDENCY
REPRESENTATION LETTER**

TO: UBS Trust Company of Puerto Rico, as transfer agent to the following Puerto Rico Investment Companies:

- Tax-Free Puerto Rico Fund, Inc.
- Tax-Free Puerto Rico Target Maturity Fund, Inc.
- Tax-Free Puerto Rico Fund II, Inc.
- Puerto Rico AAA Portfolio Target Maturity Fund, Inc.
- Puerto Rico AAA Portfolio Bond Fund, Inc.
- Puerto Rico AAA Portfolio Bond Fund II, Inc.
- Puerto Rico GNMA & U.S. Government Target Maturity Fund, Inc.
- Puerto Rico Fixed Income Fund, Inc.
- Puerto Rico Fixed Income Fund II, Inc.
- Puerto Rico Fixed Income Fund III, Inc.
- Puerto Rico Fixed Income Fund IV, Inc.
- Puerto Rico Fixed Income Fund V, Inc.
- Puerto Rico Fixed Income Fund VI, Inc.
- Puerto Rico Mortgage-Backed & U.S. Government Securities Fund, Inc.
- Puerto Rico Short-Term Investment Fund, Inc.
- Multi-Select Securities Puerto Rico Fund
- U.S. Municipal & Income Fund, Inc.

San Juan, Puerto Rico

RE: Puerto Rico Residency Status

To Whom It May Concern:

We provide the following information and representations in connection with the purchase of securities to our account, as broker-dealer for residents of Puerto Rico, of certain investments issued by the above-mentioned Puerto Rico investment companies, including, but not limited to, common stock, preferred stock, and debt and other securities, that are exempt from registration (and are not otherwise registered) under the U.S. Securities Act of 1933 or the U.S. Investment Company Act of 1940 ("Puerto Rico Investments"), based, in part, on the requirement that they be offered or sold only to individuals who have their principal residence in Puerto Rico or to corporations or other business organizations that have their principal office and principal place of business within Puerto Rico ("Puerto Rico Residents"), all as disclosed in their respective prospectuses or offering materials.

Accordingly, we hereby represent to you that each beneficial owner holding Puerto Rico investments in our accounts has issued a representation letter to us to the effect that such account owner:

1. It has acquired such Puerto Rico Investments for its own account and will be the sole beneficial owner thereof.
2. In the case of beneficial owners of Puerto Rico Investments in our accounts which are corporations or business organization, it is a corporation, partnership, or other form of business organization that has its principal office and principal place of business within Puerto Rico that has not been organized for the purpose of acquiring Puerto Rico Investments and, if organized as a trust, the trustee and all beneficiaries of the trust are residents of Puerto Rico.
3. In the case of beneficial owners of Puerto Rico Investments in our accounts that are organized as a non-business trust, it has its principal office and principal place of business within Puerto Rico and the trustee and all beneficiaries of the trust are Puerto Rico Residents.
4. In the case of beneficial owners of Puerto Rico Investments in our account that are individuals, it was a resident of Puerto Rico at the time of acquisition of the Puerto Rico Investments.

5. It has acknowledged their obligation to (i) not effect any acquisitions of Puerto Rico Investments on behalf of a retirement plan subject to ERISA; (ii) notify you within 30 days of ceasing to be a Puerto Rico Resident, (iii) liquidate its holdings in any Puerto Rico Investment when such liquidation becomes economically feasible, and (iv) not acquire additional Puerto Rico Investments (including discontinuation of participation in any dividend reinvestment plan) upon ceasing to be a Puerto Rico Resident.

We further represent that, with respect to the holding of Puerto Rico Investments in our accounts, (i) nothing has come to our knowledge that would lead us to believe that any of the representation letters are inaccurate in any respect, and (ii) upon being notified that a beneficial owner holding Puerto Rico investments in our accounts has ceased to be a Puerto Rico resident, we will (a) instruct the transfer agent for the above-referenced investment companies to discontinue participation in any dividend reinvestment plan as to such beneficial owner's Puerto Rico Investments, (b) inform such beneficial owner of its obligation to liquidate its Puerto Rico Investments as soon as economically feasible, and (c) not process any order for the acquisition of additional Puerto Rico Investments. We further represent that we are duly registered as broker-dealers with the Puerto Rico Office of the Commissioner of Financial Institutions and maintain an office / branch within Puerto Rico, and any individual registered representative assigned to an account in which Puerto Rico Investments are held is duly registered as a registered representative with the Puerto Rico Office of the Commissioner of Financial Institutions.

We also acknowledge that if any of the above representations is determined to be incorrect, the transfer agent for any of the above-referenced investment companies may declare any transaction effected by us with respect to the Puerto Rico Investments to be null and void, and you will indemnify any such investment company for any consequential damage thereto.

Company Name

Signature

Name and Title

Date

PRIVACY POLICY

The Fund is committed to protecting the personal information that it collects about individuals who are prospective, former or current investors. The Fund collects personal information for business purposes to process requests and transactions and to provide customer service. Personal information is obtained from the following sources:

Investor applications and other forms, which may include your name, address, social security number, or tax identification number;

Written and electronic correspondence, including telephone contacts; and

Account history, including information about Fund transactions and balances in your accounts with UBS Financial Services Incorporated of Puerto Rico or our affiliates, other fund holdings in the UBS family of funds, and any affiliation with UBS Financial Services Incorporated of Puerto Rico and its affiliates.

The Fund limits access to personal information to those employees who need to know that information in order to process transactions and service accounts. Employees are required to maintain and protect the confidentiality of personal information. The Fund maintains physical, electronic, and procedural safeguards to protect personal information.

The Fund may share personal information described above with their affiliates for business purposes, such as to facilitate the servicing of accounts. The Fund may share the personal information described above for business purposes with a non-affiliated third party only if the entity is under contract to perform transaction processing, servicing or maintaining investor accounts on behalf of the Fund. The Fund may share personal information with its affiliates or other companies who are not affiliates of the Fund that perform marketing services on the Fund's behalf or to other financial institutions with whom it has marketing agreements for joint products or services. These companies are not permitted to use personal information for any purposes beyond the intended use (or as permitted by law). The Fund does not sell personal information to third parties for their independent use. The Fund may also disclose personal information to regulatory authorities or otherwise as permitted by law.

(This Page Intentionally Left Blank)

PROXY VOTING POLICIES AND PROCEDURES

The Fund has adopted proxy voting procedures (the “Proxy Policies”) to ensure that proxies are voted for the exclusive benefit and in the best economic interest of the shareholders with the objective of maximizing total return to the shareholders. The Fund has retained Institutional Shareholder Services, Inc. (“ISS”), an independent proxy voting organization, to assist in the carrying out of its proxy voting responsibilities. ISS provides the Fund with the ISS U.S. Proxy Voting Guidelines and ISS Global Proxy Voting Guidelines (collectively the “ISS Guidelines”), as in effect from time to time. The ISS Guidelines were developed based on ISS’ experience analyzing a wide variety of proposals presented to shareholders for vote by publicly-held companies, and are periodically revised and updated by ISS.

A Proxy Voting Committee, comprised of representatives of the Fund, oversees and administers ISS Guidelines and ISS’ voting recommendations. As the Fund believes, based on its review of the ISS Guidelines, that such Guidelines are sound and consistent with its proxy voting policies, the Fund generally votes all proxies in accordance with the ISS Guidelines and specific ISS voting recommendations. The ISS Guidelines, as they may be amended from time to time, are treated as part of these Proxy Policies and copies of the ISS Guidelines are available upon request. In the event that the Fund concludes that reliance on the ISS Guidelines and voting recommendations is no longer appropriate, the Fund shall retain another independent proxy voting service to provide it with similar services.

The Fund believes that voting proxies in accordance with the ISS Guidelines helps to ensure that it does not make specific voting decisions in situations where there may be a material conflict of interest between the interests of the Fund or any of its affiliates and those of a shareholder. In addition, because of the broad and diverse nature of the business of the Fund and its affiliated companies, it is not practical for the Fund to seek to identify all actual, potential, or material conflicts of interest with respect to every proxy voting matter. To ensure that the Fund does not make a voting decision for clients where a material conflict is present, in the event that the ISS Guidelines do not apply to, or ISS is not able to provide a recommendation on how to vote, the Fund may seek voting instructions from the majority of Independent Directors of the Board, vote securities in proportion to the votes cast by all other shareholders, retain another independent third party to make the voting decisions, or take such other steps as may be appropriate to resolve the conflict as determined by the Proxy Voting Committee in consultation with the Fund’s Legal Counsel.

The Fund may not vote proxies in certain circumstances, including but not limited to, situations where a) the securities are no longer held; b) the proxy or other relevant materials were not received in sufficient time to allow an appropriate analysis by ISS or to allow a vote to be cast by the voting deadline; or c) the Fund ISS concludes that the cost of voting the proxy will exceed the potential benefit.

The Fund or a service provider on behalf of the Fund will maintain the following records for a period of at least six years:

- i. A copy of the Proxy Policies and copies of the ISS Guidelines, as both may be amended from time to time, and copies of all ISS recommendations with respect to specific proxy votes;
- ii. Copies of proxy statements received regarding securities held by the Fund, unless these materials are available electronically through the SEC’s EDGAR system;
- iii. A record of each proxy vote cast on behalf of the Fund;
- iv. A copy of any internal documents created by the Fund that were material to making the decision how to vote proxies on behalf of clients; and
- v. Each written request for information on how the Fund voted proxies and each written response by the Fund to oral or written requests for this information.

The Fund will provide to shareholders these Proxy Policies, including the ISS Guidelines then in effect, and a record of how the Fund has voted the proxies promptly on request.

(This Page Intentionally Left Blank)

(This Page Intentionally Left Blank)

If you want more information about the Fund, the following documents are available free upon request:

Annual Reports

Additional information about the Fund's investments is available in the Fund's annual report to shareholders, which may be viewed at www.ubs.com/prfunds.

You may discuss your questions about the Fund by contacting your UBS Financial Advisor. You may obtain free copies of annual reports by contacting the Fund directly at 1-787-773-3888.

**Puerto Rico Short Term
Investment Fund, Inc.
Prospectus**

February 19, 2016