



UBS Asset Managers of Puerto Rico Funds Quarterly Review Fourth Quarter 2014

*Consideraciones Especiales

Cada Fondo es una compañía de inversión no diversificada de fin cerrado inscrita bajo la Ley Número 6 de 19 de octubre de 1954, según enmendada. Los valores emitidos por un Fondo pueden solamente ser adquiridos por, o transferidos a, individuos que sean residentes de Puerto Rico y a entidades cuya oficina y localización de negocios principal estén localizados en Puerto Rico. El rendimiento, el valor neto de los activos de un Fondo y el precio en el mercado de las acciones de capital común del Fondo (en adelante, las "Acciones"), podrán fluctuar y se determinarán por factores como la demanda y oferta en el mercado de las Acciones y las condiciones económicas, políticas y del mercado en general, al igual que otros factores que están fuera del control de un Fondo. Las Acciones son negociadas al precio del mercado, el cual puede reflejar una prima o descuento del valor neto de los activos de un Fondo y no se puede dar representación alguna sobre su liquidez o el mercado para disponer de las mismas. A pesar de que es la intención de UBS Financial Services Incorporated of Puerto Rico (en adelante, "UBSFSPR") de continuar manteniendo un mercado secundario para las Acciones, no está obligada a continuar haciéndolo. De otra parte, puede que no exista otra fuente de información de precios para las Acciones u otros compradores para las Acciones que no sea UBSFSPR.

Riesgo de concentración geográfica: El Fondo está expuesto a ciertos riesgos debido a la diversificación geográfica reducida de su cartera de inversiones. Los activos del fondo están invertidos primariamente en valores de emisores de Puerto Rico. A consecuencia, el Fondo generalmente es más susceptible a factores económicos, políticos, regulatorios y otros que podrían afectar adversamente a emisores de Puerto Rico que otra compañía de inversión la cual no esté tan concentrada en emisores de Puerto Rico. En adición, valores emitidos por el Gobierno de Puerto Rico o sus instrumentalidades se afectan por las finanzas del gobierno central. Eso incluye, pero no se limita a, las obligaciones generales de Puerto Rico y los bonos de ingresos, contribuciones especiales o de agencias. El efecto en cada deuda específica podría no ser el mismo y depende de que parte del dinero del gobierno o sus ingresos se supone pague el interés de dicha deuda. En la medida que un porcentaje relativamente alto de los activos del Fondo pueden ser invertidos en obligaciones de un número limitado de emisores de Puerto Rico, el valor neto de activos y su rendimiento puede aumentar o disminuir más que el de una compañía de inversión más diversificada, como resultado de cambios en cuanto a la evaluación de la condición financiera o prospectos de dichos emisores de Puerto Rico. El Fondo también puede ser más susceptible a cualquier ocurrencia individual económica, política o regulatoria en Puerto Rico que una compañía de inversión más diversificada. En los pasados años, los bonos principales del Gobierno de Puerto Rico, al igual que valores emitidos por ciertas instituciones financieras de Puerto Rico han sido degradados por varios factores, incluyendo sin limitación, al empeoramiento experimentado por la economía de Puerto Rico y la condición financiera pobre del Gobierno de Puerto Rico. Al presente, el mercado de bonos de Puerto Rico está experimentando un periodo de volatilidad, con los

bonos de Puerto Rico traficando a precios más bajos y rendimientos más altos a los puntos de referencia de los pasados dos (2) años, y así afectando el valor neto de activos del Fondo.

Transacciones de cartera entre un Fondo y UBSFSPR, Popular Securities (en el caso de un Fondo co-manejado con Banco Popular de Puerto Rico) y otras afiliadas son efectuadas conforme a ciertos procedimientos adoptados por la Junta de Directores de un Fondo con miras a atender posibles conflictos de interés.

Divulgación de Mercado Secundario: Dado a que actualmente UBSFSPR es la fuente dominante, y podría ser la única fuente, de liquidez para la negociación de las Acciones en el mercado secundario, cabe la posibilidad que un inversionista no pueda vender sus Acciones en el mercado secundario o que solamente pueda venderlas a pérdida, si UBSFSPR cesara de facilitar un mercado secundario para la negociación de las Acciones. Por lo tanto, la habilidad de un inversionista para vender sus Acciones dependerá del interés de otros inversionistas que estén comprando Acciones o la disponibilidad de UBSFSPR de designar capital adicional para mantener Acciones en su inventario. UBSFSPR podrá, a su única discreción, comprometer capital adicional para mantener Acciones en inventario cuando así lo estime apropiado, dependiendo de las condiciones del mercado y otras consideraciones, e igualmente en otras ocasiones, podrá reducir la cantidad de capital comprometida para financiar dicho inventario de las Acciones. Por ejemplo, cuando UBSFSPR compra Acciones para su inventario, los precios cotizados por éste podrán permanecer a los niveles previamente cotizados o aumentar. Por otro lado, cuando UBSFSPR vende Acciones de su inventario, los precios cotizados por éste podrían reducirse. En situaciones en que UBSFSPR está vendiendo Acciones de su inventario, podría ofrecer vender dichas Acciones a precios más bajos que cualquier orden de venta pendiente que fue puesta sobre sus Acciones por cualquier inversionista. Cualquier decisión de UBSFSPR de aumentar o reducir su inventario será tomada a su única discreción y no son divulgadas al público.

Divulgación Contributiva sobre Acuerdos de Recompra: A pesar de que existe precedente contable que apoya el concepto que los acuerdos de recompra y recompra a la inversa sean considerados como préstamos con garantía colateral para propósitos contributivos en Puerto Rico, dicho precedente no es determinante en cuanto a las disposiciones contributivas aplicables a los acuerdos de recompra que normalmente el Fondo suscribe, que contienen disposiciones que conceden al comprador de los valores subyacentes a dichos acuerdos el derecho a vender, transferir, pignorar o hipotecar dichos valores. A pesar de que el Departamento de Hacienda de Puerto Rico (en adelante, "Hacienda") nunca se ha expresado sobre si estos tipos de acuerdos deben ser considerados como una transferencia de titularidad sobre los valores subyacentes, Hacienda podría adoptar dicha posición y que los tribunales de Puerto Rico estén de acuerdo con dicha posición. En dicho caso, el interés exento pagado sobre los valores subyacentes a dichos acuerdos podría considerarse

como ingreso no exento del pago de contribución para el vendedor de tales valores subyacentes. En la medida que el Fondo sea considerado el vendedor bajo el acuerdo de recompra correspondiente, los dividendos distribuidos sobre las Acciones que a su vez son derivados del ingreso del acuerdo de recompra correspondiente podría ser considerado como un dividendo sujeto a tributación o ganancias de capital. Si tal dividendo fuera considerado como dividendo sujeto a tributación, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico podrían estar sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos distribuidos antes del 15 de julio de 2014) sobre el dividendo (o la contribución básica alterna aplicable), y aquellos que sean inversionistas corporativos estarían sujetos a una máxima tasa efectiva de 5.85% (o 4.5% para dividendos distribuidos antes del 15 de julio de 2014), debido a la deducción de 85% sobre dividendos recibidos, según dispuesto por el Código de Rentas Internas de Puerto Rico, multiplicando el 15% del dividendo por una tasa contributiva corporativa máxima de 39% para los dividendos distribuidos en o después del 1 de julio de 2014 y 30% para los dividendos distribuidos antes del 1 de julio de 2014). Por otro lado, si tales dividendos fueran considerados como dividendos de ganancias de capital, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico estarían sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014 o la contribución básica alterna aplicable), y los tenedores de las Acciones que tributa como corporaciones, estarían sujetos a una tasa contributiva de 20% (tasa contributiva de 15% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014).

Cambios Recientes al Derecho Tributario de Puerto Rico: El 1 de julio de 2014, el Gobernador de Puerto Rico firmó como ley la Ley 77-2014, la cual enmendó el Código de Rentas Internas de Puerto Rico del 2011 para proveer, entre otras cosas, (i) que el 10% de retención de impuesto que se le impone a los dividendos distribuidos por corporaciones de Puerto Rico a individuos, aplicará a los dividendos distribuidos antes del 1 de julio de 2014, y que la tasa de 15% aplicará a los dividendos distribuidos después del 30 de junio de 2014, y (ii) que las tasas de ganancias de capital a largo plazo para ventas e intercambios realizadas después del 30 de junio de 2014, ha sido aumentada de 10% a 15% para individuos, sucesiones y fideicomisos; y de 15% a 20% para las corporaciones. Consecuentemente, si el Fondo distribuye "Dividendos Tributables" después del 30 de junio de 2014, el interés aplicable y la tasa de retención será 15%. Del mismo modo, si el Fondo distribuye Dividendos de Ganancias de Capital después del 30 de junio de 2014, la tasa de interés aplicable para individuos, sucesiones y fideicomisos será un 15%, y 20% para las corporaciones. Se exhorta a los inversionistas a que contacten a su abogado o asesor contributivo. Ni UBS Financial Services Incorporated of Puerto Rico ni el Fondo proveen asesoría legal o contributiva.

El 11 de febrero de 2015 la Legislatura de Puerto Rico presentó dos proyectos de ley (P.C. 2329 y P.S.

1304) que proponen una reforma contributiva con la aprobación del "Nuevo Código de Rentas Internas de 2015" (el "Código Nuevo"). En términos generales, el Código Nuevo sería efectivo para años contributivos comenzados después del 31 de diciembre de 2014 y, de aprobarse, incluiría los siguientes cambios: (a) eliminar las tasas preferenciales que actualmente aplican a las ganancias de capital a largo plazo generadas después del 31 de diciembre de 2014; (b) eliminar la tasa preferencial de 10% que actualmente aplica a los ingresos de intereses de ciertas obligaciones, incluyendo los Intereses Tributables; (c) reducir el máximo de la tasa de contribuciones de individuos a 30%; (d) eliminar la contribución básica alterna de individuos; (e) establecer una tasa fija de contribuciones sobre ingresos de las corporaciones a 30%; (f) eliminar la exención de los intereses de ciertas obligaciones de los Estados Unidos y sus subdivisiones políticas; y (g) eliminar las tasas preferenciales aplicables a ciertos dividendos y otros ingresos de intereses. La Legislatura de Puerto Rico está en el proceso de revisión de los proyectos de ley, por lo que, actualmente, el resultado final no se puede determinar.

Aviso Legal

Rendimientos anteriores no son garantía de resultados futuros similares. Los rendimientos actuales podrían ser más bajos o más altos que el rendimiento aquí citado. Los valores emitidos por un Fondo están sujetos a riesgo de mercado, incluyendo la pérdida del principal invertido. Este documento no es una oferta de compra ni una solicitud de una oferta de compra para cualquier inversión en un Fondo y es para propósitos informativos solamente. Las inversiones en un Fondo están diseñadas principalmente y son adecuadas para inversionistas a largo plazo y no deben ser consideradas como un vehículo para fines de negociación. Estas inversiones pueden que no sean adecuadas para cualquier inversionista. Una inversión en un Fondo no es equivalente a una inversión en los valores subyacentes en los cuales un Fondo invierte. El uso de apalancamiento por un Fondo representa ciertos riesgos a los inversionistas en éste, y en ciertos casos, las fluctuaciones en las tasas de intereses podrían aumentar la volatilidad en su rendimiento y afectar a un Fondo a mayor grado que a una compañía de inversión no apalancada. **Información más detallada en cuanto a un Fondo, incluyendo los cargos, gastos y penalidades aplicables, objetivo(s) y políticas de inversión, factores de riesgo y el efecto de apalancamiento, se incluye en la documentación de oferta del Fondo, el cual usted debe leer cuidadosamente antes de hacer una inversión.** Para obtener más información en cuanto a un Fondo (incluyendo los rendimientos de inversión calculados conforme el Reglamento 5766 de 11 de marzo de 1998, según enmendado) o una copia del prospecto para la oferta de las Acciones o los informes anuales del Fondo, favor de contactar a la familia de fondos UBS Puerto Rico o Puerto Rico Investors al 787-773-3888 ó 787-751-5452, respectivamente. Para obtener más información en cuanto a los rendimientos del Fondo de fin de mes o información más actualizada, por favor contactar a su Asesor Financiero en UBSFSPR o verifique los comunicados de prensa ("press releases") en <http://www.ubs.com/prfunds>.

Glossary of fund terms

- **Ask Price:** generally refers to the lowest price at which a seller will sell a specified number of units of a given security at a particular time. The ask price may incorporate a markup, which may vary by transaction and may include commissions and other charges. The ask prices quoted by UBSFSPR represent its judgment of the market price for Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price and age of pending customer orders.
- **Average Duration:** a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flow accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flow consist of coupon payments and repayment of capital.) A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, for which maturity and duration are equal.
- **Bid Price:** generally refers to the highest price a buyer is willing to pay at a particular time for a unit of a given security. UBSFSPR publishes two types of bid prices for the Shares: firm or indicative. A firm bid is provided when UBSFSPR has the risk capacity and/or appetite at the particular time to purchase a specified number of Shares. An investor can sell to UBSFSPR at the firm bid price up to the specified number of Shares at a particular time. On the other hand, an indicative bid is provided for informational purposes only when UBSFSPR does not have the risk capacity and/or appetite at a particular time to purchase Shares. The prices quoted by UBSFSPR represent its judgment of the market price for the Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price, and age of pending customer orders, and may be higher (in which case the price is at a premium) or lower (in which case the price is at a discount) than the NAV of the Fund.

The prices quoted by UBSFSPR may also be affected by its willingness to hold additional inventory of the Shares or by its need to sell its inventory of Shares. Depending on market liquidity conditions, orders to buy or sell at the quoted price may not receive immediate execution, and an investor may not be able to sell its Shares at the price quoted by UBSFSPR. Moreover, the proceeds an investor receives on a sale of Shares may be lower than the bid price due to discounts, markdowns, and other charges. Since inception, the Shares have historically traded at prices which reflect a premium to their respective NAV per Share, though on certain limited instances, they have traded at prices which reflect a discount to their respective NAV per Share. However, there is no assurance that the Shares will continue to trade at prices which reflect such a premium. The Fund is presently experiencing liquidity issues. As a result, the bid price is for a limited number of shares, and it may not be possible for sellers to obtain the current bid price.

- **Credit Quality:** a measure of the likelihood that a financial obligation will not be honored provided by one or more of the rating agencies. Rating agencies assign classifications to their ratings, with "AAA" being the highest and "D" being the lowest for Standard & Poor's Ratings Services ("S&P"). The Fund may use other ratings and adjust them for use in this scale.
- **Effective Duration:** a calculation of duration that takes into account the embedded options in the securities of a portfolio and their expected changes in the cash flow of a portfolio caused by those options.
- **Expense Ratio:** The percentage of the Fund's average net assets attributable to holders of the Shares and which is used to pay operating expenses and takes into account investment management fees, administration fees, and other operating expenses such as legal, audit, insurance, and shareholder communications.
- **Hedge Notional:** refers to the total net face value, reflecting any offsetting positions, of derivative instruments employed in hedging strategies of the Fund.
- **Hedge Ratio:** ratio of the Fund's hedge notional amount to its total dollar amount of leverage as of the end of a calendar quarter, assuming the Fund is fully invested at quarter-end. The Fund's investment adviser may, at its discretion, use a variety of derivative instruments including securities options, financial futures contracts, options on futures contracts, and other interest rate protection transactions such as swap agreements, to attempt to hedge its portfolio of assets and seek to enhance its return. There can be no assurance that any particular hedging strategy used will succeed.
- **Leverage:** the Fund may issue preferred stock or debt, enter into repurchase agreements, or borrow money, in order to increase the amounts available for investment ("leverage"). This gives the Fund's investment adviser, in the fixed income area in particular, the opportunity to enhance yield. The use of leverage increases the likelihood of price volatility and market risk for the Shares. There is also the risk that the cost of funding leverage will exceed the earnings on the related investments, which will have the likely effect of reducing the Fund's yield and the value of its investments.
- **Leverage Adjusted Effective Duration:** effective duration adjusted for the impact of the Fund's utilization of leverage. A Fund that utilizes leverage will have a leverage-adjusted effective duration that is longer than its effective duration.
- **Maturity:** date on which the face value of a security/bond must be repaid. It measures the average length to maturity in years of all the bonds in the Fund's portfolio. For mortgage-backed securities, the maturity takes into account the prepayment of the underlying mortgages.
- **NAV:** Net Asset Value. On a per-Share basis, it is determined by calculating the Fund's total assets less its total liabilities and dividing such result by the Shares outstanding. On an aggregate, Fund basis, it is determined by calculating the Fund's total assets less its total liabilities.

- **Undistributed Income:** the Fund's net income that has not been distributed to holders of its Shares as of the latest available audited financial statements. In the case of a target maturity-type investment company (which is liquidated on or by a specific date), it also includes the amounts to be distributed on or by the liquidation date as the return of the initial investment.

For a definition of other terms, please see the Shares' prospectus.



Puerto Rico AAA Portfolio Bond Fund, Inc.

Investment Objectives and Policies

Seeks current income, consistent with the preservation of capital, by investing:

- up to 33% of its total assets in, among other things, securities issued or guaranteed by the U.S. Government, its agencies, and instrumentalities
- at least 67% of its total assets in securities issued by Puerto Rico obligations (as described in the Prospectus)
- at least 95% of total assets in AAA-rated securities²
- may issue leverage representing up to 50% of total assets¹

Pricing and Distribution History²

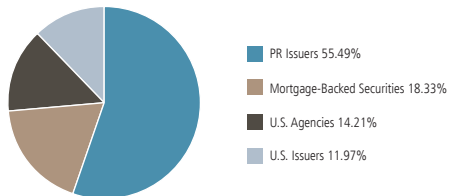
Initial Public Offering (IPO)	\$10.00
52-week Bid Low/High	\$7.08/\$8.20
YTD NAV Change	\$1.71
YTD Bid Price Change	\$1.27
IPO Yield ⁵	5.10%
Current Yield ⁵	6.22%
Last Dividend Paid	\$0.0425
Last 12 Month Dividend	\$0.5179

Portfolio Statistics and Characteristics²

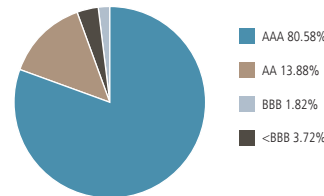
Commencement	Jan-03	Fiscal Year	30-Sep
Shares Outstanding (mm)	40.91	Weighted Avg. Coupon	4.50%
Bid Price	\$8.20	Average Maturity (yrs)	16.73
Net Asset Value (NAV)	\$8.78	Average Duration (yrs)	10.71
Bid Price to NAV Ratio	93.39%	Leverage Adjusted Effective Duration (yrs)	15.63
Net Assets (mm)	\$359.36	Leverage %	45.46% ¹
Leverage (mm)	\$301.55	Leverage Cost	0.34%
Undistributed Income (mm)	\$9.75	Hedge Notional (mm)	\$120.10
Expense Ratio	1.21%	Hedge Ratio	40%

See Portfolio Holdings, Portfolio Manager, Special Considerations, Disclaimers, Glossary of Fund Terms, and Footnotes on reverse.

Portfolio Summary²



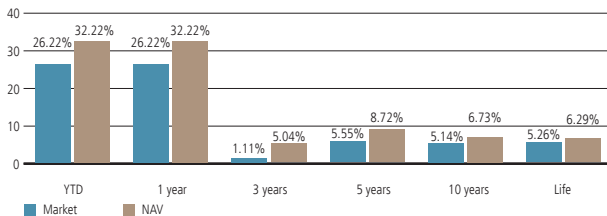
Credit Quality²



Portfolio Holdings²

PR Obligations	U.S. Obligations	
Mortgage-Backed Securities	Federal Home Loan Bank	8.36%
CMO, COMM END, FNMA, GNMA, FGLMC	Federal Farm Credit Bank	1.24%
EDB - BAB	FNMA Note	4.61%
EDB - FNMA	Build America Bonds	2.32%
Employees Retirement System	Tenn Valley Authority	9.65%
PR Highway & Transportation (Insured)	U.S. Obligations 26.18%	
PR Sales Tax Financing		
PRASA (Insured)		
PMSJ - FNMA Note		
PR Obligations 73.82%		

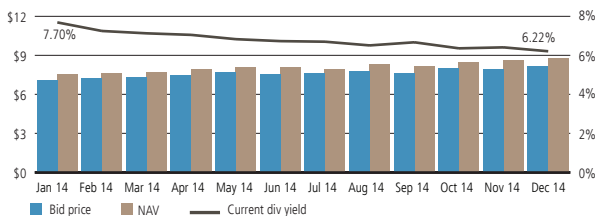
Average Annual Total Return³



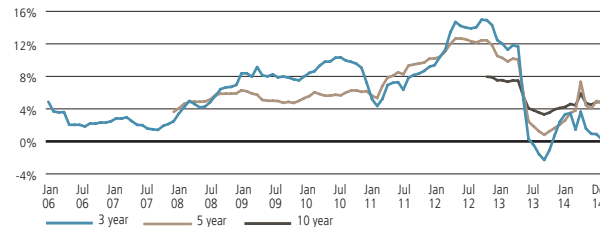
Growth of a \$10,000 Investment as of December 31, 2014⁴



Share Price, NAV and Current Dividend Yield – Prior 12 months⁵



Rolling Period Annual Returns³



Portfolio Manager

Leslie Highley, Jr.

Portfolio Manager since inception
UBS Asset Managers of Puerto Rico

*Special Considerations

The Fund is a non-diversified, closed-end management investment company registered under the Puerto Rico Investment Companies Act of 1954, as amended. Securities issued by the Fund may be purchased or otherwise transferred only to individuals who are residents of Puerto Rico and to entities whose principal office and principal place of business are located in Puerto Rico. The Fund's yield and net asset value and the market price of the Fund's shares of Common Stock (the "Shares") may fluctuate and will be determined by such factors as relative demand for and supply of the Shares in the market, as well as general market, political, and economic conditions and other factors beyond the control of the Fund. The Shares trade at market price, which may be at a discount or premium to NAV, and no assurance can be given as to their liquidity or trading market. While it is the intention of UBS Financial Services Incorporated of Puerto Rico ("UBSFSPR") to continue to maintain a secondary market for the Shares, it is not obligated to continue to do so. Moreover, there may be no other source of price information for the Shares or other purchasers of the Shares other than UBSFSPR.

Geographic Concentration Risk. The Fund is exposed to certain risks resulting from the reduced geographic diversification of its portfolio. The Fund's assets are invested primarily in securities of Puerto Rico issuers. Consequently, the Fund in general is more susceptible to economic, political, regulatory or other factors adversely affecting issuers in Puerto Rico than an investment company that is not so concentrated in Puerto Rico issuers. In addition, securities issued by the Government of Puerto Rico or its instrumentalities are affected by the central government's finances. That includes, but is not limited to, general obligations of Puerto Rico and revenue bonds, special tax bonds, or agency bonds. The effect on each specific debt may not be the same; it depends on exactly what part of the government's money or revenue is supposed to pay the interest thereon. Inasmuch as a relatively high percentage of the Fund's assets may be invested in obligations of a limited number of Puerto Rico issuers, the Fund's net asset value and its yield may increase or decrease more than that of a more diversified investment company as a result of changes in the market's assessment of the financial condition and prospects of such Puerto Rico issuers. The Fund may also be more susceptible to any single economic, political, or regulatory occurrence in Puerto Rico than a more widely diversified investment company. Over the past years, the principal Puerto Rico Government bonds as well as the securities issued by several Puerto Rico financial institutions have been downgraded as a result of several factors, including without limitation, the downturn experienced

by the Puerto Rico economy and the strained financial condition of the Government of Puerto Rico. Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years, thereby affecting the Fund's net asset value.

Portfolio transactions between the Fund and UBSFSPR, Popular Securities (in the case of a co-managed Fund with Banco Popular de Puerto Rico), and other affiliates, are conducted in accordance with procedures adopted by the Fund's Board of Directors in an effort to address potential conflicts of interest.

Secondary Market Disclosure: Given UBSFSPR is currently the dominant, and may be the sole source of secondary market liquidity for the Shares, an investor may not be able to sell its Shares or may only be able to sell them at a loss, if UBSFSPR were to cease to facilitate such secondary market for the Shares. Accordingly, an investor's ability to sell its Shares will depend on the interest of other investors buying Shares, or UBSFSPR's willingness to commit additional capital to holding Shares in inventory. UBSFSPR may, in its sole discretion, commit additional capital to hold Shares in inventory when it deems it appropriate to do so, given market conditions or other considerations, and similarly may reduce the amount of capital committed to fund such inventory of Shares at other times. For example, when UBSFSPR purchases Shares and holds them in its inventory, quoted prices may remain at the previously quoted levels or increase. Conversely, when UBSFSPR sells Shares from its inventory, the quoted prices may decrease. In situations where UBSFSPR is selling Shares from its inventory, it may offer to sell its Shares at prices that are lower than pending sell orders that were placed by investors in the Shares. Decisions by UBSFSPR to increase or decrease inventory are made at its sole discretion and are not generally disclosed.

Repurchase Agreement Tax Disclosure: While there is authority generally supporting the treatment of repurchase and reverse repurchase agreements as collateralized loans for Puerto Rico income tax purposes, that authority does not specifically address the tax treatment of the repurchase agreements that the Fund typically enters into, which contain provisions that grant the buyer the right to sell, transfer, pledge, or hypothecate the securities that are the object of such agreements. Although the Puerto Rico Treasury Department ("PR Treasury") has never pronounced itself as to whether this type of arrangement should be viewed as a transfer of ownership of the underlying securities, it is possible that the PR Treasury could take that position in the future and that Puerto Rico

by the Fund. It is the Fund's intention to re-achieve compliance therewith as soon as market conditions permit, though there is no assurance the Fund will be able to do so.

² The "Expense Ratio" calculation may reflect a partial waiver of the investment advisory and administration fees payable to UBS Trust Company of Puerto Rico, implemented on October 1, 2013. For more up-to-date information with respect to such partial fee waivers, if any, please see "Press Releases" at <http://www.ubs.com/prfunds>. Credit quality is as of December 31, 2014. The Fund's investment portfolio is actively managed, and its composition (including the portfolio statistics and characteristics) will vary over time. Credit quality percentages include only fixed income securities and vary over time, as new investment securities are acquired and the credit rating of any investment held by the Fund is reassessed. For purposes of determining compliance with the Fund's investment requirements, ratings are as of the time of purchase, using a Standard & Poor's equivalent ratings scale. On February 12, 2015, S&P further downgraded the credit rating on the GOs from "BB" to "B", as well as the credit ratings of other Commonwealth agencies and public corporations, including its credit ratings on senior and subordinate-lien bonds issued by COFINA, which were lowered from "BBB" and "BBB-", respectively to "B". On such date, the long-term issuer credit rating on the GDB was also lowered, from "BB-" to "B-". On February 19, 2015, Moody's followed suit and downgraded its credit ratings on various Government of Puerto Rico entities and issuances, including GOs, from "B2" to "Caa1", and COFINA's senior and subordinate-lien bonds, which were lowered from "Ba3" and "B1", to "B3" and "Caa1", respectively. Lastly, on March 26, 2015, Fitch also downgraded the credit rating on the GOs from "BB-" to "B", as well as the credit ratings of PRASA senior lien revenue bonds from "B+" to "B" and COFINA's senior and subordinate-lien bonds from "BB-" to "B". All of the before-mentioned ratings carry a negative outlook. As a result of the foregoing, none of the bonds issued by the Government of Puerto Rico and its instrumentalities currently

courts would agree with that view. In such event, the tax exempt interest paid on such underlying securities could be deemed not to constitute tax exempt income for the seller of such securities; to the extent that the Fund was such seller, the dividends distributed on its Shares from such income could be treated either as taxable dividends or capital gain dividends. If such dividends were treated as taxable dividends, holders of the Shares who are individuals or Puerto Rico trusts could be subject to a 15% income tax (or 10% income for dividends distributed before July 15, 2014) on the dividend (or the applicable alternate basic tax), and those which are corporate investors would be subject to a maximum effective income tax rate of 5.85% (or 4.5% for dividends distributed before July 15, 2014), (due to the 85% dividend received deduction of the Puerto Rico Internal Revenue Code, 15% of the dividend multiplied by a 39% maximum corporate income tax rate for dividends distributed on or after July 1, 2014 and 30% for dividends distributed before July 1, 2014). On the other hand, if such dividends were treated as capital gains dividends, holders of the Shares who are individuals or Puerto Rico trusts would be subject to a 15% income tax (or 10% income tax for capital dividends distributed before July 1, 2014) (or the applicable alternate basic tax), and holders of the Shares which are taxed as corporations would be subject to a 20% income tax (15% income tax for capital dividends distributed before July 1, 2014).

Recent Changes in Puerto Rico tax law: On July 1, 2014, the Governor of Puerto Rico signed into law Act 77-2014 which amended the Puerto Rico Internal Revenue Code of 2011 to provide, among other things, (i) the 10% withholding tax that is imposed on dividends distributed by Puerto Rico corporations to individuals will apply to dividends distributed before July 1, 2014, and that a 15% rate will apply for dividends distributed after June 30, 2014, and (ii) the long-term capital gains rate for sales and exchanges effected after June 30, 2014, is increased from 10% to 15%, in the case of individuals, estates, and trusts; and from 15% to 20%, in the case of corporations. Accordingly, if the Fund distributes "Taxable Dividends" after June 30, 2014, the applicable tax and withholding rate will be 15%. Similarly, if the Fund distributes Capital Gain Dividends after June 30, 2014, the applicable tax rate for individuals, estates and trusts will be 15%, and 20% in the case of corporations. Investors are encouraged to contact their lawyer or tax consultant. Neither the Fund nor UBS Financial Services Incorporated of Puerto Rico provides legal or tax advice.

On February 11, 2015, two (2) bills (P.C. 2329 and P.S. 1304) were introduced into the Puerto Rico Legislature and which propose the

carry an investment-grade credit rating. In view of the fact that the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years and the subsequent credit rating downgrade of certain Puerto Rico bonds, current or more up-to-date information regarding the Fund's portfolio holdings is available at <http://www.ubs.com/prfunds>. Currently, the Fund's percentage investment in securities rated below "AAA" or which are unrated, amounted to 19.42% of the Fund's total portfolio, which exceeds the Fund's maximum investment threshold of 5% of its total assets invested in securities rated below "AAA" or which are unrated. To the extent that such investment threshold(s) in securities of a specific credit quality are exceeded, Fund management may determine to continue to hold such lower-rated securities, provided any new investment proceeds are directed to acquire investment securities which satisfy the Fund's minimum credit rating requirements. On July 2014, the Board of Directors approved an extension of the Fund's existing share repurchase program for the acquisition of up to 45% of each Fund's issued Shares. The Repurchase Program is intended to enhance shareholder value by providing additional liquidity to Fund shareholders. For the quarter ended December 31, 2014, the Fund had repurchased 1,506,668 Shares in the open market with an NAV of \$13,261,692, at a cost of \$12,249,938. Since the program's inception, the Fund has repurchased 17,012,713 Shares of common stock in the open market with an NAV of \$131,014,356, at a cost of \$124,943,517, and which represent 29.36% of the aggregate number of Shares issued by the Fund (net of Shares acquired for dividend reinvestment purposes and which remain outstanding).³ As of December 31, 2014, **Return figures were not calculated in accordance with Regulation 5766 of March 11, 1998, as amended, which requires that investment returns for an individual retirement account ("IRA") be calculated in the manner provided therein.** To the extent that an individual invests in the Fund through an

adoption of a "New Puerto Rico Internal Revenue Code of 2015" ("New Code"). In general, the New Code would be effective for taxable years beginning after December 31, 2014 and, if approved, the New Code would, amongst other changes: (a) eliminate the preferential tax rates that currently apply to long-term capital gains derived after December 31, 2014, (b) eliminate the preferential 10% rate that currently applies to interest on certain obligations, such as Taxable Interest, (c) reduce the maximum marginal tax rate of individuals to 30%, (d) eliminate the alternate basic tax for individuals, (e) provide for a fixed 30% regular income tax rate for corporations, (f) eliminate the exemption for interest on obligations issued by States and their political sub-divisions, and (g) eliminate the preferential tax rates that currently exist for certain dividends and other interest income items. The Puerto Rico Legislature is currently reviewing the proposed bills and, therefore, their final outcome is not currently determinable.

Legal Disclaimer

Past performance does not guarantee future results. Current performance may be lower or higher than the performance quoted. Securities issued by the Fund are subject to market risk, including the loss of principal amounts invested. This document is not an offer to sell, or the solicitation of an offer to buy any investment in the Fund, and is for informational purposes only. Fund investments are designed primarily and suitable for long-term investors and not viewed as a vehicle for trading purposes. They may not be suitable to all investors. Fund investments are not equivalent to investments in its underlying securities. The Fund's utilization of leverage poses certain risks to investors, and in some cases, interest rate fluctuations may increase the volatility of its return and affect the Fund to a significantly greater extent than a non-leveraged investment company. **More detailed information about the Fund, including applicable fees, costs, penalties, investment objectives and policies, risk factors, and the effects of leverage, is further described in the Share's prospectus, which you should read carefully prior to making an investment.** To obtain additional information related to the Fund (including investment returns calculated in accordance with Regulation 5766 of March 11, 1998, as amended) or a copy of the Shares' prospectus or Fund's annual report, please contact the UBS Puerto Rico Family of Funds at 787-773-3888. To obtain the Fund's month-end performance or more up-to-date information, please contact your UBS Financial Advisor or see "press releases" at <http://www.ubs.com/prfunds>.

Footnotes:

¹ Generally, the Fund must invest at least 67% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage) and cash, including cash equivalents, but excluding non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), in Puerto Rico securities. Additionally, the Fund may issue preferred stock, debt securities, or other forms of leverage, representing not more than 50% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage), cash (including cash equivalents), and non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), immediately after the issuance of any such preferred stock, or other debt securities. Moreover, the Fund may not issue preferred stock, debt securities, or other forms of leverage unless the value of its total assets less all its liabilities and indebtedness, other than the preferred stock, debt securities, or other forms of leverage being issued or already outstanding, is at least equal to 200% of the total aggregate liquidation preference/principal amount of all its outstanding preferred stock (not including any accumulated dividends or other distributions), debt securities, and other forms of leverage. **Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years. In view of these volatile market conditions, the Puerto Rico Office of the Commissioner of Financial Institutions (the "PROCFI") has granted to the Fund a temporary regulatory waiver from the Fund's investment requirement in Puerto Rico securities of at least 67% of the Fund's total assets and leverage limitation of 50% of its total assets and 200% asset coverage requirement described above, through July 31, 2015. These temporary waivers may be renewed by the PROCFI for additional periods of time, should market conditions warrant, and upon written request**

IRA, his or her investment return figures will be less than those reported herein, when computed in accordance with Regulation 5766 and inasmuch as actual sales charges applicable to such IRA investments are taken into consideration. "Average Annual Total Return" figures reflect the percentage change in the market value, determined by calculating the average between the bid and ask prices, plus any income and capital gain dividends, and return of capital distributions, all such dividends and distributions reinvested as of the corresponding record date thereof, at the month-end NAV as of that date. In the case of "NAV Total Return," the Fund's NAV per Share is used, rather than the average between the bid and ask prices, to determine such total return, as applicable. "Rolling Period Annual Returns" measure the monthly movement in the average of the Annualized Average Market Return figures over a one-year, three-year, five-year, and ten-year period (as applicable), as it moves over a consecutive time series that begins on the Fund's inception date. Additionally, in the case of the Average Annual Total Return and Rolling Period Annual Return figures, commissions or sales charges payable in connection with a purchase or sale of Shares may vary with each brokerage institution. Total return figures are not representative of the performance of any individual investment, and taxes on capital gain distributions or income dividends, if any, have not been deducted. All calculations were performed by Thomson Reuters, based on certain financial data provided by this Fund and are annualized with the exception of year-to-date figures.

⁴ A \$10,000 investment is hypothetical and is shown for illustrative purposes only.

⁵ "IPO Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the initial public offering price. "Current Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the month-end bid price.



UBS Asset Managers of Puerto Rico Funds Quarterly Review Fourth Quarter 2014

*Consideraciones Especiales

Cada Fondo es una compañía de inversión no diversificada de fin cerrado inscrita bajo la Ley Número 6 de 19 de octubre de 1954, según enmendada. Los valores emitidos por un Fondo pueden solamente ser adquiridos por, o transferidos a, individuos que sean residentes de Puerto Rico y a entidades cuya oficina y localización de negocios principal estén localizados en Puerto Rico. El rendimiento, el valor neto de los activos de un Fondo y el precio en el mercado de las acciones de capital común del Fondo (en adelante, las "Acciones"), podrán fluctuar y se determinarán por factores como la demanda y oferta en el mercado de las Acciones y las condiciones económicas, políticas y del mercado en general, al igual que otros factores que están fuera del control de un Fondo. Las Acciones son negociadas al precio del mercado, el cual puede reflejar una prima o descuento del valor neto de los activos de un Fondo y no se puede dar representación alguna sobre su liquidez o el mercado para disponer de las mismas. A pesar de que es la intención de UBS Financial Services Incorporated of Puerto Rico (en adelante, "UBSFSPR") de continuar manteniendo un mercado secundario para las Acciones, no está obligada a continuar haciéndolo. De otra parte, puede que no exista otra fuente de información de precios para las Acciones u otros compradores para las Acciones que no sea UBSFSPR.

Riesgo de concentración geográfica: El Fondo está expuesto a ciertos riesgos debido a la diversificación geográfica reducida de su cartera de inversiones. Los activos del fondo están invertidos primariamente en valores de emisores de Puerto Rico. A consecuencia, el Fondo generalmente es más susceptible a factores económicos, políticos, regulatorios y otros que podrían afectar adversamente a emisores de Puerto Rico que otra compañía de inversión la cual no esté tan concentrada en emisores de Puerto Rico. En adición, valores emitidos por el Gobierno de Puerto Rico o sus instrumentalidades se afectan por las finanzas del gobierno central. Eso incluye, pero no se limita a, las obligaciones generales de Puerto Rico y los bonos de ingresos, contribuciones especiales o de agencias. El efecto en cada deuda específica podría no ser el mismo y depende de que parte del dinero del gobierno o sus ingresos se supone pague el interés de dicha deuda. En la medida que un porcentaje relativamente alto de los activos del Fondo pueden ser invertidos en obligaciones de un número limitado de emisores de Puerto Rico, el valor neto de activos y su rendimiento puede aumentar o disminuir más que el de una compañía de inversión más diversificada, como resultado de cambios en cuanto a la evaluación de la condición financiera o prospectos de dichos emisores de Puerto Rico. El Fondo también puede ser más susceptible a cualquier ocurrencia individual económica, política o regulatoria en Puerto Rico que una compañía de inversión más diversificada. En los pasados años, los bonos principales del Gobierno de Puerto Rico, al igual que valores emitidos por ciertas instituciones financieras de Puerto Rico han sido degradados por varios factores, incluyendo sin limitación, al empeoramiento experimentado por la economía de Puerto Rico y la condición financiera pobre del Gobierno de Puerto Rico. Al presente, el mercado de bonos de Puerto Rico está experimentando un periodo de volatilidad, con los

bonos de Puerto Rico traficando a precios más bajos y rendimientos más altos a los puntos de referencia de los pasados dos (2) años, y así afectando el valor neto de activos del Fondo.

Transacciones de cartera entre un Fondo y UBSFSPR, Popular Securities (en el caso de un Fondo co-manejado con Banco Popular de Puerto Rico) y otras afiliadas son efectuadas conforme a ciertos procedimientos adoptados por la Junta de Directores de un Fondo con miras a atender posibles conflictos de interés.

Divulgación de Mercado Secundario: Dado a que actualmente UBSFSPR es la fuente dominante, y podría ser la única fuente, de liquidez para la negociación de las Acciones en el mercado secundario, cabe la posibilidad que un inversionista no pueda vender sus Acciones en el mercado secundario o que solamente pueda venderlas a pérdida, si UBSFSPR cesara de facilitar un mercado secundario para la negociación de las Acciones. Por lo tanto, la habilidad de un inversionista para vender sus Acciones dependerá del interés de otros inversionistas que estén comprando Acciones o la disponibilidad de UBSFSPR de designar capital adicional para mantener Acciones en su inventario. UBSFSPR podrá, a su única discreción, comprometer capital adicional para mantener Acciones en inventario cuando así lo estime apropiado, dependiendo de las condiciones del mercado y otras consideraciones, e igualmente en otras ocasiones, podrá reducir la cantidad de capital comprometida para financiar dicho inventario de las Acciones. Por ejemplo, cuando UBSFSPR compra Acciones para su inventario, los precios cotizados por éste podrán permanecer a los niveles previamente cotizados o aumentar. Por otro lado, cuando UBSFSPR vende Acciones de su inventario, los precios cotizados por éste podrían reducirse. En situaciones en que UBSFSPR está vendiendo Acciones de su inventario, podría ofrecer vender dichas Acciones a precios más bajos que cualquier orden de venta pendiente que fue puesta sobre sus Acciones por cualquier inversionista. Cualquier decisión de UBSFSPR de aumentar o reducir su inventario será tomada a su única discreción y no son divulgadas al público.

Divulgación Contributiva sobre Acuerdos de Recompra: A pesar de que existe precedente contable que apoya el concepto que los acuerdos de recompra y recompra a la inversa sean considerados como préstamos con garantía colateral para propósitos contributivos en Puerto Rico, dicho precedente no es determinante en cuanto a las disposiciones contributivas aplicables a los acuerdos de recompra que normalmente el Fondo suscribe, que contienen disposiciones que conceden al comprador de los valores subyacentes a dichos acuerdos el derecho a vender, transferir, pignorar o hipotecar dichos valores. A pesar de que el Departamento de Hacienda de Puerto Rico (en adelante, "Hacienda") nunca se ha expresado sobre si estos tipos de acuerdos deben ser considerados como una transferencia de titularidad sobre los valores subyacentes, Hacienda podría adoptar dicha posición y que los tribunales de Puerto Rico estén de acuerdo con dicha posición. En dicho caso, el interés exento pagado sobre los valores subyacentes a dichos acuerdos podría considerarse

como ingreso no exento del pago de contribución para el vendedor de tales valores subyacentes. En la medida que el Fondo sea considerado el vendedor bajo el acuerdo de recompra correspondiente, los dividendos distribuidos sobre las Acciones que a su vez son derivados del ingreso del acuerdo de recompra correspondiente podría ser considerado como un dividendo sujeto a tributación o ganancias de capital. Si tal dividendo fuera considerado como dividendo sujeto a tributación, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico podrían estar sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos distribuidos antes del 15 de julio de 2014) sobre el dividendo (o la contribución básica alterna aplicable), y aquellos que sean inversionistas corporativos estarían sujetos a una máxima tasa efectiva de 5.85% (o 4.5% para dividendos distribuidos antes del 15 de julio de 2014), debido a la deducción de 85% sobre dividendos recibidos, según dispuesto por el Código de Rentas Internas de Puerto Rico, multiplicando el 15% del dividendo por una tasa contributiva corporativa máxima de 39% para los dividendos distribuidos en o después del 1 de julio de 2014 y 30% para los dividendos distribuidos antes del 1 de julio de 2014). Por otro lado, si tales dividendos fueran considerados como dividendos de ganancias de capital, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico estarían sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014 o la contribución básica alterna aplicable), y los tenedores de las Acciones que tributa como corporaciones, estarían sujetos a una tasa contributiva de 20% (tasa contributiva de 15% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014).

Cambios Recientes al Derecho Tributario de Puerto Rico: El 1 de julio de 2014, el Gobernador de Puerto Rico firmó como ley la Ley 77-2014, la cual enmendó el Código de Rentas Internas de Puerto Rico del 2011 para proveer, entre otras cosas, (i) que el 10% de retención de impuesto que se le impone a los dividendos distribuidos por corporaciones de Puerto Rico a individuos, aplicará a los dividendos distribuidos antes del 1 de julio de 2014, y que la tasa de 15% aplicará a los dividendos distribuidos después del 30 de junio de 2014, y (ii) que las tasas de ganancias de capital a largo plazo para ventas e intercambios realizadas después del 30 de junio de 2014, ha sido aumentada de 10% a 15% para individuos, sucesiones y fideicomisos; y de 15% a 20% para las corporaciones. Consecuentemente, si el Fondo distribuye "Dividendos Tributables" después del 30 de junio de 2014, el interés aplicable y la tasa de retención será 15%. Del mismo modo, si el Fondo distribuye Dividendos de Ganancias de Capital después del 30 de junio de 2014, la tasa de interés aplicable para individuos, sucesiones y fideicomisos será un 15%, y 20% para las corporaciones. Se exhorta a los inversionistas a que contacten a su abogado o asesor contributivo. Ni UBS Financial Services Incorporated of Puerto Rico ni el Fondo proveen asesoría legal o contributiva.

El 11 de febrero de 2015 la Legislatura de Puerto Rico presentó dos proyectos de ley (P.C. 2329 y P.S.

1304) que proponen una reforma contributiva con la aprobación del "Nuevo Código de Rentas Internas de 2015" (el "Código Nuevo"). En términos generales, el Código Nuevo sería efectivo para años contributivos comenzados después del 31 de diciembre de 2014 y, de aprobarse, incluiría los siguientes cambios: (a) eliminar las tasas preferenciales que actualmente aplican a las ganancias de capital a largo plazo generadas después del 31 de diciembre de 2014; (b) eliminar la tasa preferencial de 10% que actualmente aplica a los ingresos de intereses de ciertas obligaciones, incluyendo los Intereses Tributables; (c) reducir el máximo de la tasa de contribuciones de individuos a 30%; (d) eliminar la contribución básica alterna de individuos; (e) establecer una tasa fija de contribuciones sobre ingresos de las corporaciones a 30%; (f) eliminar la exención de los intereses de ciertas obligaciones de los Estados Unidos y sus subdivisiones políticas; y (g) eliminar las tasas preferenciales aplicables a ciertos dividendos y otros ingresos de intereses. La Legislatura de Puerto Rico está en el proceso de revisión de los proyectos de ley, por lo que, actualmente, el resultado final no se puede determinar.

Aviso Legal

Rendimientos anteriores no son garantía de resultados futuros similares. Los rendimientos actuales podrían ser más bajos o más altos que el rendimiento aquí citado. Los valores emitidos por un Fondo están sujetos a riesgo de mercado, incluyendo la pérdida del principal invertido. Este documento no es una oferta de compra ni una solicitud de una oferta de compra para cualquier inversión en un Fondo y es para propósitos informativos solamente. Las inversiones en un Fondo están diseñadas principalmente y son adecuadas para inversionistas a largo plazo y no deben ser consideradas como un vehículo para fines de negociación. Estas inversiones pueden que no sean adecuadas para cualquier inversionista. Una inversión en un Fondo no es equivalente a una inversión en los valores subyacentes en los cuales un Fondo invierte. El uso de apalancamiento por un Fondo representa ciertos riesgos a los inversionistas en éste, y en ciertos casos, las fluctuaciones en las tasas de intereses podrían aumentar la volatilidad en su rendimiento y afectar a un Fondo a mayor grado que a una compañía de inversión no apalancada. **Información más detallada en cuanto a un Fondo, incluyendo los cargos, gastos y penalidades aplicables, objetivo(s) y políticas de inversión, factores de riesgo y el efecto de apalancamiento, se incluye en la documentación de oferta del Fondo, el cual usted debe leer cuidadosamente antes de hacer una inversión.** Para obtener más información en cuanto a un Fondo (incluyendo los rendimientos de inversión calculados conforme el Reglamento 5766 de 11 de marzo de 1998, según enmendado) o una copia del prospecto para la oferta de las Acciones o los informes anuales del Fondo, favor de contactar a la familia de fondos UBS Puerto Rico o Puerto Rico Investors al 787-773-3888 ó 787-751-5452, respectivamente. Para obtener más información en cuanto a los rendimientos del Fondo de fin de mes o información más actualizada, por favor contactar a su Asesor Financiero en UBSFSPR o verifique los comunicados de prensa ("press releases") en <http://www.ubs.com/prfunds>.

Glossary of fund terms

- **Ask Price:** generally refers to the lowest price at which a seller will sell a specified number of units of a given security at a particular time. The ask price may incorporate a markup, which may vary by transaction and may include commissions and other charges. The ask prices quoted by UBSFSPR represent its judgment of the market price for Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price and age of pending customer orders.
- **Average Duration:** a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flow accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flow consist of coupon payments and repayment of capital.) A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, for which maturity and duration are equal.
- **Bid Price:** generally refers to the highest price a buyer is willing to pay at a particular time for a unit of a given security. UBSFSPR publishes two types of bid prices for the Shares: firm or indicative. A firm bid is provided when UBSFSPR has the risk capacity and/or appetite at the particular time to purchase a specified number of Shares. An investor can sell to UBSFSPR at the firm bid price up to the specified number of Shares at a particular time. On the other hand, an indicative bid is provided for informational purposes only when UBSFSPR does not have the risk capacity and/or appetite at a particular time to purchase Shares. The prices quoted by UBSFSPR represent its judgment of the market price for the Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price, and age of pending customer orders, and may be higher (in which case the price is at a premium) or lower (in which case the price is at a discount) than the NAV of the Fund.

The prices quoted by UBSFSPR may also be affected by its willingness to hold additional inventory of the Shares or by its need to sell its inventory of Shares. Depending on market liquidity conditions, orders to buy or sell at the quoted price may not receive immediate execution, and an investor may not be able to sell its Shares at the price quoted by UBSFSPR. Moreover, the proceeds an investor receives on a sale of Shares may be lower than the bid price due to discounts, markdowns, and other charges. Since inception, the Shares have historically traded at prices which reflect a premium to their respective NAV per Share, though on certain limited instances, they have traded at prices which reflect a discount to their respective NAV per Share. However, there is no assurance that the Shares will continue to trade at prices which reflect such a premium. The Fund is presently experiencing liquidity issues. As a result, the bid price is for a limited number of shares, and it may not be possible for sellers to obtain the current bid price.

- **Credit Quality:** a measure of the likelihood that a financial obligation will not be honored provided by one or more of the rating agencies. Rating agencies assign classifications to their ratings, with "AAA" being the highest and "D" being the lowest for Standard & Poor's Ratings Services ("S&P"). The Fund may use other ratings and adjust them for use in this scale.
- **Effective Duration:** a calculation of duration that takes into account the embedded options in the securities of a portfolio and their expected changes in the cash flow of a portfolio caused by those options.
- **Expense Ratio:** The percentage of the Fund's average net assets attributable to holders of the Shares and which is used to pay operating expenses and takes into account investment management fees, administration fees, and other operating expenses such as legal, audit, insurance, and shareholder communications.
- **Hedge Notional:** refers to the total net face value, reflecting any offsetting positions, of derivative instruments employed in hedging strategies of the Fund.
- **Hedge Ratio:** ratio of the Fund's hedge notional amount to its total dollar amount of leverage as of the end of a calendar quarter, assuming the Fund is fully invested at quarter-end. The Fund's investment adviser may, at its discretion, use a variety of derivative instruments including securities options, financial futures contracts, options on futures contracts, and other interest rate protection transactions such as swap agreements, to attempt to hedge its portfolio of assets and seek to enhance its return. There can be no assurance that any particular hedging strategy used will succeed.
- **Leverage:** the Fund may issue preferred stock or debt, enter into repurchase agreements, or borrow money, in order to increase the amounts available for investment ("leverage"). This gives the Fund's investment adviser, in the fixed income area in particular, the opportunity to enhance yield. The use of leverage increases the likelihood of price volatility and market risk for the Shares. There is also the risk that the cost of funding leverage will exceed the earnings on the related investments, which will have the likely effect of reducing the Fund's yield and the value of its investments.
- **Leverage Adjusted Effective Duration:** effective duration adjusted for the impact of the Fund's utilization of leverage. A Fund that utilizes leverage will have a leverage-adjusted effective duration that is longer than its effective duration.
- **Maturity:** date on which the face value of a security/bond must be repaid. It measures the average length to maturity in years of all the bonds in the Fund's portfolio. For mortgage-backed securities, the maturity takes into account the prepayment of the underlying mortgages.
- **NAV:** Net Asset Value. On a per-Share basis, it is determined by calculating the Fund's total assets less its total liabilities and dividing such result by the Shares outstanding. On an aggregate, Fund basis, it is determined by calculating the Fund's total assets less its total liabilities.

- **Undistributed Income:** the Fund's net income that has not been distributed to holders of its Shares as of the latest available audited financial statements. In the case of a target maturity-type investment company (which is liquidated on or by a specific date), it also includes the amounts to be distributed on or by the liquidation date as the return of the initial investment.

For a definition of other terms, please see the Shares' prospectus.



Puerto Rico AAA Portfolio Bond Fund II, Inc.

Investment Objectives and Policies

Seeks current income, consistent with the preservation of capital, by investing:

- up to 33% of its total assets in, among other things, securities issued or guaranteed by the U.S. Government, its agencies, and instrumentalities
- at least 67% of its total assets in securities issued by Puerto Rico issuers (as described in the Prospectus)
- at least 95% of total assets in AAA-rated securities²
- may issue leverage representing up to 50% of total assets¹

Pricing and Distribution History²

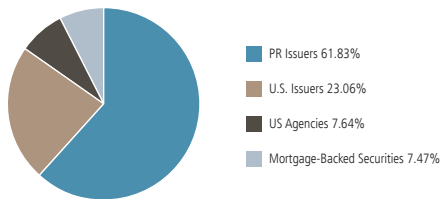
Initial Public Offering (IPO)	\$10.00
52-week Bid Low/High	\$7.99/\$9.62
YTD NAV Change	\$2.19
YTD Bid Price Change	\$1.75
IPO Yield ⁵	5.65%
Current Yield ⁵	5.87%
Last Dividend Paid	\$0.0471
Last 12 Month Dividend	\$0.5650

Portfolio Statistics and Characteristics²

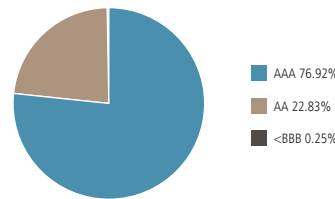
Commencement	Aug-05	Fiscal Year	30-Jun
Shares Outstanding (mm)	5.50	Weighted Avg. Coupon	4.47%
Bid Price	\$9.62	Average Maturity (yrs)	14.44
Net Asset Value (NAV)	\$10.20	Average Duration (yrs)	9.86
Bid Price to NAV Ratio	94.31%	Leverage Adjusted Effective Duration (yrs)	14.37
Net Assets (mm)	\$56.14	Leverage %	46.08% ¹
Leverage (mm)	\$48.31	Leverage Cost	0.33%
Undistributed Income (mm)	\$0.56	Hedge Notional (mm)	\$16.00
Expense Ratio	1.42%	Hedge Ratio	33%

See Portfolio Holdings, Portfolio Managers, Special Considerations, Disclaimers, Glossary of Fund Terms, and Footnotes on reverse.

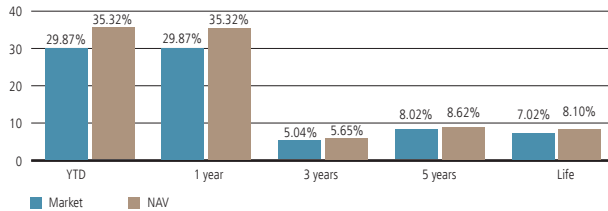
Portfolio Summary²



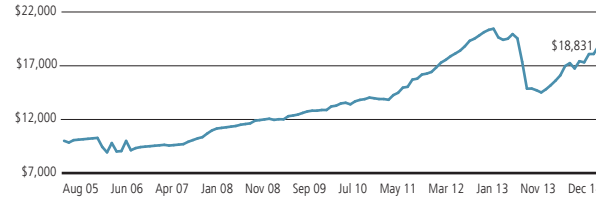
Credit Quality²



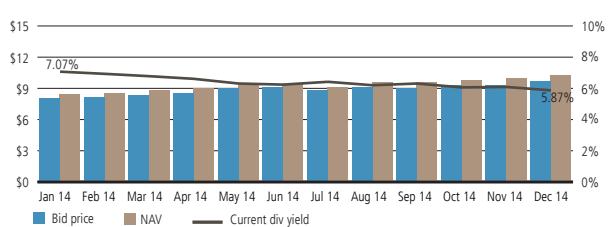
Average Annual Total Return³



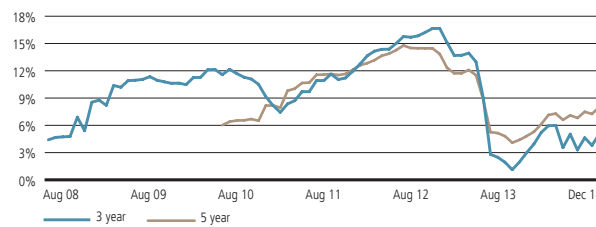
Growth of a \$10,000 Investment as of December 31, 2014⁴



Share Price, NAV and Current Dividend Yield – Prior 12 months⁵



Rolling Period Annual Returns³



Additional Distributions (per share)

	Current Quarter	YTD	Since Inception
Special Dividend	\$-	\$-	\$0.5717
Capital Gain Distribution	\$-	\$-	\$0.4825

Portfolio Holdings²

PR Obligations	PRASA (Insured)	2.90%
Mortgage-Backed Securities	PMSJ - FNMA Note	9.52%
CMO, COMM END, FNMA, GNMA, FGLMC	PR Obligations	69.30%
EDB - BAB	U.S. Obligations	
EDB - FNMA	Federal Home	
Employees Retirement System	Loan Bank	5.34%
Municipal Finance (Insured)	Federal Farm	
PR Highway & Transportation (Insured)	Credit Bank	2.30%
PR Housing Finance (Insured)	Build America Bonds	2.00%
	U.S. Municipals	9.43%
	Tenn Valley Authority	11.63%
	U.S. Obligations	30.70%
		8.41%

Portfolio Manager

Leslie Highley, Jr.

Portfolio Manager since inception
UBS Asset Managers of Puerto Rico

*Special Considerations

The Fund is a non-diversified, closed-end management investment company registered under the Puerto Rico Investment Companies Act of 1954, as amended. Securities issued by the Fund may be purchased or otherwise transferred only to individuals who are residents of Puerto Rico and to entities whose principal office and principal place of business are located in Puerto Rico. The Fund's yield and net asset value and the market price of the Fund's shares of Common Stock (the "Shares") may fluctuate and will be determined by such factors as relative demand for and supply of the Shares in the market, as well as general market, political, and economic conditions and other factors beyond the control of the Fund. The Shares trade at market price, which may be at a discount or premium to NAV, and no assurance can be given as to their liquidity or trading market. While it is the intention of UBS Financial Services Incorporated of Puerto Rico ("UBSFSPR") to continue to maintain a secondary market for the Shares, it is not obligated to continue to do so. Moreover, there may be no other source of price information for the Shares or other purchasers of the Shares other than UBSFSPR.

Geographic Concentration Risk. The Fund is exposed to certain risks resulting from the reduced geographic diversification of its portfolio. The Fund's assets are invested primarily in securities of Puerto Rico issuers. Consequently, the Fund in general is more susceptible to economic, political, regulatory or other factors adversely affecting issuers in Puerto Rico than an investment company that is not so concentrated in Puerto Rico issuers. In addition, securities issued by the Government of Puerto Rico or its instrumentalities are affected by the central government's finances. That includes, but is not limited to, general obligations of Puerto Rico and revenue bonds, special tax bonds, or agency bonds. The effect on each specific debt may not be the same; it depends on exactly what part of the government's money or revenue is supposed to pay the interest thereon. Inasmuch as a relatively high percentage of the Fund's assets may be invested in obligations of a limited number of Puerto Rico issuers, the Fund's net asset value and its yield may increase or decrease more than that of a more diversified investment company as a result of changes in the market's assessment of the financial condition and prospects of such Puerto Rico issuers. The Fund may also be more susceptible to any single economic, political, or regulatory occurrence in Puerto Rico than a more widely diversified investment company. Over the past years, the principal Puerto Rico Government bonds as well as the securities issued by several Puerto Rico financial institutions have been downgraded as a result of several factors, including without limitation, the downturn experienced

by the Puerto Rico economy and the strained financial condition of the Government of Puerto Rico. Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years, thereby affecting the Fund's net asset value.

Portfolio transactions between the Fund and UBSFSPR, Popular Securities (in the case of a co-managed Fund with Banco Popular de Puerto Rico), and other affiliates, are conducted in accordance with procedures adopted by the Fund's Board of Directors in an effort to address potential conflicts of interest.

Secondary Market Disclosure: Given UBSFSPR is currently the dominant, and may be the sole source of secondary market liquidity for the Shares, an investor may not be able to sell its Shares or may only be able to sell them at a loss, if UBSFSPR were to cease to facilitate such secondary market for the Shares. Accordingly, an investor's ability to sell its Shares will depend on the interest of other investors buying Shares, or UBSFSPR's willingness to commit additional capital to holding Shares in inventory. UBSFSPR may, in its sole discretion, commit additional capital to hold Shares in inventory when it deems it appropriate to do so, given market conditions or other considerations, and similarly may reduce the amount of capital committed to fund such inventory of Shares at other times. For example, when UBSFSPR purchases Shares and holds them in its inventory, quoted prices may remain at the previously quoted levels or increase. Conversely, when UBSFSPR sells Shares from its inventory, the quoted prices may decrease. In situations where UBSFSPR is selling Shares from its inventory, it may offer to sell its Shares at prices that are lower than pending sell orders that were placed by investors in the Shares. Decisions by UBSFSPR to increase or decrease inventory are made at its sole discretion and are not generally disclosed.

Repurchase Agreement Tax Disclosure: While there is authority generally supporting the treatment of repurchase and reverse repurchase agreements as collateralized loans for Puerto Rico income tax purposes, that authority does not specifically address the tax treatment of the repurchase agreements that the Fund typically enters into, which contain provisions that grant the buyer the right to sell, transfer, pledge, or hypothecate the securities that are the object of such agreements. Although the Puerto Rico Treasury Department ("PR Treasury") has never pronounced itself as to whether this type of arrangement should be viewed as a transfer of ownership of the underlying securities, it is possible that the PR Treasury could take that position in the future and

that Puerto Rico courts would agree with that view. In such event, the tax exempt interest paid on such underlying securities could be deemed not to constitute tax exempt income for the seller of such securities; to the extent that the Fund was such seller, the dividends distributed on its Shares from such income could be treated either as taxable dividends or capital gain dividends. If such dividends were treated as taxable dividends, holders of the Shares who are individuals or Puerto Rico trusts could be subject to a 15% income tax (or 10% income for dividends distributed before July 15, 2014) on the dividend (or the applicable alternate basic tax), and those which are corporate investors would be subject to a maximum effective income tax rate of 5.85% (or 4.5% for dividends distributed before July 15, 2014), (due to the 85% dividend received deduction of the Puerto Rico Internal Revenue Code, 15% of the dividend multiplied by a 39% maximum corporate income tax rate for dividends distributed on or after July 1, 2014 and 30% for dividends distributed before July 1, 2014). On the other hand, if such dividends were treated as capital gains dividends, holders of the Shares who are individuals or Puerto Rico trusts would be subject to a 15% income tax (or 10% income tax for capital dividends distributed before July 1, 2014) (or the applicable alternate basic tax), and holders of the Shares which are taxed as corporations would be subject to a 20% income tax (15% income tax for capital dividends distributed before July 1, 2014).

Recent Changes in Puerto Rico tax law: On July 1, 2014, the Governor of Puerto Rico signed into law Act 77-2014 which amended the Puerto Rico Internal Revenue Code of 2011 to provide, among other things, (i) the 10% withholding tax that is imposed on dividends distributed by Puerto Rico corporations to individuals will apply to dividends distributed before July 1, 2014, and that a 15% rate will apply for dividends distributed after June 30, 2014, and (ii) the long-term capital gains rate for sales and exchanges effected after June 30, 2014, is increased from 10% to 15%, in the case of individuals, estates, and trusts; and from 15% to 20%, in the case of corporations. Accordingly, if the Fund distributes "Taxable Dividends" after June 30, 2014, the applicable tax and withholding rate will be 15%. Similarly, if the Fund distributes Capital Gain Dividends after June 30, 2014, the applicable tax rate for individuals, estates and trusts will be 15%, and 20% in the case of corporations. Investors are encouraged to contact their lawyer or tax consultant. Neither the Fund nor UBS Financial Services Incorporated of Puerto Rico provides legal or tax advice.

On February 11, 2015, two (2) bills (P.C. 2329 and P.S. 1304) were introduced into the Puerto Rico Legislature and which propose the

adoption of a "New Puerto Rico Internal Revenue Code of 2015" ("New Code"). In general, the New Code would be effective for taxable years beginning after December 31, 2014 and, if approved, the New Code would, amongst other changes: (a) eliminate the preferential tax rates that currently apply to long-term capital gains derived after December 31, 2014, (b) eliminate the preferential 10% rate that currently applies to interest on certain obligations, such as Taxable Interest, (c) reduce the maximum marginal tax rate of individuals to 30%, (d) eliminate the alternate basic tax for individuals, (e) provide for a fixed 30% regular income tax rate for corporations, (f) eliminate the exemption for interest on obligations issued by States and their political sub-divisions, and (g) eliminate the preferential tax rates that currently exist for certain dividends and other interest income items. The Puerto Rico Legislature is currently reviewing the proposed bills and, therefore, their final outcome is not currently determinable.

Legal Disclaimer

Past performance does not guarantee future results. Current performance may be lower or higher than the performance quoted. Securities issued by the Fund are subject to market risk, including the loss of principal amounts invested. This document is not an offer to sell, or the solicitation of an offer to buy any investment in the Fund, and is for informational purposes only. Fund investments are designed primarily and suitable for long-term investors and not viewed as a vehicle for trading purposes. They may not be suitable to all investors. Fund investments are not equivalent to investments in its underlying securities. The Fund's utilization of leverage poses certain risks to investors, and in some cases, interest rate fluctuations may increase the volatility of its return and affect the Fund to a significantly greater extent than a non-leveraged investment company. **More detailed information about the Fund, including applicable fees, costs, penalties, investment objectives and policies, risk factors, and the effects of leverage, is further described in the Share's prospectus, which you should read carefully prior to making an investment.** To obtain additional information related to the Fund (including investment returns calculated in accordance with Regulation 5766 of March 11, 1998, as amended) or a copy of the Share's prospectus or Fund's annual report, please contact the UBS Puerto Rico Family of Funds at 787-773-3888. To obtain the Fund's month-end performance or more up-to-date information, please contact your UBS Financial Advisor or see "press releases" at <http://www.ubs.com/prfunds>.

Footnotes:

¹ Generally, the Fund must invest at least 67% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage) and cash, including cash equivalents, but excluding non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), in Puerto Rico securities. Additionally, the Fund may issue preferred stock, debt securities, or other forms of leverage, representing not more than 50% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage), cash (including cash equivalents), and non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), immediately after the issuance of any such preferred stock, or other debt securities. Moreover, the Fund may not issue preferred stock, debt securities, or other forms of leverage unless the value of its total assets less all its liabilities and indebtedness, other than the preferred stock, debt securities, or other forms of leverage being issued or already outstanding, is at least equal to 200% of the total aggregate liquidation preference/principal amount of all its outstanding preferred stock (not including any accumulated dividends or other distributions), debt securities, and other forms of leverage. **Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years. In view of these volatile market conditions, the Puerto Rico Office of the Commissioner of Financial Institutions (the "PROCFI") has granted to the Fund a temporary regulatory waiver from the Fund's investment requirement in Puerto Rico securities of at least 67% of the Fund's total assets and leverage limitation of 50% of its total assets and 200% asset coverage requirement described above, through July 31, 2015. These temporary waivers may be renewed by the PROCFI for additional periods of time, should market conditions warrant, and upon written**

request by the Fund. It is the Fund's intention to re-achieve compliance therewith as soon as market conditions permit, though there is no assurance the Fund will be able to do so. ² The "Expense Ratio" calculation may reflect a partial waiver of the investment advisory and administration fees payable to UBS Trust Company of Puerto Rico, implemented on October 1, 2013. For more up-to-date information with respect to such partial fee waivers, if any, please see "Press Releases" at <http://www.ubs.com/prfunds>. Credit quality is as of December 31, 2014. The Fund's investment portfolio is actively managed, and its composition (including the portfolio statistics and characteristics) will vary over time. Credit quality percentages include only fixed income securities and vary over time, as new investment securities are acquired and the credit rating of any investment held by the Fund is reassessed. For purposes of determining compliance with the Fund's investment requirements, ratings are as of the time of purchase, using a Standard & Poor's equivalent ratings scale. On February 12, 2015, S&P further downgraded the credit rating on the GOs from "BB" to "B", as well as the credit ratings of other Commonwealth agencies and public corporations, including its credit ratings on senior and subordinate-lien bonds issued by COFINA, which were lowered from "BBB" and "BBB-", respectively to "B". On such date, the long-term issuer credit rating on the GDB was also lowered, from "BB-" to "B-". On February 19, 2015, Moody's followed suit and downgraded its credit ratings on various Government of Puerto Rico entities and issuances, including GOs, from "B2" to "Caal 1", and COFINA's senior and subordinate-lien bonds, which were lowered from "Ba3" and "B1", to "B3" and "Caal 1", respectively. Lastly, on March 26, 2015, Fitch also downgraded the credit rating on the GOs from "BB-" to "B", as well as the credit ratings of PRASA senior lien revenue bonds from "B+" to "B" and COFINA's senior and subordinate-lien bonds from "BB-" to "B". All of the before-mentioned ratings carry a negative outlook. **As a result of the foregoing, none of the bonds issued by the Government of Puerto Rico and its instrumentalities currently carry an investment-grade credit rating. In view of**

the fact that the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years and the subsequent credit rating downgrade of certain Puerto Rico bonds, current or more up-to-date information regarding the Fund's portfolio holdings is available at <http://www.ubs.com/prfunds>. Currently, the Fund's percentage investment in securities rated below "AAA" or which are unrated, amounted to 23.08% of the Fund's total portfolio, which exceeds the Fund's maximum investment threshold of 5% of its total assets invested in securities rated below "AAA" or which are unrated. To the extent that such investment threshold(s) in securities of a specific credit quality are exceeded, Fund management may determine to continue to hold such lower-rated securities, provided any new investment proceeds are directed to acquire investment securities which satisfy the Fund's minimum credit rating requirements. On July 2014, the Board of Directors approved an extension of the Fund's existing share repurchase program for the acquisition of up to 45% of each Fund's issued Shares. The Repurchase Program is intended to enhance shareholder value by providing additional liquidity to Fund shareholders. For the quarter ended December 31, 2014, the Fund had repurchased 15,611 Shares in the open market with an NAV of \$159,185, at a cost of \$146,067. Since the program's inception, the Fund has repurchased 2,828,150 Shares of common stock in the open market with an NAV of \$25,699,509, at a cost of \$24,896,075, and which represent 38.15% of the aggregate number of Shares issued by the Fund (net of Shares acquired for dividend reinvestment purposes and which remain outstanding). ³ As of December 31, 2014, **return figures were not calculated in accordance with Regulation 5766 of March 11, 1998, as amended, which requires that investment returns for an individual retirement account ("IRA") be calculated in the manner provided therein.** To the extent that an individual invests in the Fund through an IRA, his or her investment return figures will be less than those reported herein, when computed in accordance with Regulation 5766 and inasmuch

as actual sales charges applicable to such IRA investments are taken into consideration. "Average Annual Total Return" figures reflect the percentage change in the market value, determined by calculating the average between the bid and ask prices, plus any income and capital gain dividends, and return of capital distributions, all such dividends and distributions reinvested as of the corresponding record date thereof, at the month-end NAV as of that date. In the case of "NAV Total Return," the Fund's NAV per Share is used, rather than the average between the bid and ask prices, to determine such total return, as applicable. "Rolling Period Annual Returns" measure the monthly movement in the average of the Annualized Average Market Return figures over a one-year, three-year, five-year, and ten-year period (as applicable), as it moves over a consecutive time series that begins on the Fund's inception date. Additionally, in the case of the Average Annual Total Return and Rolling Period Annual Return figures, commissions or sales charges payable in connection with a purchase or sale of Shares may vary with each brokerage institution. Total return figures are not representative of the performance of any individual investment, and taxes on capital gain distributions or income dividends, if any, have not been deducted. All calculations were performed by Thomson Reuters, based on certain financial data provided by this Fund and are annualized with the exception of year-to-date figures. ⁴ A \$10,000 investment is hypothetical and is shown for illustrative purposes only. ⁵ "IPO Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the initial public offering price. "Current Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the month-end bid price.



UBS Asset Managers of Puerto Rico Funds Quarterly Review Fourth Quarter 2014

*Consideraciones Especiales

Cada Fondo es una compañía de inversión no diversificada de fin cerrado inscrita bajo la Ley Número 6 de 19 de octubre de 1954, según enmendada. Los valores emitidos por un Fondo pueden solamente ser adquiridos por, o transferidos a, individuos que sean residentes de Puerto Rico y a entidades cuya oficina y localización de negocios principal estén localizados en Puerto Rico. El rendimiento, el valor neto de los activos de un Fondo y el precio en el mercado de las acciones de capital común del Fondo (en adelante, las "Acciones"), podrán fluctuar y se determinarán por factores como la demanda y oferta en el mercado de las Acciones y las condiciones económicas, políticas y del mercado en general, al igual que otros factores que están fuera del control de un Fondo. Las Acciones son negociadas al precio del mercado, el cual puede reflejar una prima o descuento del valor neto de los activos de un Fondo y no se puede dar representación alguna sobre su liquidez o el mercado para disponer de las mismas. A pesar de que es la intención de UBS Financial Services Incorporated of Puerto Rico (en adelante, "UBSFSPR") de continuar manteniendo un mercado secundario para las Acciones, no está obligada a continuar haciéndolo. De otra parte, puede que no exista otra fuente de información de precios para las Acciones u otros compradores para las Acciones que no sea UBSFSPR.

Riesgo de concentración geográfica: El Fondo está expuesto a ciertos riesgos debido a la diversificación geográfica reducida de su cartera de inversiones. Los activos del fondo están invertidos primariamente en valores de emisores de Puerto Rico. A consecuencia, el Fondo generalmente es más susceptible a factores económicos, políticos, regulatorios y otros que podrían afectar adversamente a emisores de Puerto Rico que otra compañía de inversión la cual no esté tan concentrada en emisores de Puerto Rico. En adición, valores emitidos por el Gobierno de Puerto Rico o sus instrumentalidades se afectan por las finanzas del gobierno central. Eso incluye, pero no se limita a, las obligaciones generales de Puerto Rico y los bonos de ingresos, contribuciones especiales o de agencias. El efecto en cada deuda específica podría no ser el mismo y depende de que parte del dinero del gobierno o sus ingresos se supone pague el interés de dicha deuda. En la medida que un porcentaje relativamente alto de los activos del Fondo pueden ser invertidos en obligaciones de un número limitado de emisores de Puerto Rico, el valor neto de activos y su rendimiento puede aumentar o disminuir más que el de una compañía de inversión más diversificada, como resultado de cambios en cuanto a la evaluación de la condición financiera o prospectos de dichos emisores de Puerto Rico. El Fondo también puede ser más susceptible a cualquier ocurrencia individual económica, política o regulatoria en Puerto Rico que una compañía de inversión más diversificada. En los pasados años, los bonos principales del Gobierno de Puerto Rico, al igual que valores emitidos por ciertas instituciones financieras de Puerto Rico han sido degradados por varios factores, incluyendo sin limitación, al empeoramiento experimentado por la economía de Puerto Rico y la condición financiera pobre del Gobierno de Puerto Rico. Al presente, el mercado de bonos de Puerto Rico está experimentando un periodo de volatilidad, con los

bonos de Puerto Rico traficando a precios más bajos y rendimientos más altos a los puntos de referencia de los pasados dos (2) años, y así afectando el valor neto de activos del Fondo.

Transacciones de cartera entre un Fondo y UBSFSPR, Popular Securities (en el caso de un Fondo co-manejado con Banco Popular de Puerto Rico) y otras afiliadas son efectuadas conforme a ciertos procedimientos adoptados por la Junta de Directores de un Fondo con miras a atender posibles conflictos de interés.

Divulgación de Mercado Secundario: Dado a que actualmente UBSFSPR es la fuente dominante, y podría ser la única fuente, de liquidez para la negociación de las Acciones en el mercado secundario, cabe la posibilidad que un inversionista no pueda vender sus Acciones en el mercado secundario o que solamente pueda venderlas a pérdida, si UBSFSPR cesara de facilitar un mercado secundario para la negociación de las Acciones. Por lo tanto, la habilidad de un inversionista para vender sus Acciones dependerá del interés de otros inversionistas que estén comprando Acciones o la disponibilidad de UBSFSPR de designar capital adicional para mantener Acciones en su inventario. UBSFSPR podrá, a su única discreción, comprometer capital adicional para mantener Acciones en inventario cuando así lo estime apropiado, dependiendo de las condiciones del mercado y otras consideraciones, e igualmente en otras ocasiones, podrá reducir la cantidad de capital comprometida para financiar dicho inventario de las Acciones. Por ejemplo, cuando UBSFSPR compra Acciones para su inventario, los precios cotizados por éste podrán permanecer a los niveles previamente cotizados o aumentar. Por otro lado, cuando UBSFSPR vende Acciones de su inventario, los precios cotizados por éste podrían reducirse. En situaciones en que UBSFSPR está vendiendo Acciones de su inventario, podría ofrecer vender dichas Acciones a precios más bajos que cualquier orden de venta pendiente que fue puesta sobre sus Acciones por cualquier inversionista. Cualquier decisión de UBSFSPR de aumentar o reducir su inventario será tomada a su única discreción y no son divulgadas al público.

Divulgación Contributiva sobre Acuerdos de Recompra: A pesar de que existe precedente contable que apoya el concepto que los acuerdos de recompra y recompra a la inversa sean considerados como préstamos con garantía colateral para propósitos contributivos en Puerto Rico, dicho precedente no es determinante en cuanto a las disposiciones contributivas aplicables a los acuerdos de recompra que normalmente el Fondo suscribe, que contienen disposiciones que conceden al comprador de los valores subyacentes a dichos acuerdos el derecho a vender, transferir, pignorar o hipotecar dichos valores. A pesar de que el Departamento de Hacienda de Puerto Rico (en adelante, "Hacienda") nunca se ha expresado sobre si estos tipos de acuerdos deben ser considerados como una transferencia de titularidad sobre los valores subyacentes, Hacienda podría adoptar dicha posición y que los tribunales de Puerto Rico estén de acuerdo con dicha posición. En dicho caso, el interés exento pagado sobre los valores subyacentes a dichos acuerdos podría considerarse

como ingreso no exento del pago de contribución para el vendedor de tales valores subyacentes. En la medida que el Fondo sea considerado el vendedor bajo el acuerdo de recompra correspondiente, los dividendos distribuidos sobre las Acciones que a su vez son derivados del ingreso del acuerdo de recompra correspondiente podría ser considerado como un dividendo sujeto a tributación o ganancias de capital. Si tal dividendo fuera considerado como dividendo sujeto a tributación, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico podrían estar sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos distribuidos antes del 15 de julio de 2014) sobre el dividendo (o la contribución básica alterna aplicable), y aquellos que sean inversionistas corporativos estarían sujetos a una máxima tasa efectiva de 5.85% (o 4.5% para dividendos distribuidos antes del 15 de julio de 2014), debido a la deducción de 85% sobre dividendos recibidos, según dispuesto por el Código de Rentas Internas de Puerto Rico, multiplicando el 15% del dividendo por una tasa contributiva corporativa máxima de 39% para los dividendos distribuidos en o después del 1 de julio de 2014 y 30% para los dividendos distribuidos antes del 1 de julio de 2014). Por otro lado, si tales dividendos fueran considerados como dividendos de ganancias de capital, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico estarían sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014 o la contribución básica alterna aplicable), y los tenedores de las Acciones que tributa como corporaciones, estarían sujetos a una tasa contributiva de 20% (tasa contributiva de 15% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014).

Cambios Recientes al Derecho Tributario de Puerto Rico: El 1 de julio de 2014, el Gobernador de Puerto Rico firmó como ley la Ley 77-2014, la cual enmendó el Código de Rentas Internas de Puerto Rico del 2011 para proveer, entre otras cosas, (i) que el 10% de retención de impuesto que se le impone a los dividendos distribuidos por corporaciones de Puerto Rico a individuos, aplicará a los dividendos distribuidos antes del 1 de julio de 2014, y que la tasa de 15% aplicará a los dividendos distribuidos después del 30 de junio de 2014, y (ii) que las tasas de ganancias de capital a largo plazo para ventas e intercambios realizadas después del 30 de junio de 2014, ha sido aumentada de 10% a 15% para individuos, sucesiones y fideicomisos; y de 15% a 20% para las corporaciones. Consecuentemente, si el Fondo distribuye "Dividendos Tributables" después del 30 de junio de 2014, el interés aplicable y la tasa de retención será 15%. Del mismo modo, si el Fondo distribuye Dividendos de Ganancias de Capital después del 30 de junio de 2014, la tasa de interés aplicable para individuos, sucesiones y fideicomisos será un 15%, y 20% para las corporaciones. Se exhorta a los inversionistas a que contacten a su abogado o asesor contributivo. Ni UBS Financial Services Incorporated of Puerto Rico ni el Fondo proveen asesoría legal o contributiva.

El 11 de febrero de 2015 la Legislatura de Puerto Rico presentó dos proyectos de ley (P.C. 2329 y P.S.

1304) que proponen una reforma contributiva con la aprobación del "Nuevo Código de Rentas Internas de 2015" (el "Código Nuevo"). En términos generales, el Código Nuevo sería efectivo para años contributivos comenzados después del 31 de diciembre de 2014 y, de aprobarse, incluiría los siguientes cambios: (a) eliminar las tasas preferenciales que actualmente aplican a las ganancias de capital a largo plazo generadas después del 31 de diciembre de 2014; (b) eliminar la tasa preferencial de 10% que actualmente aplica a los ingresos de intereses de ciertas obligaciones, incluyendo los Intereses Tributables; (c) reducir el máximo de la tasa de contribuciones de individuos a 30%; (d) eliminar la contribución básica alterna de individuos; (e) establecer una tasa fija de contribuciones sobre ingresos de las corporaciones a 30%; (f) eliminar la exención de los intereses de ciertas obligaciones de los Estados Unidos y sus subdivisiones políticas; y (g) eliminar las tasas preferenciales aplicables a ciertos dividendos y otros ingresos de intereses. La Legislatura de Puerto Rico está en el proceso de revisión de los proyectos de ley, por lo que, actualmente, el resultado final no se puede determinar.

Aviso Legal

Rendimientos anteriores no son garantía de resultados futuros similares. Los rendimientos actuales podrían ser más bajos o más altos que el rendimiento aquí citado. Los valores emitidos por un Fondo están sujetos a riesgo de mercado, incluyendo la pérdida del principal invertido. Este documento no es una oferta de compra ni una solicitud de una oferta de compra para cualquier inversión en un Fondo y es para propósitos informativos solamente. Las inversiones en un Fondo están diseñadas principalmente y son adecuadas para inversionistas a largo plazo y no deben ser consideradas como un vehículo para fines de negociación. Estas inversiones pueden que no sean adecuadas para cualquier inversionista. Una inversión en un Fondo no es equivalente a una inversión en los valores subyacentes en los cuales un Fondo invierte. El uso de apalancamiento por un Fondo representa ciertos riesgos a los inversionistas en éste, y en ciertos casos, las fluctuaciones en las tasas de intereses podrían aumentar la volatilidad en su rendimiento y afectar a un Fondo a mayor grado que a una compañía de inversión no apalancada. **Información más detallada en cuanto a un Fondo, incluyendo los cargos, gastos y penalidades aplicables, objetivo(s) y políticas de inversión, factores de riesgo y el efecto de apalancamiento, se incluye en la documentación de oferta del Fondo, el cual usted debe leer cuidadosamente antes de hacer una inversión.** Para obtener más información en cuanto a un Fondo (incluyendo los rendimientos de inversión calculados conforme el Reglamento 5766 de 11 de marzo de 1998, según enmendado) o una copia del prospecto para la oferta de las Acciones o los informes anuales del Fondo, favor de contactar a la familia de fondos UBS Puerto Rico o Puerto Rico Investors al 787-773-3888 ó 787-751-5452, respectivamente. Para obtener más información en cuanto a los rendimientos del Fondo de fin de mes o información más actualizada, por favor contactar a su Asesor Financiero en UBSFSPR o verifique los comunicados de prensa ("press releases") en <http://www.ubs.com/prfunds>.

Glossary of fund terms

- **Ask Price:** generally refers to the lowest price at which a seller will sell a specified number of units of a given security at a particular time. The ask price may incorporate a markup, which may vary by transaction and may include commissions and other charges. The ask prices quoted by UBSFSPR represent its judgment of the market price for Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price and age of pending customer orders.
- **Average Duration:** a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flow accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flow consist of coupon payments and repayment of capital.) A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, for which maturity and duration are equal.
- **Bid Price:** generally refers to the highest price a buyer is willing to pay at a particular time for a unit of a given security. UBSFSPR publishes two types of bid prices for the Shares: firm or indicative. A firm bid is provided when UBSFSPR has the risk capacity and/or appetite at the particular time to purchase a specified number of Shares. An investor can sell to UBSFSPR at the firm bid price up to the specified number of Shares at a particular time. On the other hand, an indicative bid is provided for informational purposes only when UBSFSPR does not have the risk capacity and/or appetite at a particular time to purchase Shares. The prices quoted by UBSFSPR represent its judgment of the market price for the Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price, and age of pending customer orders, and may be higher (in which case the price is at a premium) or lower (in which case the price is at a discount) than the NAV of the Fund.

The prices quoted by UBSFSPR may also be affected by its willingness to hold additional inventory of the Shares or by its need to sell its inventory of Shares. Depending on market liquidity conditions, orders to buy or sell at the quoted price may not receive immediate execution, and an investor may not be able to sell its Shares at the price quoted by UBSFSPR. Moreover, the proceeds an investor receives on a sale of Shares may be lower than the bid price due to discounts, markdowns, and other charges. Since inception, the Shares have historically traded at prices which reflect a premium to their respective NAV per Share, though on certain limited instances, they have traded at prices which reflect a discount to their respective NAV per Share. However, there is no assurance that the Shares will continue to trade at prices which reflect such a premium. The Fund is presently experiencing liquidity issues. As a result, the bid price is for a limited number of shares, and it may not be possible for sellers to obtain the current bid price.

- **Credit Quality:** a measure of the likelihood that a financial obligation will not be honored provided by one or more of the rating agencies. Rating agencies assign classifications to their ratings, with "AAA" being the highest and "D" being the lowest for Standard & Poor's Ratings Services ("S&P"). The Fund may use other ratings and adjust them for use in this scale.
- **Effective Duration:** a calculation of duration that takes into account the embedded options in the securities of a portfolio and their expected changes in the cash flow of a portfolio caused by those options.
- **Expense Ratio:** The percentage of the Fund's average net assets attributable to holders of the Shares and which is used to pay operating expenses and takes into account investment management fees, administration fees, and other operating expenses such as legal, audit, insurance, and shareholder communications.
- **Hedge Notional:** refers to the total net face value, reflecting any offsetting positions, of derivative instruments employed in hedging strategies of the Fund.
- **Hedge Ratio:** ratio of the Fund's hedge notional amount to its total dollar amount of leverage as of the end of a calendar quarter, assuming the Fund is fully invested at quarter-end. The Fund's investment adviser may, at its discretion, use a variety of derivative instruments including securities options, financial futures contracts, options on futures contracts, and other interest rate protection transactions such as swap agreements, to attempt to hedge its portfolio of assets and seek to enhance its return. There can be no assurance that any particular hedging strategy used will succeed.
- **Leverage:** the Fund may issue preferred stock or debt, enter into repurchase agreements, or borrow money, in order to increase the amounts available for investment ("leverage"). This gives the Fund's investment adviser, in the fixed income area in particular, the opportunity to enhance yield. The use of leverage increases the likelihood of price volatility and market risk for the Shares. There is also the risk that the cost of funding leverage will exceed the earnings on the related investments, which will have the likely effect of reducing the Fund's yield and the value of its investments.
- **Leverage Adjusted Effective Duration:** effective duration adjusted for the impact of the Fund's utilization of leverage. A Fund that utilizes leverage will have a leverage-adjusted effective duration that is longer than its effective duration.
- **Maturity:** date on which the face value of a security/bond must be repaid. It measures the average length to maturity in years of all the bonds in the Fund's portfolio. For mortgage-backed securities, the maturity takes into account the prepayment of the underlying mortgages.
- **NAV:** Net Asset Value. On a per-Share basis, it is determined by calculating the Fund's total assets less its total liabilities and dividing such result by the Shares outstanding. On an aggregate, Fund basis, it is determined by calculating the Fund's total assets less its total liabilities.

- **Undistributed Income:** the Fund's net income that has not been distributed to holders of its Shares as of the latest available audited financial statements. In the case of a target maturity-type investment company (which is liquidated on or by a specific date), it also includes the amounts to be distributed on or by the liquidation date as the return of the initial investment.

For a definition of other terms, please see the Shares' prospectus.



Puerto Rico AAA Portfolio Target Maturity Fund, Inc.

Investment Objectives and Policies

Seeks current income, consistent with the preservation of capital, and the distribution to shareholders of common stock of an amount equal to \$10 per share, by investing:

- up to 33% of its total assets in, among other things, securities issued or guaranteed by the U.S. Government, its agencies, and instrumentalities
- at least 67% of its total assets in securities issued by Puerto Rico issuers (as described in the Prospectus)

Rico issuers (as described in the Prospectus)

- at least 95% of total assets in AAA-rated securities²
- return initial investment of \$10 per share by or before December 31, 2032; distributions of principal may occur as of July 31, 2013^{A 2}
- may issue leverage representing up to 50% of total assets¹

Pricing and Distribution History²

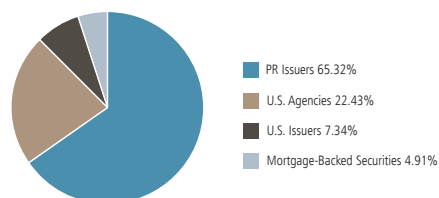
Initial Public Offering (IPO)	\$10.00
52-week Bid Low/High	\$7.50/\$8.77
YTD NAV Change	\$1.75
YTD Bid Price Change	\$1.43
IPO Yield ⁵	4.80%
Current Yield ⁵	5.47%
Last Dividend Paid	\$0.0400
Last 12 Month Dividend	\$0.4825

Portfolio Statistics and Characteristics²

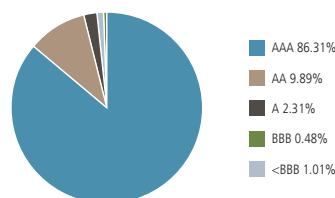
Commencement	July-02	Fiscal Year	30-Jun
Shares Outstanding (mm)	45.63	Weighted Avg. Coupon	3.94%
Bid Price	\$8.77	Average Maturity (yrs)	14.15
Net Asset Value (NAV)	\$9.22	Average Duration (yrs)	10.30
Bid Price to NAV Ratio	95.12%	Leverage Adjusted Effective Duration (yrs)	14.45
Net Assets (mm)	\$420.59	Leverage %	47.83% ¹
Leverage (mm)	\$387.87	Leverage Cost	0.33%
Undistributed Income (mm)	\$26.20	Hedge Notional (mm)	\$116.60
Expense Ratio	1.15%	Hedge Ratio	30%

See Portfolio Holdings, Portfolio Manager, Special Considerations, Disclaimers, Glossary of Fund Terms, and Footnotes on reverse.

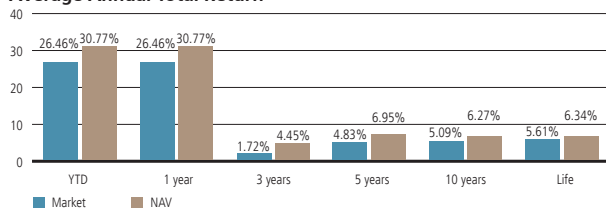
Portfolio Summary²



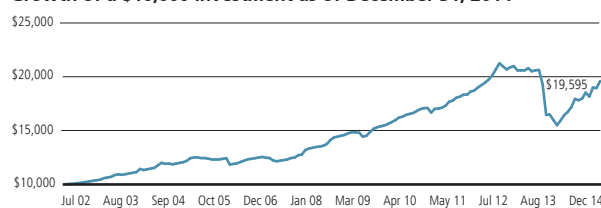
Credit Quality²



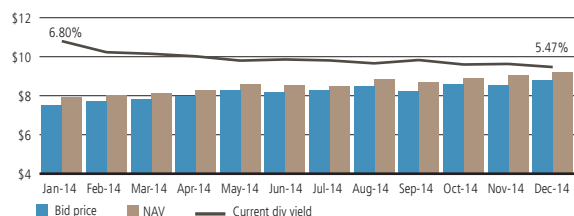
Average Annual Total Return³



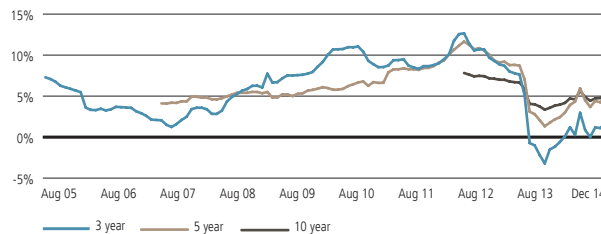
Growth of a \$10,000 Investment as of December 31, 2014⁴



Share Price, NAV and Current Dividend Yield – Prior 12 months⁵



Rolling Period Annual Returns³



Portfolio Holdings²

PR Obligations	PRPBA (Insured)	1.26%
Mortgage-Backed Securities	PMSJ - FNMA Note	14.06%
CMO, COMM END, FNMA	PR Farm Credit/FFCB	0.80%
GNMA, FGLMC	PR Obligations	70.23%
EDB - BAB	U.S. Obligations	
EDB - US Municipals	Federal Home	
EDB - FNMA	Loan Bank	21.20%
Employees Retirement System	Federal Farm	
PR GOs (Insured)	Credit Bank	1.23%
PR Housing Finance (Insured)	Build America Bonds	5.96%
PR Sales Tax Financing	U.S. Municipals	1.38%
PRASA (Insured)	U.S. Obligations	29.77%
		0.62%

Portfolio Manager

Leslie Highley, Jr.
Portfolio Manager since inception
UBS Asset Managers of Puerto Rico

^A During the principal distribution period, the Fund will distribute pro-rata to holders of common stock the principal payments received by the Fund on its portfolio securities, in addition to the regular monthly distributions of net investment income and annual distributions of net capital gains.

*Special Considerations

The Fund is a non-diversified, closed-end management investment company registered under the Puerto Rico Investment Companies Act of 1954, as amended. Securities issued by the Fund may be purchased or otherwise transferred only to individuals who are residents of Puerto Rico and to entities whose principal office and principal place of business are located in Puerto Rico. The Fund's yield and net asset value and the market price of the Fund's shares of Common Stock (the "Shares") may fluctuate and will be determined by such factors as relative demand for and supply of the Shares in the market, as well as general market, political, and economic conditions and other factors beyond the control of the Fund. The Shares trade at market price, which may be at a discount or premium to NAV, and no assurance can be given as to their liquidity or trading market. While it is the intention of UBS Financial Services Incorporated of Puerto Rico ("UBSFSPR") to continue to maintain a secondary market for the Shares, it is not obligated to continue to do so. Moreover, there may be no other source of price information for the Shares or other purchasers of the Shares other than UBSFSPR.

Geographic Concentration Risk. The Fund is exposed to certain risks resulting from the reduced geographic diversification of its portfolio. The Fund's assets are invested primarily in securities of Puerto Rico issuers. Consequently, the Fund in general is more susceptible to economic, political, regulatory or other factors adversely affecting issuers in Puerto Rico than an investment company that is not so concentrated in Puerto Rico issuers. In addition, securities issued by the Government of Puerto Rico or its instrumentalities are affected by the central government's finances. That includes, but is not limited to, general obligations of Puerto Rico and revenue bonds, special tax bonds, or agency bonds. The effect on each specific debt may not be the same; it depends on exactly what part of the government's money or revenue is supposed to pay the interest thereon. Inasmuch as a relatively high percentage of the Fund's assets may be invested in obligations of a limited number of Puerto Rico issuers, the Fund's net asset value and its yield may increase or decrease more than that of a more diversified investment company as a result of changes in the market's assessment of the financial condition and prospects of such Puerto Rico issuers. The Fund may also be more susceptible to any single economic, political, or regulatory occurrence in Puerto Rico than a more widely diversified investment company. Over the past years, the principal Puerto Rico Government bonds as well as the securities issued by several Puerto Rico financial institutions have been downgraded as a result of several factors, including without limitation, the downturn experienced

by the Puerto Rico economy and the strained financial condition of the Government of Puerto Rico. Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years, thereby affecting the Fund's net asset value.

Portfolio transactions between the Fund and UBSFSPR, Popular Securities (in the case of a co-managed Fund with Banco Popular de Puerto Rico), and other affiliates, are conducted in accordance with procedures adopted by the Fund's Board of Directors in an effort to address potential conflicts of interest.

Secondary Market Disclosure: Given UBSFSPR is currently the dominant, and may be the sole source of secondary market liquidity for the Shares, an investor may not be able to sell its Shares or may only be able to sell them at a loss, if UBSFSPR were to cease to facilitate such secondary market for the Shares. Accordingly, an investor's ability to sell its Shares will depend on the interest of other investors buying Shares, or UBSFSPR's willingness to commit additional capital to holding Shares in inventory. UBSFSPR may, in its sole discretion, commit additional capital to hold Shares in inventory when it deems it appropriate to do so, given market conditions or other considerations, and similarly may reduce the amount of capital committed to fund such inventory of Shares at other times. For example, when UBSFSPR purchases Shares and holds them in its inventory, quoted prices may remain at the previously quoted levels or increase. Conversely, when UBSFSPR sells Shares from its inventory, the quoted prices may decrease. In situations where UBSFSPR is selling Shares from its inventory, it may offer to sell its Shares at prices that are lower than pending sell orders that were placed by investors in the Shares. Decisions by UBSFSPR to increase or decrease inventory are made at its sole discretion and are not generally disclosed.

Repurchase Agreement Tax Disclosure: While there is authority generally supporting the treatment of repurchase and reverse repurchase agreements as collateralized loans for Puerto Rico income tax purposes, that authority does not specifically address the tax treatment of the repurchase agreements that the Fund typically enters into, which contain provisions that grant the buyer the right to sell, transfer, pledge, or hypothecate the securities that are the object of such agreements. Although the Puerto Rico Treasury Department ("PR Treasury") has never pronounced itself as to whether this type of arrangement should be viewed as a transfer of ownership of the underlying securities, it is possible that the PR Treasury could take that position in the future and that Puerto Rico

courts would agree with that view. In such event, the tax exempt interest paid on such underlying securities could be deemed not to constitute tax exempt income for the seller of such securities; to the extent that the Fund was such seller, the dividends distributed on its Shares from such income could be treated either as taxable dividends or capital gain dividends. If such dividends were treated as taxable dividends, holders of the Shares who are individuals or Puerto Rico trusts could be subject to a 15% income tax (or 10% income for dividends distributed before July 15, 2014) on the dividend (or the applicable alternate basic tax), and those which are corporate investors would be subject to a maximum effective income tax rate of 5.85% (or 4.5% for dividends distributed before July 15, 2014), (due to the 85% dividend received deduction of the Puerto Rico Internal Revenue Code, 15% of the dividend multiplied by a 39% maximum corporate income tax rate for dividends distributed on or after July 1, 2014 and 30% for dividends distributed before July 1, 2014). On the other hand, if such dividends were treated as capital gains dividends, holders of the Shares who are individuals or Puerto Rico trusts would be subject to a 15% income tax (or 10% income tax for capital dividends distributed before July 1, 2014) (or the applicable alternate basic tax), and holders of the Shares which are taxed as corporations would be subject to a 20% income tax (15% income tax for capital dividends distributed before July 1, 2014).

Recent Changes in Puerto Rico tax law: On July 1, 2014, the Governor of Puerto Rico signed into law Act 77-2014 which amended the Puerto Rico Internal Revenue Code of 2011 to provide, among other things, (i) the 10% withholding tax that is imposed on dividends distributed by Puerto Rico corporations to individuals will apply to dividends distributed before July 1, 2014, and that a 15% rate will apply for dividends distributed after June 30, 2014, and (ii) the long-term capital gains rate for sales and exchanges effected after June 30, 2014, is increased from 10% to 15%, in the case of individuals, estates, and trusts; and from 15% to 20%, in the case of corporations. Accordingly, if the Fund distributes "Taxable Dividends" after June 30, 2014, the applicable tax and withholding rate will be 15%. Similarly, if the Fund distributes Capital Gain Dividends after June 30, 2014, the applicable tax rate for individuals, estates and trusts will be 15%, and 20% in the case of corporations. Investors are encouraged to contact their lawyer or tax consultant. Neither the Fund nor UBS Financial Services Incorporated of Puerto Rico provides legal or tax advice.

On February 11, 2015, two (2) bills (P.C. 2329 and P.S. 1304) were introduced into the Puerto Rico Legislature and which propose the

adoption of a "New Puerto Rico Internal Revenue Code of 2015" ("New Code"). In general, the New Code would be effective for taxable years beginning after December 31, 2014 and, if approved, the New Code would, amongst other changes: (a) eliminate the preferential tax rates that currently apply to long-term capital gains derived after December 31, 2014, (b) eliminate the preferential 10% rate that currently applies to interest on certain obligations, such as Taxable Interest, (c) reduce the maximum marginal tax rate of individuals to 30%, (d) eliminate the alternate basic tax for individuals, (e) provide for a fixed 30% regular income tax rate for corporations, (f) eliminate the exemption for interest on obligations issued by States and their political sub-divisions, and (g) eliminate the preferential tax rates that currently exist for certain dividends and other interest income items. The Puerto Rico Legislature is currently reviewing the proposed bills and, therefore, their final outcome is not currently determinable.

Legal Disclaimer

Past performance does not guarantee future results. Current performance may be lower or higher than the performance quoted. Securities issued by the Fund are subject to market risk, including the loss of principal amounts invested. This document is not an offer to sell, or the solicitation of an offer to buy any investment in the Fund, and is for informational purposes only. Fund investments are designed primarily and suitable for long-term investors and not viewed as a vehicle for trading purposes. They may not be suitable to all investors. Fund investments are not equivalent to investments in its underlying securities. The Fund's utilization of leverage poses certain risks to investors, and in some cases, interest rate fluctuations may increase the volatility of its return and affect the Fund to a significantly greater extent than a non-leveraged investment company. **More detailed information about the Fund, including applicable fees, costs, penalties, investment objectives and policies, risk factors, and the effects of leverage, is further described in the Share's prospectus, which you should read carefully prior to making an investment.** To obtain additional information related to the Fund (including investment returns calculated in accordance with Regulation 5766 of March 11, 1998, as amended) or a copy of the Shares' prospectus or Fund's annual report, please contact the UBS Puerto Rico Family of Funds at 787-773-3888. To obtain the Fund's month-end performance or more up-to-date information, please contact your UBS Financial Advisor or see "press releases" at <http://www.ubs.com/pr/funds>.

Footnotes:

¹ Generally, the Fund must invest at least 67% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage) and cash, including cash equivalents, but excluding non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), in Puerto Rico securities. Additionally, the Fund may issue preferred stock, debt securities, or other forms of leverage, representing not more than 50% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage), cash (including cash equivalents), and non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), immediately after the issuance of any such preferred stock, or other debt securities. Moreover, the Fund may not issue preferred stock, debt securities, or other forms of leverage unless the value of its total assets less all its liabilities and indebtedness, other than the preferred stock, debt securities, or other forms of leverage being issued or already outstanding, is at least equal to 200% of the total aggregate liquidation preference/principal amount of all its outstanding preferred stock (not including any accumulated dividends or other distributions), debt securities, and other forms of leverage. **Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years. In view of these volatile market conditions, the Puerto Rico Office of the Commissioner of Financial Institutions (the "PROCFI") has granted to the Fund a temporary regulatory waiver from the Funds' investment requirement in Puerto Rico securities of at least 67% of the Fund's total assets and leverage limitation of 50% of its total assets and 200% asset coverage requirement described above, through July 31, 2015. These temporary waivers may be renewed by the PROCFI for additional periods of time, should market conditions warrant, and upon written request by the Fund.**

It is the Fund's intention to re-achieve compliance therewith as soon as market conditions permit, though there is no assurance the Fund will be able to do so.

² The "Expense Ratio" calculation may reflect a partial waiver of the investment advisory and administration fees payable to UBS Trust Company of Puerto Rico, implemented on October 1, 2013. For more up-to-date information with respect to such partial fee waivers, if any, please see "Press Releases" at <http://www.ubs.com/pr/funds>.

Credit quality is as of December 31, 2014. The Fund's investment portfolio is actively managed, and its composition (including the portfolio statistics and characteristics) will vary over time. Credit quality percentages include only fixed income securities and vary over time, as new investment securities are acquired and the credit rating of any investment held by the Fund is reassessed. For purposes of determining compliance with the Fund's investment requirements, ratings are as of the time of purchase, using a Standard & Poor's equivalent ratings scale. On February 12, 2015, S&P further downgraded the credit rating on the GOs from "BB" to "B", as well as the credit ratings of other Commonwealth agencies and public corporations, including its credit ratings on senior and subordinate-lien bonds issued by COFINA, which were lowered from "BBB" and "BBB-", respectively to "B". On such date, the long-term issuer credit rating on the GDB was also lowered, from "BB-" to "B-". On February 19, 2015, Moody's followed suit and downgraded its credit ratings on various Government of Puerto Rico entities and issuances, including GOs, from "B2" to "Caa1", and COFINA's senior and subordinate-lien bonds, which were lowered from "Ba3" and "B1" to "B3" and "Caa1", respectively. Lastly, on March 26, 2015, Fitch also downgraded the credit rating on the GOs from "BB-" to "B", as well as the credit ratings of PRASA senior lien revenue bonds from "B+" to "B" and COFINA's senior and subordinate-lien bonds from "BB-" to "B". All of the before-mentioned ratings carry a negative outlook. **As a result of the foregoing, none of the bonds issued by the Government of Puerto Rico and its instrumentalities currently carry an investment-grade credit rating. In view of the fact that the Puerto Rico bond**

market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years and the subsequent credit rating downgrade of certain Puerto Rico bonds, current or more up-to-date information regarding the Fund's portfolio holdings is available at <http://www.ubs.com/pr/funds>. Currently, the Fund's percentage investment in securities rated below "AAA" or which are unrated, amounted to 13.69% of the Fund's total portfolio, which exceeds the Fund's maximum investment threshold of 5% of its total assets invested in securities rated below "AAA" or which are unrated. To the extent that such investment threshold(s) in securities of a specific credit quality are exceeded, Fund management may determine to continue to hold such lower-rated securities, provided any new investment proceeds are directed to acquire investment securities which satisfy the Fund's minimum credit rating requirements. On July 2014, the Board of Directors approved an extension of the Fund's existing share repurchase program for the acquisition of up to 45% of each Fund's issued Shares. The Repurchase Program is intended to enhance shareholder value by providing additional liquidity to Fund shareholders. For the quarter ended December 31, 2014, the Fund had repurchased 1,406,882 Shares in the open market with an NAV of \$12,984,114, at a cost of \$12,201,673. Since the program's inception, the Fund has repurchased 9,569,977 Shares of common stock in the open market with an NAV of \$79,111,321, at a cost of \$76,354,792, and which represent 17.34% of the aggregate number of Shares issued by the Fund (net of Shares acquired for dividend reinvestment purposes and which remain outstanding).

³ As of December 31, 2014. **Return figures were not calculated in accordance with Regulation 5766 of March 11, 1998, as amended, which requires that investment returns for an individual retirement account ("IRA") be calculated in the manner provided therein.** To the extent that an individual invests in the Fund through an IRA, his or her investment return figures will be less than those reported herein, when computed in accordance with Regulation 5766 and inasmuch as actual

sales charges applicable to such IRA investments are taken into consideration. "Average Annual Total Return" figures reflect the percentage change in the market value, determined by calculating the average between the bid and ask prices, plus any income and capital gain dividends, and return of capital distributions, all such dividends and distributions reinvested as of the corresponding record date thereof, at the month-end NAV as of that date. In the case of "NAV Total Return," the Fund's NAV per Share is used, rather than the average between the bid and ask prices, to determine such total return, as applicable. "Rolling Period Annual Returns" measure the monthly movement in the average of the Annualized Average Market Return figures over a one-year, three-year, five-year, and ten-year period (as applicable), as it moves over a consecutive time series that begins on the Fund's inception date. Additionally, in the case of the Average Annual Total Return and Rolling Period Annual Return figures, commissions or sales charges payable in connection with a purchase or sale of Shares may vary with each brokerage institution. Total return figures are not representative of the performance of any individual investment, and taxes on capital gain distributions or income dividends, if any, have not been deducted. All calculations were performed by Thomson Reuters, based on certain financial data provided by this Fund and are annualized with the exception of year-to-date figures.

⁴ A \$10,000 investment is hypothetical and is shown for illustrative purposes only.

⁵ "IPO Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the initial public offering price. "Current Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the month-end bid price.



UBS Asset Managers of Puerto Rico Funds Quarterly Review Fourth Quarter 2014

*Consideraciones Especiales

Cada Fondo es una compañía de inversión no diversificada de fin cerrado inscrita bajo la Ley Número 6 de 19 de octubre de 1954, según enmendada. Los valores emitidos por un Fondo pueden solamente ser adquiridos por, o transferidos a, individuos que sean residentes de Puerto Rico y a entidades cuya oficina y localización de negocios principal estén localizados en Puerto Rico. El rendimiento, el valor neto de los activos de un Fondo y el precio en el mercado de las acciones de capital común del Fondo (en adelante, las "Acciones"), podrán fluctuar y se determinarán por factores como la demanda y oferta en el mercado de las Acciones y las condiciones económicas, políticas y del mercado en general, al igual que otros factores que están fuera del control de un Fondo. Las Acciones son negociadas al precio del mercado, el cual puede reflejar una prima o descuento del valor neto de los activos de un Fondo y no se puede dar representación alguna sobre su liquidez o el mercado para disponer de las mismas. A pesar de que es la intención de UBS Financial Services Incorporated of Puerto Rico (en adelante, "UBSFSPR") de continuar manteniendo un mercado secundario para las Acciones, no está obligada a continuar haciéndolo. De otra parte, puede que no exista otra fuente de información de precios para las Acciones u otros compradores para las Acciones que no sea UBSFSPR.

Riesgo de concentración geográfica: El Fondo está expuesto a ciertos riesgos debido a la diversificación geográfica reducida de su cartera de inversiones. Los activos del fondo están invertidos primariamente en valores de emisores de Puerto Rico. A consecuencia, el Fondo generalmente es más susceptible a factores económicos, políticos, regulatorios y otros que podrían afectar adversamente a emisores de Puerto Rico que otra compañía de inversión la cual no esté tan concentrada en emisores de Puerto Rico. En adición, valores emitidos por el Gobierno de Puerto Rico o sus instrumentalidades se afectan por las finanzas del gobierno central. Eso incluye, pero no se limita a, las obligaciones generales de Puerto Rico y los bonos de ingresos, contribuciones especiales o de agencias. El efecto en cada deuda específica podría no ser el mismo y depende de que parte del dinero del gobierno o sus ingresos se supone pague el interés de dicha deuda. En la medida que un porcentaje relativamente alto de los activos del Fondo pueden ser invertidos en obligaciones de un número limitado de emisores de Puerto Rico, el valor neto de activos y su rendimiento puede aumentar o disminuir más que el de una compañía de inversión más diversificada, como resultado de cambios en cuanto a la evaluación de la condición financiera o prospectos de dichos emisores de Puerto Rico. El Fondo también puede ser más susceptible a cualquier ocurrencia individual económica, política o regulatoria en Puerto Rico que una compañía de inversión más diversificada. En los pasados años, los bonos principales del Gobierno de Puerto Rico, al igual que valores emitidos por ciertas instituciones financieras de Puerto Rico han sido degradados por varios factores, incluyendo sin limitación, al empeoramiento experimentado por la economía de Puerto Rico y la condición financiera pobre del Gobierno de Puerto Rico. Al presente, el mercado de bonos de Puerto Rico está experimentando un periodo de volatilidad, con los

bonos de Puerto Rico traficando a precios más bajos y rendimientos más altos a los puntos de referencia de los pasados dos (2) años, y así afectando el valor neto de activos del Fondo.

Transacciones de cartera entre un Fondo y UBSFSPR, Popular Securities (en el caso de un Fondo co-manejado con Banco Popular de Puerto Rico) y otras afiliadas son efectuadas conforme a ciertos procedimientos adoptados por la Junta de Directores de un Fondo con miras a atender posibles conflictos de interés.

Divulgación de Mercado Secundario: Dado a que actualmente UBSFSPR es la fuente dominante, y podría ser la única fuente, de liquidez para la negociación de las Acciones en el mercado secundario, cabe la posibilidad que un inversionista no pueda vender sus Acciones en el mercado secundario o que solamente pueda venderlas a pérdida, si UBSFSPR cesara de facilitar un mercado secundario para la negociación de las Acciones. Por lo tanto, la habilidad de un inversionista para vender sus Acciones dependerá del interés de otros inversionistas que estén comprando Acciones o la disponibilidad de UBSFSPR de designar capital adicional para mantener Acciones en su inventario. UBSFSPR podrá, a su única discreción, comprometer capital adicional para mantener Acciones en inventario cuando así lo estime apropiado, dependiendo de las condiciones del mercado y otras consideraciones, e igualmente en otras ocasiones, podrá reducir la cantidad de capital comprometida para financiar dicho inventario de las Acciones. Por ejemplo, cuando UBSFSPR compra Acciones para su inventario, los precios cotizados por éste podrán permanecer a los niveles previamente cotizados o aumentar. Por otro lado, cuando UBSFSPR vende Acciones de su inventario, los precios cotizados por éste podrían reducirse. En situaciones en que UBSFSPR está vendiendo Acciones de su inventario, podría ofrecer vender dichas Acciones a precios más bajos que cualquier orden de venta pendiente que fue puesta sobre sus Acciones por cualquier inversionista. Cualquier decisión de UBSFSPR de aumentar o reducir su inventario será tomada a su única discreción y no son divulgadas al público.

Divulgación Contributiva sobre Acuerdos de Recompra: A pesar de que existe precedente contable que apoya el concepto que los acuerdos de recompra y recompra a la inversa sean considerados como préstamos con garantía colateral para propósitos contributivos en Puerto Rico, dicho precedente no es determinante en cuanto a las disposiciones contributivas aplicables a los acuerdos de recompra que normalmente el Fondo suscribe, que contienen disposiciones que conceden al comprador de los valores subyacentes a dichos acuerdos el derecho a vender, transferir, pignorar o hipotecar dichos valores. A pesar de que el Departamento de Hacienda de Puerto Rico (en adelante, "Hacienda") nunca se ha expresado sobre si estos tipos de acuerdos deben ser considerados como una transferencia de titularidad sobre los valores subyacentes, Hacienda podría adoptar dicha posición y que los tribunales de Puerto Rico estén de acuerdo con dicha posición. En dicho caso, el interés exento pagado sobre los valores subyacentes a dichos acuerdos podría considerarse

como ingreso no exento del pago de contribución para el vendedor de tales valores subyacentes. En la medida que el Fondo sea considerado el vendedor bajo el acuerdo de recompra correspondiente, los dividendos distribuidos sobre las Acciones que a su vez son derivados del ingreso del acuerdo de recompra correspondiente podría ser considerado como un dividendo sujeto a tributación o ganancias de capital. Si tal dividendo fuera considerado como dividendo sujeto a tributación, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico podrían estar sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos distribuidos antes del 15 de julio de 2014) sobre el dividendo (o la contribución básica alterna aplicable), y aquellos que sean inversionistas corporativos estarían sujetos a una máxima tasa efectiva de 5.85% (o 4.5% para dividendos distribuidos antes del 15 de julio de 2014), debido a la deducción de 85% sobre dividendos recibidos, según dispuesto por el Código de Rentas Internas de Puerto Rico, multiplicando el 15% del dividendo por una tasa contributiva corporativa máxima de 39% para los dividendos distribuidos en o después del 1 de julio de 2014 y 30% para los dividendos distribuidos antes del 1 de julio de 2014). Por otro lado, si tales dividendos fueran considerados como dividendos de ganancias de capital, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico estarían sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014 o la contribución básica alterna aplicable), y los tenedores de las Acciones que tributa como corporaciones, estarían sujetos a una tasa contributiva de 20% (tasa contributiva de 15% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014).

Cambios Recientes al Derecho Tributario de Puerto Rico: El 1 de julio de 2014, el Gobernador de Puerto Rico firmó como ley la Ley 77-2014, la cual enmendó el Código de Rentas Internas de Puerto Rico del 2011 para proveer, entre otras cosas, (i) que el 10% de retención de impuesto que se le impone a los dividendos distribuidos por corporaciones de Puerto Rico a individuos, aplicará a los dividendos distribuidos antes del 1 de julio de 2014, y que la tasa de 15% aplicará a los dividendos distribuidos después del 30 de junio de 2014, y (ii) que las tasas de ganancias de capital a largo plazo para ventas e intercambios realizadas después del 30 de junio de 2014, ha sido aumentada de 10% a 15% para individuos, sucesiones y fideicomisos; y de 15% a 20% para las corporaciones. Consecuentemente, si el Fondo distribuye "Dividendos Tributables" después del 30 de junio de 2014, el interés aplicable y la tasa de retención será 15%. Del mismo modo, si el Fondo distribuye Dividendos de Ganancias de Capital después del 30 de junio de 2014, la tasa de interés aplicable para individuos, sucesiones y fideicomisos será un 15%, y 20% para las corporaciones. Se exhorta a los inversionistas a que contacten a su abogado o asesor contributivo. Ni UBS Financial Services Incorporated of Puerto Rico ni el Fondo proveen asesoría legal o contributiva.

El 11 de febrero de 2015 la Legislatura de Puerto Rico presentó dos proyectos de ley (P.C. 2329 y P.S.

1304) que proponen una reforma contributiva con la aprobación del "Nuevo Código de Rentas Internas de 2015" (el "Código Nuevo"). En términos generales, el Código Nuevo sería efectivo para años contributivos comenzados después del 31 de diciembre de 2014 y, de aprobarse, incluiría los siguientes cambios: (a) eliminar las tasas preferenciales que actualmente aplican a las ganancias de capital a largo plazo generadas después del 31 de diciembre de 2014; (b) eliminar la tasa preferencial de 10% que actualmente aplica a los ingresos de intereses de ciertas obligaciones, incluyendo los Intereses Tributables; (c) reducir el máximo de la tasa de contribuciones de individuos a 30%; (d) eliminar la contribución básica alterna de individuos; (e) establecer una tasa fija de contribuciones sobre ingresos de las corporaciones a 30%; (f) eliminar la exención de los intereses de ciertas obligaciones de los Estados Unidos y sus subdivisiones políticas; y (g) eliminar las tasas preferenciales aplicables a ciertos dividendos y otros ingresos de intereses. La Legislatura de Puerto Rico está en el proceso de revisión de los proyectos de ley, por lo que, actualmente, el resultado final no se puede determinar.

Aviso Legal

Rendimientos anteriores no son garantía de resultados futuros similares. Los rendimientos actuales podrían ser más bajos o más altos que el rendimiento aquí citado. Los valores emitidos por un Fondo están sujetos a riesgo de mercado, incluyendo la pérdida del principal invertido. Este documento no es una oferta de compra ni una solicitud de una oferta de compra para cualquier inversión en un Fondo y es para propósitos informativos solamente. Las inversiones en un Fondo están diseñadas principalmente y son adecuadas para inversionistas a largo plazo y no deben ser consideradas como un vehículo para fines de negociación. Estas inversiones pueden que no sean adecuadas para cualquier inversionista. Una inversión en un Fondo no es equivalente a una inversión en los valores subyacentes en los cuales un Fondo invierte. El uso de apalancamiento por un Fondo representa ciertos riesgos a los inversionistas en éste, y en ciertos casos, las fluctuaciones en las tasas de intereses podrían aumentar la volatilidad en su rendimiento y afectar a un Fondo a mayor grado que a una compañía de inversión no apalancada. **Información más detallada en cuanto a un Fondo, incluyendo los cargos, gastos y penalidades aplicables, objetivo(s) y políticas de inversión, factores de riesgo y el efecto de apalancamiento, se incluye en la documentación de oferta del Fondo, el cual usted debe leer cuidadosamente antes de hacer una inversión.** Para obtener más información en cuanto a un Fondo (incluyendo los rendimientos de inversión calculados conforme el Reglamento 5766 de 11 de marzo de 1998, según enmendado) o una copia del prospecto para la oferta de las Acciones o los informes anuales del Fondo, favor de contactar a la familia de fondos UBS Puerto Rico o Puerto Rico Investors al 787-773-3888 ó 787-751-5452, respectivamente. Para obtener más información en cuanto a los rendimientos del Fondo de fin de mes o información más actualizada, por favor contactar a su Asesor Financiero en UBSFSPR o verifique los comunicados de prensa ("press releases") en <http://www.ubs.com/prfunds>.

Glossary of fund terms

- **Ask Price:** generally refers to the lowest price at which a seller will sell a specified number of units of a given security at a particular time. The ask price may incorporate a markup, which may vary by transaction and may include commissions and other charges. The ask prices quoted by UBSFSPR represent its judgment of the market price for Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price and age of pending customer orders.
- **Average Duration:** a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flow accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flow consist of coupon payments and repayment of capital.) A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, for which maturity and duration are equal.
- **Bid Price:** generally refers to the highest price a buyer is willing to pay at a particular time for a unit of a given security. UBSFSPR publishes two types of bid prices for the Shares: firm or indicative. A firm bid is provided when UBSFSPR has the risk capacity and/or appetite at the particular time to purchase a specified number of Shares. An investor can sell to UBSFSPR at the firm bid price up to the specified number of Shares at a particular time. On the other hand, an indicative bid is provided for informational purposes only when UBSFSPR does not have the risk capacity and/or appetite at a particular time to purchase Shares. The prices quoted by UBSFSPR represent its judgment of the market price for the Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price, and age of pending customer orders, and may be higher (in which case the price is at a premium) or lower (in which case the price is at a discount) than the NAV of the Fund.

The prices quoted by UBSFSPR may also be affected by its willingness to hold additional inventory of the Shares or by its need to sell its inventory of Shares. Depending on market liquidity conditions, orders to buy or sell at the quoted price may not receive immediate execution, and an investor may not be able to sell its Shares at the price quoted by UBSFSPR. Moreover, the proceeds an investor receives on a sale of Shares may be lower than the bid price due to discounts, markdowns, and other charges. Since inception, the Shares have historically traded at prices which reflect a premium to their respective NAV per Share, though on certain limited instances, they have traded at prices which reflect a discount to their respective NAV per Share. However, there is no assurance that the Shares will continue to trade at prices which reflect such a premium. The Fund is presently experiencing liquidity issues. As a result, the bid price is for a limited number of shares, and it may not be possible for sellers to obtain the current bid price.

- **Credit Quality:** a measure of the likelihood that a financial obligation will not be honored provided by one or more of the rating agencies. Rating agencies assign classifications to their ratings, with "AAA" being the highest and "D" being the lowest for Standard & Poor's Ratings Services ("S&P"). The Fund may use other ratings and adjust them for use in this scale.
- **Effective Duration:** a calculation of duration that takes into account the embedded options in the securities of a portfolio and their expected changes in the cash flow of a portfolio caused by those options.
- **Expense Ratio:** The percentage of the Fund's average net assets attributable to holders of the Shares and which is used to pay operating expenses and takes into account investment management fees, administration fees, and other operating expenses such as legal, audit, insurance, and shareholder communications.
- **Hedge Notional:** refers to the total net face value, reflecting any offsetting positions, of derivative instruments employed in hedging strategies of the Fund.
- **Hedge Ratio:** ratio of the Fund's hedge notional amount to its total dollar amount of leverage as of the end of a calendar quarter, assuming the Fund is fully invested at quarter-end. The Fund's investment adviser may, at its discretion, use a variety of derivative instruments including securities options, financial futures contracts, options on futures contracts, and other interest rate protection transactions such as swap agreements, to attempt to hedge its portfolio of assets and seek to enhance its return. There can be no assurance that any particular hedging strategy used will succeed.
- **Leverage:** the Fund may issue preferred stock or debt, enter into repurchase agreements, or borrow money, in order to increase the amounts available for investment ("leverage"). This gives the Fund's investment adviser, in the fixed income area in particular, the opportunity to enhance yield. The use of leverage increases the likelihood of price volatility and market risk for the Shares. There is also the risk that the cost of funding leverage will exceed the earnings on the related investments, which will have the likely effect of reducing the Fund's yield and the value of its investments.
- **Leverage Adjusted Effective Duration:** effective duration adjusted for the impact of the Fund's utilization of leverage. A Fund that utilizes leverage will have a leverage-adjusted effective duration that is longer than its effective duration.
- **Maturity:** date on which the face value of a security/bond must be repaid. It measures the average length to maturity in years of all the bonds in the Fund's portfolio. For mortgage-backed securities, the maturity takes into account the prepayment of the underlying mortgages.
- **NAV:** Net Asset Value. On a per-Share basis, it is determined by calculating the Fund's total assets less its total liabilities and dividing such result by the Shares outstanding. On an aggregate, Fund basis, it is determined by calculating the Fund's total assets less its total liabilities.

- **Undistributed Income:** the Fund's net income that has not been distributed to holders of its Shares as of the latest available audited financial statements. In the case of a target maturity-type investment company (which is liquidated on or by a specific date), it also includes the amounts to be distributed on or by the liquidation date as the return of the initial investment.

For a definition of other terms, please see the Shares' prospectus.



Puerto Rico Fixed Income Fund, Inc.

Investment Objectives and Policies

Seeks current income, consistent with the preservation of capital, by investing:

- up to 33% of its total assets in, among other things, securities issued or guaranteed by the U.S. Government, its agencies, and instrumentalities
- at least 67% of its total assets in securities issued by Puerto Rico issuers (as described in the Prospectus)
- at least 80% of total assets in investment-grade securities²
- may issue leverage representing up to 50% of total assets¹

Pricing and Distribution History²

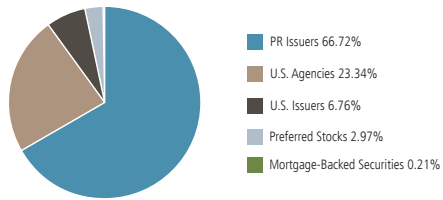
Initial Public Offering (IPO)	\$10.00
52-week Bid Low/High	\$3.00/\$3.66
YTD NAV Change	\$0.27
YTD Bid Price Change	\$0.15
IPO Yield ⁵	5.20%
Current Yield ⁵	16.51%
Last Dividend Paid	\$0.0433
Last 12 Month Dividend	\$0.5200

Portfolio Statistics and Characteristics²

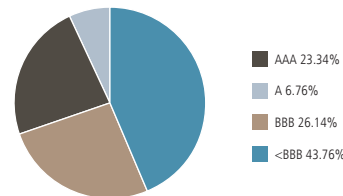
Commencement	July-03	Fiscal Year	30-Jun
Shares Outstanding (mm)	33.44	Weighted Avg. Coupon	4.44%
Bid Price	\$3.15	Average Maturity (yrs)	26.03
Net Asset Value (NAV)	\$3.40	Average Duration (yrs)	11.75
Bid Price to NAV Ratio	92.65%	Leverage Adjusted Effective Duration (yrs)	18.70
Net Assets (mm)	\$113.65	Leverage %	47.15% ¹
Leverage (mm)	\$102.91	Leverage Cost	0.66%
Undistributed Income (mm)	\$5.85	Hedge Notional (mm)	\$39.65
Expense Ratio	1.24%	Hedge Ratio	39%

See Portfolio Holdings, Portfolio Manager, Special Considerations, Disclaimers, Glossary of Fund Terms, and Footnotes on reverse.

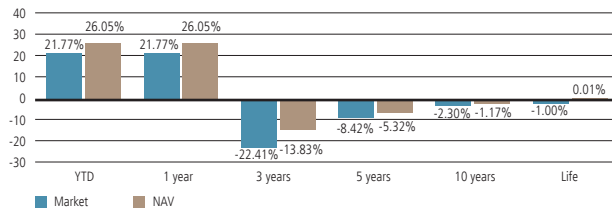
Portfolio Summary²



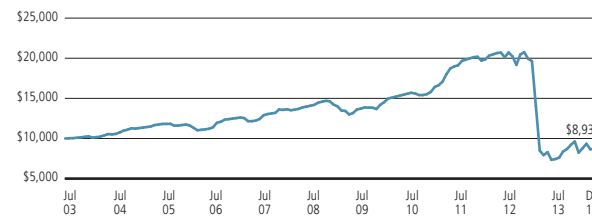
Credit Quality²



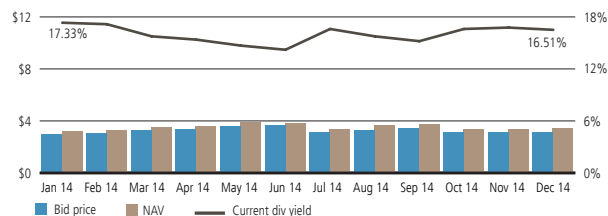
Average Annual Total Return³



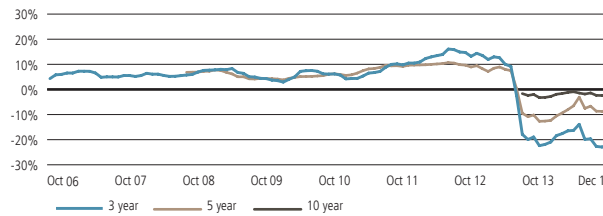
Growth of a \$10,000 Investment as of December 31, 2014⁴



Share Price, NAV and Current Dividend Yield – Prior 12 months⁵



Rolling Period Annual Returns³



Portfolio Holdings²

PR Obligations		U.S. Obligations	
Preferred Stocks		Federal Home	
Universal	2.97%	Loan Bank	23.26%
Mortgage - Backed Securities		Federal Farm	
CMO, COMM END, FNMA		Credit Bank	0.08%
GNMA, FGLMC	0.21%	Build America Bonds	2.90%
AFICA		U.S. Municipals	3.86%
Costa Caribe	2.56%	U.S. Obligations 30.10%	
Employees Retirement System	37.17%		
PR Sales Tax Financing	26.14%		
PREPA	0.85%		
PR Obligations	69.90%		

Portfolio Manager

Leslie Highley, Jr.

Portfolio Manager since inception
UBS Asset Managers of Puerto Rico

*Special Considerations

The Fund is a non-diversified, closed-end management investment company registered under the Puerto Rico Investment Companies Act of 1954, as amended. Securities issued by the Fund may be purchased or otherwise transferred only to individuals who are residents of Puerto Rico and to entities whose principal office and principal place of business are located in Puerto Rico. The Fund's yield and net asset value and the market price of the Fund's shares of Common Stock (the "Shares") may fluctuate and will be determined by such factors as relative demand for and supply of the Shares in the market, as well as general market, political, and economic conditions and other factors beyond the control of the Fund. The Shares trade at market price, which may be at a discount or premium to NAV, and no assurance can be given as to their liquidity or trading market. While it is the intention of UBS Financial Services Incorporated of Puerto Rico ("UBSFSFR") to continue to maintain a secondary market for the Shares, it is not obligated to continue to do so. Moreover, there may be no other source of price information for the Shares or other purchasers of the Shares other than UBSFSFR.

Geographic Concentration Risk. The Fund is exposed to certain risks resulting from the reduced geographic diversification of its portfolio. The Fund's assets are invested primarily in securities of Puerto Rico issuers. Consequently, the Fund in general is more susceptible to economic, political, regulatory or other factors adversely affecting issuers in Puerto Rico than an investment company that is not so concentrated in Puerto Rico issuers. In addition, securities issued by the Government of Puerto Rico or its instrumentalities are affected by the central government's finances. That includes, but is not limited to, general obligations of Puerto Rico and revenue bonds, special tax bonds, or agency bonds. The effect on each specific debt may not be the same; it depends on exactly what part of the government's money or revenue is supposed to pay the interest thereon. Inasmuch as a relatively high percentage of the Fund's assets may be invested in obligations of a limited number of Puerto Rico issuers, the Fund's net asset value and its yield may increase or decrease more than that of a more diversified investment company as a result of changes in the market's assessment of the financial condition and prospects of such Puerto Rico issuers. The Fund may also be more susceptible to any single economic, political, or regulatory occurrence in Puerto Rico than a more widely diversified investment company. Over the past years, the principal Puerto Rico Government bonds as well as the securities issued by several Puerto Rico financial institutions have been downgraded as a result of several factors, including without limitation, the downturn experienced

by the Puerto Rico economy and the strained financial condition of the Government of Puerto Rico. Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years, thereby affecting the Fund's net asset value.

Portfolio transactions between the Fund and UBSFSFR, Popular Securities (in the case of a co-managed Fund with Banco Popular de Puerto Rico), and other affiliates, are conducted in accordance with procedures adopted by the Fund's Board of Directors in an effort to address potential conflicts of interest.

Secondary Market Disclosure: Given UBSFSFR is currently the dominant, and may be the sole source of secondary market liquidity for the Shares, an investor may not be able to sell its Shares or may only be able to sell them at a loss, if UBSFSFR were to cease to facilitate such secondary market for the Shares. Accordingly, an investor's ability to sell its Shares will depend on the interest of other investors buying Shares, or UBSFSFR's willingness to commit additional capital to holding Shares in inventory. UBSFSFR may, in its sole discretion, commit additional capital to hold Shares in inventory when it deems it appropriate to do so, given market conditions or other considerations, and similarly may reduce the amount of capital committed to fund such inventory of Shares at other times. For example, when UBSFSFR purchases Shares and holds them in its inventory, quoted prices may remain at the previously quoted levels or increase. Conversely, when UBSFSFR sells Shares from its inventory, the quoted prices may decrease. In situations where UBSFSFR is selling Shares from its inventory, it may offer to sell its Shares at prices that are lower than pending sell orders that were placed by investors in the Shares. Decisions by UBSFSFR to increase or decrease inventory are made at its sole discretion and are not generally disclosed.

Repurchase Agreement Tax Disclosure: While there is authority generally supporting the treatment of repurchase and reverse repurchase agreements as collateralized loans for Puerto Rico income tax purposes, that authority does not specifically address the tax treatment of the repurchase agreements that the Fund typically enters into, which contain provisions that grant the buyer the right to sell, transfer, pledge, or hypothecate the securities that are the object of such agreements. Although the Puerto Rico Treasury Department ("PR Treasury") has never pronounced itself as to whether this type of arrangement should be viewed as a transfer of ownership of the underlying securities, it is possible that the PR Treasury could take that position in the future and that Puerto Rico

courts would agree with that view. In such event, the tax exempt interest paid on such underlying securities could be deemed not to constitute tax exempt income for the seller of such securities; to the extent that the Fund was such seller, the dividends distributed on its Shares from such income could be treated either as taxable dividends or capital gain dividends. If such dividends were treated as taxable dividends, holders of the Shares who are individuals or Puerto Rico trusts could be subject to a 15% income tax (or 10% income for dividends distributed before July 15, 2014) on the dividend (or the applicable alternate basic tax), and those which are corporate investors would be subject to a maximum effective income tax rate of 5.85% (or 4.5% for dividends distributed before July 15, 2014), (due to the 85% dividend received deduction of the Puerto Rico Internal Revenue Code, 15% of the dividend multiplied by a 39% maximum corporate income tax rate for dividends distributed on or after July 1, 2014 and 30% for dividends distributed before July 1, 2014). On the other hand, if such dividends were treated as capital gains dividends, holders of the Shares who are individuals or Puerto Rico trusts would be subject to a 15% income tax (or 10% income tax for capital dividends distributed before July 1, 2014) (or the applicable alternate basic tax), and holders of the Shares which are taxed as corporations would be subject to a 20% income tax (15% income tax for capital dividends distributed before July 1, 2014).

Recent Changes in Puerto Rico tax law: On July 1, 2014, the Governor of Puerto Rico signed into law Act 77-2014 which amended the Puerto Rico Internal Revenue Code of 2011 to provide, among other things, (i) the 10% withholding tax that is imposed on dividends distributed by Puerto Rico corporations to individuals will apply to dividends distributed before July 1, 2014, and that a 15% rate will apply for dividends distributed after June 30, 2014, and (ii) the long-term capital gains rate for sales and exchanges effected after June 30, 2014, is increased from 10% to 15%, in the case of individuals, estates, and trusts; and from 15% to 20%, in the case of corporations. Accordingly, if the Fund distributes "Taxable Dividends" after June 30, 2014, the applicable tax and withholding rate will be 15%. Similarly, if the Fund distributes Capital Gain Dividends after June 30, 2014, the applicable tax rate for individuals, estates and trusts will be 15%, and 20% in the case of corporations. Investors are encouraged to contact their lawyer or tax consultant. Neither the Fund nor UBS Financial Services Incorporated of Puerto Rico provides legal or tax advice.

On February 11, 2015, two (2) bills (P.C. 2329 and P.S. 1304) were introduced into the Puerto Rico Legislature and which propose the

adoption of a "New Puerto Rico Internal Revenue Code of 2015" ("New Code"). In general, the New Code would be effective for taxable years beginning after December 31, 2014 and, if approved, the New Code would, amongst other changes: (a) eliminate the preferential tax rates that currently apply to long-term capital gains derived after December 31, 2014, (b) eliminate the preferential 10% rate that currently applies to interest on certain obligations, such as Taxable Interest, (c) reduce the maximum marginal tax rate of individuals to 30%, (d) eliminate the alternate basic tax for individuals, (e) provide for a fixed 30% regular income tax rate for corporations, (f) eliminate the exemption for interest on obligations issued by States and their political sub-divisions, and (g) eliminate the preferential tax rates that currently exist for certain dividends and other interest income items. The Puerto Rico Legislature is currently reviewing the proposed bills and, therefore, their final outcome is not currently determinable.

Legal Disclaimer

Past performance does not guarantee future results. Current performance may be lower or higher than the performance quoted. Securities issued by the Fund are subject to market risk, including the loss of principal amounts invested. This document is not an offer to sell, or the solicitation of an offer to buy any investment in the Fund, and is for informational purposes only. Fund investments are designed primarily and suitable for long-term investors and not viewed as a vehicle for trading purposes. They may not be suitable to all investors. Fund investments are not equivalent to investments in its underlying securities. The Fund's utilization of leverage poses certain risks to investors, and in some cases, interest rate fluctuations may increase the volatility of its return and affect the Fund to a significantly greater extent than a non-leveraged investment company. **More detailed information about the Fund, including applicable fees, costs, penalties, investment objectives and policies, risk factors, and the effects of leverage, is further described in the Share's prospectus, which you should read carefully prior to making an investment.** To obtain additional information related to the Fund (including investment returns calculated in accordance with Regulation 5766 of March 11, 1998, as amended) or a copy of the Shares' prospectus or Fund's annual report, please contact the UBS Puerto Rico Family of Funds at 787-773-3888. To obtain the Fund's month-end performance or more up-to-date information, please contact your UBS Financial Advisor or see "press releases" at <http://www.ubs.com/prfunds>.

Footnotes:

¹ Generally, the Fund must invest at least 67% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage) and cash, including cash equivalents, but excluding non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), in Puerto Rico securities. Additionally, the Fund may issue preferred stock, debt securities, or other forms of leverage, representing not more than 50% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage), cash (including cash equivalents), and non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), immediately after the issuance of any such preferred stock, or other debt securities. Moreover, the Fund may not issue preferred stock, debt securities, or other forms of leverage unless the value of its total assets less all its liabilities and indebtedness, other than the preferred stock, debt securities, or other forms of leverage being issued or already outstanding, is at least equal to 200% of the total aggregate liquidation preference/principal amount of all its outstanding preferred stock (not including any accumulated dividends or other distributions), debt securities, and other forms of leverage. **Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years. In view of these volatile market conditions, the Puerto Rico Office of the Commissioner of Financial Institutions (the "PROCFI") has granted to the Fund a temporary regulatory waiver from the Fund's investment requirement in Puerto Rico securities of at least 67% of the Fund's total assets and leverage limitation of 50% of its total assets and 200% asset coverage requirement described above, through July 31, 2015. These temporary waivers may be renewed by the PROCFI for additional periods of time, should market conditions warrant, and upon written request by the Fund. It is the Fund's intention to re-achieve compliance therewith as soon as**

market conditions permit, though there is no assurance the Fund will be able to do so.

² The "Expense Ratio" calculation may reflect a partial waiver of the investment advisory and administration fees payable to UBS Trust Company of Puerto Rico, implemented on October 1, 2013. For more up-to-date information with respect to such partial fee waivers, if any, please see "Press Releases" at <http://www.ubs.com/prfunds>.

Credit quality is as of December 31, 2014. The Fund's investment portfolio is actively managed, and its composition (including the portfolio statistics and characteristics) will vary over time. Credit quality percentages include only fixed income securities and vary over time, as new investment securities are acquired and the credit rating of any investment held by the Fund is reassessed. For purposes of determining compliance with the Fund's investment requirements, ratings are as of the time of purchase, using a Standard & Poor's equivalent ratings scale. On February 12, 2015, S&P further downgraded the credit rating on the GOs from "BB" to "B", as well as the credit ratings of other Commonwealth agencies and public corporations, including its credit ratings on senior and subordinate-lien bonds issued by COFINA, which were lowered from "BBB" and "BBB-", respectively to "B". On such date, the long-term issuer credit rating on the GDB was also lowered, from "BB-" to "B-". On February 19, 2015, Moody's followed suit and downgraded its credit ratings on various Government of Puerto Rico entities and issuances, including GOs, from "B2" to "Caa1", and COFINA's senior and subordinate-lien bonds, which were lowered from "Ba3" and "B1", to "B3" and "Caa1", respectively. Lastly, on March 26, 2015, Fitch also downgraded the credit rating on the GOs from "BB-" to "B", as well as the credit ratings of PRASA senior lien revenue bonds from "B+" to "B" and COFINA's senior and subordinate-lien bonds from "BB-" to "B". All of the before-mentioned ratings carry a negative outlook. **As a result of the foregoing, none of the bonds issued by the Government of Puerto Rico and its instrumentalities currently carry an investment-grade credit rating.** Inasmuch as the Fund invests a substantial portion of its assets in securities issued by the Commonwealth of Puerto Rico, these recent rating downgrades will negatively impact the Fund's ability to maintain compliance with its maximum/minimum investment threshold(s) in securities

of a specific credit quality. To the extent that such investment threshold(s) in securities of a specific credit quality are exceeded, Fund management may determine to continue to hold such lower-rated securities, provided any new investment proceeds are directed to acquire investment securities which satisfy the Fund's minimum credit rating requirements. **In view of the fact that the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years and the subsequent credit rating downgrade of certain Puerto Rico bonds, current or more up-to-date information regarding the Fund's portfolio holdings is available at <http://www.ubs.com/prfunds>.** Currently, the Fund's percentage investment in securities rated below investment-grade (below "BBB" rating) or which are unrated, amounted to 43.76% of the Fund's total portfolio, which exceeds the Fund's maximum investment threshold of 20% of its total assets invested in securities rated below investment-grade or which are unrated. Moreover, the Fund's percentage investment in debt securities rated below investment-grade (below "BBB" rating) or which are not of investment-grade credit quality, amounted to 43.76% of the Fund's total assets, which exceeds the Fund's maximum investment threshold of 0% of its total assets. On July 2014, the Board of Directors approved an extension of the Fund's existing share repurchase program for the acquisition of up to 45% of each Fund's issued Shares. The Repurchase Program is intended to enhance shareholder value by providing additional liquidity to Fund shareholders. For the quarter ended December 31, 2014, the Fund had repurchased 228,211 Shares in the open market with an NAV of \$785,274, at a cost of \$701,051. Since the program's inception, the Fund has repurchased 20,920,965 Shares of common stock in the open market with an NAV of \$74,910,813, at a cost of \$69,943,521, and which represent 38.54% of the aggregate number of Shares issued by the Fund (net of Shares acquired for dividend reinvestment purposes and which remain outstanding).

³ As of December 31, 2014, **Return figures were not calculated in accordance with Regulation 5766 of March 11, 1998, as amended,**

which requires that investment returns for an individual retirement account ("IRA") be calculated in the manner provided therein. To the extent that an individual invests in the Fund through an IRA, his or her investment return figures will be less than those reported herein, when computed in accordance with Regulation 5766 and inasmuch as actual sales charges applicable to such IRA investments are taken into consideration. "Average Annual Total Return" figures reflect the percentage change in the market value, determined by calculating the average between the bid and ask prices, plus any income and capital gain dividends, and return of capital distributions, all such dividends and distributions reinvested as of the corresponding record date thereof, at the month-end NAV as of that date. In the case of "NAV Total Return," the Fund's NAV per Share is used, rather than the average between the bid and ask prices, to determine such total return, as applicable. "Rolling Period Annual Returns" measure the monthly movement in the average of the Annualized Average Market Return figures over a one-year, three-year, five-year, and ten-year period (as applicable), as it moves over a consecutive time series that begins on the Fund's inception date. Additionally, in the case of the Average Annual Total Return and Rolling Period Annual Return figures, commissions or sales charges payable in connection with a purchase or sale of Shares may vary with each brokerage institution. Total return figures are not representative of the performance of any individual investment, and taxes on capital gain distributions or income dividends, if any, have not been deducted. All calculations were performed by Thomson Reuters, based on certain financial data provided by this Fund and are annualized with the exception of year-to-date figures. ⁴ A \$10,000 investment is hypothetical and is shown for illustrative purposes only. ⁵ "IPO Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the initial public offering price. "Current Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the month-end bid price.



UBS Asset Managers of Puerto Rico Funds Quarterly Review Fourth Quarter 2014

*Consideraciones Especiales

Cada Fondo es una compañía de inversión no diversificada de fin cerrado inscrita bajo la Ley Número 6 de 19 de octubre de 1954, según enmendada. Los valores emitidos por un Fondo pueden solamente ser adquiridos por, o transferidos a, individuos que sean residentes de Puerto Rico y a entidades cuya oficina y localización de negocios principal estén localizados en Puerto Rico. El rendimiento, el valor neto de los activos de un Fondo y el precio en el mercado de las acciones de capital común del Fondo (en adelante, las "Acciones"), podrán fluctuar y se determinarán por factores como la demanda y oferta en el mercado de las Acciones y las condiciones económicas, políticas y del mercado en general, al igual que otros factores que están fuera del control de un Fondo. Las Acciones son negociadas al precio del mercado, el cual puede reflejar una prima o descuento del valor neto de los activos de un Fondo y no se puede dar representación alguna sobre su liquidez o el mercado para disponer de las mismas. A pesar de que es la intención de UBS Financial Services Incorporated of Puerto Rico (en adelante, "UBSFSPR") de continuar manteniendo un mercado secundario para las Acciones, no está obligada a continuar haciéndolo. De otra parte, puede que no exista otra fuente de información de precios para las Acciones u otros compradores para las Acciones que no sea UBSFSPR.

Riesgo de concentración geográfica: El Fondo está expuesto a ciertos riesgos debido a la diversificación geográfica reducida de su cartera de inversiones. Los activos del fondo están invertidos primariamente en valores de emisores de Puerto Rico. A consecuencia, el Fondo generalmente es más susceptible a factores económicos, políticos, regulatorios y otros que podrían afectar adversamente a emisores de Puerto Rico que otra compañía de inversión la cual no esté tan concentrada en emisores de Puerto Rico. En adición, valores emitidos por el Gobierno de Puerto Rico o sus instrumentalidades se afectan por las finanzas del gobierno central. Eso incluye, pero no se limita a, las obligaciones generales de Puerto Rico y los bonos de ingresos, contribuciones especiales o de agencias. El efecto en cada deuda específica podría no ser el mismo y depende de que parte del dinero del gobierno o sus ingresos se supone pague el interés de dicha deuda. En la medida que un porcentaje relativamente alto de los activos del Fondo pueden ser invertidos en obligaciones de un número limitado de emisores de Puerto Rico, el valor neto de activos y su rendimiento puede aumentar o disminuir más que el de una compañía de inversión más diversificada, como resultado de cambios en cuanto a la evaluación de la condición financiera o prospectos de dichos emisores de Puerto Rico. El Fondo también puede ser más susceptible a cualquier ocurrencia individual económica, política o regulatoria en Puerto Rico que una compañía de inversión más diversificada. En los pasados años, los bonos principales del Gobierno de Puerto Rico, al igual que valores emitidos por ciertas instituciones financieras de Puerto Rico han sido degradados por varios factores, incluyendo sin limitación, al empeoramiento experimentado por la economía de Puerto Rico y la condición financiera pobre del Gobierno de Puerto Rico. Al presente, el mercado de bonos de Puerto Rico está experimentando un periodo de volatilidad, con los

bonos de Puerto Rico traficando a precios más bajos y rendimientos más altos a los puntos de referencia de los pasados dos (2) años, y así afectando el valor neto de activos del Fondo.

Transacciones de cartera entre un Fondo y UBSFSPR, Popular Securities (en el caso de un Fondo co-manejado con Banco Popular de Puerto Rico) y otras afiliadas son efectuadas conforme a ciertos procedimientos adoptados por la Junta de Directores de un Fondo con miras a atender posibles conflictos de interés.

Divulgación de Mercado Secundario: Dado a que actualmente UBSFSPR es la fuente dominante, y podría ser la única fuente, de liquidez para la negociación de las Acciones en el mercado secundario, cabe la posibilidad que un inversionista no pueda vender sus Acciones en el mercado secundario o que solamente pueda venderlas a pérdida, si UBSFSPR cesara de facilitar un mercado secundario para la negociación de las Acciones. Por lo tanto, la habilidad de un inversionista para vender sus Acciones dependerá del interés de otros inversionistas que estén comprando Acciones o la disponibilidad de UBSFSPR de designar capital adicional para mantener Acciones en su inventario. UBSFSPR podrá, a su única discreción, comprometer capital adicional para mantener Acciones en inventario cuando así lo estime apropiado, dependiendo de las condiciones del mercado y otras consideraciones, e igualmente en otras ocasiones, podrá reducir la cantidad de capital comprometida para financiar dicho inventario de las Acciones. Por ejemplo, cuando UBSFSPR compra Acciones para su inventario, los precios cotizados por éste podrán permanecer a los niveles previamente cotizados o aumentar. Por otro lado, cuando UBSFSPR vende Acciones de su inventario, los precios cotizados por éste podrían reducirse. En situaciones en que UBSFSPR está vendiendo Acciones de su inventario, podría ofrecer vender dichas Acciones a precios más bajos que cualquier orden de venta pendiente que fue puesta sobre sus Acciones por cualquier inversionista. Cualquier decisión de UBSFSPR de aumentar o reducir su inventario será tomada a su única discreción y no son divulgadas al público.

Divulgación Contributiva sobre Acuerdos de Recompra: A pesar de que existe precedente contable que apoya el concepto que los acuerdos de recompra y recompra a la inversa sean considerados como préstamos con garantía colateral para propósitos contributivos en Puerto Rico, dicho precedente no es determinante en cuanto a las disposiciones contributivas aplicables a los acuerdos de recompra que normalmente el Fondo suscribe, que contienen disposiciones que conceden al comprador de los valores subyacentes a dichos acuerdos el derecho a vender, transferir, pignorar o hipotecar dichos valores. A pesar de que el Departamento de Hacienda de Puerto Rico (en adelante, "Hacienda") nunca se ha expresado sobre si estos tipos de acuerdos deben ser considerados como una transferencia de titularidad sobre los valores subyacentes, Hacienda podría adoptar dicha posición y que los tribunales de Puerto Rico estén de acuerdo con dicha posición. En dicho caso, el interés exento pagado sobre los valores subyacentes a dichos acuerdos podría considerarse

como ingreso no exento del pago de contribución para el vendedor de tales valores subyacentes. En la medida que el Fondo sea considerado el vendedor bajo el acuerdo de recompra correspondiente, los dividendos distribuidos sobre las Acciones que a su vez son derivados del ingreso del acuerdo de recompra correspondiente podría ser considerado como un dividendo sujeto a tributación o ganancias de capital. Si tal dividendo fuera considerado como dividendo sujeto a tributación, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico podrían estar sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos distribuidos antes del 15 de julio de 2014) sobre el dividendo (o la contribución básica alterna aplicable), y aquellos que sean inversionistas corporativos estarían sujetos a una máxima tasa efectiva de 5.85% (o 4.5% para dividendos distribuidos antes del 15 de julio de 2014), debido a la deducción de 85% sobre dividendos recibidos, según dispuesto por el Código de Rentas Internas de Puerto Rico, multiplicando el 15% del dividendo por una tasa contributiva corporativa máxima de 39% para los dividendos distribuidos en o después del 1 de julio de 2014 y 30% para los dividendos distribuidos antes del 1 de julio de 2014). Por otro lado, si tales dividendos fueran considerados como dividendos de ganancias de capital, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico estarían sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014 o la contribución básica alterna aplicable), y los tenedores de las Acciones que tributa como corporaciones, estarían sujetos a una tasa contributiva de 20% (tasa contributiva de 15% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014).

Cambios Recientes al Derecho Tributario de Puerto Rico: El 1 de julio de 2014, el Gobernador de Puerto Rico firmó como ley la Ley 77-2014, la cual enmendó el Código de Rentas Internas de Puerto Rico del 2011 para proveer, entre otras cosas, (i) que el 10% de retención de impuesto que se le impone a los dividendos distribuidos por corporaciones de Puerto Rico a individuos, aplicará a los dividendos distribuidos antes del 1 de julio de 2014, y que la tasa de 15% aplicará a los dividendos distribuidos después del 30 de junio de 2014, y (ii) que las tasas de ganancias de capital a largo plazo para ventas e intercambios realizadas después del 30 de junio de 2014, ha sido aumentada de 10% a 15% para individuos, sucesiones y fideicomisos; y de 15% a 20% para las corporaciones. Consecuentemente, si el Fondo distribuye "Dividendos Tributables" después del 30 de junio de 2014, el interés aplicable y la tasa de retención será 15%. Del mismo modo, si el Fondo distribuye Dividendos de Ganancias de Capital después del 30 de junio de 2014, la tasa de interés aplicable para individuos, sucesiones y fideicomisos será un 15%, y 20% para las corporaciones. Se exhorta a los inversionistas a que contacten a su abogado o asesor contributivo. Ni UBS Financial Services Incorporated of Puerto Rico ni el Fondo proveen asesoría legal o contributiva.

El 11 de febrero de 2015 la Legislatura de Puerto Rico presentó dos proyectos de ley (P.C. 2329 y P.S.

1304) que proponen una reforma contributiva con la aprobación del "Nuevo Código de Rentas Internas de 2015" (el "Código Nuevo"). En términos generales, el Código Nuevo sería efectivo para años contributivos comenzados después del 31 de diciembre de 2014 y, de aprobarse, incluiría los siguientes cambios: (a) eliminar las tasas preferenciales que actualmente aplican a las ganancias de capital a largo plazo generadas después del 31 de diciembre de 2014; (b) eliminar la tasa preferencial de 10% que actualmente aplica a los ingresos de intereses de ciertas obligaciones, incluyendo los Intereses Tributables; (c) reducir el máximo de la tasa de contribuciones de individuos a 30%; (d) eliminar la contribución básica alterna de individuos; (e) establecer una tasa fija de contribuciones sobre ingresos de las corporaciones a 30%; (f) eliminar la exención de los intereses de ciertas obligaciones de los Estados Unidos y sus subdivisiones políticas; y (g) eliminar las tasas preferenciales aplicables a ciertos dividendos y otros ingresos de intereses. La Legislatura de Puerto Rico está en el proceso de revisión de los proyectos de ley, por lo que, actualmente, el resultado final no se puede determinar.

Aviso Legal

Rendimientos anteriores no son garantía de resultados futuros similares. Los rendimientos actuales podrían ser más bajos o más altos que el rendimiento aquí citado. Los valores emitidos por un Fondo están sujetos a riesgo de mercado, incluyendo la pérdida del principal invertido. Este documento no es una oferta de compra ni una solicitud de una oferta de compra para cualquier inversión en un Fondo y es para propósitos informativos solamente. Las inversiones en un Fondo están diseñadas principalmente y son adecuadas para inversionistas a largo plazo y no deben ser consideradas como un vehículo para fines de negociación. Estas inversiones pueden que no sean adecuadas para cualquier inversionista. Una inversión en un Fondo no es equivalente a una inversión en los valores subyacentes en los cuales un Fondo invierte. El uso de apalancamiento por un Fondo representa ciertos riesgos a los inversionistas en éste, y en ciertos casos, las fluctuaciones en las tasas de intereses podrían aumentar la volatilidad en su rendimiento y afectar a un Fondo a mayor grado que a una compañía de inversión no apalancada. **Información más detallada en cuanto a un Fondo, incluyendo los cargos, gastos y penalidades aplicables, objetivo(s) y políticas de inversión, factores de riesgo y el efecto de apalancamiento, se incluye en la documentación de oferta del Fondo, el cual usted debe leer cuidadosamente antes de hacer una inversión.** Para obtener más información en cuanto a un Fondo (incluyendo los rendimientos de inversión calculados conforme el Reglamento 5766 de 11 de marzo de 1998, según enmendado) o una copia del prospecto para la oferta de las Acciones o los informes anuales del Fondo, favor de contactar a la familia de fondos UBS Puerto Rico o Puerto Rico Investors al 787-773-3888 ó 787-751-5452, respectivamente. Para obtener más información en cuanto a los rendimientos del Fondo de fin de mes o información más actualizada, por favor contactar a su Asesor Financiero en UBSFSPR o verifique los comunicados de prensa ("press releases") en <http://www.ubs.com/prfunds>.

Glossary of fund terms

- **Ask Price:** generally refers to the lowest price at which a seller will sell a specified number of units of a given security at a particular time. The ask price may incorporate a markup, which may vary by transaction and may include commissions and other charges. The ask prices quoted by UBSFSPR represent its judgment of the market price for Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price and age of pending customer orders.
- **Average Duration:** a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flow accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flow consist of coupon payments and repayment of capital.) A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, for which maturity and duration are equal.
- **Bid Price:** generally refers to the highest price a buyer is willing to pay at a particular time for a unit of a given security. UBSFSPR publishes two types of bid prices for the Shares: firm or indicative. A firm bid is provided when UBSFSPR has the risk capacity and/or appetite at the particular time to purchase a specified number of Shares. An investor can sell to UBSFSPR at the firm bid price up to the specified number of Shares at a particular time. On the other hand, an indicative bid is provided for informational purposes only when UBSFSPR does not have the risk capacity and/or appetite at a particular time to purchase Shares. The prices quoted by UBSFSPR represent its judgment of the market price for the Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price, and age of pending customer orders, and may be higher (in which case the price is at a premium) or lower (in which case the price is at a discount) than the NAV of the Fund.

The prices quoted by UBSFSPR may also be affected by its willingness to hold additional inventory of the Shares or by its need to sell its inventory of Shares. Depending on market liquidity conditions, orders to buy or sell at the quoted price may not receive immediate execution, and an investor may not be able to sell its Shares at the price quoted by UBSFSPR. Moreover, the proceeds an investor receives on a sale of Shares may be lower than the bid price due to discounts, markdowns, and other charges. Since inception, the Shares have historically traded at prices which reflect a premium to their respective NAV per Share, though on certain limited instances, they have traded at prices which reflect a discount to their respective NAV per Share. However, there is no assurance that the Shares will continue to trade at prices which reflect such a premium. The Fund is presently experiencing liquidity issues. As a result, the bid price is for a limited number of shares, and it may not be possible for sellers to obtain the current bid price.

- **Credit Quality:** a measure of the likelihood that a financial obligation will not be honored provided by one or more of the rating agencies. Rating agencies assign classifications to their ratings, with "AAA" being the highest and "D" being the lowest for Standard & Poor's Ratings Services ("S&P"). The Fund may use other ratings and adjust them for use in this scale.
- **Effective Duration:** a calculation of duration that takes into account the embedded options in the securities of a portfolio and their expected changes in the cash flow of a portfolio caused by those options.
- **Expense Ratio:** The percentage of the Fund's average net assets attributable to holders of the Shares and which is used to pay operating expenses and takes into account investment management fees, administration fees, and other operating expenses such as legal, audit, insurance, and shareholder communications.
- **Hedge Notional:** refers to the total net face value, reflecting any offsetting positions, of derivative instruments employed in hedging strategies of the Fund.

– **Hedge Ratio:** ratio of the Fund's hedge notional amount to its total dollar amount of leverage as of the end of a calendar quarter, assuming the Fund is fully invested at quarter-end. The Fund's investment adviser may, at its discretion, use a variety of derivative instruments including securities options, financial futures contracts, options on futures contracts, and other interest rate protection transactions such as swap agreements, to attempt to hedge its portfolio of assets and seek to enhance its return. There can be no assurance that any particular hedging strategy used will succeed.

- **Leverage:** the Fund may issue preferred stock or debt, enter into repurchase agreements, or borrow money, in order to increase the amounts available for investment ("leverage"). This gives the Fund's investment adviser, in the fixed income area in particular, the opportunity to enhance yield. The use of leverage increases the likelihood of price volatility and market risk for the Shares. There is also the risk that the cost of funding leverage will exceed the earnings on the related investments, which will have the likely effect of reducing the Fund's yield and the value of its investments.
- **Leverage Adjusted Effective Duration:** effective duration adjusted for the impact of the Fund's utilization of leverage. A Fund that utilizes leverage will have a leverage-adjusted effective duration that is longer than its effective duration.
- **Maturity:** date on which the face value of a security/bond must be repaid. It measures the average length to maturity in years of all the bonds in the Fund's portfolio. For mortgage-backed securities, the maturity takes into account the prepayment of the underlying mortgages.
- **NAV:** Net Asset Value. On a per-Share basis, it is determined by calculating the Fund's total assets less its total liabilities and dividing such result by the Shares outstanding. On an aggregate, Fund basis, it is determined by calculating the Fund's total assets less its total liabilities.

– **Undistributed Income:** the Fund's net income that has not been distributed to holders of its Shares as of the latest available audited financial statements. In the case of a target maturity-type investment company (which is liquidated on or by a specific date), it also includes the amounts to be distributed on or by the liquidation date as the return of the initial investment.

For a definition of other terms, please see the Shares' prospectus.



Puerto Rico Fixed Income Fund II, Inc.

Investment Objectives and Policies

Seeks current income, consistent with the preservation of capital, by investing:

- up to 33% of its total assets in, among other things, securities issued or guaranteed by the U.S. Government, its agencies, and instrumentalities
- at least 67% of its total assets in securities issued by Puerto Rico issuers (as described in the Prospectus)
- at least 80% of total assets in investment-grade securities²
- may issue leverage representing up to 50% of total assets¹

Pricing and Distribution History²

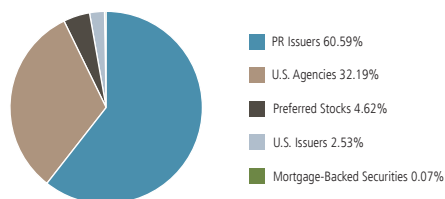
Initial Public Offering (IPO)	\$10.00
52-week Bid Low/High	\$3.49/\$4.22
YTD NAV Change	\$0.22
YTD Bid Price Change	\$0.05
IPO Yield ⁵	5.55%
Current Yield ⁵	15.59%
Last Dividend Paid	\$0.0463
Last 12 Month Dividend	\$0.5836

Portfolio Statistics and Characteristics²

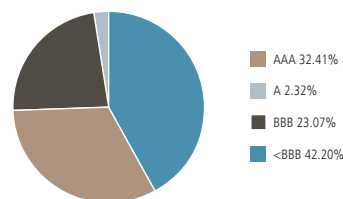
Commencement	Jan-04	Fiscal Year	30-Sep
Shares Outstanding (mm)	37.68	Weighted Avg. Coupon	4.43%
Bid Price	\$3.56	Average Maturity (yrs)	23.96
Net Asset Value (NAV)	\$3.85	Average Duration (yrs)	10.51
Bid Price to NAV Ratio	92.47%	Leverage Adjusted Effective Duration (yrs)	16.27
Net Assets (mm)	\$145.03	Leverage %	47.73% ¹
Leverage (mm)	\$134.30	Leverage Cost	0.56%
Undistributed Income (mm)	\$11.15	Hedge Notional (mm)	\$46.10
Expense Ratio	1.06%	Hedge Ratio	34%

See Portfolio Holdings, Portfolio Manager, Special Considerations, Disclaimers, Glossary of Fund Terms, and Footnotes on reverse.

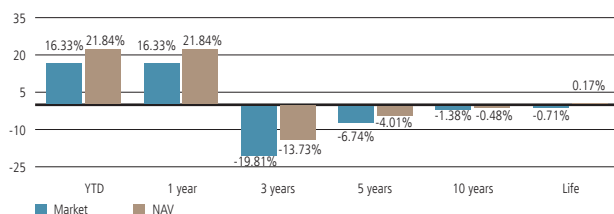
Portfolio Summary²



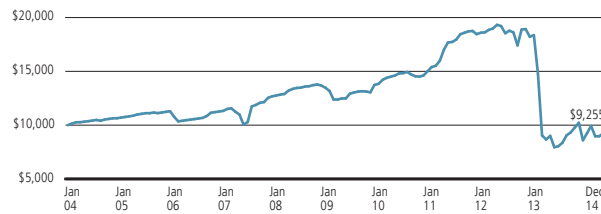
Credit Quality²



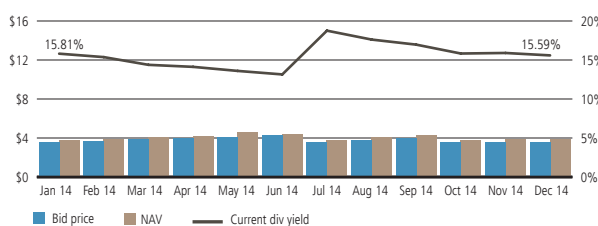
Average Annual Total Return³



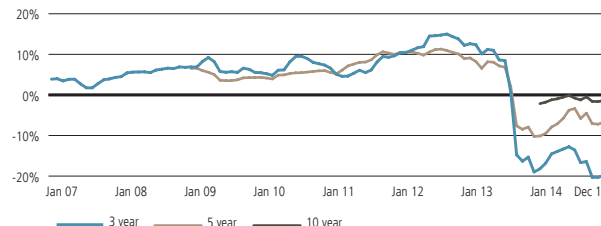
Growth of a \$10,000 Investment as of December 31, 2014⁴



Share Price, NAV and Current Dividend Yield – Prior 12 months



Rolling Period Annual Returns³



Portfolio Holdings²

PR Obligations	U.S. Obligations
Preferred Stocks	Federal Home
Universal 4.62%	Loan Bank 22.63%
Mortgage - Backed Securities	Federal Farm
COMM END, FNMA, GNMA FGLMC 0.07%	Credit Bank 9.56%
AFICA	Build America Bonds 2.16%
Costa Caribe 0.43%	U.S. Municipals 0.37%
Employee Retirement System 34.44%	U.S. Obligations 34.72%
PR Sales Tax Financing 23.07%	
PREPA 1.57%	
University of PR 0.52%	
GDB 0.56%	
PR Obligations 65.28%	

Portfolio Manager

Leslie Highley, Jr.
Portfolio Manager since inception
UBS Asset Managers of Puerto Rico

*Special Considerations

The Fund is a non-diversified, closed-end management investment company registered under the Puerto Rico Investment Companies Act of 1954, as amended. Securities issued by the Fund may be purchased or otherwise transferred only to individuals who are residents of Puerto Rico and to entities whose principal office and principal place of business are located in Puerto Rico. The Fund's yield and net asset value and the market price of the Fund's shares of Common Stock (the "Shares") may fluctuate and will be determined by such factors as relative demand for and supply of the Shares in the market, as well as general market, political, and economic conditions and other factors beyond the control of the Fund. The Shares trade at market price, which may be at a discount or premium to NAV, and no assurance can be given as to their liquidity or trading market. While it is the intention of UBS Financial Services Incorporated of Puerto Rico ("UBSFSPR") to continue to maintain a secondary market for the Shares, it is not obligated to continue to do so. Moreover, there may be no other source of price information for the Shares or other purchasers of the Shares other than UBSFSPR.

Geographic Concentration Risk. The Fund is exposed to certain risks resulting from the reduced geographic diversification of its portfolio. The Fund's assets are invested primarily in securities of Puerto Rico issuers. Consequently, the Fund in general is more susceptible to economic, political, regulatory or other factors adversely affecting issuers in Puerto Rico than an investment company that is not so concentrated in Puerto Rico issuers. In addition, securities issued by the Government of Puerto Rico or its instrumentalities are affected by the central government's finances. That includes, but is not limited to, general obligations of Puerto Rico and revenue bonds, special tax bonds, or agency bonds. The effect on each specific debt may not be the same; it depends on exactly what part of the government's money or revenue is supposed to pay the interest thereon. Inasmuch as a relatively high percentage of the Fund's assets may be invested in obligations of a limited number of Puerto Rico issuers, the Fund's net asset value and its yield may increase or decrease more than that of a more diversified investment company as a result of changes in the market's assessment of the financial condition and prospects of such Puerto Rico issuers. The Fund may also be more susceptible to any single economic, political, or regulatory occurrence in Puerto Rico than a more widely diversified investment company. Over the past years, the principal Puerto Rico Government bonds as well as the securities issued by several Puerto Rico financial institutions have been downgraded as a result of several factors, including without limitation, the downturn experienced

by the Puerto Rico economy and the strained financial condition of the Government of Puerto Rico. Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years, thereby affecting the Fund's net asset value.

Portfolio transactions between the Fund and UBSFSPR, Popular Securities (in the case of a co-managed Fund with Banco Popular de Puerto Rico), and other affiliates, are conducted in accordance with procedures adopted by the Fund's Board of Directors in an effort to address potential conflicts of interest.

Secondary Market Disclosure: Given UBSFSPR is currently the dominant, and may be the sole source of secondary market liquidity for the Shares, an investor may not be able to sell its Shares or may only be able to sell them at a loss, if UBSFSPR were to cease to facilitate such secondary market for the Shares. Accordingly, an investor's ability to sell its Shares will depend on the interest of other investors buying Shares, or UBSFSPR's willingness to commit additional capital to holding Shares in inventory. UBSFSPR may, in its sole discretion, commit additional capital to hold Shares in inventory when it deems it appropriate to do so, given market conditions or other considerations, and similarly may reduce the amount of capital committed to fund such inventory of Shares at other times. For example, when UBSFSPR purchases Shares and holds them in its inventory, quoted prices may remain at the previously quoted levels or increase. Conversely, when UBSFSPR sells Shares from its inventory, the quoted prices may decrease. In situations where UBSFSPR is selling Shares from its inventory, it may offer to sell its Shares at prices that are lower than pending sell orders that were placed by investors in the Shares. Decisions by UBSFSPR to increase or decrease inventory are made at its sole discretion and are not generally disclosed.

Repurchase Agreement Tax Disclosure: While there is authority generally supporting the treatment of repurchase and reverse repurchase agreements as collateralized loans for Puerto Rico income tax purposes, that authority does not specifically address the tax treatment of the repurchase agreements that the Fund typically enters into, which contain provisions that grant the buyer the right to sell, transfer, pledge, or hypothecate the securities that are the object of such agreements. Although the Puerto Rico Treasury Department ("PR Treasury") has never pronounced itself as to whether this type of arrangement should be viewed as a transfer of ownership of the underlying securities, it is possible that the PR Treasury could take that position in the future and that Puerto Rico

courts would agree with that view. In such event, the tax exempt interest paid on such underlying securities could be deemed not to constitute tax exempt income for the seller of such securities; to the extent that the Fund was such seller, the dividends distributed on its Shares from such income could be treated either as taxable dividends or capital gain dividends. If such dividends were treated as taxable dividends, holders of the Shares who are individuals or Puerto Rico trusts could be subject to a 15% income tax (or 10% income for dividends distributed before July 15, 2014) on the dividend (or the applicable alternate basic tax), and those which are corporate investors would be subject to a maximum effective income tax rate of 5.85% (or 4.5% for dividends distributed before July 15, 2014), (due to the 85% dividend received deduction of the Puerto Rico Internal Revenue Code, 15% of the dividend multiplied by a 39% maximum corporate income tax rate for dividends distributed on or after July 1, 2014 and 30% for dividends distributed before July 1, 2014). On the other hand, if such dividends were treated as capital gains dividends, holders of the Shares who are individuals or Puerto Rico trusts would be subject to a 15% income tax (or 10% income tax for capital dividends distributed before July 1, 2014) (or the applicable alternate basic tax), and holders of the Shares which are taxed as corporations would be subject to a 20% income tax (15% income tax for capital dividends distributed before July 1, 2014).

Recent Changes in Puerto Rico tax law: On July 1, 2014, the Governor of Puerto Rico signed into law Act 77-2014 which amended the Puerto Rico Internal Revenue Code of 2011 to provide, among other things, (i) the 10% withholding tax that is imposed on dividends distributed by Puerto Rico corporations to individuals will apply to dividends distributed before July 1, 2014, and that a 15% rate will apply for dividends distributed after June 30, 2014, and (ii) the long-term capital gains rate for sales and exchanges effected after June 30, 2014, is increased from 10% to 15%, in the case of individuals, estates, and trusts; and from 15% to 20%, in the case of corporations. Accordingly, if the Fund distributes "Taxable Dividends" after June 30, 2014, the applicable tax and withholding rate will be 15%. Similarly, if the Fund distributes Capital Gain Dividends after June 30, 2014, the applicable tax rate for individuals, estates and trusts will be 15%, and 20% in the case of corporations. Investors are encouraged to contact their lawyer or tax consultant. Neither the Fund nor UBS Financial Services Incorporated of Puerto Rico provides legal or tax advice.

On February 11, 2015, two (2) bills (P.C. 2329 and P.S. 1304) were introduced into the Puerto Rico Legislature and which propose the

adoption of a "New Puerto Rico Internal Revenue Code of 2015" ("New Code"). In general, the New Code would be effective for taxable years beginning after December 31, 2014 and, if approved, the New Code would, amongst other changes: (a) eliminate the preferential tax rates that currently apply to long-term capital gains derived after December 31, 2014, (b) eliminate the preferential 10% rate that currently applies to interest on certain obligations, such as Taxable Interest, (c) reduce the maximum marginal tax rate of individuals to 30%, (d) eliminate the alternate basic tax for individuals, (e) provide for a fixed 30% regular income tax rate for corporations, (f) eliminate the exemption for interest on obligations issued by States and their political sub-divisions, and (g) eliminate the preferential tax rates that currently exist for certain dividends and other interest income items. The Puerto Rico Legislature is currently reviewing the proposed bills and, therefore, their final outcome is not currently determinable.

Legal Disclaimer

Past performance does not guarantee future results. Current performance may be lower or higher than the performance quoted. Securities issued by the Fund are subject to market risk, including the loss of principal amounts invested. This document is not an offer to sell, or the solicitation of an offer to buy any investment in the Fund, and is for informational purposes only. Fund investments are designed primarily and suitable for long-term investors and not viewed as a vehicle for trading purposes. They may not be suitable to all investors. Fund investments are not equivalent to investments in its underlying securities. The Fund's utilization of leverage poses certain risks to investors, and in some cases, interest rate fluctuations may increase the volatility of its return and affect the Fund to a significantly greater extent than a non-leveraged investment company. **More detailed information about the Fund, including applicable fees, costs, penalties, investment objectives and policies, risk factors, and the effects of leverage, is further described in the Share's prospectus, which you should read carefully prior to making an investment.** To obtain additional information related to the Fund (including investment returns calculated in accordance with Regulation 5766 of March 11, 1998, as amended) or a copy of the Share's prospectus or Fund's annual report, please contact the UBS Puerto Rico Family of Funds at 787-773-3888. To obtain the Fund's month-end performance or more up-to-date information, please contact your UBS Financial Advisor or see "press releases" at <http://www.ubs.com/prfunds>.

Footnotes:

¹ Generally, the Fund must invest at least 67% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage) and cash, including cash equivalents, but excluding non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), in Puerto Rico securities. Additionally, the Fund may issue preferred stock, debt securities, or other forms of leverage, representing not more than 50% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage), cash (including cash equivalents), and non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), immediately after the issuance of any such preferred stock, or other debt securities. Moreover, the Fund may not issue preferred stock, debt securities, or other forms of leverage unless the value of its total assets less all its liabilities and indebtedness, other than the preferred stock, debt securities, or other forms of leverage being issued or already outstanding, is at least equal to 200% of the total aggregate liquidation preference/principal amount of all its outstanding preferred stock (not including any accumulated dividends or other distributions), debt securities, and other forms of leverage. **Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years. In view of these volatile market conditions, the Puerto Rico Office of the Commissioner of Financial Institutions (the "PROCFI") has granted to the Fund a temporary regulatory waiver from the Funds' investment requirement in Puerto Rico securities of at least 67% of the Fund's total assets and leverage limitation of 50% of its total assets and 200% asset coverage requirement described above, through July 31, 2015. These temporary waivers may be renewed by the PROCFI for additional periods of time, should market conditions warrant, and upon written request by the Fund. It is the Fund's intention to re-achieve compliance therewith as soon as market conditions permit, though there is no assurance the Fund will be able to do so.**

² The "Expense Ratio" calculation may reflect a partial waiver of the investment advisory and administration fees payable to UBS Trust Company of Puerto Rico, implemented on October 1, 2013. For more up-to-date information with respect to such partial fee waivers, if any, please see "Press Releases" at <http://www.ubs.com/prfunds>.

Credit quality is as of December 31, 2014. The Fund's investment portfolio is actively managed, and its composition (including the portfolio statistics and characteristics) will vary over time. Credit quality percentages include only fixed income securities and vary over time, as new investment securities are acquired and the credit rating of any investment held by the Fund is reassessed. For purposes of determining compliance with the Fund's investment requirements, ratings are as of the time of purchase, using a Standard & Poor's equivalent ratings scale. On February 12, 2015, S&P further downgraded the credit rating on the GOs from "BB" to "B", as well as the credit ratings of other Commonwealth agencies and public corporations, including its credit ratings on senior and subordinate-lien bonds issued by COFINA, which were lowered from "BBB" and "BBB-", respectively to "B". On such date, the long-term issuer credit rating on the GDB was also lowered, from "BB-" to "B-". On February 19, 2015, Moody's followed suit and downgraded its credit ratings on various Government of Puerto Rico entities and issuances, including GOs, from "B2" to "Caa1", and COFINA's senior and subordinate-lien bonds, which were lowered from "Ba3" and "B1", to "B3" and "Caa1", respectively. Lastly, on March 26, 2015, Fitch also downgraded the credit rating on the GOs from "BB-" to "B", as well as the credit ratings of PRASA senior lien revenue bonds from "B+" to "B" and COFINA's senior and subordinate-lien bonds from "BB-" to "B". All of the before-mentioned ratings carry a negative outlook. **As a result of the foregoing, none of the bonds issued by the Government of Puerto Rico and its instrumentalities currently carry an investment-grade credit rating.** Inasmuch as the Fund invests a substantial portion of its assets in securities issued by the Commonwealth of Puerto Rico, these recent rating downgrades will negatively impact the Fund's ability to maintain compliance with its maximum/minimum investment threshold(s) in securities

of a specific credit quality. To the extent that such investment threshold(s) in securities of a specific credit quality are exceeded, Fund management may determine to continue to hold such lower-rated securities, provided any new investment proceeds are directed to acquire investment securities which satisfy the Fund's minimum credit rating requirements. **In view of the fact that the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years and the subsequent credit rating downgrade of certain Puerto Rico bonds, current or more up-to-date information regarding the Fund's portfolio holdings is available at <http://www.ubs.com/prfunds>.** Currently, the Fund's percentage investment in securities rated below investment-grade (below "BBB" rating) or which are unrated, amounted to 42.20% of the Fund's total portfolio, which exceeds the Fund's maximum investment threshold of 20% of its total assets invested in securities rated below investment-grade or which are unrated. Moreover, the Fund's percentage investment in debt securities rated below investment-grade (below "BBB" rating) or which are not of investment-grade credit quality, amounted to 42.20% of the Fund's total assets, which exceeds the Fund's maximum investment threshold of 5% of its total assets. On July 2014, the Board of Directors approved an extension of the Fund's existing share repurchase program for the acquisition of up to 45% of each Fund's issued Shares. The Repurchase Program is intended to enhance shareholder value by providing additional liquidity to Fund shareholders. For the quarter ended December 31, 2014, the Fund had repurchased 523,645 Shares in the open market with an NAV of \$2,031,219, at a cost of \$1,808,607. Since the program's inception, the Fund has repurchased 17,614,824 Shares of common stock in the open market with an NAV of \$76,276,858, at a cost of \$71,664,986, and which represent 31.88% of the aggregate number of Shares issued by the Fund (net of Shares acquired for dividend reinvestment purposes and which remain outstanding).

³ As of December 31, 2014. **Return figures were not calculated in accordance with Regulation 5766 of March 11, 1998, as amended,**

which requires that investment returns for an individual retirement account ("IRA") be calculated in the manner provided therein. To the extent that an individual invests in the Fund through an IRA, his or her investment return figures will be less than those reported herein, when computed in accordance with Regulation 5766 and inasmuch as actual sales charges applicable to such IRA investments are taken into consideration. "Average Annual Total Return" figures reflect the percentage change in the market value, determined by calculating the average between the bid and ask prices, plus any income and capital gain dividends, and return of capital distributions, all such dividends and distributions reinvested as of the corresponding record date thereof, at the month-end NAV as of that date. In the case of "NAV Total Return," the Fund's NAV per Share is used, rather than the average between the bid and ask prices, to determine such total return, as applicable. "Rolling Period Annual Returns" measure the monthly movement in the average of the Annualized Average Market Return figures over a one-year, three-year, five-year, and ten-year period (as applicable), as it moves over a consecutive time series that begins on the Fund's inception date. Additionally, in the case of the Average Annual Total Return and Rolling Period Annual Return figures, commissions or sales charges payable in connection with a purchase or sale of Shares may vary with each brokerage institution. Total return figures are not representative of the performance of any individual investment, and taxes on capital gain distributions or income dividends, if any, have not been deducted. All calculations were performed by Thomson Reuters, based on certain financial data provided by this Fund and are annualized with the exception of year-to-date figures.

⁴ A \$10,000 investment is hypothetical and is shown for illustrative purposes only.

⁵ "IPO Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the initial public offering price. "Current Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the month-end bid price.



UBS Asset Managers of Puerto Rico Funds Quarterly Review Fourth Quarter 2014

*Consideraciones Especiales

Cada Fondo es una compañía de inversión no diversificada de fin cerrado inscrita bajo la Ley Número 6 de 19 de octubre de 1954, según enmendada. Los valores emitidos por un Fondo pueden solamente ser adquiridos por, o transferidos a, individuos que sean residentes de Puerto Rico y a entidades cuya oficina y localización de negocios principal estén localizados en Puerto Rico. El rendimiento, el valor neto de los activos de un Fondo y el precio en el mercado de las acciones de capital común del Fondo (en adelante, las "Acciones"), podrán fluctuar y se determinarán por factores como la demanda y oferta en el mercado de las Acciones y las condiciones económicas, políticas y del mercado en general, al igual que otros factores que están fuera del control de un Fondo. Las Acciones son negociadas al precio del mercado, el cual puede reflejar una prima o descuento del valor neto de los activos de un Fondo y no se puede dar representación alguna sobre su liquidez o el mercado para disponer de las mismas. A pesar de que es la intención de UBS Financial Services Incorporated of Puerto Rico (en adelante, "UBSFSPR") de continuar manteniendo un mercado secundario para las Acciones, no está obligada a continuar haciéndolo. De otra parte, puede que no exista otra fuente de información de precios para las Acciones u otros compradores para las Acciones que no sea UBSFSPR.

Riesgo de concentración geográfica: El Fondo está expuesto a ciertos riesgos debido a la diversificación geográfica reducida de su cartera de inversiones. Los activos del fondo están invertidos primariamente en valores de emisores de Puerto Rico. A consecuencia, el Fondo generalmente es más susceptible a factores económicos, políticos, regulatorios y otros que podrían afectar adversamente a emisores de Puerto Rico que otra compañía de inversión la cual no esté tan concentrada en emisores de Puerto Rico. En adición, valores emitidos por el Gobierno de Puerto Rico o sus instrumentalidades se afectan por las finanzas del gobierno central. Eso incluye, pero no se limita a, las obligaciones generales de Puerto Rico y los bonos de ingresos, contribuciones especiales o de agencias. El efecto en cada deuda específica podría no ser el mismo y depende de que parte del dinero del gobierno o sus ingresos se supone pague el interés de dicha deuda. En la medida que un porcentaje relativamente alto de los activos del Fondo pueden ser invertidos en obligaciones de un número limitado de emisores de Puerto Rico, el valor neto de activos y su rendimiento puede aumentar o disminuir más que el de una compañía de inversión más diversificada, como resultado de cambios en cuanto a la evaluación de la condición financiera o prospectos de dichos emisores de Puerto Rico. El Fondo también puede ser más susceptible a cualquier ocurrencia individual económica, política o regulatoria en Puerto Rico que una compañía de inversión más diversificada. En los pasados años, los bonos principales del Gobierno de Puerto Rico, al igual que valores emitidos por ciertas instituciones financieras de Puerto Rico han sido degradados por varios factores, incluyendo sin limitación, al empeoramiento experimentado por la economía de Puerto Rico y la condición financiera pobre del Gobierno de Puerto Rico. Al presente, el mercado de bonos de Puerto Rico está experimentando un periodo de volatilidad, con los

bonos de Puerto Rico traficando a precios más bajos y rendimientos más altos a los puntos de referencia de los pasados dos (2) años, y así afectando el valor neto de activos del Fondo.

Transacciones de cartera entre un Fondo y UBSFSPR, Popular Securities (en el caso de un Fondo co-manejado con Banco Popular de Puerto Rico) y otras afiliadas son efectuadas conforme a ciertos procedimientos adoptados por la Junta de Directores de un Fondo con miras a atender posibles conflictos de interés.

Divulgación de Mercado Secundario: Dado a que actualmente UBSFSPR es la fuente dominante, y podría ser la única fuente, de liquidez para la negociación de las Acciones en el mercado secundario, cabe la posibilidad que un inversionista no pueda vender sus Acciones en el mercado secundario o que solamente pueda venderlas a pérdida, si UBSFSPR cesara de facilitar un mercado secundario para la negociación de las Acciones. Por lo tanto, la habilidad de un inversionista para vender sus Acciones dependerá del interés de otros inversionistas que estén comprando Acciones o la disponibilidad de UBSFSPR de designar capital adicional para mantener Acciones en su inventario. UBSFSPR podrá, a su única discreción, comprometer capital adicional para mantener Acciones en inventario cuando así lo estime apropiado, dependiendo de las condiciones del mercado y otras consideraciones, e igualmente en otras ocasiones, podrá reducir la cantidad de capital comprometida para financiar dicho inventario de las Acciones. Por ejemplo, cuando UBSFSPR compra Acciones para su inventario, los precios cotizados por éste podrán permanecer a los niveles previamente cotizados o aumentar. Por otro lado, cuando UBSFSPR vende Acciones de su inventario, los precios cotizados por éste podrían reducirse. En situaciones en que UBSFSPR está vendiendo Acciones de su inventario, podría ofrecer vender dichas Acciones a precios más bajos que cualquier orden de venta pendiente que fue puesta sobre sus Acciones por cualquier inversionista. Cualquier decisión de UBSFSPR de aumentar o reducir su inventario será tomada a su única discreción y no son divulgadas al público.

Divulgación Contributiva sobre Acuerdos de Recompra: A pesar de que existe precedente contable que apoya el concepto que los acuerdos de recompra y recompra a la inversa sean considerados como préstamos con garantía colateral para propósitos contributivos en Puerto Rico, dicho precedente no es determinante en cuanto a las disposiciones contributivas aplicables a los acuerdos de recompra que normalmente el Fondo suscribe, que contienen disposiciones que conceden al comprador de los valores subyacentes a dichos acuerdos el derecho a vender, transferir, pignorar o hipotecar dichos valores. A pesar de que el Departamento de Hacienda de Puerto Rico (en adelante, "Hacienda") nunca se ha expresado sobre si estos tipos de acuerdos deben ser considerados como una transferencia de titularidad sobre los valores subyacentes, Hacienda podría adoptar dicha posición y que los tribunales de Puerto Rico estén de acuerdo con dicha posición. En dicho caso, el interés exento pagado sobre los valores subyacentes a dichos acuerdos podría considerarse

como ingreso no exento del pago de contribución para el vendedor de tales valores subyacentes. En la medida que el Fondo sea considerado el vendedor bajo el acuerdo de recompra correspondiente, los dividendos distribuidos sobre las Acciones que a su vez son derivados del ingreso del acuerdo de recompra correspondiente podría ser considerado como un dividendo sujeto a tributación o ganancias de capital. Si tal dividendo fuera considerado como dividendo sujeto a tributación, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico podrían estar sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos distribuidos antes del 15 de julio de 2014) sobre el dividendo (o la contribución básica alterna aplicable), y aquellos que sean inversionistas corporativos estarían sujetos a una máxima tasa efectiva de 5.85% (o 4.5% para dividendos distribuidos antes del 15 de julio de 2014), debido a la deducción de 85% sobre dividendos recibidos, según dispuesto por el Código de Rentas Internas de Puerto Rico, multiplicando el 15% del dividendo por una tasa contributiva corporativa máxima de 39% para los dividendos distribuidos en o después del 1 de julio de 2014 y 30% para los dividendos distribuidos antes del 1 de julio de 2014). Por otro lado, si tales dividendos fueran considerados como dividendos de ganancias de capital, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico estarían sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014 o la contribución básica alterna aplicable), y los tenedores de las Acciones que tributa como corporaciones, estarían sujetos a una tasa contributiva de 20% (tasa contributiva de 15% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014).

Cambios Recientes al Derecho Tributario de Puerto Rico: El 1 de julio de 2014, el Gobernador de Puerto Rico firmó como ley la Ley 77-2014, la cual enmendó el Código de Rentas Internas de Puerto Rico del 2011 para proveer, entre otras cosas, (i) que el 10% de retención de impuesto que se le impone a los dividendos distribuidos por corporaciones de Puerto Rico a individuos, aplicará a los dividendos distribuidos antes del 1 de julio de 2014, y que la tasa de 15% aplicará a los dividendos distribuidos después del 30 de junio de 2014, y (ii) que las tasas de ganancias de capital a largo plazo para ventas e intercambios realizadas después del 30 de junio de 2014, ha sido aumentada de 10% a 15% para individuos, sucesiones y fideicomisos; y de 15% a 20% para las corporaciones. Consecuentemente, si el Fondo distribuye "Dividendos Tributables" después del 30 de junio de 2014, el interés aplicable y la tasa de retención será 15%. Del mismo modo, si el Fondo distribuye Dividendos de Ganancias de Capital después del 30 de junio de 2014, la tasa de interés aplicable para individuos, sucesiones y fideicomisos será un 15%, y 20% para las corporaciones. Se exhorta a los inversionistas a que contacten a su abogado o asesor contributivo. Ni UBS Financial Services Incorporated of Puerto Rico ni el Fondo proveen asesoría legal o contributiva.

El 11 de febrero de 2015 la Legislatura de Puerto Rico presentó dos proyectos de ley (P.C. 2329 y P.S.

1304) que proponen una reforma contributiva con la aprobación del "Nuevo Código de Rentas Internas de 2015" (el "Código Nuevo"). En términos generales, el Código Nuevo sería efectivo para años contributivos comenzados después del 31 de diciembre de 2014 y, de aprobarse, incluiría los siguientes cambios: (a) eliminar las tasas preferenciales que actualmente aplican a las ganancias de capital a largo plazo generadas después del 31 de diciembre de 2014; (b) eliminar la tasa preferencial de 10% que actualmente aplica a los ingresos de intereses de ciertas obligaciones, incluyendo los Intereses Tributables; (c) reducir el máximo de la tasa de contribuciones de individuos a 30%; (d) eliminar la contribución básica alterna de individuos; (e) establecer una tasa fija de contribuciones sobre ingresos de las corporaciones a 30%; (f) eliminar la exención de los intereses de ciertas obligaciones de los Estados Unidos y sus subdivisiones políticas; y (g) eliminar las tasas preferenciales aplicables a ciertos dividendos y otros ingresos de intereses. La Legislatura de Puerto Rico está en el proceso de revisión de los proyectos de ley, por lo que, actualmente, el resultado final no se puede determinar.

Aviso Legal

Rendimientos anteriores no son garantía de resultados futuros similares. Los rendimientos actuales podrían ser más bajos o más altos que el rendimiento aquí citado. Los valores emitidos por un Fondo están sujetos a riesgo de mercado, incluyendo la pérdida del principal invertido. Este documento no es una oferta de compra ni una solicitud de una oferta de compra para cualquier inversión en un Fondo y es para propósitos informativos solamente. Las inversiones en un Fondo están diseñadas principalmente y son adecuadas para inversionistas a largo plazo y no deben ser consideradas como un vehículo para fines de negociación. Estas inversiones pueden que no sean adecuadas para cualquier inversionista. Una inversión en un Fondo no es equivalente a una inversión en los valores subyacentes en los cuales un Fondo invierte. El uso de apalancamiento por un Fondo representa ciertos riesgos a los inversionistas en éste, y en ciertos casos, las fluctuaciones en las tasas de intereses podrían aumentar la volatilidad en su rendimiento y afectar a un Fondo a mayor grado que a una compañía de inversión no apalancada. **Información más detallada en cuanto a un Fondo, incluyendo los cargos, gastos y penalidades aplicables, objetivo(s) y políticas de inversión, factores de riesgo y el efecto de apalancamiento, se incluye en la documentación de oferta del Fondo, el cual usted debe leer cuidadosamente antes de hacer una inversión.** Para obtener más información en cuanto a un Fondo (incluyendo los rendimientos de inversión calculados conforme el Reglamento 5766 de 11 de marzo de 1998, según enmendado) o una copia del prospecto para la oferta de las Acciones o los informes anuales del Fondo, favor de contactar a la familia de fondos UBS Puerto Rico o Puerto Rico Investors al 787-773-3888 ó 787-751-5452, respectivamente. Para obtener más información en cuanto a los rendimientos del Fondo de fin de mes o información más actualizada, por favor contactar a su Asesor Financiero en UBSFSPR o verifique los comunicados de prensa ("press releases") en <http://www.ubs.com/prfunds>.

Glossary of fund terms

- **Ask Price:** generally refers to the lowest price at which a seller will sell a specified number of units of a given security at a particular time. The ask price may incorporate a markup, which may vary by transaction and may include commissions and other charges. The ask prices quoted by UBSFSPR represent its judgment of the market price for Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price and age of pending customer orders.
- **Average Duration:** a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flow accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flow consist of coupon payments and repayment of capital.) A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, for which maturity and duration are equal.
- **Bid Price:** generally refers to the highest price a buyer is willing to pay at a particular time for a unit of a given security. UBSFSPR publishes two types of bid prices for the Shares: firm or indicative. A firm bid is provided when UBSFSPR has the risk capacity and/or appetite at the particular time to purchase a specified number of Shares. An investor can sell to UBSFSPR at the firm bid price up to the specified number of Shares at a particular time. On the other hand, an indicative bid is provided for informational purposes only when UBSFSPR does not have the risk capacity and/or appetite at a particular time to purchase Shares. The prices quoted by UBSFSPR represent its judgment of the market price for the Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price, and age of pending customer orders, and may be higher (in which case the price is at a premium) or lower (in which case the price is at a discount) than the NAV of the Fund.

The prices quoted by UBSFSPR may also be affected by its willingness to hold additional inventory of the Shares or by its need to sell its inventory of Shares. Depending on market liquidity conditions, orders to buy or sell at the quoted price may not receive immediate execution, and an investor may not be able to sell its Shares at the price quoted by UBSFSPR. Moreover, the proceeds an investor receives on a sale of Shares may be lower than the bid price due to discounts, markdowns, and other charges. Since inception, the Shares have historically traded at prices which reflect a premium to their respective NAV per Share, though on certain limited instances, they have traded at prices which reflect a discount to their respective NAV per Share. However, there is no assurance that the Shares will continue to trade at prices which reflect such a premium. The Fund is presently experiencing liquidity issues. As a result, the bid price is for a limited number of shares, and it may not be possible for sellers to obtain the current bid price.

- **Credit Quality:** a measure of the likelihood that a financial obligation will not be honored provided by one or more of the rating agencies. Rating agencies assign classifications to their ratings, with "AAA" being the highest and "D" being the lowest for Standard & Poor's Ratings Services ("S&P"). The Fund may use other ratings and adjust them for use in this scale.
- **Effective Duration:** a calculation of duration that takes into account the embedded options in the securities of a portfolio and their expected changes in the cash flow of a portfolio caused by those options.
- **Expense Ratio:** The percentage of the Fund's average net assets attributable to holders of the Shares and which is used to pay operating expenses and takes into account investment management fees, administration fees, and other operating expenses such as legal, audit, insurance, and shareholder communications.
- **Hedge Notional:** refers to the total net face value, reflecting any offsetting positions, of derivative instruments employed in hedging strategies of the Fund.
- **Hedge Ratio:** ratio of the Fund's hedge notional amount to its total dollar amount of leverage as of the end of a calendar quarter, assuming the Fund is fully invested at quarter-end. The Fund's investment adviser may, at its discretion, use a variety of derivative instruments including securities options, financial futures contracts, options on futures contracts, and other interest rate protection transactions such as swap agreements, to attempt to hedge its portfolio of assets and seek to enhance its return. There can be no assurance that any particular hedging strategy used will succeed.
- **Leverage:** the Fund may issue preferred stock or debt, enter into repurchase agreements, or borrow money, in order to increase the amounts available for investment ("leverage"). This gives the Fund's investment adviser, in the fixed income area in particular, the opportunity to enhance yield. The use of leverage increases the likelihood of price volatility and market risk for the Shares. There is also the risk that the cost of funding leverage will exceed the earnings on the related investments, which will have the likely effect of reducing the Fund's yield and the value of its investments.
- **Leverage Adjusted Effective Duration:** effective duration adjusted for the impact of the Fund's utilization of leverage. A Fund that utilizes leverage will have a leverage-adjusted effective duration that is longer than its effective duration.
- **Maturity:** date on which the face value of a security/bond must be repaid. It measures the average length to maturity in years of all the bonds in the Fund's portfolio. For mortgage-backed securities, the maturity takes into account the prepayment of the underlying mortgages.
- **NAV:** Net Asset Value. On a per-Share basis, it is determined by calculating the Fund's total assets less its total liabilities and dividing such result by the Shares outstanding. On an aggregate, Fund basis, it is determined by calculating the Fund's total assets less its total liabilities.

- **Undistributed Income:** the Fund's net income that has not been distributed to holders of its Shares as of the latest available audited financial statements. In the case of a target maturity-type investment company (which is liquidated on or by a specific date), it also includes the amounts to be distributed on or by the liquidation date as the return of the initial investment.

For a definition of other terms, please see the Shares' prospectus.



Puerto Rico Fixed Income Fund III, Inc.

Investment Objectives and Policies

Seeks current income, consistent with the preservation of capital, by investing:

- up to 33% of its total assets in, among other things, securities issued or guaranteed by the U.S. Government, its agencies, and instrumentalities
- at least 67% of its total assets in securities issued by Puerto Rico issuers (as described in the Prospectus)
- at least 80% of total assets in investment-grade securities²
- may issue leverage representing up to 50% of total assets¹

Pricing and Distribution History²

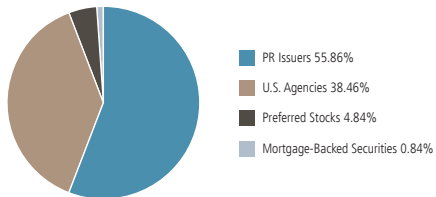
Initial Public Offering (IPO)	\$10.00
52-week Bid Low/High	\$3.35/\$4.03
YTD NAV Change	\$0.40
YTD Bid Price Change	\$0.25
IPO Yield ⁵	5.35%
Current Yield ⁵	14.86%
Last Dividend Paid	\$0.0446
Last 12 Month Dividend	\$0.5617

Portfolio Statistics and Characteristics²

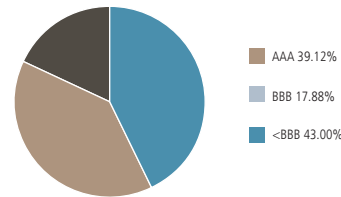
Commencement	Aug-04	Fiscal Year	30-Jun
Shares Outstanding (mm)	35.56	Weighted Avg. Coupon	4.36%
Bid Price	\$3.60	Average Maturity (yrs)	24.23
Net Asset Value (NAV)	\$3.90	Average Duration (yrs)	11.67
Bid Price to NAV Ratio	92.31%	Leverage Adjusted Effective Duration (yrs)	17.54
Net Assets (mm)	\$138.56	Leverage %	47.64% ¹
Leverage (mm)	\$127.78	Leverage Cost	0.46%
Undistributed Income (mm)	\$5.56	Hedge Notional (mm)	\$46.05
Expense Ratio	1.49%	Hedge Ratio	36%

See Portfolio Holdings, Portfolio Manager, Special Considerations, Disclaimers, Glossary of Fund Terms, and Footnotes on reverse.

Portfolio Summary²



Credit Quality²



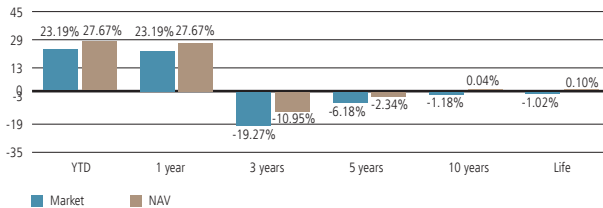
Portfolio Holdings²

PR Obligations	PREPA	1.63%
Preferred Stocks	GDB	1.60%
Universal		4.84%
PR Obligations	61.54%	
Mortgage -Backed Securites		
CMO, COMM END, FNMA		
GNMA, FGLMC	0.84%	
U.S. Obligations		
AFICA	Federal Home	
Costa Caribe	Loan Bank	34.31%
Galeria San Patricio	Federal Farm	
Employee Retirement System	Credit Bank	4.15%
U.S. Obligations	38.46%	
PR Sales Tax Financing		17.88%

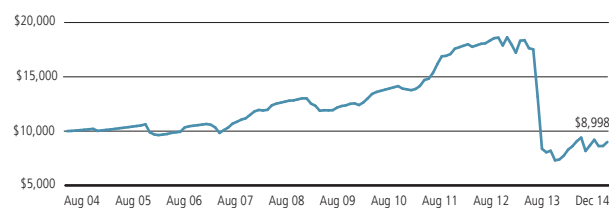
Portfolio Manager

Leslie Highley, Jr.
Portfolio Manager since inception
UBS Asset Managers of Puerto Rico

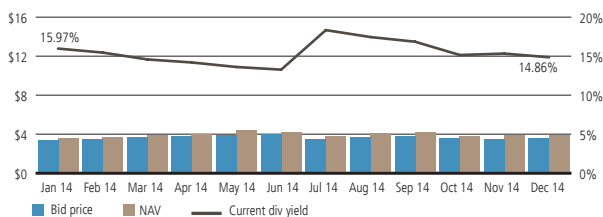
Average Annual Total Return³



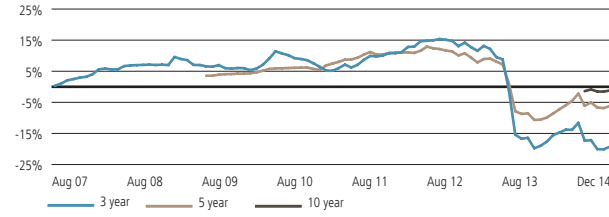
Growth of a \$10,000 Investment as of December 31, 2014⁴



Share Price, NAV and Current Dividend Yield – Prior 12 months



Rolling Period Annual Returns³



*Special Considerations

The Fund is a non-diversified, closed-end management investment company registered under the Puerto Rico Investment Companies Act of 1954, as amended. Securities issued by the Fund may be purchased or otherwise transferred only to individuals who are residents of Puerto Rico and to entities whose principal office and principal place of business are located in Puerto Rico. The Fund's yield and net asset value and the market price of the Fund's shares of Common Stock (the "Shares") may fluctuate and will be determined by such factors as relative demand for and supply of the Shares in the market, as well as general market, political, and economic conditions and other factors beyond the control of the Fund. The Shares trade at market price, which may be at a discount or premium to NAV, and no assurance can be given as to their liquidity or trading market. While it is the intention of UBS Financial Services Incorporated of Puerto Rico ("UBSFSFR") to continue to maintain a secondary market for the Shares, it is not obligated to continue to do so. Moreover, there may be no other source of price information for the Shares or other purchasers of the Shares other than UBSFSFR.

Geographic Concentration Risk. The Fund is exposed to certain risks resulting from the reduced geographic diversification of its portfolio. The Fund's assets are invested primarily in securities of Puerto Rico issuers. Consequently, the Fund in general is more susceptible to economic, political, regulatory or other factors adversely affecting issuers in Puerto Rico than an investment company that is not so concentrated in Puerto Rico issuers. In addition, securities issued by the Government of Puerto Rico or its instrumentalities are affected by the central government's finances. That includes, but is not limited to, general obligations of Puerto Rico and revenue bonds, special tax bonds, or agency bonds. The effect on each specific debt may not be the same; it depends on exactly what part of the government's money or revenue is supposed to pay the interest thereon. Inasmuch as a relatively high percentage of the Fund's assets may be invested in obligations of a limited number of Puerto Rico issuers, the Fund's net asset value and its yield may increase or decrease more than that of a more diversified investment company as a result of changes in the market's assessment of the financial condition and prospects of such Puerto Rico issuers. The Fund may also be more susceptible to any single economic, political, or regulatory occurrence in Puerto Rico than a more widely diversified investment company. Over the past years, the principal Puerto Rico Government bonds as well as the securities issued by several Puerto Rico financial institutions have been downgraded as a result of several factors, including without limitation, the downturn experienced

by the Puerto Rico economy and the strained financial condition of the Government of Puerto Rico. Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years, thereby affecting the Fund's net asset value.

Portfolio transactions between the Fund and UBSFSFR, Popular Securities (in the case of a co-managed Fund with Banco Popular de Puerto Rico), and other affiliates, are conducted in accordance with procedures adopted by the Fund's Board of Directors in an effort to address potential conflicts of interest.

Secondary Market Disclosure: Given UBSFSFR is currently the dominant, and may be the sole source of secondary market liquidity for the Shares, an investor may not be able to sell its Shares or may only be able to sell them at a loss, if UBSFSFR were to cease to facilitate such secondary market for the Shares. Accordingly, an investor's ability to sell its Shares will depend on the interest of other investors buying Shares, or UBSFSFR's willingness to commit additional capital to holding Shares in inventory. UBSFSFR may, in its sole discretion, commit additional capital to hold Shares in inventory when it deems it appropriate to do so, given market conditions or other considerations, and similarly may reduce the amount of capital committed to fund such inventory of Shares at other times. For example, when UBSFSFR purchases Shares and holds them in its inventory, quoted prices may remain at the previously quoted levels or increase. Conversely, when UBSFSFR sells Shares from its inventory, the quoted prices may decrease. In situations where UBSFSFR is selling Shares from its inventory, it may offer to sell its Shares at prices that are lower than pending sell orders that were placed by investors in the Shares. Decisions by UBSFSFR to increase or decrease inventory are made at its sole discretion and are not generally disclosed.

Repurchase Agreement Tax Disclosure: While there is authority generally supporting the treatment of repurchase and reverse repurchase agreements as collateralized loans for Puerto Rico income tax purposes, that authority does not specifically address the tax treatment of the repurchase agreements that the Fund typically enters into, which contain provisions that grant the buyer the right to sell, transfer, pledge, or hypothecate the securities that are the object of such agreements. Although the Puerto Rico Treasury Department ("PR Treasury") has never pronounced itself as to whether this type of arrangement should be viewed as a transfer of ownership of the underlying securities, it is possible that the PR Treasury could take that position in the future and that Puerto Rico

permit, though there is no assurance the Fund will be able to do so.

² The "Expense Ratio" calculation may reflect a partial waiver of the investment advisory and administration fees payable to UBS Trust Company of Puerto Rico, implemented on October 1, 2013. For more up-to-date information with respect to such partial fee waivers, if any, please see "Press Releases" at <http://www.ubs.com/pr/funds>. Credit quality is as of December 31, 2014. The Fund's investment portfolio is actively managed, and its composition (including the portfolio statistics and characteristics) will vary over time. Credit quality percentages include only fixed income securities and vary over time, as new investment securities are acquired and the credit rating of any investment held by the Fund is reassessed. For purposes of determining compliance with the Fund's investment requirements, ratings are as of the time of purchase, using a Standard & Poor's equivalent ratings scale. On February 12, 2015, S&P further downgraded the credit rating on the GOs from "BB" to "B", as well as the credit ratings of other Commonwealth agencies and public corporations, including its credit ratings on senior and subordinate-lien bonds issued by COFINA, which were lowered from "BBB" and "BBB-", respectively to "B". On such date, the long-term issuer credit rating on the GDB was also lowered, from "BB-" to "B-". On February 19, 2015, Moody's followed suit and downgraded its credit ratings on various Government of Puerto Rico entities and issuances, including GOs, from "B2" to "Caal1", and COFINA's senior and subordinate-lien bonds, which were lowered from "Ba3" and "B1", to "B3" and "Caal1", respectively. Lastly, on March 26, 2015, Fitch also downgraded the credit rating on the GOs from "BB-" to "B", as well as the credit ratings of PRASA senior lien revenue bonds from "B+" to "B" and COFINA's senior and subordinate-lien bonds from "BB-" to "B". All of the before-mentioned ratings carry a negative outlook. **As a result of the foregoing, none of the bonds issued by the Government of Puerto Rico and its instrumentalities currently carry an investment-grade credit rating.** Inasmuch as the Fund invests a substantial portion of its assets in securities issued by the Commonwealth of Puerto Rico, these recent rating downgrades will negatively impact the Fund's ability to maintain

courts would agree with that view. In such event, the tax exempt interest paid on such underlying securities could be deemed not to constitute tax exempt income for the seller of such securities; to the extent that the Fund was such seller, the dividends distributed on its Shares from such income could be treated either as taxable dividends or capital gain dividends. If such dividends were treated as taxable dividends, holders of the Shares who are individuals or Puerto Rico trusts could be subject to a 15% income tax (or 10% income for dividends distributed before July 15, 2014) on the dividend (or the applicable alternate basic tax), and those which are corporate investors would be subject to a maximum effective income tax rate of 5.85% (or 4.5% for dividends distributed before July 15, 2014), (due to the 85% dividend received deduction of the Puerto Rico Internal Revenue Code, 15% of the dividend multiplied by a 39% maximum corporate income tax rate for dividends distributed on or after July 1, 2014 and 30% for dividends distributed before July 1, 2014). On the other hand, if such dividends were treated as capital gains dividends, holders of the Shares who are individuals or Puerto Rico trusts would be subject to a 15% income tax (or 10% income tax for capital dividends distributed before July 1, 2014) (or the applicable alternate basic tax), and holders of the Shares which are taxed as corporations would be subject to a 20% income tax (15% income tax for capital dividends distributed before July 1, 2014).

Recent Changes in Puerto Rico tax law: On July 1, 2014, the Governor of Puerto Rico signed into law Act 77-2014 which amended the Puerto Rico Internal Revenue Code of 2011 to provide, among other things, (i) the 10% withholding tax that is imposed on dividends distributed by Puerto Rico corporations to individuals will apply to dividends distributed before July 1, 2014, and that a 15% rate will apply for dividends distributed after June 30, 2014, and (ii) the long-term capital gains rate for sales and exchanges effected after June 30, 2014, is increased from 10% to 15%, in the case of individuals, estates, and trusts; and from 15% to 20%, in the case of corporations. Accordingly, if the Fund distributes "Taxable Dividends" after June 30, 2014, the applicable tax and withholding rate will be 15%. Similarly, if the Fund distributes Capital Gain Dividends after June 30, 2014, the applicable tax rate for individuals, estates and trusts will be 15%, and 20% in the case of corporations. Investors are encouraged to contact their lawyer or tax consultant. Neither the Fund nor UBS Financial Services Incorporated of Puerto Rico provides legal or tax advice.

On February 11, 2015, two (2) bills (P.C. 2329 and P.S. 1304) were introduced into the Puerto Rico Legislature and which propose the

compliance with its maximum/minimum investment threshold(s) in securities of a specific credit quality. To the extent that such investment threshold(s) in securities of a specific credit quality are exceeded, Fund management may determine to continue to hold such lower-rated securities, provided any new investment proceeds are directed to acquire investment securities which satisfy the Fund's minimum credit rating requirements. **In view of the fact that the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years and the subsequent credit rating downgrade of certain Puerto Rico bonds, current or more up-to-date information regarding the Fund's portfolio holdings is available at <http://www.ubs.com/pr/funds>.** Currently, the Fund's percentage investment in securities rated below investment-grade (below "BBB" rating) or which are unrated, amounted to 43.00% of the Fund's total portfolio, which exceeds the Fund's maximum investment threshold of 20% of its total assets invested in securities rated below investment-grade or which are unrated. Moreover, the Fund's percentage investment in debt securities rated below investment-grade (below "BBB" rating) or which are not of investment-grade credit quality, amounted to 43.00% of the Fund's total assets, which exceeds the Fund's maximum investment threshold of 5% of its total assets. On July 2014, the Board of Directors approved an extension of the Fund's existing share repurchase program for the acquisition of up to 45% of each Fund's issued Shares. The Repurchase Program is intended to enhance shareholder value by providing additional liquidity to Fund shareholders. For the quarter ended December 31, 2014, the Fund had repurchased 459,499 Shares in the open market with an NAV of \$1,807,669, at a cost of \$1,618,332. Since the program's inception, the Fund has repurchased 24,278,566 Shares of common stock in the open market with an NAV of \$98,270,232, at a cost of \$91,788,209, and which represent 40.62% of the aggregate number of Shares issued by the Fund (net of Shares acquired for dividend reinvestment purposes and which remain outstanding).

³ As of December 31, 2014. **Return figures were not calculated in**

adoption of a "New Puerto Rico Internal Revenue Code of 2015" ("New Code"). In general, the New Code would be effective for taxable years beginning after December 31, 2014 and, if approved, the New Code would, amongst other changes: (a) eliminate the preferential tax rates that currently apply to long-term capital gains derived after December 31, 2014, (b) eliminate the preferential 10% rate that currently applies to interest on certain obligations, such as Taxable Interest, (c) reduce the maximum marginal tax rate of individuals to 30%, (d) eliminate the alternate basic tax for individuals, (e) provide for a fixed 30% regular income tax rate for corporations, (f) eliminate the exemption for interest on obligations issued by States and their political sub-divisions, and (g) eliminate the preferential tax rates that currently exist for certain dividends and other interest income items. The Puerto Rico Legislature is currently reviewing the proposed bills and, therefore, their final outcome is not currently determinable.

Legal Disclaimer

Past performance does not guarantee future results. Current performance may be lower or higher than the performance quoted. Securities issued by the Fund are subject to market risk, including the loss of principal amounts invested. This document is not an offer to sell, or the solicitation of an offer to buy any investment in the Fund, and is for informational purposes only. Fund investments are designed primarily and suitable for long-term investors and not viewed as a vehicle for trading purposes. They may not be suitable to all investors. Fund investments are not equivalent to investments in its underlying securities. The Fund's utilization of leverage poses certain risks to investors, and in some cases, interest rate fluctuations may increase the volatility of its return and affect the Fund to a significantly greater extent than a non-leveraged investment company. **More detailed information about the Fund, including applicable fees, costs, penalties, investment objectives and policies, risk factors, and the effects of leverage, is further described in the Share's prospectus, which you should read carefully prior to making an investment.** To obtain additional information related to the Fund (including investment returns calculated in accordance with Regulation 5766 of March 11, 1998, as amended) or a copy of the Shares' prospectus or Fund's annual report, please contact the UBS Puerto Rico Family of Funds at 787-773-3888. To obtain the Fund's month-end performance or more up-to-date information, please contact your UBS Financial Advisor or see "press releases" at <http://www.ubs.com/pr/funds>.

accordance with Regulation 5766 of March 11, 1998, as amended, which requires that investment returns for an individual retirement account ("IRA") be calculated in the manner provided therein. To the extent that an individual invests in the Fund through an IRA, his or her investment return figures will be less than those reported herein, when computed in accordance with Regulation 5766 and inasmuch as actual sales charges applicable to such IRA investments are taken into consideration. "Average Annual Total Return" figures reflect the percentage change in the market value, determined by calculating the average between the bid and ask prices, plus any income and capital gain dividends, and return of capital distributions, all such dividends and distributions reinvested as of the corresponding record date thereof, at the month-end NAV as of that date. In the case of "NAV Total Return," the Fund's NAV per Share is used, rather than the average between the bid and ask prices, to determine such total return, as applicable. "Rolling Period Annual Returns" measure the monthly movement in the average of the Annualized Average Market Return figures over a one-year, three-year, five-year, and ten-year period (as applicable), as it moves over a consecutive time series that begins on the Fund's inception date. Additionally, in the case of the Average Annual Total Return and Rolling Period Annual Return figures, commissions or sales charges payable in connection with a purchase or sale of Shares may vary with each brokerage institution. Total return figures are not representative of the performance of any individual investment, and taxes on capital gain distributions or income dividends, if any, have not been deducted. All calculations were performed by Thomson Reuters, based on certain financial data provided by this Fund and are annualized with the exception of year-to-date figures.

⁴ A \$10,000 investment is hypothetical and is shown for illustrative purposes only.

⁵ "IPO Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the initial public offering price. "Current Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the month-end bid price.

Footnotes:

¹ Generally, the Fund must invest at least 67% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage) and cash, including cash equivalents, but excluding non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), in Puerto Rico securities. Additionally, the Fund may issue preferred stock, debt securities, or other forms of leverage, representing not more than 50% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage), cash (including cash equivalents), and non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), immediately after the issuance of any such preferred stock, or other debt securities. Moreover, the Fund may not issue preferred stock, debt securities, or other forms of leverage unless the value of its total assets less all its liabilities and indebtedness, other than the preferred stock, debt securities, or other forms of leverage being issued or already outstanding, is at least equal to 200% of the total aggregate liquidation preference/principal amount of all its outstanding preferred stock (not including any accumulated dividends or other distributions), debt securities, and other forms of leverage. **Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years. In view of these volatile market conditions, the Puerto Rico Office of the Commissioner of Financial Institutions (the "PROCFI") has granted to the Fund a temporary regulatory waiver from the Funds' investment requirement in Puerto Rico securities of at least 67% of the Fund's total assets and leverage limitation of 50% of its total assets and 200% asset coverage requirement described above, through July 31, 2015. These temporary waivers may be renewed by the PROCFI for additional periods of time, should market conditions warrant, and upon written request by the Fund. It is the Fund's intention to re-achieve compliance therewith as soon as market conditions**



UBS Asset Managers of Puerto Rico Funds Quarterly Review Fourth Quarter 2014

*Consideraciones Especiales

Cada Fondo es una compañía de inversión no diversificada de fin cerrado inscrita bajo la Ley Número 6 de 19 de octubre de 1954, según enmendada. Los valores emitidos por un Fondo pueden solamente ser adquiridos por, o transferidos a, individuos que sean residentes de Puerto Rico y a entidades cuya oficina y localización de negocios principal estén localizados en Puerto Rico. El rendimiento, el valor neto de los activos de un Fondo y el precio en el mercado de las acciones de capital común del Fondo (en adelante, las "Acciones"), podrán fluctuar y se determinarán por factores como la demanda y oferta en el mercado de las Acciones y las condiciones económicas, políticas y del mercado en general, al igual que otros factores que están fuera del control de un Fondo. Las Acciones son negociadas al precio del mercado, el cual puede reflejar una prima o descuento del valor neto de los activos de un Fondo y no se puede dar representación alguna sobre su liquidez o el mercado para disponer de las mismas. A pesar de que es la intención de UBS Financial Services Incorporated of Puerto Rico (en adelante, "UBSFSPR") de continuar manteniendo un mercado secundario para las Acciones, no está obligada a continuar haciéndolo. De otra parte, puede que no exista otra fuente de información de precios para las Acciones u otros compradores para las Acciones que no sea UBSFSPR.

Riesgo de concentración geográfica: El Fondo está expuesto a ciertos riesgos debido a la diversificación geográfica reducida de su cartera de inversiones. Los activos del fondo están invertidos primariamente en valores de emisores de Puerto Rico. A consecuencia, el Fondo generalmente es más susceptible a factores económicos, políticos, regulatorios y otros que podrían afectar adversamente a emisores de Puerto Rico que otra compañía de inversión la cual no esté tan concentrada en emisores de Puerto Rico. En adición, valores emitidos por el Gobierno de Puerto Rico o sus instrumentalidades se afectan por las finanzas del gobierno central. Eso incluye, pero no se limita a, las obligaciones generales de Puerto Rico y los bonos de ingresos, contribuciones especiales o de agencias. El efecto en cada deuda específica podría no ser el mismo y depende de que parte del dinero del gobierno o sus ingresos se supone pague el interés de dicha deuda. En la medida que un porcentaje relativamente alto de los activos del Fondo pueden ser invertidos en obligaciones de un número limitado de emisores de Puerto Rico, el valor neto de activos y su rendimiento puede aumentar o disminuir más que el de una compañía de inversión más diversificada, como resultado de cambios en cuanto a la evaluación de la condición financiera o prospectos de dichos emisores de Puerto Rico. El Fondo también puede ser más susceptible a cualquier ocurrencia individual económica, política o regulatoria en Puerto Rico que una compañía de inversión más diversificada. En los pasados años, los bonos principales del Gobierno de Puerto Rico, al igual que valores emitidos por ciertas instituciones financieras de Puerto Rico han sido degradados por varios factores, incluyendo sin limitación, al empeoramiento experimentado por la economía de Puerto Rico y la condición financiera pobre del Gobierno de Puerto Rico. Al presente, el mercado de bonos de Puerto Rico está experimentando un periodo de volatilidad, con los

bonos de Puerto Rico traficando a precios más bajos y rendimientos más altos a los puntos de referencia de los pasados dos (2) años, y así afectando el valor neto de activos del Fondo.

Transacciones de cartera entre un Fondo y UBSFSPR, Popular Securities (en el caso de un Fondo co-manejado con Banco Popular de Puerto Rico) y otras afiliadas son efectuadas conforme a ciertos procedimientos adoptados por la Junta de Directores de un Fondo con miras a atender posibles conflictos de interés.

Divulgación de Mercado Secundario: Dado a que actualmente UBSFSPR es la fuente dominante, y podría ser la única fuente, de liquidez para la negociación de las Acciones en el mercado secundario, cabe la posibilidad que un inversionista no pueda vender sus Acciones en el mercado secundario o que solamente pueda venderlas a pérdida, si UBSFSPR cesara de facilitar un mercado secundario para la negociación de las Acciones. Por lo tanto, la habilidad de un inversionista para vender sus Acciones dependerá del interés de otros inversionistas que estén comprando Acciones o la disponibilidad de UBSFSPR de designar capital adicional para mantener Acciones en su inventario. UBSFSPR podrá, a su única discreción, comprometer capital adicional para mantener Acciones en inventario cuando así lo estime apropiado, dependiendo de las condiciones del mercado y otras consideraciones, e igualmente en otras ocasiones, podrá reducir la cantidad de capital comprometida para financiar dicho inventario de las Acciones. Por ejemplo, cuando UBSFSPR compra Acciones para su inventario, los precios cotizados por éste podrán permanecer a los niveles previamente cotizados o aumentar. Por otro lado, cuando UBSFSPR vende Acciones de su inventario, los precios cotizados por éste podrían reducirse. En situaciones en que UBSFSPR está vendiendo Acciones de su inventario, podría ofrecer vender dichas Acciones a precios más bajos que cualquier orden de venta pendiente que fue puesta sobre sus Acciones por cualquier inversionista. Cualquier decisión de UBSFSPR de aumentar o reducir su inventario será tomada a su única discreción y no son divulgadas al público.

Divulgación Contributiva sobre Acuerdos de Recompra: A pesar de que existe precedente contable que apoya el concepto que los acuerdos de recompra y recompra a la inversa sean considerados como préstamos con garantía colateral para propósitos contributivos en Puerto Rico, dicho precedente no es determinante en cuanto a las disposiciones contributivas aplicables a los acuerdos de recompra que normalmente el Fondo suscribe, que contienen disposiciones que conceden al comprador de los valores subyacentes a dichos acuerdos el derecho a vender, transferir, pignorar o hipotecar dichos valores. A pesar de que el Departamento de Hacienda de Puerto Rico (en adelante, "Hacienda") nunca se ha expresado sobre si estos tipos de acuerdos deben ser considerados como una transferencia de titularidad sobre los valores subyacentes, Hacienda podría adoptar dicha posición y que los tribunales de Puerto Rico estén de acuerdo con dicha posición. En dicho caso, el interés exento pagado sobre los valores subyacentes a dichos acuerdos podría considerarse

como ingreso no exento del pago de contribución para el vendedor de tales valores subyacentes. En la medida que el Fondo sea considerado el vendedor bajo el acuerdo de recompra correspondiente, los dividendos distribuidos sobre las Acciones que a su vez son derivados del ingreso del acuerdo de recompra correspondiente podría ser considerado como un dividendo sujeto a tributación o ganancias de capital. Si tal dividendo fuera considerado como dividendo sujeto a tributación, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico podrían estar sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos distribuidos antes del 15 de julio de 2014) sobre el dividendo (o la contribución básica alterna aplicable), y aquellos que sean inversionistas corporativos estarían sujetos a una máxima tasa efectiva de 5.85% (o 4.5% para dividendos distribuidos antes del 15 de julio de 2014), debido a la deducción de 85% sobre dividendos recibidos, según dispuesto por el Código de Rentas Internas de Puerto Rico, multiplicando el 15% del dividendo por una tasa contributiva corporativa máxima de 39% para los dividendos distribuidos en o después del 1 de julio de 2014 y 30% para los dividendos distribuidos antes del 1 de julio de 2014). Por otro lado, si tales dividendos fueran considerados como dividendos de ganancias de capital, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico estarían sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014 o la contribución básica alterna aplicable), y los tenedores de las Acciones que tributa como corporaciones, estarían sujetos a una tasa contributiva de 20% (tasa contributiva de 15% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014).

Cambios Recientes al Derecho Tributario de Puerto Rico: El 1 de julio de 2014, el Gobernador de Puerto Rico firmó como ley la Ley 77-2014, la cual enmendó el Código de Rentas Internas de Puerto Rico del 2011 para proveer, entre otras cosas, (i) que el 10% de retención de impuesto que se le impone a los dividendos distribuidos por corporaciones de Puerto Rico a individuos, aplicará a los dividendos distribuidos antes del 1 de julio de 2014, y que la tasa de 15% aplicará a los dividendos distribuidos después del 30 de junio de 2014, y (ii) que las tasas de ganancias de capital a largo plazo para ventas e intercambios realizadas después del 30 de junio de 2014, ha sido aumentada de 10% a 15% para individuos, sucesiones y fideicomisos; y de 15% a 20% para las corporaciones. Consecuentemente, si el Fondo distribuye "Dividendos Tributables" después del 30 de junio de 2014, el interés aplicable y la tasa de retención será 15%. Del mismo modo, si el Fondo distribuye Dividendos de Ganancias de Capital después del 30 de junio de 2014, la tasa de interés aplicable para individuos, sucesiones y fideicomisos será un 15%, y 20% para las corporaciones. Se exhorta a los inversionistas a que contacten a su abogado o asesor contributivo. Ni UBS Financial Services Incorporated of Puerto Rico ni el Fondo proveen asesoría legal o contributiva.

El 11 de febrero de 2015 la Legislatura de Puerto Rico presentó dos proyectos de ley (P.C. 2329 y P.S.

1304) que proponen una reforma contributiva con la aprobación del "Nuevo Código de Rentas Internas de 2015" (el "Código Nuevo"). En términos generales, el Código Nuevo sería efectivo para años contributivos comenzados después del 31 de diciembre de 2014 y, de aprobarse, incluiría los siguientes cambios: (a) eliminar las tasas preferenciales que actualmente aplican a las ganancias de capital a largo plazo generadas después del 31 de diciembre de 2014; (b) eliminar la tasa preferencial de 10% que actualmente aplica a los ingresos de intereses de ciertas obligaciones, incluyendo los Intereses Tributables; (c) reducir el máximo de la tasa de contribuciones de individuos a 30%; (d) eliminar la contribución básica alterna de individuos; (e) establecer una tasa fija de contribuciones sobre ingresos de las corporaciones a 30%; (f) eliminar la exención de los intereses de ciertas obligaciones de los Estados Unidos y sus subdivisiones políticas; y (g) eliminar las tasas preferenciales aplicables a ciertos dividendos y otros ingresos de intereses. La Legislatura de Puerto Rico está en el proceso de revisión de los proyectos de ley, por lo que, actualmente, el resultado final no se puede determinar.

Aviso Legal

Rendimientos anteriores no son garantía de resultados futuros similares. Los rendimientos actuales podrían ser más bajos o más altos que el rendimiento aquí citado. Los valores emitidos por un Fondo están sujetos a riesgo de mercado, incluyendo la pérdida del principal invertido. Este documento no es una oferta de compra ni una solicitud de una oferta de compra para cualquier inversión en un Fondo y es para propósitos informativos solamente. Las inversiones en un Fondo están diseñadas principalmente y son adecuadas para inversionistas a largo plazo y no deben ser consideradas como un vehículo para fines de negociación. Estas inversiones pueden que no sean adecuadas para cualquier inversionista. Una inversión en un Fondo no es equivalente a una inversión en los valores subyacentes en los cuales un Fondo invierte. El uso de apalancamiento por un Fondo representa ciertos riesgos a los inversionistas en éste, y en ciertos casos, las fluctuaciones en las tasas de intereses podrían aumentar la volatilidad en su rendimiento y afectar a un Fondo a mayor grado que a una compañía de inversión no apalancada. **Información más detallada en cuanto a un Fondo, incluyendo los cargos, gastos y penalidades aplicables, objetivo(s) y políticas de inversión, factores de riesgo y el efecto de apalancamiento, se incluye en la documentación de oferta del Fondo, el cual usted debe leer cuidadosamente antes de hacer una inversión.** Para obtener más información en cuanto a un Fondo (incluyendo los rendimientos de inversión calculados conforme el Reglamento 5766 de 11 de marzo de 1998, según enmendado) o una copia del prospecto para la oferta de las Acciones o los informes anuales del Fondo, favor de contactar a la familia de fondos UBS Puerto Rico o Puerto Rico Investors al 787-773-3888 ó 787-751-5452, respectivamente. Para obtener más información en cuanto a los rendimientos del Fondo de fin de mes o información más actualizada, por favor contactar a su Asesor Financiero en UBSFSPR o verifique los comunicados de prensa ("press releases") en <http://www.ubs.com/prfunds>.

Glossary of fund terms

- **Ask Price:** generally refers to the lowest price at which a seller will sell a specified number of units of a given security at a particular time. The ask price may incorporate a markup, which may vary by transaction and may include commissions and other charges. The ask prices quoted by UBSFSPR represent its judgment of the market price for Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price and age of pending customer orders.
- **Average Duration:** a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flow accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flow consist of coupon payments and repayment of capital.) A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, for which maturity and duration are equal.
- **Bid Price:** generally refers to the highest price a buyer is willing to pay at a particular time for a unit of a given security. UBSFSPR publishes two types of bid prices for the Shares: firm or indicative. A firm bid is provided when UBSFSPR has the risk capacity and/or appetite at the particular time to purchase a specified number of Shares. An investor can sell to UBSFSPR at the firm bid price up to the specified number of Shares at a particular time. On the other hand, an indicative bid is provided for informational purposes only when UBSFSPR does not have the risk capacity and/or appetite at a particular time to purchase Shares. The prices quoted by UBSFSPR represent its judgment of the market price for the Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price, and age of pending customer orders, and may be higher (in which case the price is at a premium) or lower (in which case the price is at a discount) than the NAV of the Fund.

The prices quoted by UBSFSPR may also be affected by its willingness to hold additional inventory of the Shares or by its need to sell its inventory of Shares. Depending on market liquidity conditions, orders to buy or sell at the quoted price may not receive immediate execution, and an investor may not be able to sell its Shares at the price quoted by UBSFSPR. Moreover, the proceeds an investor receives on a sale of Shares may be lower than the bid price due to discounts, markdowns, and other charges. Since inception, the Shares have historically traded at prices which reflect a premium to their respective NAV per Share, though on certain limited instances, they have traded at prices which reflect a discount to their respective NAV per Share. However, there is no assurance that the Shares will continue to trade at prices which reflect such a premium. The Fund is presently experiencing liquidity issues. As a result, the bid price is for a limited number of shares, and it may not be possible for sellers to obtain the current bid price.

- **Credit Quality:** a measure of the likelihood that a financial obligation will not be honored provided by one or more of the rating agencies. Rating agencies assign classifications to their ratings, with "AAA" being the highest and "D" being the lowest for Standard & Poor's Ratings Services ("S&P"). The Fund may use other ratings and adjust them for use in this scale.
- **Effective Duration:** a calculation of duration that takes into account the embedded options in the securities of a portfolio and their expected changes in the cash flow of a portfolio caused by those options.
- **Expense Ratio:** The percentage of the Fund's average net assets attributable to holders of the Shares and which is used to pay operating expenses and takes into account investment management fees, administration fees, and other operating expenses such as legal, audit, insurance, and shareholder communications.
- **Hedge Notional:** refers to the total net face value, reflecting any offsetting positions, of derivative instruments employed in hedging strategies of the Fund.
- **Hedge Ratio:** ratio of the Fund's hedge notional amount to its total dollar amount of leverage as of the end of a calendar quarter, assuming the Fund is fully invested at quarter-end. The Fund's investment adviser may, at its discretion, use a variety of derivative instruments including securities options, financial futures contracts, options on futures contracts, and other interest rate protection transactions such as swap agreements, to attempt to hedge its portfolio of assets and seek to enhance its return. There can be no assurance that any particular hedging strategy used will succeed.
- **Leverage:** the Fund may issue preferred stock or debt, enter into repurchase agreements, or borrow money, in order to increase the amounts available for investment ("leverage"). This gives the Fund's investment adviser, in the fixed income area in particular, the opportunity to enhance yield. The use of leverage increases the likelihood of price volatility and market risk for the Shares. There is also the risk that the cost of funding leverage will exceed the earnings on the related investments, which will have the likely effect of reducing the Fund's yield and the value of its investments.
- **Leverage Adjusted Effective Duration:** effective duration adjusted for the impact of the Fund's utilization of leverage. A Fund that utilizes leverage will have a leverage-adjusted effective duration that is longer than its effective duration.
- **Maturity:** date on which the face value of a security/bond must be repaid. It measures the average length to maturity in years of all the bonds in the Fund's portfolio. For mortgage-backed securities, the maturity takes into account the prepayment of the underlying mortgages.
- **NAV:** Net Asset Value. On a per-Share basis, it is determined by calculating the Fund's total assets less its total liabilities and dividing such result by the Shares outstanding. On an aggregate, Fund basis, it is determined by calculating the Fund's total assets less its total liabilities.

- **Undistributed Income:** the Fund's net income that has not been distributed to holders of its Shares as of the latest available audited financial statements. In the case of a target maturity-type investment company (which is liquidated on or by a specific date), it also includes the amounts to be distributed on or by the liquidation date as the return of the initial investment.

For a definition of other terms, please see the Shares' prospectus.



Puerto Rico Fixed Income Fund IV, Inc.

Investment Objectives and Policies

Seeks current income, consistent with the preservation of capital, by investing:

- up to 33% of its total assets in, among other things, securities issued or guaranteed by the U.S. Government, its agencies, and instrumentalities
- at least 67% of its total assets in securities issued by Puerto Rico issuers (as described in the Prospectus)
- at least 80% of total assets in investment-grade securities²
- may issue leverage representing up to 50% of total assets¹

Pricing and Distribution History²

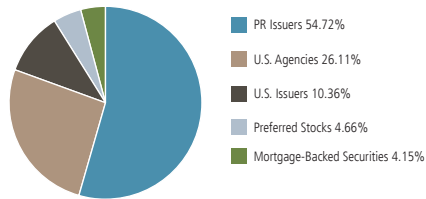
Initial Public Offering (IPO)	\$10.00
52-week Bid Low/High	\$4.35/\$5.20
YTD NAV Change	\$0.34
YTD Bid Price Change	\$0.13
IPO Yield ⁵	6.50%
Current Yield ⁵	14.51%
Last Dividend Paid	\$0.0542
Last 12 Month Dividend	\$0.7030

Portfolio Statistics and Characteristics²

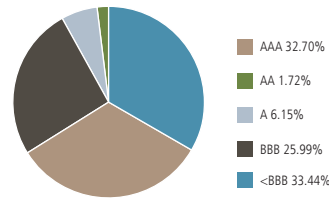
Commencement	Mar-05	Fiscal Year	31-Mar
Shares Outstanding (mm)	38.00	Weighted Avg. Coupon	5.17%
Bid Price	\$4.48	Average Maturity (yrs)	24.56
Net Asset Value (NAV)	\$4.85	Average Duration (yrs)	10.42
Bid Price to NAV Ratio	92.37%	Leverage Adjusted Effective Duration (yrs)	15.36
Net Assets (mm)	\$184.40	Leverage %	46.46% ¹
Leverage (mm)	\$162.12	Leverage Cost	0.67%
Undistributed Income (mm)	\$12.55	Hedge Notional (mm)	\$52.05
Expense Ratio	1.02%	Hedge Ratio	32%

See Portfolio Holdings, Portfolio Managers, Special Considerations, Disclaimers, Glossary of Fund Terms, and Footnotes on reverse.

Portfolio Summary²



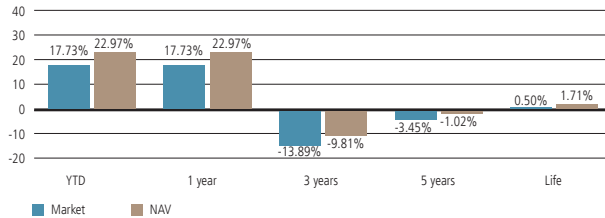
Credit Quality²



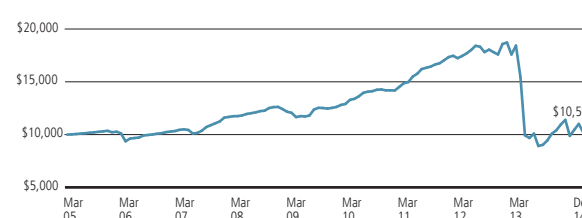
Additional Distributions (per share)

	Current Quarter	YTD	Since Inception
Special Dividend	\$-	\$-	\$0.1500
Capital Gain Distribution	\$-	\$-	\$-

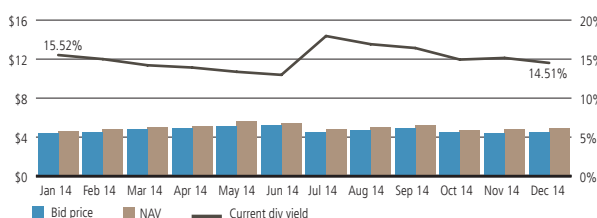
Average Annual Total Return³



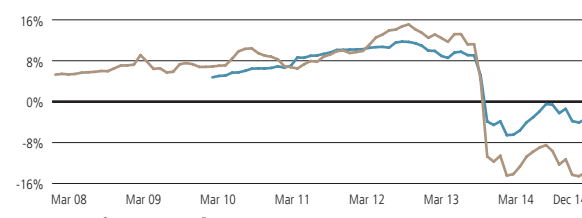
Growth of a \$10,000 Investment as of December 31, 2014⁴



Share Price, NAV and Current Dividend Yield – Prior 12 months



Rolling Period Annual Returns³



Portfolio Holdings²

PR Obligations	U.S. Obligations
Preferred Stocks	Federal Home
Universal 4.66%	Loan Bank 17.73%
Mortgage - Backed Securities	Federal Farm
CMO, COMM END, FNMA	Credit Bank 8.38%
GNMA, FGLMC 4.15%	Build America Bonds 8.64%
Employee Retirement System 25.70%	Build America Bonds (Insured) 1.72%
PR Sales Tax Financing 25.98%	U.S. Obligations 36.47%
PREPA 0.85%	
GDB 2.19%	
PR Obligations 63.53%	

Portfolio Manager

Leslie Highley, Jr.
Portfolio Manager since inception
UBS Asset Managers of Puerto Rico

*Special Considerations

The Fund is a non-diversified, closed-end management investment company registered under the Puerto Rico Investment Companies Act of 1954, as amended. Securities issued by the Fund may be purchased or otherwise transferred only to individuals who are residents of Puerto Rico and to entities whose principal office and principal place of business are located in Puerto Rico. The Fund's yield and net asset value and the market price of the Fund's shares of Common Stock (the "Shares") may fluctuate and will be determined by such factors as relative demand for and supply of the Shares in the market, as well as general market, political, and economic conditions and other factors beyond the control of the Fund. The Shares trade at market price, which may be at a discount or premium to NAV, and no assurance can be given as to their liquidity or trading market. While it is the intention of UBS Financial Services Incorporated of Puerto Rico ("UBSFSFR") to continue to maintain a secondary market for the Shares, it is not obligated to continue to do so. Moreover, there may be no other source of price information for the Shares or other purchasers of the Shares other than UBSFSFR.

Geographic Concentration Risk. The Fund is exposed to certain risks resulting from the reduced geographic diversification of its portfolio. The Fund's assets are invested primarily in securities of Puerto Rico issuers. Consequently, the Fund in general is more susceptible to economic, political, regulatory or other factors adversely affecting issuers in Puerto Rico than an investment company that is not so concentrated in Puerto Rico issuers. In addition, securities issued by the Government of Puerto Rico or its instrumentalities are affected by the central government's finances. That includes, but is not limited to, general obligations of Puerto Rico and revenue bonds, special tax bonds, or agency obligations. The effect on each specific debt may not be the same; it depends on exactly what part of the government's money or revenue is supposed to pay the interest thereon. Inasmuch as a relatively high percentage of the Fund's assets may be invested in obligations of a limited number of Puerto Rico issuers, the Fund's net asset value and its yield may increase or decrease more than that of a more diversified investment company as a result of changes in the market's assessment of the financial condition and prospects of such Puerto Rico issuers. The Fund may also be more susceptible to any single economic, political, or regulatory occurrence in Puerto Rico than a more widely diversified investment company. Over the past years, the principal Puerto Rico Government bonds as well as the securities issued by several Puerto Rico financial institutions have been downgraded as a result of several factors, including without limitation, the downturn experienced

by the Puerto Rico economy and the strained financial condition of the Government of Puerto Rico. Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years, thereby affecting the Fund's net asset value.

Portfolio transactions between the Fund and UBSFSFR, Popular Securities (in the case of a co-managed Fund with Banco Popular de Puerto Rico), and other affiliates, are conducted in accordance with procedures adopted by the Fund's Board of Directors in an effort to address potential conflicts of interest.

Secondary Market Disclosure: Given UBSFSFR is currently the dominant, and may be the sole source of secondary market liquidity for the Shares, an investor may not be able to sell its Shares or may only be able to sell them at a loss, if UBSFSFR were to cease to facilitate such secondary market for the Shares. Accordingly, an investor's ability to sell its Shares will depend on the interest of other investors buying Shares, or UBSFSFR's willingness to commit additional capital to holding Shares in inventory. UBSFSFR may, in its sole discretion, commit additional capital to hold Shares in inventory when it deems it appropriate to do so, given market conditions or other considerations, and similarly may reduce the amount of capital committed to fund such inventory of Shares at other times. For example, when UBSFSFR purchases Shares and holds them in its inventory, quoted prices may remain at the previously quoted levels or increase. Conversely, when UBSFSFR sells Shares from its inventory, the quoted prices may decrease. In situations where UBSFSFR is selling Shares from its inventory, it may offer to sell its Shares at prices that are lower than pending sell orders that were placed by investors in the Shares. Decisions by UBSFSFR to increase or decrease inventory are made at its sole discretion and are not generally disclosed.

Repurchase Agreement Tax Disclosure: While there is authority generally supporting the treatment of repurchase and reverse repurchase agreements as collateralized loans for Puerto Rico income tax purposes, that authority does not specifically address the tax treatment of the repurchase agreements that the Fund typically enters into, which contain provisions that grant the buyer the right to sell, transfer, pledge, or hypothecate the securities that are the object of such agreements. Although the Puerto Rico Treasury Department ("PR Treasury") has never pronounced itself as to whether this type of arrangement should be viewed as a transfer of ownership of the underlying securities, it is possible that the PR Treasury could take that position in the future and that Puerto Rico

courts would agree with that view. In such event, the tax exempt interest paid on such underlying securities could be deemed not to constitute tax exempt income for the seller of such securities; to the extent that the Fund was such seller, the dividends distributed on its Shares from such income could be treated either as taxable dividends or capital gain dividends. If such dividends were treated as taxable dividends, holders of the Shares who are individuals or Puerto Rico trusts could be subject to a 15% income tax (or 10% income for dividends distributed before July 15, 2014) on the dividend (or the applicable alternate basic tax), and those which are corporate investors would be subject to a maximum effective income tax rate of 5.85% (or 4.5% for dividends distributed before July 15, 2014), (due to the 85% dividend received deduction of the Puerto Rico Internal Revenue Code, 15% of the dividend multiplied by a 39% maximum corporate income tax rate for dividends distributed on or after July 1, 2014 and 30% for dividends distributed before July 1, 2014). On the other hand, if such dividends were treated as capital gains dividends, holders of the Shares who are individuals or Puerto Rico trusts would be subject to a 15% income tax (or 10% income tax for capital dividends distributed before July 1, 2014) (or the applicable alternate basic tax), and holders of the Shares which are taxed as corporations would be subject to a 20% income tax (15% income tax for capital dividends distributed before July 1, 2014).

Recent Changes in Puerto Rico tax law: On July 1, 2014, the Governor of Puerto Rico signed into law Act 77-2014 which amended the Puerto Rico Internal Revenue Code of 2011 to provide, among other things, (i) the 10% withholding tax that is imposed on dividends distributed by Puerto Rico corporations to individuals will apply to dividends distributed before July 1, 2014, and that a 15% rate will apply for dividends distributed after June 30, 2014, and (ii) the long-term capital gains rate for sales and exchanges effected after June 30, 2014, is increased from 10% to 15%, in the case of individuals, estates, and trusts; and from 15% to 20%, in the case of corporations. Accordingly, if the Fund distributes "Taxable Dividends" after June 30, 2014, the applicable tax and withholding rate will be 15%. Similarly, if the Fund distributes Capital Gain Dividends after June 30, 2014, the applicable tax rate for individuals, estates and trusts will be 15%, and 20% in the case of corporations. Investors are encouraged to contact their lawyer or tax consultant. Neither the Fund nor UBS Financial Services Incorporated of Puerto Rico provides legal or tax advice.

On February 11, 2015, two (2) bills (P.C. 2329 and P.S. 1304) were introduced into the Puerto Rico Legislature and which propose the

adoption of a "New Puerto Rico Internal Revenue Code of 2015" ("New Code"). In general, the New Code would be effective for taxable years beginning after December 31, 2014 and, if approved, the New Code would, amongst other changes: (a) eliminate the preferential tax rates that currently apply to long-term capital gains derived after December 31, 2014, (b) eliminate the preferential 10% rate that currently applies to interest on certain obligations, such as Taxable Interest, (c) reduce the maximum marginal tax rate of individuals to 30%, (d) eliminate the alternate basic tax for individuals, (e) provide for a fixed 30% regular income tax rate for corporations, (f) eliminate the exemption for interest on obligations issued by States and their political sub-divisions, and (g) eliminate the preferential tax rates that currently exist for certain dividends and other interest income items. The Puerto Rico Legislature is currently reviewing the proposed bills and, therefore, their final outcome is not currently determinable.

Legal Disclaimer

Past performance does not guarantee future results. Current performance may be lower or higher than the performance quoted. Securities issued by the Fund are subject to market risk, including the loss of principal amounts invested. This document is not an offer to sell, or the solicitation of an offer to buy any investment in the Fund, and is for informational purposes only. Fund investments are designed primarily and suitable for long-term investors and not viewed as a vehicle for trading purposes. They may not be suitable to all investors. Fund investments are not equivalent to investments in its underlying securities. The Fund's utilization of leverage poses certain risks to investors, and in some cases, interest rate fluctuations may increase the volatility of its return and affect the Fund to a significantly greater extent than a non-leveraged investment company. **More detailed information about the Fund, including applicable fees, costs, penalties, investment objectives and policies, risk factors, and the effects of leverage, is further described in the Share's prospectus, which you should read carefully prior to making an investment.** To obtain additional information related to the Fund (including investment returns calculated in accordance with Regulation 5766 of March 11, 1998, as amended) or a copy of the Shares' prospectus or Fund's annual report, please contact the UBS Puerto Rico Family of Funds at 787-773-3888. To obtain the Fund's month-end performance or more up-to-date information, please contact your UBS Financial Advisor or see "press releases" at <http://www.ubs.com/prfunds>.

Footnotes:

¹ Generally, the Fund must invest at least 67% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage) and cash, including cash equivalents, but excluding non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), in Puerto Rico securities. Additionally, the Fund may issue preferred stock, debt securities, or other forms of leverage, representing not more than 50% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage), cash (including cash equivalents), and non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), immediately after the issuance of any such preferred stock, or other debt securities. Moreover, the Fund may not issue preferred stock, debt securities, or other forms of leverage unless the value of its total assets less all its liabilities and indebtedness, other than the preferred stock, debt securities, or other forms of leverage being issued or already outstanding, is at least equal to 200% of the total aggregate liquidation preference/principal amount of all its outstanding preferred stock (not including any accumulated dividends or other distributions), debt securities, and other forms of leverage. **Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years. In view of these volatile market conditions, the Puerto Rico Office of the Commissioner of Financial Institutions (the "PROCFI") has granted to the Fund a temporary regulatory waiver from the Funds' investment requirement in Puerto Rico securities of at least 67% of the Fund's total assets and leverage limitation of 50% of its total assets and 200% asset coverage requirement described above, through July 31, 2015. These temporary waivers may be renewed by the PROCFI for additional periods of time, should market conditions warrant, and upon written request by the Fund. It is the Fund's intention to re-achieve compliance therewith as soon as**

market conditions permit, though there is no assurance the Fund will be able to do so.

² The "Expense Ratio" calculation may reflect a partial waiver of the investment advisory and administration fees payable to UBS Trust Company of Puerto Rico, implemented on October 1, 2013. For more up-to-date information with respect to such partial fee waivers, if any, please see "Press Releases" at <http://www.ubs.com/prfunds>.

Credit quality is as of December 31, 2014. The Fund's investment portfolio is actively managed, and its composition (including the portfolio statistics and characteristics) will vary over time. Credit quality percentages include only fixed income securities and vary over time, as new investment securities are acquired and the credit rating of any investment held by the Fund is reassessed. For purposes of determining compliance with the Fund's investment requirements, ratings are as of the time of purchase, using a Standard & Poor's equivalent ratings scale. On February 12, 2015, S&P further downgraded the credit rating on the GOs from "BB" to "B", as well as the credit ratings of other Commonwealth agencies and public corporations, including its credit ratings on senior and subordinate-lien bonds issued by COFINA, which were lowered from "Ba3" and "B1", to "B3" and "Ca1", respectively. Lastly, on March 26, 2015, Fitch also downgraded the credit rating on the GOs from "BB-" to "B", as well as the credit ratings of PRASA senior lien revenue bonds from "B+" to "B" and COFINA's senior and subordinate-lien bonds from "BB-" to "B". All of the before-mentioned ratings carry a negative outlook. **As a result of the foregoing, none of the bonds issued by the Government of Puerto Rico and its instrumentalities currently carry an investment-grade credit rating.** Inasmuch as the Fund invests a substantial portion of its assets in securities issued by the Commonwealth of Puerto Rico, these recent rating downgrades will negatively impact the Fund's ability to maintain compliance with its maximum/minimum investment threshold(s) in securities

of a specific credit quality. To the extent that such investment threshold(s) in securities of a specific credit quality are exceeded, Fund management may determine to continue to hold such lower-rated securities, provided any new investment proceeds are directed to acquire investment securities which satisfy the Fund's minimum credit rating requirements. **In view of the fact that the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years and the subsequent credit rating downgrade of certain Puerto Rico bonds, current or more up-to-date information regarding the Fund's portfolio holdings is available at <http://www.ubs.com/prfunds>.** Currently, the Fund's percentage investment in securities rated below investment-grade (below "BBB" rating) or which are unrated, amounted to 33.44% of the Fund's total portfolio, which exceeds the Fund's maximum investment threshold of 20% of its total assets invested in securities rated below investment-grade or which are unrated. Moreover, the Fund's percentage investment in debt securities rated below investment-grade (below "BBB" rating) or which are not of investment-grade credit quality, amounted to 33.44% of the Fund's total assets, which exceeds the Fund's maximum investment threshold of 5% of its total assets. On July 2014, the Board of Directors approved an extension of the Fund's existing share repurchase program for the acquisition of up to 45% of each Fund's issued Shares. The Repurchase Program is intended to enhance shareholder value by providing additional liquidity to Fund shareholders. For the quarter ended December 31, 2014, the Fund had repurchased 210,099 Shares in the open market with an NAV of \$1,026,544, at a cost of \$920,828. Since the program's inception, the Fund has repurchased 15,972,838 Shares of common stock in the open market with an NAV of \$95,470,975, at a cost of \$91,627,295, and which represent 29.63% of the aggregate number of Shares issued by the Fund (net of Shares acquired for dividend reinvestment purposes and which remain outstanding).

³ As of December 31, 2014. **Return figures were not calculated in accordance with Regulation 5766 of March 11, 1998, as amended,**

which requires that investment returns for an individual retirement account ("IRA") be calculated in the manner provided therein. To the extent that an individual invests in the Fund through an IRA, his or her investment return figures will be less than those reported herein, when computed in accordance with Regulation 5766 and inasmuch as actual sales charges applicable to such IRA investments are taken into consideration. "Average Annual Total Return" figures reflect the percentage change in the market value, determined by calculating the average between the bid and ask prices, plus any income and capital gain dividends, and return of capital distributions, all such dividends and distributions reinvested as of the corresponding record date thereof, at the month-end NAV as of that date. In the case of "NAV Total Return," the Fund's NAV per Share is used, rather than the average between the bid and ask prices, to determine such total return, as applicable. "Rolling Period Annual Returns" measure the monthly movement in the average of the Annualized Average Market Return figures over a one-year, three-year, five-year, and ten-year period (as applicable), as it moves over a consecutive time series that begins on the Fund's inception date. Additionally, in the case of the Average Annual Total Return and Rolling Period Annual Return figures, commissions or sales charges payable in connection with a purchase or sale of Shares may vary with each brokerage institution. Total return figures are not representative of the performance of any individual investment, and taxes on capital gain distributions or income dividends, if any, have not been deducted. All calculations were performed by Thomson Reuters, based on certain financial data provided by this Fund and are annualized with the exception of year-to-date figures.

⁴ A \$10,000 investment is hypothetical and is shown for illustrative purposes only.

⁵ "IPO Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the initial public offering price. "Current Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the month-end bid price.



UBS Asset Managers of Puerto Rico Funds Quarterly Review Fourth Quarter 2014

*Consideraciones Especiales

Cada Fondo es una compañía de inversión no diversificada de fin cerrado inscrita bajo la Ley Número 6 de 19 de octubre de 1954, según enmendada. Los valores emitidos por un Fondo pueden solamente ser adquiridos por, o transferidos a, individuos que sean residentes de Puerto Rico y a entidades cuya oficina y localización de negocios principal estén localizados en Puerto Rico. El rendimiento, el valor neto de los activos de un Fondo y el precio en el mercado de las acciones de capital común del Fondo (en adelante, las "Acciones"), podrán fluctuar y se determinarán por factores como la demanda y oferta en el mercado de las Acciones y las condiciones económicas, políticas y del mercado en general, al igual que otros factores que están fuera del control de un Fondo. Las Acciones son negociadas al precio del mercado, el cual puede reflejar una prima o descuento del valor neto de los activos de un Fondo y no se puede dar representación alguna sobre su liquidez o el mercado para disponer de las mismas. A pesar de que es la intención de UBS Financial Services Incorporated of Puerto Rico (en adelante, "UBSFSPR") de continuar manteniendo un mercado secundario para las Acciones, no está obligada a continuar haciéndolo. De otra parte, puede que no exista otra fuente de información de precios para las Acciones u otros compradores para las Acciones que no sea UBSFSPR.

Riesgo de concentración geográfica: El Fondo está expuesto a ciertos riesgos debido a la diversificación geográfica reducida de su cartera de inversiones. Los activos del fondo están invertidos primariamente en valores de emisores de Puerto Rico. A consecuencia, el Fondo generalmente es más susceptible a factores económicos, políticos, regulatorios y otros que podrían afectar adversamente a emisores de Puerto Rico que otra compañía de inversión la cual no esté tan concentrada en emisores de Puerto Rico. En adición, valores emitidos por el Gobierno de Puerto Rico o sus instrumentalidades se afectan por las finanzas del gobierno central. Eso incluye, pero no se limita a, las obligaciones generales de Puerto Rico y los bonos de ingresos, contribuciones especiales o de agencias. El efecto en cada deuda específica podría no ser el mismo y depende de que parte del dinero del gobierno o sus ingresos se supone pague el interés de dicha deuda. En la medida que un porcentaje relativamente alto de los activos del Fondo pueden ser invertidos en obligaciones de un número limitado de emisores de Puerto Rico, el valor neto de activos y su rendimiento puede aumentar o disminuir más que el de una compañía de inversión más diversificada, como resultado de cambios en cuanto a la evaluación de la condición financiera o prospectos de dichos emisores de Puerto Rico. El Fondo también puede ser más susceptible a cualquier ocurrencia individual económica, política o regulatoria en Puerto Rico que una compañía de inversión más diversificada. En los pasados años, los bonos principales del Gobierno de Puerto Rico, al igual que valores emitidos por ciertas instituciones financieras de Puerto Rico han sido degradados por varios factores, incluyendo sin limitación, al empeoramiento experimentado por la economía de Puerto Rico y la condición financiera pobre del Gobierno de Puerto Rico. Al presente, el mercado de bonos de Puerto Rico está experimentando un periodo de volatilidad, con los

bonos de Puerto Rico traficando a precios más bajos y rendimientos más altos a los puntos de referencia de los pasados dos (2) años, y así afectando el valor neto de activos del Fondo.

Transacciones de cartera entre un Fondo y UBSFSPR, Popular Securities (en el caso de un Fondo co-manejado con Banco Popular de Puerto Rico) y otras afiliadas son efectuadas conforme a ciertos procedimientos adoptados por la Junta de Directores de un Fondo con miras a atender posibles conflictos de interés.

Divulgación de Mercado Secundario: Dado a que actualmente UBSFSPR es la fuente dominante, y podría ser la única fuente, de liquidez para la negociación de las Acciones en el mercado secundario, cabe la posibilidad que un inversionista no pueda vender sus Acciones en el mercado secundario o que solamente pueda venderlas a pérdida, si UBSFSPR cesara de facilitar un mercado secundario para la negociación de las Acciones. Por lo tanto, la habilidad de un inversionista para vender sus Acciones dependerá del interés de otros inversionistas que estén comprando Acciones o la disponibilidad de UBSFSPR de designar capital adicional para mantener Acciones en su inventario. UBSFSPR podrá, a su única discreción, comprometer capital adicional para mantener Acciones en inventario cuando así lo estime apropiado, dependiendo de las condiciones del mercado y otras consideraciones, e igualmente en otras ocasiones, podrá reducir la cantidad de capital comprometida para financiar dicho inventario de las Acciones. Por ejemplo, cuando UBSFSPR compra Acciones para su inventario, los precios cotizados por éste podrán permanecer a los niveles previamente cotizados o aumentar. Por otro lado, cuando UBSFSPR vende Acciones de su inventario, los precios cotizados por éste podrían reducirse. En situaciones en que UBSFSPR está vendiendo Acciones de su inventario, podría ofrecer vender dichas Acciones a precios más bajos que cualquier orden de venta pendiente que fue puesta sobre sus Acciones por cualquier inversionista. Cualquier decisión de UBSFSPR de aumentar o reducir su inventario será tomada a su única discreción y no son divulgadas al público.

Divulgación Contributiva sobre Acuerdos de Recompra: A pesar de que existe precedente contable que apoya el concepto que los acuerdos de recompra y recompra a la inversa sean considerados como préstamos con garantía colateral para propósitos contributivos en Puerto Rico, dicho precedente no es determinante en cuanto a las disposiciones contributivas aplicables a los acuerdos de recompra que normalmente el Fondo suscribe, que contienen disposiciones que conceden al comprador de los valores subyacentes a dichos acuerdos el derecho a vender, transferir, pignorar o hipotecar dichos valores. A pesar de que el Departamento de Hacienda de Puerto Rico (en adelante, "Hacienda") nunca se ha expresado sobre si estos tipos de acuerdos deben ser considerados como una transferencia de titularidad sobre los valores subyacentes, Hacienda podría adoptar dicha posición y que los tribunales de Puerto Rico estén de acuerdo con dicha posición. En dicho caso, el interés exento pagado sobre los valores subyacentes a dichos acuerdos podría considerarse

como ingreso no exento del pago de contribución para el vendedor de tales valores subyacentes. En la medida que el Fondo sea considerado el vendedor bajo el acuerdo de recompra correspondiente, los dividendos distribuidos sobre las Acciones que a su vez son derivados del ingreso del acuerdo de recompra correspondiente podría ser considerado como un dividendo sujeto a tributación o ganancias de capital. Si tal dividendo fuera considerado como dividendo sujeto a tributación, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico podrían estar sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos distribuidos antes del 15 de julio de 2014) sobre el dividendo (o la contribución básica alterna aplicable), y aquellos que sean inversionistas corporativos estarían sujetos a una máxima tasa efectiva de 5.85% (o 4.5% para dividendos distribuidos antes del 15 de julio de 2014), debido a la deducción de 85% sobre dividendos recibidos, según dispuesto por el Código de Rentas Internas de Puerto Rico, multiplicando el 15% del dividendo por una tasa contributiva corporativa máxima de 39% para los dividendos distribuidos en o después del 1 de julio de 2014 y 30% para los dividendos distribuidos antes del 1 de julio de 2014). Por otro lado, si tales dividendos fueran considerados como dividendos de ganancias de capital, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico estarían sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014 o la contribución básica alterna aplicable), y los tenedores de las Acciones que tributa como corporaciones, estarían sujetos a una tasa contributiva de 20% (tasa contributiva de 15% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014).

Cambios Recientes al Derecho Tributario de Puerto Rico: El 1 de julio de 2014, el Gobernador de Puerto Rico firmó como ley la Ley 77-2014, la cual enmendó el Código de Rentas Internas de Puerto Rico del 2011 para proveer, entre otras cosas, (i) que el 10% de retención de impuesto que se le impone a los dividendos distribuidos por corporaciones de Puerto Rico a individuos, aplicará a los dividendos distribuidos antes del 1 de julio de 2014, y que la tasa de 15% aplicará a los dividendos distribuidos después del 30 de junio de 2014, y (ii) que las tasas de ganancias de capital a largo plazo para ventas e intercambios realizadas después del 30 de junio de 2014, ha sido aumentada de 10% a 15% para individuos, sucesiones y fideicomisos; y de 15% a 20% para las corporaciones. Consecuentemente, si el Fondo distribuye "Dividendos Tributables" después del 30 de junio de 2014, el interés aplicable y la tasa de retención será 15%. Del mismo modo, si el Fondo distribuye Dividendos de Ganancias de Capital después del 30 de junio de 2014, la tasa de interés aplicable para individuos, sucesiones y fideicomisos será un 15%, y 20% para las corporaciones. Se exhorta a los inversionistas a que contacten a su abogado o asesor contributivo. Ni UBS Financial Services Incorporated of Puerto Rico ni el Fondo proveen asesoría legal o contributiva.

El 11 de febrero de 2015 la Legislatura de Puerto Rico presentó dos proyectos de ley (P.C. 2329 y P.S.

1304) que proponen una reforma contributiva con la aprobación del "Nuevo Código de Rentas Internas de 2015" (el "Código Nuevo"). En términos generales, el Código Nuevo sería efectivo para años contributivos comenzados después del 31 de diciembre de 2014 y, de aprobarse, incluiría los siguientes cambios: (a) eliminar las tasas preferenciales que actualmente aplican a las ganancias de capital a largo plazo generadas después del 31 de diciembre de 2014; (b) eliminar la tasa preferencial de 10% que actualmente aplica a los ingresos de intereses de ciertas obligaciones, incluyendo los Intereses Tributables; (c) reducir el máximo de la tasa de contribuciones de individuos a 30%; (d) eliminar la contribución básica alterna de individuos; (e) establecer una tasa fija de contribuciones sobre ingresos de las corporaciones a 30%; (f) eliminar la exención de los intereses de ciertas obligaciones de los Estados Unidos y sus subdivisiones políticas; y (g) eliminar las tasas preferenciales aplicables a ciertos dividendos y otros ingresos de intereses. La Legislatura de Puerto Rico está en el proceso de revisión de los proyectos de ley, por lo que, actualmente, el resultado final no se puede determinar.

Aviso Legal

Rendimientos anteriores no son garantía de resultados futuros similares. Los rendimientos actuales podrían ser más bajos o más altos que el rendimiento aquí citado. Los valores emitidos por un Fondo están sujetos a riesgo de mercado, incluyendo la pérdida del principal invertido. Este documento no es una oferta de compra ni una solicitud de una oferta de compra para cualquier inversión en un Fondo y es para propósitos informativos solamente. Las inversiones en un Fondo están diseñadas principalmente y son adecuadas para inversionistas a largo plazo y no deben ser consideradas como un vehículo para fines de negociación. Estas inversiones pueden que no sean adecuadas para cualquier inversionista. Una inversión en un Fondo no es equivalente a una inversión en los valores subyacentes en los cuales un Fondo invierte. El uso de apalancamiento por un Fondo representa ciertos riesgos a los inversionistas en éste, y en ciertos casos, las fluctuaciones en las tasas de intereses podrían aumentar la volatilidad en su rendimiento y afectar a un Fondo a mayor grado que a una compañía de inversión no apalancada. **Información más detallada en cuanto a un Fondo, incluyendo los cargos, gastos y penalidades aplicables, objetivo(s) y políticas de inversión, factores de riesgo y el efecto de apalancamiento, se incluye en la documentación de oferta del Fondo, el cual usted debe leer cuidadosamente antes de hacer una inversión.** Para obtener más información en cuanto a un Fondo (incluyendo los rendimientos de inversión calculados conforme el Reglamento 5766 de 11 de marzo de 1998, según enmendado) o una copia del prospecto para la oferta de las Acciones o los informes anuales del Fondo, favor de contactar a la familia de fondos UBS Puerto Rico o Puerto Rico Investors al 787-773-3888 ó 787-751-5452, respectivamente. Para obtener más información en cuanto a los rendimientos del Fondo de fin de mes o información más actualizada, por favor contactar a su Asesor Financiero en UBSFSPR o verifique los comunicados de prensa ("press releases") en <http://www.ubs.com/prfunds>.

Glossary of fund terms

- **Ask Price:** generally refers to the lowest price at which a seller will sell a specified number of units of a given security at a particular time. The ask price may incorporate a markup, which may vary by transaction and may include commissions and other charges. The ask prices quoted by UBSFSPR represent its judgment of the market price for Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price and age of pending customer orders.
- **Average Duration:** a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flow accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flow consist of coupon payments and repayment of capital.) A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, for which maturity and duration are equal.
- **Bid Price:** generally refers to the highest price a buyer is willing to pay at a particular time for a unit of a given security. UBSFSPR publishes two types of bid prices for the Shares: firm or indicative. A firm bid is provided when UBSFSPR has the risk capacity and/or appetite at the particular time to purchase a specified number of Shares. An investor can sell to UBSFSPR at the firm bid price up to the specified number of Shares at a particular time. On the other hand, an indicative bid is provided for informational purposes only when UBSFSPR does not have the risk capacity and/or appetite at a particular time to purchase Shares. The prices quoted by UBSFSPR represent its judgment of the market price for the Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price, and age of pending customer orders, and may be higher (in which case the price is at a premium) or lower (in which case the price is at a discount) than the NAV of the Fund.

The prices quoted by UBSFSPR may also be affected by its willingness to hold additional inventory of the Shares or by its need to sell its inventory of Shares. Depending on market liquidity conditions, orders to buy or sell at the quoted price may not receive immediate execution, and an investor may not be able to sell its Shares at the price quoted by UBSFSPR. Moreover, the proceeds an investor receives on a sale of Shares may be lower than the bid price due to discounts, markdowns, and other charges. Since inception, the Shares have historically traded at prices which reflect a premium to their respective NAV per Share, though on certain limited instances, they have traded at prices which reflect a discount to their respective NAV per Share. However, there is no assurance that the Shares will continue to trade at prices which reflect such a premium. The Fund is presently experiencing liquidity issues. As a result, the bid price is for a limited number of shares, and it may not be possible for sellers to obtain the current bid price.

- **Credit Quality:** a measure of the likelihood that a financial obligation will not be honored provided by one or more of the rating agencies. Rating agencies assign classifications to their ratings, with "AAA" being the highest and "D" being the lowest for Standard & Poor's Ratings Services ("S&P"). The Fund may use other ratings and adjust them for use in this scale.
- **Effective Duration:** a calculation of duration that takes into account the embedded options in the securities of a portfolio and their expected changes in the cash flow of a portfolio caused by those options.
- **Expense Ratio:** The percentage of the Fund's average net assets attributable to holders of the Shares and which is used to pay operating expenses and takes into account investment management fees, administration fees, and other operating expenses such as legal, audit, insurance, and shareholder communications.
- **Hedge Notional:** refers to the total net face value, reflecting any offsetting positions, of derivative instruments employed in hedging strategies of the Fund.
- **Hedge Ratio:** ratio of the Fund's hedge notional amount to its total dollar amount of leverage as of the end of a calendar quarter, assuming the Fund is fully invested at quarter-end. The Fund's investment adviser may, at its discretion, use a variety of derivative instruments including securities options, financial futures contracts, options on futures contracts, and other interest rate protection transactions such as swap agreements, to attempt to hedge its portfolio of assets and seek to enhance its return. There can be no assurance that any particular hedging strategy used will succeed.
- **Leverage:** the Fund may issue preferred stock or debt, enter into repurchase agreements, or borrow money, in order to increase the amounts available for investment ("leverage"). This gives the Fund's investment adviser, in the fixed income area in particular, the opportunity to enhance yield. The use of leverage increases the likelihood of price volatility and market risk for the Shares. There is also the risk that the cost of funding leverage will exceed the earnings on the related investments, which will have the likely effect of reducing the Fund's yield and the value of its investments.
- **Leverage Adjusted Effective Duration:** effective duration adjusted for the impact of the Fund's utilization of leverage. A Fund that utilizes leverage will have a leverage-adjusted effective duration that is longer than its effective duration.
- **Maturity:** date on which the face value of a security/bond must be repaid. It measures the average length to maturity in years of all the bonds in the Fund's portfolio. For mortgage-backed securities, the maturity takes into account the prepayment of the underlying mortgages.
- **NAV:** Net Asset Value. On a per-Share basis, it is determined by calculating the Fund's total assets less its total liabilities and dividing such result by the Shares outstanding. On an aggregate, Fund basis, it is determined by calculating the Fund's total assets less its total liabilities.

- **Undistributed Income:** the Fund's net income that has not been distributed to holders of its Shares as of the latest available audited financial statements. In the case of a target maturity-type investment company (which is liquidated on or by a specific date), it also includes the amounts to be distributed on or by the liquidation date as the return of the initial investment.

For a definition of other terms, please see the Shares' prospectus.



Puerto Rico Fixed Income Fund V, Inc.

Investment Objectives and Policies

Seeks current income, consistent with the preservation of capital, by investing:

- up to 33% of its total assets in, among other things, securities issued or guaranteed by the U.S. Government, its agencies, and instrumentalities
- at least 67% of its total assets in securities issued by Puerto Rico issuers (as described in the Prospectus)
- at least 80% of total assets in investment-grade securities²
- may issue leverage representing up to 50% of total assets¹

Pricing and Distribution History²

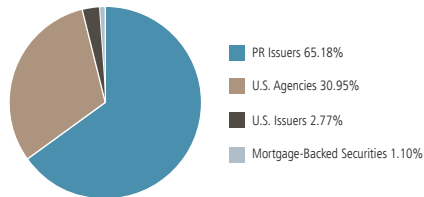
Initial Public Offering (IPO)	\$10.00
52-week Bid Low/High	\$3.79/\$4.80
YTD NAV Change	\$0.43
YTD Bid Price Change	\$0.24
IPO Yield ⁵	6.35%
Current Yield ⁵	15.76%
Last Dividend Paid	\$0.0529
Last 12 Month Dividend	\$0.6824

Portfolio Statistics and Characteristics²

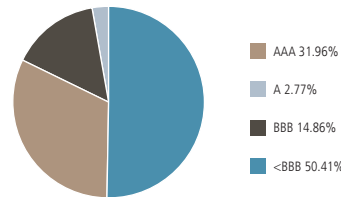
Commencement	May-07	Fiscal Year	31-Mar
Shares Outstanding (mm)	26.44	Weighted Avg. Coupon	5.16%
Bid Price	\$4.03	Average Maturity (yrs)	25.62
Net Asset Value (NAV)	\$4.35	Average Duration (yrs)	10.91
Bid Price to NAV Ratio	92.64%	Leverage Adjusted Effective Duration (yrs)	16.84
Net Assets (mm)	\$115.09	Leverage %	45.29% ¹
Leverage (mm)	\$96.64	Leverage Cost	0.56%
Undistributed Income (mm)	\$4.28	Hedge Notional (mm)	\$38.69
Expense Ratio	1.04%	Hedge Ratio	40%

See Portfolio Holdings, Portfolio Managers, Special Considerations, Disclaimers, Glossary of Fund Terms, and Footnotes on reverse.

Portfolio Summary²



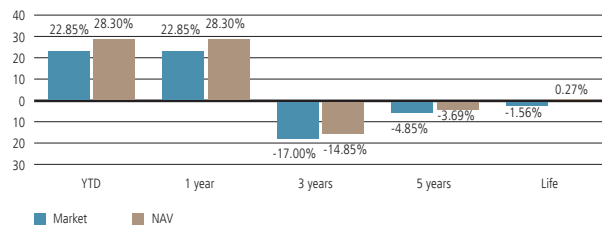
Credit Quality²



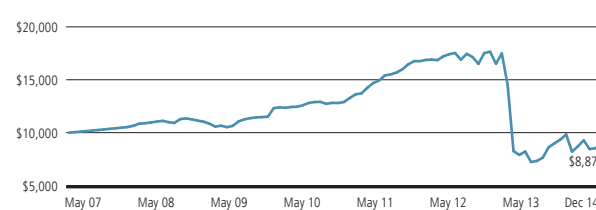
Additional Distributions (per share)

	Current Quarter	YTD	Since Inception
Special Dividend	\$-	\$-	\$0.6525
Capital Gain Distribution	\$-	\$-	\$0.1945

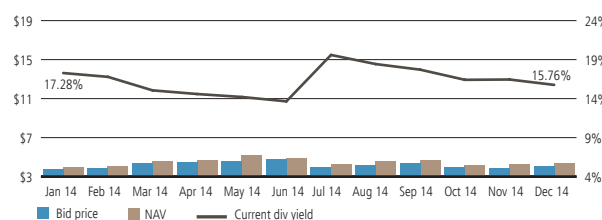
Average Annual Total Return³



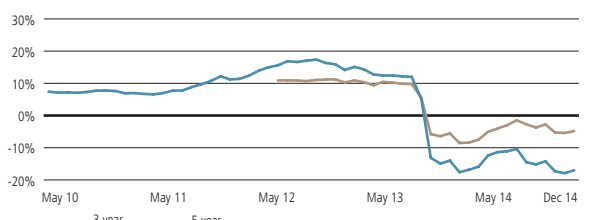
Growth of a \$10,000 Investment as of December 31, 2014⁴



Share Price, NAV and Current Dividend Yield – Prior 12 months



Rolling Period Annual Returns³



Portfolio Holdings²

PR Obligations	PRIDCO	5.16%
Mortgage - Backed Securities	GDB	1.07%
CMO, COMM END, FNMA, GNMA, FGLMC	1.10%	PR Obligations 66.28%
AFICA		U.S. Obligations
Costa Caribe	1.24%	Federal Home Loan Bank
Galeria San Patricio	0.75%	Federal Farm Credit Bank
Employee Retirement System	39.15%	29.94%
PR Sales Tax Financing	14.86%	1.01%
PREPA	1.58%	Build America Bonds
PRASA (Insured)	1.37%	2.77%
		U.S. Obligations 33.72%

Portfolio Manager

Leslie Highley, Jr.

Portfolio Manager since inception
UBS Asset Managers of Puerto Rico

*Special Considerations

The Fund is a non-diversified, closed-end management investment company registered under the Puerto Rico Investment Companies Act of 1954, as amended. Securities issued by the Fund may be purchased or otherwise transferred only to individuals who are residents of Puerto Rico and to entities whose principal office and principal place of business are located in Puerto Rico. The Fund's yield and net asset value and the market price of the Fund's shares of Common Stock (the "Shares") may fluctuate and will be determined by such factors as relative demand for and supply of the Shares in the market, as well as general market, political, and economic conditions and other factors beyond the control of the Fund. The Shares trade at market price, which may be at a discount or premium to NAV, and no assurance can be given as to their liquidity or trading market. While it is the intention of UBS Financial Services Incorporated of Puerto Rico ("UBSFSPR") to continue to maintain a secondary market for the Shares, it is not obligated to continue to do so. Moreover, there may be no other source of price information for the Shares or other purchasers of the Shares other than UBSFSPR.

Geographic Concentration Risk. The Fund is exposed to certain risks resulting from the reduced geographic diversification of its portfolio. The Fund's assets are invested primarily in securities of Puerto Rico issuers. Consequently, the Fund in general is more susceptible to economic, political, regulatory or other factors adversely affecting issuers in Puerto Rico than an investment company that is not so concentrated in Puerto Rico issuers. In addition, securities issued by the Government of Puerto Rico or its instrumentalities are affected by the central government's finances. That includes, but is not limited to, general obligations of Puerto Rico and revenue bonds, special tax bonds, or agency bonds. The effect on each specific debt may not be the same; it depends on exactly what part of the government's money or revenue is supposed to pay the interest thereon. Inasmuch as a relatively high percentage of the Fund's assets may be invested in obligations of a limited number of Puerto Rico issuers, the Fund's net asset value and its yield may increase or decrease more than that of a more diversified investment company as a result of changes in the market's assessment of the financial condition and prospects of such Puerto Rico issuers. The Fund may also be more susceptible to any single economic, political, or regulatory occurrence in Puerto Rico than a more widely diversified investment company. Over the past years, the principal Puerto Rico Government bonds as well as the securities issued by several Puerto Rico financial institutions have been downgraded as a result of several factors, including without limitation, the downturn experienced

by the Puerto Rico economy and the strained financial condition of the Government of Puerto Rico. Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years, thereby affecting the Fund's net asset value.

Portfolio transactions between the Fund and UBSFSPR, Popular Securities (in the case of a co-managed Fund with Banco Popular de Puerto Rico), and other affiliates, are conducted in accordance with procedures adopted by the Fund's Board of Directors in an effort to address potential conflicts of interest.

Secondary Market Disclosure: Given UBSFSPR is currently the dominant, and may be the sole, source of secondary market liquidity for the Shares an investor may not be able to sell its Shares or may only be able to sell them at a loss, if UBSFSPR were to cease to facilitate such secondary market for the Shares. Accordingly, an investor's ability to sell its Shares will depend on the interest of other investors buying Shares, or UBSFSPR's willingness to commit additional capital to holding Shares in inventory. UBSFSPR may, in its sole discretion, commit additional capital to hold Shares in inventory when it deems it appropriate to do so, given market conditions or other considerations, and similarly may reduce the amount of capital committed to fund such inventory of Shares at other times. For example, when UBSFSPR purchases Shares and holds them in its inventory, quoted prices may remain at the previously quoted levels or increase. Conversely, when UBSFSPR sells Shares from its inventory, the quoted prices may decrease. In situations where UBSFSPR is selling Shares from its inventory, it may offer to sell its Shares at prices that are lower than pending sell orders that were placed by investors in the Shares. Decisions by UBSFSPR to increase or decrease inventory are made at its sole discretion and are not generally disclosed.

Repurchase Agreement Tax Disclosure: While there is authority generally supporting the treatment of repurchase and reverse repurchase agreements as collateralized loans for Puerto Rico income tax purposes, that authority does not specifically address the tax treatment of the repurchase agreements that the Fund typically enters into, which contain provisions that grant the buyer the right to sell, transfer, pledge, or hypothecate the securities that are the object of such agreements. Although the Puerto Rico Treasury Department ("PR Treasury") has never pronounced itself as to whether this type of arrangement should be viewed as a transfer of ownership of the underlying securities, it is possible that the PR Treasury could take that position in the future and that Puerto Rico

market conditions permit, though there is no assurance the Fund will be able to do so.

² The "Expense Ratio" calculation may reflect a partial waiver of the investment advisory and administration fees payable to UBS Trust Company of Puerto Rico, implemented on October 1, 2013. For more up-to-date information with respect to such partial fee waivers, if any, please see "Press Releases" at <http://www.ubs.com/prfunds>.

Credit quality is as of December 31, 2014. The Fund's investment portfolio is actively managed, and its composition (including the portfolio statistics and characteristics) will vary over time. Credit quality percentages include only fixed income securities and vary over time, as new investment securities are acquired and the credit rating of any investment held by the Fund is reassessed. For purposes of determining compliance with the Fund's investment requirements, ratings are as of the time of purchase, using a Standard & Poor's equivalent ratings scale. On February 12, 2015, S&P further downgraded the credit rating on the GOs from "BB" to "B", as well as the credit ratings of other Commonwealth agencies and public corporations, including its credit ratings on senior and subordinate-lien bonds issued by COFINA, which were lowered from "BBB" and "BBB-", respectively to "B". On such date, the long-term issuer credit rating on the GDB was also lowered, from "BB-" to "B-". On February 19, 2015, Moody's followed suit and downgraded its credit ratings on various Government of Puerto Rico entities and issuances, including GOs, from "B2" to "Caa1", and COFINA's senior and subordinate-lien bonds, which were lowered from "Ba3" and "B1", to "B3" and "Caa1", respectively. Lastly, on March 26, 2015, Fitch also downgraded the credit rating on the GOs from "BB-" to "B", as well as the credit ratings of PRASA senior lien revenue bonds from "B+" to "B" and COFINA's senior and subordinate-lien bonds from "BB-" to "B". All of the before-mentioned ratings carry a negative outlook. **As a result of the foregoing, none of the bonds issued by the Government of Puerto Rico and its instrumentalities currently carry an investment-grade credit rating.** Inasmuch as the Fund invests a substantial portion of its assets in securities issued by the Commonwealth of Puerto Rico, these recent rating downgrades will negatively impact the Fund's ability to maintain

courts would agree with that view. In such event, the tax exempt interest paid on such underlying securities could be deemed not to constitute tax exempt income for the seller of such securities; to the extent that the Fund was such seller, the dividends distributed on its Shares from such income could be treated either as taxable dividends or capital gain dividends. If such dividends were treated as taxable dividends, holders of the Shares who are individuals or Puerto Rico trusts could be subject to a 15% income tax (or 10% income for dividends distributed before July 15, 2014) on the dividend (or the applicable alternate basic tax), and those which are corporate investors would be subject to a maximum effective income tax rate of 5.85% (or 4.5% for dividends distributed before July 15, 2014), (due to the 85% dividend received deduction of the Puerto Rico Internal Revenue Code, 15% of the dividend multiplied by a 39% maximum corporate income tax rate for dividends distributed on or after July 1, 2014 and 30% for dividends distributed before July 1, 2014). On the other hand, if such dividends were treated as capital gains dividends, holders of the Shares who are individuals or Puerto Rico trusts would be subject to a 15% income tax (or 10% income tax for capital dividends distributed before July 1, 2014) (or the applicable alternate basic tax), and holders of the Shares which are taxed as corporations would be subject to a 20% income tax (15% income tax for capital dividends distributed before July 1, 2014).

Recent Changes in Puerto Rico tax law: On July 1, 2014, the Governor of Puerto Rico signed into law Act 77-2014 which amended the Puerto Rico Internal Revenue Code of 2011 to provide, among other things, (i) the 10% withholding tax that is imposed on dividends distributed by Puerto Rico corporations to individuals will apply to dividends distributed before July 1, 2014, and that a 15% rate will apply for dividends distributed after June 30, 2014, and (ii) the long-term capital gains rate for sales and exchanges effected after June 30, 2014, is increased from 10% to 15%, in the case of individuals, estates, and trusts; and from 15% to 20%, in the case of corporations. Accordingly, if the Fund distributes "Taxable Dividends" after June 30, 2014, the applicable tax and withholding rate will be 15%. Similarly, if the Fund distributes Capital Gain Dividends after June 30, 2014, the applicable tax rate for individuals, estates and trusts will be 15%, and 20% in the case of corporations. Investors are encouraged to contact their lawyer or tax consultant. Neither the Fund nor UBS Financial Services Incorporated of Puerto Rico provides legal or tax advice.

On February 11, 2015, two (2) bills (P.C. 2329 and P.S. 1304) were introduced into the Puerto Rico Legislature and which propose the

compliance with its maximum/minimum investment threshold(s) in securities of a specific credit quality. To the extent that such investment threshold(s) in securities of a specific credit quality are exceeded, Fund management may determine to continue to hold such lower-rated securities, provided any new investment proceeds are directed to acquire investment securities which satisfy the Fund's minimum credit rating requirements. **In view of the fact that the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years and the subsequent credit rating downgrade of certain Puerto Rico bonds, current or more up-to-date information regarding the Fund's portfolio holdings is available at <http://www.ubs.com/prfunds>.** Currently, the Fund's percentage investment in securities rated below investment-grade (below "BBB" rating) or which are unrated, amounted to 50.41% of the Fund's total portfolio, which exceeds the Fund's maximum investment threshold of 20% of its total assets invested in securities rated below investment-grade or which are unrated. Moreover, the Fund's percentage investment in debt securities rated below investment-grade (below "BBB" rating) or which are not of investment-grade credit quality, amounted to 50.41% of the Fund's total assets, which exceeds the Fund's maximum investment threshold of 5% of its total assets. On July 2014, the Board of Directors approved an extension of the Fund's existing share repurchase program for the acquisition of up to 45% of each Fund's issued Shares. The Repurchase Program is intended to enhance shareholder value by providing additional liquidity to Fund shareholders. For the quarter ended December 31, 2014, the Fund had repurchased 137,988 Shares in the open market with an NAV of \$603,560, at a cost of \$539,722. Since the program's inception, the Fund has repurchased 11,619,275 Shares of common stock in the open market with an NAV of \$4,238,673, at a cost of \$70,556,880, and which represent 30.58% of the aggregate number of Shares issued by the Fund (net of Shares acquired for dividend reinvestment purposes and which remain outstanding).

adoption of a "New Puerto Rico Internal Revenue Code of 2015" ("New Code"). In general, the New Code would be effective for taxable years beginning after December 31, 2014 and, if approved, the New Code would, amongst other changes: (a) eliminate the preferential tax rates that currently apply to long-term capital gains derived after December 31, 2014, (b) eliminate the preferential 10% rate that currently applies to interest on certain obligations, such as Taxable Interest, (c) reduce the maximum marginal tax rate of individuals to 30%, (d) eliminate the alternate basic tax for individuals, (e) provide for a fixed 30% regular income tax rate for corporations, (f) eliminate the exemption for interest on obligations issued by States and their political sub-divisions, and (g) eliminate the preferential tax rates that currently exist for certain dividends and other interest income items. The Puerto Rico Legislature is currently reviewing the proposed bills and, therefore, their final outcome is not currently determinable.

Legal Disclaimer

Past performance does not guarantee future results. Current performance may be lower or higher than the performance quoted. Securities issued by the Fund are subject to market risk, including the loss of principal amounts invested. This document is not an offer to sell, or the solicitation of an offer to buy any investment in the Fund, and is for informational purposes only. Fund investments are designed primarily and suitable for long-term investors and not viewed as a vehicle for trading purposes. They may not be suitable to all investors. Fund investments are not equivalent to investments in its underlying securities. The Fund's utilization of leverage poses certain risks to investors, and in some cases, interest rate fluctuations may increase the volatility of its return and affect the Fund to a significantly greater extent than a non-leveraged investment company. **More detailed information about the Fund, including applicable fees, costs, penalties, investment objectives and policies, risk factors, and the effects of leverage, is further described in the Share's prospectus, which you should read carefully prior to making an investment.** To obtain additional information related to the Fund (including investment returns calculated in accordance with Regulation 5766 of March 11, 1998, as amended) or a copy of the Shares' prospectus or Fund's annual report, please contact the UBS Puerto Rico Family of Funds at 787-773-3888. To obtain the Fund's month-end performance or more up-to-date information, please contact your UBS Financial Advisor or see "press releases" at <http://www.ubs.com/prfunds>.

Footnotes:

¹ Generally, the Fund must invest at least 67% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage) and cash, including cash equivalents, but excluding non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), in Puerto Rico securities. Additionally, the Fund may issue preferred stock, debt securities, or other forms of leverage, representing not more than 50% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage), cash (including cash equivalents), and non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), immediately after the issuance of any such preferred stock, or other debt securities. Moreover, the Fund may not issue preferred stock, debt securities, or other forms of leverage unless the value of its total assets less all its liabilities and indebtedness, other than the preferred stock, debt securities, or other forms of leverage being issued or already outstanding, is at least equal to 200% of the total aggregate liquidation preference/principal amount of all its outstanding preferred stock (not including any accumulated dividends or other distributions), debt securities, and other forms of leverage. **Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years. In view of these volatile market conditions, the Puerto Rico Office of the Commissioner of Financial Institutions (the "PROCFI") has granted to the Fund a temporary regulatory waiver from the Funds' investment requirement in Puerto Rico securities of at least 67% of the Fund's total assets and leverage limitation of 50% of its total assets and 200% asset coverage requirement described above, through July 31, 2015. These temporary waivers may be renewed by the PROCFI for additional periods of time, should market conditions warrant, and upon written request by the Fund. It is the Fund's intention to re-achieve compliance therewith as soon as**

³ As of December 31, 2014. **Return figures were not calculated in accordance with Regulation 5766 of March 11, 1998, as amended, which requires that investment returns for an individual retirement account ("IRA") be calculated in the manner provided therein.** To the extent that an individual invests in the Fund through an IRA, his or her investment return figures will be less than those reported herein, when computed in accordance with Regulation 5766 and inasmuch as actual sales charges applicable to such IRA investments are taken into consideration. "Average Annual Total Return" figures reflect the percentage change in the market value, determined by calculating the average between the bid and ask prices, plus any income and capital gain dividends, and return of capital distributions, all such dividends and distributions reinvested as of the corresponding record date thereof, at the month-end NAV as of that date. In the case of "NAV Total Return," the Fund's NAV per Share is used, rather than the average between the bid and ask prices, to determine such total return, as applicable. "Rolling Period Annual Returns" measure the monthly movement in the average of the Annualized Average Market Return figures over a one-year, three-year, five-year, and ten-year period (as applicable), as it moves over a consecutive time series that begins on the Fund's inception date. Additionally, in the case of the Average Annual Total Return and Rolling Period Annual Return figures, commissions or sales charges payable in connection with a purchase or sale of Shares may vary with each brokerage institution. Total return figures are not representative of the performance of any individual investment, and taxes on capital gain distributions or income dividends, if any, have not been deducted. All calculations were performed by Thomson Reuters, based on certain financial data provided by this Fund and are annualized with the exception of year-to-date figures.

⁴ A \$10,000 investment is hypothetical and is shown for illustrative purposes only.

⁵ "IPO Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the initial public offering price. "Current Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the month-end bid price.



UBS Asset Managers of Puerto Rico Funds Quarterly Review Fourth Quarter 2014

*Consideraciones Especiales

Cada Fondo es una compañía de inversión no diversificada de fin cerrado inscrita bajo la Ley Número 6 de 19 de octubre de 1954, según enmendada. Los valores emitidos por un Fondo pueden solamente ser adquiridos por, o transferidos a, individuos que sean residentes de Puerto Rico y a entidades cuya oficina y localización de negocios principal estén localizados en Puerto Rico. El rendimiento, el valor neto de los activos de un Fondo y el precio en el mercado de las acciones de capital común del Fondo (en adelante, las "Acciones"), podrán fluctuar y se determinarán por factores como la demanda y oferta en el mercado de las Acciones y las condiciones económicas, políticas y del mercado en general, al igual que otros factores que están fuera del control de un Fondo. Las Acciones son negociadas al precio del mercado, el cual puede reflejar una prima o descuento del valor neto de los activos de un Fondo y no se puede dar representación alguna sobre su liquidez o el mercado para disponer de las mismas. A pesar de que es la intención de UBS Financial Services Incorporated of Puerto Rico (en adelante, "UBSFSPR") de continuar manteniendo un mercado secundario para las Acciones, no está obligada a continuar haciéndolo. De otra parte, puede que no exista otra fuente de información de precios para las Acciones u otros compradores para las Acciones que no sea UBSFSPR.

Riesgo de concentración geográfica: El Fondo está expuesto a ciertos riesgos debido a la diversificación geográfica reducida de su cartera de inversiones. Los activos del fondo están invertidos primariamente en valores de emisores de Puerto Rico. A consecuencia, el Fondo generalmente es más susceptible a factores económicos, políticos, regulatorios y otros que podrían afectar adversamente a emisores de Puerto Rico que otra compañía de inversión la cual no esté tan concentrada en emisores de Puerto Rico. En adición, valores emitidos por el Gobierno de Puerto Rico o sus instrumentalidades se afectan por las finanzas del gobierno central. Eso incluye, pero no se limita a, las obligaciones generales de Puerto Rico y los bonos de ingresos, contribuciones especiales o de agencias. El efecto en cada deuda específica podría no ser el mismo y depende de que parte del dinero del gobierno o sus ingresos se supone pague el interés de dicha deuda. En la medida que un porcentaje relativamente alto de los activos del Fondo pueden ser invertidos en obligaciones de un número limitado de emisores de Puerto Rico, el valor neto de activos y su rendimiento puede aumentar o disminuir más que el de una compañía de inversión más diversificada, como resultado de cambios en cuanto a la evaluación de la condición financiera o prospectos de dichos emisores de Puerto Rico. El Fondo también puede ser más susceptible a cualquier ocurrencia individual económica, política o regulatoria en Puerto Rico que una compañía de inversión más diversificada. En los pasados años, los bonos principales del Gobierno de Puerto Rico, al igual que valores emitidos por ciertas instituciones financieras de Puerto Rico han sido degradados por varios factores, incluyendo sin limitación, al empeoramiento experimentado por la economía de Puerto Rico y la condición financiera pobre del Gobierno de Puerto Rico. Al presente, el mercado de bonos de Puerto Rico está experimentando un periodo de volatilidad, con los

bonos de Puerto Rico traficando a precios más bajos y rendimientos más altos a los puntos de referencia de los pasados dos (2) años, y así afectando el valor neto de activos del Fondo.

Transacciones de cartera entre un Fondo y UBSFSPR, Popular Securities (en el caso de un Fondo co-manejado con Banco Popular de Puerto Rico) y otras afiliadas son efectuadas conforme a ciertos procedimientos adoptados por la Junta de Directores de un Fondo con miras a atender posibles conflictos de interés.

Divulgación de Mercado Secundario: Dado a que actualmente UBSFSPR es la fuente dominante, y podría ser la única fuente, de liquidez para la negociación de las Acciones en el mercado secundario, cabe la posibilidad que un inversionista no pueda vender sus Acciones en el mercado secundario o que solamente pueda venderlas a pérdida, si UBSFSPR cesara de facilitar un mercado secundario para la negociación de las Acciones. Por lo tanto, la habilidad de un inversionista para vender sus Acciones dependerá del interés de otros inversionistas que estén comprando Acciones o la disponibilidad de UBSFSPR de designar capital adicional para mantener Acciones en su inventario. UBSFSPR podrá, a su única discreción, comprometer capital adicional para mantener Acciones en inventario cuando así lo estime apropiado, dependiendo de las condiciones del mercado y otras consideraciones, e igualmente en otras ocasiones, podrá reducir la cantidad de capital comprometida para financiar dicho inventario de las Acciones. Por ejemplo, cuando UBSFSPR compra Acciones para su inventario, los precios cotizados por éste podrán permanecer a los niveles previamente cotizados o aumentar. Por otro lado, cuando UBSFSPR vende Acciones de su inventario, los precios cotizados por éste podrían reducirse. En situaciones en que UBSFSPR está vendiendo Acciones de su inventario, podría ofrecer vender dichas Acciones a precios más bajos que cualquier orden de venta pendiente que fue puesta sobre sus Acciones por cualquier inversionista. Cualquier decisión de UBSFSPR de aumentar o reducir su inventario será tomada a su única discreción y no son divulgadas al público.

Divulgación Contributiva sobre Acuerdos de Recompra: A pesar de que existe precedente contable que apoya el concepto que los acuerdos de recompra y recompra a la inversa sean considerados como préstamos con garantía colateral para propósitos contributivos en Puerto Rico, dicho precedente no es determinante en cuanto a las disposiciones contributivas aplicables a los acuerdos de recompra que normalmente el Fondo suscribe, que contienen disposiciones que conceden al comprador de los valores subyacentes a dichos acuerdos el derecho a vender, transferir, pignorar o hipotecar dichos valores. A pesar de que el Departamento de Hacienda de Puerto Rico (en adelante, "Hacienda") nunca se ha expresado sobre si estos tipos de acuerdos deben ser considerados como una transferencia de titularidad sobre los valores subyacentes, Hacienda podría adoptar dicha posición y que los tribunales de Puerto Rico estén de acuerdo con dicha posición. En dicho caso, el interés exento pagado sobre los valores subyacentes a dichos acuerdos podría considerarse

como ingreso no exento del pago de contribución para el vendedor de tales valores subyacentes. En la medida que el Fondo sea considerado el vendedor bajo el acuerdo de recompra correspondiente, los dividendos distribuidos sobre las Acciones que a su vez son derivados del ingreso del acuerdo de recompra correspondiente podría ser considerado como un dividendo sujeto a tributación o ganancias de capital. Si tal dividendo fuera considerado como dividendo sujeto a tributación, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico podrían estar sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos distribuidos antes del 15 de julio de 2014) sobre el dividendo (o la contribución básica alterna aplicable), y aquellos que sean inversionistas corporativos estarían sujetos a una máxima tasa efectiva de 5.85% (o 4.5% para dividendos distribuidos antes del 15 de julio de 2014), debido a la deducción de 85% sobre dividendos recibidos, según dispuesto por el Código de Rentas Internas de Puerto Rico, multiplicando el 15% del dividendo por una tasa contributiva corporativa máxima de 39% para los dividendos distribuidos en o después del 1 de julio de 2014 y 30% para los dividendos distribuidos antes del 1 de julio de 2014). Por otro lado, si tales dividendos fueran considerados como dividendos de ganancias de capital, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico estarían sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014 o la contribución básica alterna aplicable), y los tenedores de las Acciones que tributa como corporaciones, estarían sujetos a una tasa contributiva de 20% (tasa contributiva de 15% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014).

Cambios Recientes al Derecho Tributario de Puerto Rico: El 1 de julio de 2014, el Gobernador de Puerto Rico firmó como ley la Ley 77-2014, la cual enmendó el Código de Rentas Internas de Puerto Rico del 2011 para proveer, entre otras cosas, (i) que el 10% de retención de impuesto que se le impone a los dividendos distribuidos por corporaciones de Puerto Rico a individuos, aplicará a los dividendos distribuidos antes del 1 de julio de 2014, y que la tasa de 15% aplicará a los dividendos distribuidos después del 30 de junio de 2014, y (ii) que las tasas de ganancias de capital a largo plazo para ventas e intercambios realizadas después del 30 de junio de 2014, ha sido aumentada de 10% a 15% para individuos, sucesiones y fideicomisos; y de 15% a 20% para las corporaciones. Consecuentemente, si el Fondo distribuye "Dividendos Tributables" después del 30 de junio de 2014, el interés aplicable y la tasa de retención será 15%. Del mismo modo, si el Fondo distribuye Dividendos de Ganancias de Capital después del 30 de junio de 2014, la tasa de interés aplicable para individuos, sucesiones y fideicomisos será un 15%, y 20% para las corporaciones. Se exhorta a los inversionistas a que contacten a su abogado o asesor contributivo. Ni UBS Financial Services Incorporated of Puerto Rico ni el Fondo proveen asesoría legal o contributiva.

El 11 de febrero de 2015 la Legislatura de Puerto Rico presentó dos proyectos de ley (P.C. 2329 y P.S.

1304) que proponen una reforma contributiva con la aprobación del "Nuevo Código de Rentas Internas de 2015" (el "Código Nuevo"). En términos generales, el Código Nuevo sería efectivo para años contributivos comenzados después del 31 de diciembre de 2014 y, de aprobarse, incluiría los siguientes cambios: (a) eliminar las tasas preferenciales que actualmente aplican a las ganancias de capital a largo plazo generadas después del 31 de diciembre de 2014; (b) eliminar la tasa preferencial de 10% que actualmente aplica a los ingresos de intereses de ciertas obligaciones, incluyendo los Intereses Tributables; (c) reducir el máximo de la tasa de contribuciones de individuos a 30%; (d) eliminar la contribución básica alterna de individuos; (e) establecer una tasa fija de contribuciones sobre ingresos de las corporaciones a 30%; (f) eliminar la exención de los intereses de ciertas obligaciones de los Estados Unidos y sus subdivisiones políticas; y (g) eliminar las tasas preferenciales aplicables a ciertos dividendos y otros ingresos de intereses. La Legislatura de Puerto Rico está en el proceso de revisión de los proyectos de ley, por lo que, actualmente, el resultado final no se puede determinar.

Aviso Legal

Rendimientos anteriores no son garantía de resultados futuros similares. Los rendimientos actuales podrían ser más bajos o más altos que el rendimiento aquí citado. Los valores emitidos por un Fondo están sujetos a riesgo de mercado, incluyendo la pérdida del principal invertido. Este documento no es una oferta de compra ni una solicitud de una oferta de compra para cualquier inversión en un Fondo y es para propósitos informativos solamente. Las inversiones en un Fondo están diseñadas principalmente y son adecuadas para inversionistas a largo plazo y no deben ser consideradas como un vehículo para fines de negociación. Estas inversiones pueden que no sean adecuadas para cualquier inversionista. Una inversión en un Fondo no es equivalente a una inversión en los valores subyacentes en los cuales un Fondo invierte. El uso de apalancamiento por un Fondo representa ciertos riesgos a los inversionistas en éste, y en ciertos casos, las fluctuaciones en las tasas de intereses podrían aumentar la volatilidad en su rendimiento y afectar a un Fondo a mayor grado que a una compañía de inversión no apalancada. **Información más detallada en cuanto a un Fondo, incluyendo los cargos, gastos y penalidades aplicables, objetivo(s) y políticas de inversión, factores de riesgo y el efecto de apalancamiento, se incluye en la documentación de oferta del Fondo, el cual usted debe leer cuidadosamente antes de hacer una inversión.** Para obtener más información en cuanto a un Fondo (incluyendo los rendimientos de inversión calculados conforme el Reglamento 5766 de 11 de marzo de 1998, según enmendado) o una copia del prospecto para la oferta de las Acciones o los informes anuales del Fondo, favor de contactar a la familia de fondos UBS Puerto Rico o Puerto Rico Investors al 787-773-3888 ó 787-751-5452, respectivamente. Para obtener más información en cuanto a los rendimientos del Fondo de fin de mes o información más actualizada, por favor contactar a su Asesor Financiero en UBSFSPR o verifique los comunicados de prensa ("press releases") en <http://www.ubs.com/prfunds>.

Glossary of fund terms

- **Ask Price:** generally refers to the lowest price at which a seller will sell a specified number of units of a given security at a particular time. The ask price may incorporate a markup, which may vary by transaction and may include commissions and other charges. The ask prices quoted by UBSFSPR represent its judgment of the market price for Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price and age of pending customer orders.
- **Average Duration:** a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flow accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flow consist of coupon payments and repayment of capital.) A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, for which maturity and duration are equal.
- **Bid Price:** generally refers to the highest price a buyer is willing to pay at a particular time for a unit of a given security. UBSFSPR publishes two types of bid prices for the Shares: firm or indicative. A firm bid is provided when UBSFSPR has the risk capacity and/or appetite at the particular time to purchase a specified number of Shares. An investor can sell to UBSFSPR at the firm bid price up to the specified number of Shares at a particular time. On the other hand, an indicative bid is provided for informational purposes only when UBSFSPR does not have the risk capacity and/or appetite at a particular time to purchase Shares. The prices quoted by UBSFSPR represent its judgment of the market price for the Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price, and age of pending customer orders, and may be higher (in which case the price is at a premium) or lower (in which case the price is at a discount) than the NAV of the Fund.

The prices quoted by UBSFSPR may also be affected by its willingness to hold additional inventory of the Shares or by its need to sell its inventory of Shares. Depending on market liquidity conditions, orders to buy or sell at the quoted price may not receive immediate execution, and an investor may not be able to sell its Shares at the price quoted by UBSFSPR. Moreover, the proceeds an investor receives on a sale of Shares may be lower than the bid price due to discounts, markdowns, and other charges. Since inception, the Shares have historically traded at prices which reflect a premium to their respective NAV per Share, though on certain limited instances, they have traded at prices which reflect a discount to their respective NAV per Share. However, there is no assurance that the Shares will continue to trade at prices which reflect such a premium. The Fund is presently experiencing liquidity issues. As a result, the bid price is for a limited number of shares, and it may not be possible for sellers to obtain the current bid price.

- **Credit Quality:** a measure of the likelihood that a financial obligation will not be honored provided by one or more of the rating agencies. Rating agencies assign classifications to their ratings, with "AAA" being the highest and "D" being the lowest for Standard & Poor's Ratings Services ("S&P"). The Fund may use other ratings and adjust them for use in this scale.
- **Effective Duration:** a calculation of duration that takes into account the embedded options in the securities of a portfolio and their expected changes in the cash flow of a portfolio caused by those options.
- **Expense Ratio:** The percentage of the Fund's average net assets attributable to holders of the Shares and which is used to pay operating expenses and takes into account investment management fees, administration fees, and other operating expenses such as legal, audit, insurance, and shareholder communications.
- **Hedge Notional:** refers to the total net face value, reflecting any offsetting positions, of derivative instruments employed in hedging strategies of the Fund.
- **Hedge Ratio:** ratio of the Fund's hedge notional amount to its total dollar amount of leverage as of the end of a calendar quarter, assuming the Fund is fully invested at quarter-end. The Fund's investment adviser may, at its discretion, use a variety of derivative instruments including securities options, financial futures contracts, options on futures contracts, and other interest rate protection transactions such as swap agreements, to attempt to hedge its portfolio of assets and seek to enhance its return. There can be no assurance that any particular hedging strategy used will succeed.
- **Leverage:** the Fund may issue preferred stock or debt, enter into repurchase agreements, or borrow money, in order to increase the amounts available for investment ("leverage"). This gives the Fund's investment adviser, in the fixed income area in particular, the opportunity to enhance yield. The use of leverage increases the likelihood of price volatility and market risk for the Shares. There is also the risk that the cost of funding leverage will exceed the earnings on the related investments, which will have the likely effect of reducing the Fund's yield and the value of its investments.
- **Leverage Adjusted Effective Duration:** effective duration adjusted for the impact of the Fund's utilization of leverage. A Fund that utilizes leverage will have a leverage-adjusted effective duration that is longer than its effective duration.
- **Maturity:** date on which the face value of a security/bond must be repaid. It measures the average length to maturity in years of all the bonds in the Fund's portfolio. For mortgage-backed securities, the maturity takes into account the prepayment of the underlying mortgages.
- **NAV:** Net Asset Value. On a per-Share basis, it is determined by calculating the Fund's total assets less its total liabilities and dividing such result by the Shares outstanding. On an aggregate, Fund basis, it is determined by calculating the Fund's total assets less its total liabilities.

- **Undistributed Income:** the Fund's net income that has not been distributed to holders of its Shares as of the latest available audited financial statements. In the case of a target maturity-type investment company (which is liquidated on or by a specific date), it also includes the amounts to be distributed on or by the liquidation date as the return of the initial investment.

For a definition of other terms, please see the Shares' prospectus.



Puerto Rico Fixed Income Fund VI, Inc.

Investment Objectives and Policies

Seeks current income, consistent with the preservation of capital, investing:

- up to 33% of its total assets in, among other things, securities issued or guaranteed by the U.S. Government, its agencies, and instrumentalities
- at least 67% of its total assets in securities issued by Puerto Rico issuers (as described in the Prospectus)
- at least 80% of total assets in investment-grade securities²
- may issue leverage representing up to 50% of total assets¹

Pricing and Distribution History²

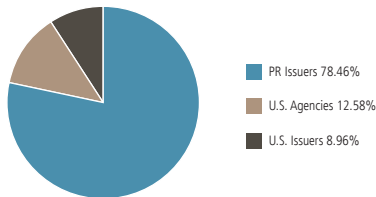
Initial Public Offering (IPO)	\$10.00
52-week Bid Low/High	\$4.49/\$5.56
YTD NAV Change	\$0.17
YTD Bid Price Change	-\$0.11
IPO Yield ⁵	6.45%
Current Yield ⁵	13.90%
Last Dividend Paid	\$0.0538
Last 12 Month Dividend	\$0.6773

Portfolio Statistics and Characteristics²

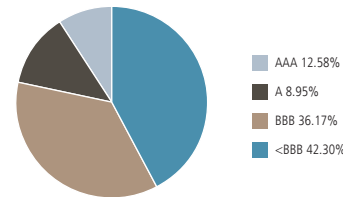
Commencement	Sep-08	Fiscal Year	31-Mar
Shares Outstanding	1.83	Weighted Avg. Coupon	4.86%
Bid Price	\$4.64	Average Maturity (yrs)	21.34
Net Asset Value (NAV)	\$5.02	Average Duration (yrs)	11.29
Bid Price to NAV Ratio	92.43%	Leverage Adjusted Effective Duration (yrs)	20.16
Net Assets (mm)	\$9.20	Leverage %	48.77% ¹
Leverage (mm)	\$8.94	Leverage Cost	0.70%
Undistributed Income (mm)	\$0.39	Hedge Notional (mm)	\$3.30
Expense Ratio	1.52%	Hedge Ratio	37%

See Portfolio Holdings, Portfolio Managers, Special Considerations, Disclaimers, Glossary of Fund Terms, and Footnotes on reverse.

Portfolio Summary²



Credit Quality²



Additional Distributions (per share)

	Current Quarter	YTD	Since Inception
Special Dividend	\$-	\$-	\$0.7458
Capital Gain Distribution	\$-	\$-	\$1.2596

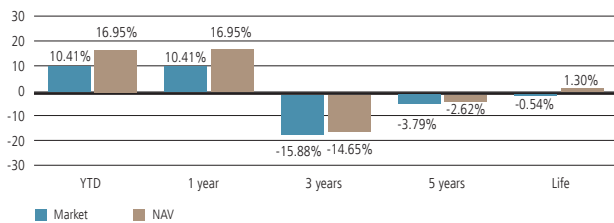
Portfolio Holdings²

PR Obligations	U.S. Obligations	
Employee Retirement System	Federal Home Loan Bank	10.75%
PR GOs	Federal Farm Credit Bank	1.83%
PR Highway & Transportation	Build America Bonds	8.96%
PR Sales Tax Financing	U.S. Obligations 21.54%	
PREPA		
PRPBA (Insured)		
GDB		
PR Obligations 78.46%		

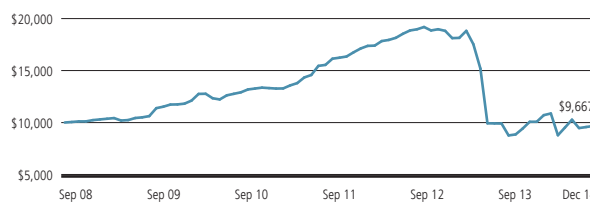
Portfolio Manager

Leslie Highley, Jr.
Portfolio Manager since inception
UBS Asset Managers of Puerto Rico

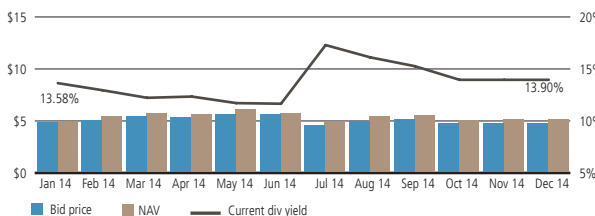
Average Annual Total Return³



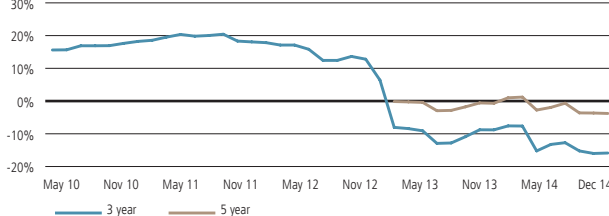
Growth of a \$10,000 Investment as of December 31, 2014⁴



Share Price, NAV and Current Dividend Yield – Prior 12 months



Rolling Period Annual Returns³



*Special Considerations

The Fund is a non-diversified, closed-end management investment company registered under the Puerto Rico Investment Companies Act of 1954, as amended. Securities issued by the Fund may be only purchased or otherwise transferred only to individuals who are residents of Puerto Rico and to entities whose principal office and principal place of business are located in Puerto Rico. The Fund's yield and net asset value and the market price of the Fund's shares of Common Stock (the "Shares") may fluctuate and will be determined by such factors as relative demand for and supply of the Shares in the market, as well as general market, political, and economic conditions and other factors beyond the control of the Fund. The Shares trade at market price, which may be at a discount or premium to NAV, and no assurance can be given as to their liquidity or trading market. While it is the intention of UBS Financial Services Incorporated of Puerto Rico ("UBSFSPR") to continue to maintain a secondary market for the Shares, it is not obligated to continue to do so. Moreover, there may be no other source of price information for the Shares or other purchasers of the Shares other than UBSFSPR.

Geographic Concentration Risk. The Fund is exposed to certain risks resulting from the reduced geographic diversification of its portfolio. The Fund's assets are invested primarily in securities of Puerto Rico issuers. Consequently, the Fund in general is more susceptible to economic, political, regulatory or other factors adversely affecting issuers in Puerto Rico than an investment company that is not so concentrated in Puerto Rico issuers. In addition, securities issued by the Government of Puerto Rico or its instrumentalities are affected by the central government's finances. That includes, but is not limited to, general obligations of Puerto Rico and revenue bonds, special tax bonds, or agency bonds. The effect on each specific debt may not be the same; it depends on exactly what part of the government's money or revenue is supposed to pay the interest thereon. Inasmuch as a relatively high percentage of the Fund's assets may be invested in obligations of a limited number of Puerto Rico issuers, the Fund's net asset value and its yield may increase or decrease more than that of a more diversified investment company as a result of changes in the market's assessment of the financial condition and prospects of such Puerto Rico issuers. The Fund may also be more susceptible to any single economic, political, or regulatory occurrence in Puerto Rico than a more widely diversified investment company. Over the past years, the principal Puerto Rico Government bonds as well as the securities issued by several Puerto Rico financial institutions have been downgraded as a result of several factors, including without limitation, the downturn experienced

by the Puerto Rico economy and the strained financial condition of the Government of Puerto Rico. Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years, thereby affecting the Fund's net asset value.

Portfolio transactions between the Fund and UBSFSPR, Popular Securities (in the case of a co-managed Fund with Banco Popular de Puerto Rico), and other affiliates, are conducted in accordance with procedures adopted by the Fund's Board of Directors in an effort to address potential conflicts of interest.

Secondary Market Disclosure: Given UBSFSPR is currently the dominant, and may be the sole source of secondary market liquidity for the Shares, an investor may not be able to sell its Shares or may only be able to sell them at a loss, if UBSFSPR were to cease to facilitate such secondary market for the Shares. Accordingly, an investor's ability to sell its Shares will depend on the interest of other investors buying Shares, or UBSFSPR's willingness to commit additional capital to holding Shares in inventory. UBSFSPR may, in its sole discretion, commit additional capital to hold Shares in inventory when it deems it appropriate to do so, given market conditions or other considerations, and similarly may reduce the amount of capital committed to fund such inventory of Shares at other times. For example, when UBSFSPR purchases Shares and holds them in its inventory, quoted prices may remain at the previously quoted levels or increase. Conversely, when UBSFSPR sells Shares from its inventory, the quoted prices may decrease. In situations where UBSFSPR is selling Shares from its inventory, it may offer to sell its Shares at prices that are lower than pending sell orders that were placed by investors in the Shares. Decisions by UBSFSPR to increase or decrease inventory are made at its sole discretion and are not generally disclosed.

Repurchase Agreement Tax Disclosure: While there is authority generally supporting the treatment of repurchase and reverse repurchase agreements as collateralized loans for Puerto Rico income tax purposes, that authority does not specifically address the tax treatment of the repurchase agreements that the Fund typically enters into, which contain provisions that grant the buyer the right to sell, transfer, pledge, or hypothecate the securities that are the object of such agreements. Although the Puerto Rico Treasury Department ("PR Treasury") has never pronounced itself as to whether this type of arrangement should be viewed as a transfer of ownership of the underlying securities, it is possible that the PR Treasury could take that position in the future and

soon as market conditions permit, though there is no assurance the Fund will be able to do so.

² The "Expense Ratio" calculation may reflect a partial waiver of the investment advisory and administration fees payable to UBS Trust Company of Puerto Rico, implemented on October 1, 2013. For more up-to-date information with respect to such partial fee waivers, if any, please see "Press Releases" at <http://www.ubs.com/pr/funds>.

Credit quality is as of December 31, 2014. The Fund's investment portfolio is actively managed, and its composition (including the portfolio statistics and characteristics) will vary over time. Credit quality percentages include only fixed income securities and vary over time, as new investment securities are acquired and the credit rating of any investment held by the Fund is reassessed. For purposes of determining compliance with the Fund's investment requirements, ratings are as of the time of purchase, using a Standard & Poor's equivalent ratings scale. On February 12, 2015, S&P further downgraded the credit rating on the GOs from "BB" to "B", as well as the credit ratings of other Commonwealth agencies and public corporations, including its credit ratings on senior and subordinate-lien bonds issued by COFINA, which were lowered from "Ba3" and "B1", to "B3" and "Ca1", respectively. Lastly, on March 26, 2015, Fitch also downgraded the credit rating on the GOs from "BB-" to "B", as well as the credit ratings of PRASA senior lien revenue bonds from "B+" to "B" and COFINA's senior and subordinate-lien bonds from "BB-" to "B". All of the before-mentioned ratings carry a negative outlook. **As a result of the foregoing, none of the bonds issued by the Government of Puerto Rico and its instrumentalities currently carry an investment-grade credit rating.** Inasmuch as the Fund invests a substantial portion of its assets in securities issued by the Commonwealth of Puerto Rico, these recent rating downgrades will negatively impact the Fund's ability to maintain

that Puerto Rico courts would agree with that view. In such event, the tax exempt interest paid on such underlying securities could be deemed not to constitute tax exempt income for the seller of such securities; to the extent that the Fund was such seller, the dividends distributed on its Shares from such income could be treated either as taxable dividends or capital gain dividends. If such dividends were treated as taxable dividends, holders of the Shares who are individuals or Puerto Rico trusts could be subject to a 15% income tax (or 10% income for dividends distributed before July 15, 2014) on the dividend (or the applicable alternate basic tax), and those which are corporate investors would be subject to a maximum effective income tax rate of 5.85% (or 4.5% for dividends distributed before July 15, 2014), (due to the 85% dividend received deduction of the Puerto Rico Internal Revenue Code, 15% of the dividend multiplied by a 39% maximum corporate income tax rate for dividends distributed on or after July 1, 2014 and 30% for dividends distributed before July 1, 2014). On the other hand, if such dividends were treated as capital gains dividends, holders of the Shares who are individuals or Puerto Rico trusts would be subject to a 15% income tax (or 10% income tax for capital dividends distributed before July 1, 2014) (or the applicable alternate basic tax), and holders of the Shares which are taxed as corporations would be subject to a 20% income tax (15% income tax for capital dividends distributed before July 1, 2014).

Recent Changes in Puerto Rico tax law: On July 1, 2014, the Governor of Puerto Rico signed into law Act 77-2014 which amended the Puerto Rico Internal Revenue Code of 2011 to provide, among other things, (i) the 10% withholding tax that is imposed on dividends distributed by Puerto Rico corporations to individuals will apply to dividends distributed before July 1, 2014, and that a 15% rate will apply for dividends distributed after June 30, 2014, and (ii) the long-term capital gains rate for sales and exchanges effected after June 30, 2014, is increased from 10% to 15%, in the case of individuals, estates, and trusts; and from 15% to 20%, in the case of corporations. Accordingly, if the Fund distributes "Taxable Dividends" after June 30, 2014, the applicable tax and withholding rate will be 15%. Similarly, if the Fund distributes Capital Gain Dividends after June 30, 2014, the applicable tax rate for individuals, estates and trusts will be 15%, and 20% in the case of corporations. Investors are encouraged to contact their lawyer or tax consultant. Neither the Fund nor UBS Financial Services Incorporated of Puerto Rico provides legal or tax advice.

On February 11, 2015, two (2) bills (P.C. 2329 and P.S. 1304) were introduced into the Puerto Rico Legislature and which propose the

compliance with its maximum/minimum investment threshold(s) in securities of a specific credit quality. To the extent that such investment threshold(s) in securities of a specific credit quality are exceeded, Fund management may determine to continue to hold such lower-rated securities, provided any new investment proceeds are directed to acquire investment securities which satisfy the Fund's minimum credit rating requirements. **In view of the fact that the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years and the subsequent credit rating downgrade of certain Puerto Rico bonds, current or more up-to-date information regarding the Fund's portfolio holdings is available at <http://www.ubs.com/pr/funds>.** Currently, the Fund's percentage investment in securities rated below investment-grade (below "BBB" rating) or which are unrated, amounted to 42.30% of the Fund's total portfolio, which exceeds the Fund's maximum investment threshold of 20% of its total assets invested in securities rated below investment-grade or which are unrated. Moreover, the Fund's percentage investment in debt securities rated below investment-grade (below "BBB" rating) or which are not of investment-grade credit quality, amounted to 42.30% of the Fund's total assets, which exceeds the Fund's maximum investment threshold of 5% of its total assets. On July 2014, the Board of Directors approved an extension of the Fund's existing share repurchase program for the acquisition of up to 45% of each Fund's issued Shares. The Repurchase Program is intended to enhance shareholder value by providing additional liquidity to Fund shareholders. For the quarter ended December 31, 2014, the Fund had repurchased 1,470 Shares in the open market with an NAV of \$7,351, at a cost of \$6,669. Since the program's inception, the Fund has repurchased 1,183,081 Shares of common stock in the open market with an NAV of \$7,813,413, at a cost of \$7,575,288, and which represent 39.25% of the aggregate number of Shares issued by the Fund (net of Shares acquired for dividend reinvestment purposes and which remain outstanding).

adoption of a "New Puerto Rico Internal Revenue Code of 2015" ("New Code"). In general, the New Code would be effective for taxable years beginning after December 31, 2014 and, if approved, the New Code would, amongst other changes: (a) eliminate the preferential tax rates that currently apply to long-term capital gains derived after December 31, 2014, (b) eliminate the preferential 10% rate that currently applies to interest on certain obligations, such as Taxable Interest, (c) reduce the maximum marginal tax rate of individuals to 30%, (d) eliminate the alternate basic tax for individuals, (e) provide for a fixed 30% regular income tax rate for corporations, (f) eliminate the exemption for interest on obligations issued by States and their political sub-divisions, and (g) eliminate the preferential tax rates that currently exist for certain dividends and other interest income items. The Puerto Rico Legislature is currently reviewing the proposed bills and, therefore, their final outcome is not currently determinable.

Legal Disclaimer

Past performance does not guarantee future results. Current performance may be lower or higher than the performance quoted. Securities issued by the Fund are subject to market risk, including the loss of principal amounts invested. This document is not an offer to sell, or the solicitation of an offer to buy any investment in the Fund, and is for informational purposes only. Fund investments are designed primarily and suitable for long-term investors and not viewed as a vehicle for trading purposes. They may not be suitable to all investors. Fund investments are not equivalent to investments in its underlying securities. The Fund's utilization of leverage poses certain risks to investors, and in some cases, interest rate fluctuations may increase the volatility of its return and affect the Fund to a significantly greater extent than a non-leveraged investment company. **More detailed information about the Fund, including applicable fees, costs, penalties, investment objectives and policies, risk factors, and the effects of leverage, is further described in the Share's prospectus, which you should read carefully prior to making an investment.** To obtain additional information related to the Fund (including investment returns calculated in accordance with Regulation 5766 of March 11, 1998, as amended) or a copy of the Shares' prospectus or Fund's annual report, please contact the UBS Puerto Rico Family of Funds at 787-773-3888. To obtain the Fund's month-end performance or more up-to-date information, please contact your UBS Financial Advisor or see "press releases" at <http://www.ubs.com/pr/funds>.

Footnotes:

¹ Generally, the Fund must invest at least 67% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage) and cash, including cash equivalents, but excluding non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), in Puerto Rico securities. Additionally, the Fund may issue preferred stock, debt securities, or other forms of leverage, representing not more than 50% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage), cash (including cash equivalents), and non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), immediately after the issuance of any such preferred stock, or other debt securities. Moreover, the Fund may not issue preferred stock, debt securities, or other forms of leverage unless the value of its total assets less all its liabilities and indebtedness, other than the preferred stock, debt securities, or other forms of leverage being issued or already outstanding, is at least equal to 200% of the total aggregate liquidation preference/principal amount of all its outstanding preferred stock (not including any accumulated dividends or other distributions), debt securities, and other forms of leverage. **Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years. In view of these volatile market conditions, the Puerto Rico Office of the Commissioner of Financial Institutions (the "PROCFI") has granted to the Fund a temporary regulatory waiver from the Fund's investment requirement in Puerto Rico securities of at least 67% of the Fund's total assets and leverage limitation of 50% of its total assets and 200% asset coverage requirement described above, through July 31, 2015. These temporary waivers may be renewed by the PROCFI for additional periods of time, should market conditions warrant, and upon written request by the Fund. It is the Fund's intention to re-achieve compliance therewith as**

³ As of December 31, 2014. **Return figures were not calculated in accordance with Regulation 5766 of March 11, 1998, as amended, which requires that investment returns for an individual retirement account ("IRA") be calculated in the manner provided therein.** To the extent that an individual invests in the Fund through an IRA, his or her investment return figures will be less than those reported herein, when computed in accordance with Regulation 5766 and inasmuch as actual sales charges applicable to such IRA investments are taken into consideration. "Average Annual Total Return" figures reflect the percentage change in the market value, determined by calculating the average between the bid and ask prices, plus any income and capital gain dividends, and return of capital distributions, all such dividends and distributions reinvested as of the corresponding record date thereof, at the month-end NAV as of that date. In the case of "NAV Total Return," the Fund's NAV per Share is used, rather than the average between the bid and ask prices, to determine such total return, as applicable. "Rolling Period Annual Returns" measure the monthly movement in the average of the Annualized Average Market Return figures over a one-year, three-year, five-year, and ten-year period (as applicable), as it moves over a consecutive time series that begins on the Fund's inception date. Additionally, in the case of the Average Annual Total Return and Rolling Period Annual Return figures, commissions or sales charges payable in connection with a purchase or sale of Shares may vary with each brokerage institution. Total return figures are not representative of the performance of any individual investment, and taxes on capital gain distributions or income dividends, if any, have not been deducted. All calculations were performed by Thomson Reuters, based on certain financial data provided by this Fund and are annualized with the exception of year-to-date figures.

⁴ A \$10,000 investment is hypothetical and is shown for illustrative purposes only. ⁵ "IPO Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the initial public offering price. "Current Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the month-end bid price.



UBS Asset Managers of Puerto Rico Funds Quarterly Review Fourth Quarter 2014

*Consideraciones Especiales

Cada Fondo es una compañía de inversión no diversificada de fin cerrado inscrita bajo la Ley Número 6 de 19 de octubre de 1954, según enmendada. Los valores emitidos por un Fondo pueden solamente ser adquiridos por, o transferidos a, individuos que sean residentes de Puerto Rico y a entidades cuya oficina y localización de negocios principal estén localizados en Puerto Rico. El rendimiento, el valor neto de los activos de un Fondo y el precio en el mercado de las acciones de capital común del Fondo (en adelante, las "Acciones"), podrán fluctuar y se determinarán por factores como la demanda y oferta en el mercado de las Acciones y las condiciones económicas, políticas y del mercado en general, al igual que otros factores que están fuera del control de un Fondo. Las Acciones son negociadas al precio del mercado, el cual puede reflejar una prima o descuento del valor neto de los activos de un Fondo y no se puede dar representación alguna sobre su liquidez o el mercado para disponer de las mismas. A pesar de que es la intención de UBS Financial Services Incorporated of Puerto Rico (en adelante, "UBSFSPR") de continuar manteniendo un mercado secundario para las Acciones, no está obligada a continuar haciéndolo. De otra parte, puede que no exista otra fuente de información de precios para las Acciones u otros compradores para las Acciones que no sea UBSFSPR.

Riesgo de concentración geográfica: El Fondo está expuesto a ciertos riesgos debido a la diversificación geográfica reducida de su cartera de inversiones. Los activos del fondo están invertidos primariamente en valores de emisores de Puerto Rico. A consecuencia, el Fondo generalmente es más susceptible a factores económicos, políticos, regulatorios y otros que podrían afectar adversamente a emisores de Puerto Rico que otra compañía de inversión la cual no esté tan concentrada en emisores de Puerto Rico. En adición, valores emitidos por el Gobierno de Puerto Rico o sus instrumentalidades se afectan por las finanzas del gobierno central. Eso incluye, pero no se limita a, las obligaciones generales de Puerto Rico y los bonos de ingresos, contribuciones especiales o de agencias. El efecto en cada deuda específica podría no ser el mismo y depende de que parte del dinero del gobierno o sus ingresos se supone pague el interés de dicha deuda. En la medida que un porcentaje relativamente alto de los activos del Fondo pueden ser invertidos en obligaciones de un número limitado de emisores de Puerto Rico, el valor neto de activos y su rendimiento puede aumentar o disminuir más que el de una compañía de inversión más diversificada, como resultado de cambios en cuanto a la evaluación de la condición financiera o prospectos de dichos emisores de Puerto Rico. El Fondo también puede ser más susceptible a cualquier ocurrencia individual económica, política o regulatoria en Puerto Rico que una compañía de inversión más diversificada. En los pasados años, los bonos principales del Gobierno de Puerto Rico, al igual que valores emitidos por ciertas instituciones financieras de Puerto Rico han sido degradados por varios factores, incluyendo sin limitación, al empeoramiento experimentado por la economía de Puerto Rico y la condición financiera pobre del Gobierno de Puerto Rico. Al presente, el mercado de bonos de Puerto Rico está experimentando un periodo de volatilidad, con los

bonos de Puerto Rico traficando a precios más bajos y rendimientos más altos a los puntos de referencia de los pasados dos (2) años, y así afectando el valor neto de activos del Fondo.

Transacciones de cartera entre un Fondo y UBSFSPR, Popular Securities (en el caso de un Fondo co-manejado con Banco Popular de Puerto Rico) y otras afiliadas son efectuadas conforme a ciertos procedimientos adoptados por la Junta de Directores de un Fondo con miras a atender posibles conflictos de interés.

Divulgación de Mercado Secundario: Dado a que actualmente UBSFSPR es la fuente dominante, y podría ser la única fuente, de liquidez para la negociación de las Acciones en el mercado secundario, cabe la posibilidad que un inversionista no pueda vender sus Acciones en el mercado secundario o que solamente pueda venderlas a pérdida, si UBSFSPR cesara de facilitar un mercado secundario para la negociación de las Acciones. Por lo tanto, la habilidad de un inversionista para vender sus Acciones dependerá del interés de otros inversionistas que estén comprando Acciones o la disponibilidad de UBSFSPR de designar capital adicional para mantener Acciones en su inventario. UBSFSPR podrá, a su única discreción, comprometer capital adicional para mantener Acciones en inventario cuando así lo estime apropiado, dependiendo de las condiciones del mercado y otras consideraciones, e igualmente en otras ocasiones, podrá reducir la cantidad de capital comprometida para financiar dicho inventario de las Acciones. Por ejemplo, cuando UBSFSPR compra Acciones para su inventario, los precios cotizados por éste podrán permanecer a los niveles previamente cotizados o aumentar. Por otro lado, cuando UBSFSPR vende Acciones de su inventario, los precios cotizados por éste podrían reducirse. En situaciones en que UBSFSPR está vendiendo Acciones de su inventario, podría ofrecer vender dichas Acciones a precios más bajos que cualquier orden de venta pendiente que fue puesta sobre sus Acciones por cualquier inversionista. Cualquier decisión de UBSFSPR de aumentar o reducir su inventario será tomada a su única discreción y no son divulgadas al público.

Divulgación Contributiva sobre Acuerdos de Recompra: A pesar de que existe precedente contable que apoya el concepto que los acuerdos de recompra y recompra a la inversa sean considerados como préstamos con garantía colateral para propósitos contributivos en Puerto Rico, dicho precedente no es determinante en cuanto a las disposiciones contributivas aplicables a los acuerdos de recompra que normalmente el Fondo suscribe, que contienen disposiciones que conceden al comprador de los valores subyacentes a dichos acuerdos el derecho a vender, transferir, pignorar o hipotecar dichos valores. A pesar de que el Departamento de Hacienda de Puerto Rico (en adelante, "Hacienda") nunca se ha expresado sobre si estos tipos de acuerdos deben ser considerados como una transferencia de titularidad sobre los valores subyacentes, Hacienda podría adoptar dicha posición y que los tribunales de Puerto Rico estén de acuerdo con dicha posición. En dicho caso, el interés exento pagado sobre los valores subyacentes a dichos acuerdos podría considerarse

como ingreso no exento del pago de contribución para el vendedor de tales valores subyacentes. En la medida que el Fondo sea considerado el vendedor bajo el acuerdo de recompra correspondiente, los dividendos distribuidos sobre las Acciones que a su vez son derivados del ingreso del acuerdo de recompra correspondiente podría ser considerado como un dividendo sujeto a tributación o ganancias de capital. Si tal dividendo fuera considerado como dividendo sujeto a tributación, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico podrían estar sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos distribuidos antes del 15 de julio de 2014) sobre el dividendo (o la contribución básica alterna aplicable), y aquellos que sean inversionistas corporativos estarían sujetos a una máxima tasa efectiva de 5.85% (o 4.5% para dividendos distribuidos antes del 15 de julio de 2014), debido a la deducción de 85% sobre dividendos recibidos, según dispuesto por el Código de Rentas Internas de Puerto Rico, multiplicando el 15% del dividendo por una tasa contributiva corporativa máxima de 39% para los dividendos distribuidos en o después del 1 de julio de 2014 y 30% para los dividendos distribuidos antes del 1 de julio de 2014). Por otro lado, si tales dividendos fueran considerados como dividendos de ganancias de capital, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico estarían sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014 o la contribución básica alterna aplicable), y los tenedores de las Acciones que tributa como corporaciones, estarían sujetos a una tasa contributiva de 20% (tasa contributiva de 15% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014).

Cambios Recientes al Derecho Tributario de Puerto Rico: El 1 de julio de 2014, el Gobernador de Puerto Rico firmó como ley la Ley 77-2014, la cual enmendó el Código de Rentas Internas de Puerto Rico del 2011 para proveer, entre otras cosas, (i) que el 10% de retención de impuesto que se le impone a los dividendos distribuidos por corporaciones de Puerto Rico a individuos, aplicará a los dividendos distribuidos antes del 1 de julio de 2014, y que la tasa de 15% aplicará a los dividendos distribuidos después del 30 de junio de 2014, y (ii) que las tasas de ganancias de capital a largo plazo para ventas e intercambios realizadas después del 30 de junio de 2014, ha sido aumentada de 10% a 15% para individuos, sucesiones y fideicomisos; y de 15% a 20% para las corporaciones. Consecuentemente, si el Fondo distribuye "Dividendos Tributables" después del 30 de junio de 2014, el interés aplicable y la tasa de retención será 15%. Del mismo modo, si el Fondo distribuye Dividendos de Ganancias de Capital después del 30 de junio de 2014, la tasa de interés aplicable para individuos, sucesiones y fideicomisos será un 15%, y 20% para las corporaciones. Se exhorta a los inversionistas a que contacten a su abogado o asesor contributivo. Ni UBS Financial Services Incorporated of Puerto Rico ni el Fondo proveen asesoría legal o contributiva.

El 11 de febrero de 2015 la Legislatura de Puerto Rico presentó dos proyectos de ley (P.C. 2329 y P.S.

1304) que proponen una reforma contributiva con la aprobación del "Nuevo Código de Rentas Internas de 2015" (el "Código Nuevo"). En términos generales, el Código Nuevo sería efectivo para años contributivos comenzados después del 31 de diciembre de 2014 y, de aprobarse, incluiría los siguientes cambios: (a) eliminar las tasas preferenciales que actualmente aplican a las ganancias de capital a largo plazo generadas después del 31 de diciembre de 2014; (b) eliminar la tasa preferencial de 10% que actualmente aplica a los ingresos de intereses de ciertas obligaciones, incluyendo los Intereses Tributables; (c) reducir el máximo de la tasa de contribuciones de individuos a 30%; (d) eliminar la contribución básica alterna de individuos; (e) establecer una tasa fija de contribuciones sobre ingresos de las corporaciones a 30%; (f) eliminar la exención de los intereses de ciertas obligaciones de los Estados Unidos y sus subdivisiones políticas; y (g) eliminar las tasas preferenciales aplicables a ciertos dividendos y otros ingresos de intereses. La Legislatura de Puerto Rico está en el proceso de revisión de los proyectos de ley, por lo que, actualmente, el resultado final no se puede determinar.

Aviso Legal

Rendimientos anteriores no son garantía de resultados futuros similares. Los rendimientos actuales podrían ser más bajos o más altos que el rendimiento aquí citado. Los valores emitidos por un Fondo están sujetos a riesgo de mercado, incluyendo la pérdida del principal invertido. Este documento no es una oferta de compra ni una solicitud de una oferta de compra para cualquier inversión en un Fondo y es para propósitos informativos solamente. Las inversiones en un Fondo están diseñadas principalmente y son adecuadas para inversionistas a largo plazo y no deben ser consideradas como un vehículo para fines de negociación. Estas inversiones pueden que no sean adecuadas para cualquier inversionista. Una inversión en un Fondo no es equivalente a una inversión en los valores subyacentes en los cuales un Fondo invierte. El uso de apalancamiento por un Fondo representa ciertos riesgos a los inversionistas en éste, y en ciertos casos, las fluctuaciones en las tasas de intereses podrían aumentar la volatilidad en su rendimiento y afectar a un Fondo a mayor grado que a una compañía de inversión no apalancada. **Información más detallada en cuanto a un Fondo, incluyendo los cargos, gastos y penalidades aplicables, objetivo(s) y políticas de inversión, factores de riesgo y el efecto de apalancamiento, se incluye en la documentación de oferta del Fondo, el cual usted debe leer cuidadosamente antes de hacer una inversión.** Para obtener más información en cuanto a un Fondo (incluyendo los rendimientos de inversión calculados conforme el Reglamento 5766 de 11 de marzo de 1998, según enmendado) o una copia del prospecto para la oferta de las Acciones o los informes anuales del Fondo, favor de contactar a la familia de fondos UBS Puerto Rico o Puerto Rico Investors al 787-773-3888 ó 787-751-5452, respectivamente. Para obtener más información en cuanto a los rendimientos del Fondo de fin de mes o información más actualizada, por favor contactar a su Asesor Financiero en UBSFSPR o verifique los comunicados de prensa ("press releases") en <http://www.ubs.com/prfunds>.

Glossary of fund terms

- **Ask Price:** generally refers to the lowest price at which a seller will sell a specified number of units of a given security at a particular time. The ask price may incorporate a markup, which may vary by transaction and may include commissions and other charges. The ask prices quoted by UBSFSPR represent its judgment of the market price for Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price and age of pending customer orders.
- **Average Duration:** a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flow accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flow consist of coupon payments and repayment of capital.) A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, for which maturity and duration are equal.
- **Bid Price:** generally refers to the highest price a buyer is willing to pay at a particular time for a unit of a given security. UBSFSPR publishes two types of bid prices for the Shares: firm or indicative. A firm bid is provided when UBSFSPR has the risk capacity and/or appetite at the particular time to purchase a specified number of Shares. An investor can sell to UBSFSPR at the firm bid price up to the specified number of Shares at a particular time. On the other hand, an indicative bid is provided for informational purposes only when UBSFSPR does not have the risk capacity and/or appetite at a particular time to purchase Shares. The prices quoted by UBSFSPR represent its judgment of the market price for the Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price, and age of pending customer orders, and may be higher (in which case the price is at a premium) or lower (in which case the price is at a discount) than the NAV of the Fund.

The prices quoted by UBSFSPR may also be affected by its willingness to hold additional inventory of the Shares or by its need to sell its inventory of Shares. Depending on market liquidity conditions, orders to buy or sell at the quoted price may not receive immediate execution, and an investor may not be able to sell its Shares at the price quoted by UBSFSPR. Moreover, the proceeds an investor receives on a sale of Shares may be lower than the bid price due to discounts, markdowns, and other charges. Since inception, the Shares have historically traded at prices which reflect a premium to their respective NAV per Share, though on certain limited instances, they have traded at prices which reflect a discount to their respective NAV per Share. However, there is no assurance that the Shares will continue to trade at prices which reflect such a premium. The Fund is presently experiencing liquidity issues. As a result, the bid price is for a limited number of shares, and it may not be possible for sellers to obtain the current bid price.

- **Credit Quality:** a measure of the likelihood that a financial obligation will not be honored provided by one or more of the rating agencies. Rating agencies assign classifications to their ratings, with "AAA" being the highest and "D" being the lowest for Standard & Poor's Ratings Services ("S&P"). The Fund may use other ratings and adjust them for use in this scale.
- **Effective Duration:** a calculation of duration that takes into account the embedded options in the securities of a portfolio and their expected changes in the cash flow of a portfolio caused by those options.
- **Expense Ratio:** The percentage of the Fund's average net assets attributable to holders of the Shares and which is used to pay operating expenses and takes into account investment management fees, administration fees, and other operating expenses such as legal, audit, insurance, and shareholder communications.
- **Hedge Notional:** refers to the total net face value, reflecting any offsetting positions, of derivative instruments employed in hedging strategies of the Fund.
- **Hedge Ratio:** ratio of the Fund's hedge notional amount to its total dollar amount of leverage as of the end of a calendar quarter, assuming the Fund is fully invested at quarter-end. The Fund's investment adviser may, at its discretion, use a variety of derivative instruments including securities options, financial futures contracts, options on futures contracts, and other interest rate protection transactions such as swap agreements, to attempt to hedge its portfolio of assets and seek to enhance its return. There can be no assurance that any particular hedging strategy used will succeed.
- **Leverage:** the Fund may issue preferred stock or debt, enter into repurchase agreements, or borrow money, in order to increase the amounts available for investment ("leverage"). This gives the Fund's investment adviser, in the fixed income area in particular, the opportunity to enhance yield. The use of leverage increases the likelihood of price volatility and market risk for the Shares. There is also the risk that the cost of funding leverage will exceed the earnings on the related investments, which will have the likely effect of reducing the Fund's yield and the value of its investments.
- **Leverage Adjusted Effective Duration:** effective duration adjusted for the impact of the Fund's utilization of leverage. A Fund that utilizes leverage will have a leverage-adjusted effective duration that is longer than its effective duration.
- **Maturity:** date on which the face value of a security/bond must be repaid. It measures the average length to maturity in years of all the bonds in the Fund's portfolio. For mortgage-backed securities, the maturity takes into account the prepayment of the underlying mortgages.
- **NAV:** Net Asset Value. On a per-Share basis, it is determined by calculating the Fund's total assets less its total liabilities and dividing such result by the Shares outstanding. On an aggregate, Fund basis, it is determined by calculating the Fund's total assets less its total liabilities.

- **Undistributed Income:** the Fund's net income that has not been distributed to holders of its Shares as of the latest available audited financial statements. In the case of a target maturity-type investment company (which is liquidated on or by a specific date), it also includes the amounts to be distributed on or by the liquidation date as the return of the initial investment.

For a definition of other terms, please see the Shares' prospectus.



Puerto Rico GNMA & U.S. Government Target Maturity Fund, Inc.

Investment Objectives and Policies

Seeks current income, consistent with the preservation of capital, and the distribution to shareholders of common stock of an amount equal to \$10 per share, by investing:

- up to 33% of its total assets in, among other things, securities issued or guaranteed by the U.S. Government, its agencies, and instrumentalities
- at least 67% of its total assets in securities issued by Puerto Rico issuers (as described in the Prospectus)

- at least 80% of total assets in securities issued or guaranteed by U.S. Government or its instrumentalities (at least 60% of total assets issued or guaranteed by GNMA)
- return initial investment of \$10 per share by or before December 31, 2043; distributions of principal may occur as of May 16, 2013^{A, 2}
- at least 90% of total assets in AAA-rated securities²
- may issue leverage representing up to 50% of total assets¹

Pricing and Distribution History^{2, 3, A, B}

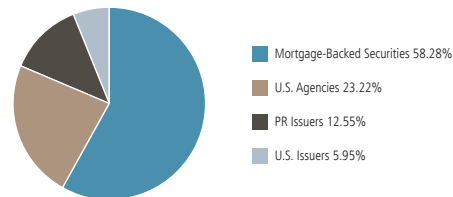
Initial Public Offering (IPO)	\$10.00
Distribution to Date	\$1.00
Remaining Capital	\$9.00
IPO Yield ⁵	5.75%
Current Yield ⁵	6.15%
Last Dividend Paid	\$0.0431
Last 12-month dividend	\$0.5607

Portfolio Statistics and Characteristics²

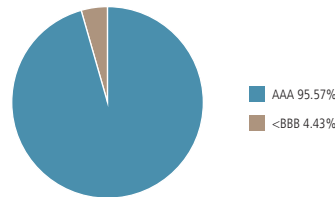
Commencement	May-03	Average Duration (yrs)	7.76
Shares Outstanding (mm)	17.80	Leverage Adjusted	
Bid Price	\$8.41	Effective Duration	31-Mar
Net Asset Value (NAV)	\$8.77	Fiscal Year	11.97
Net Assets (mm)	\$156.04	Leverage %	45.12%
Leverage (mm)	\$129.18	Leverage Cost	0.34%
Expense Ratio	1.18%	Hedge Notional (mm)	46.20
Average Maturity (yrs)	10.58	Hedge Ratio	36%

See Portfolio Holdings, Portfolio Manager, Special Considerations, Disclaimers, Glossary of Fund Terms, and Footnotes on reverse.

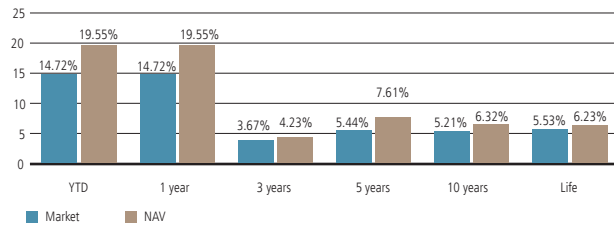
Portfolio Summary²



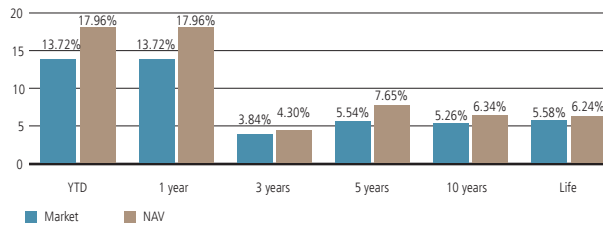
Credit Quality²



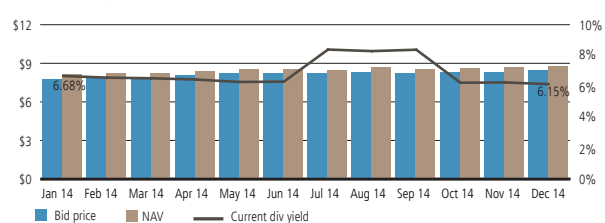
Average Annual Total Return - Return of Capital Reinvested³



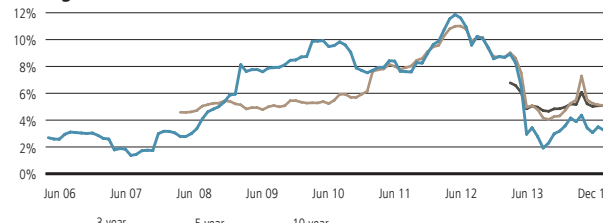
Average Annual Total Return - Return of Capital Not Reinvested³



Share Price, NAV and Current Dividend Yield – Prior 12 months⁵



Rolling Period Annual Returns³



Portfolio Holdings²

PR Obligations	GDB	0.68%
Mortgage - Backed Securities	PR Obligations	70.83%
CMO, COMM END, FNMA	U.S. Obligations	
GNMA, FGLMC	Federal Home	
PR Conservation Trust	Loan Bank	17.54%
Menonita	Federal Farm	
EDB - MBS	Credit Bank	5.68%
Employee Retirement	Build America Bonds	5.95%
System	U.S. Obligations	29.17%
PRPBA		

Pro-Forma ^B	Actual	Capital distributed to date	Adjusted Amount
Bid Price	\$8.41	\$1.00	\$9.41
NAV	\$8.77	\$1.00	\$9.77

Portfolio Manager

Leslie Highley, Jr., Portfolio Manager since inception
UBS Asset Managers of Puerto Rico

^A During the principal distribution period, the Fund will distribute pro-rata to holders of common stock the principal payments received by the Fund on its portfolio securities, in addition to the regular monthly distributions of net investment income and annual distributions of net capital gains.

^B In order to compute the Pro-Forma values, the total aggregate amount of all return of capital distributions per Share made to date (i.e. since commencement of capital distributions on May 2013) is added back to (i) the bid price for the Shares and (ii) the NAV. The Pro-Forma value is intended to reflect the value of a Share on the basis of the original \$10.00 initial public offering (IPO) price per Share. An investor purchasing Shares at current market prices can expect to receive return of capital distributions of up to the amount labeled "Remaining Capital" in the "Pricing and Distribution History" table, although there can be no assurance that they will ultimately receive such amounts.

*Special Considerations

The Fund is a non-diversified, closed-end management investment company registered under the Puerto Rico Investment Companies Act of 1954, as amended. Securities issued by the Fund may be purchased or otherwise transferred only to individuals who are residents of Puerto Rico and to entities whose principal office and principal place of business are located in Puerto Rico. The Fund's yield and net asset value and the market price of the Fund's shares of Common Stock (the "Shares") may fluctuate and will be determined by such factors as relative demand for and supply of the Shares in the market, as well as general market, political, and economic conditions and other factors beyond the control of the Fund. The Shares trade at market price, which may be at a discount or premium to NAV, and no assurance can be given as to their liquidity or trading market. While it is the intention of UBS Financial Services Incorporated of Puerto Rico ("UBSFSPR") to continue to maintain a secondary market for the Shares, it is not obligated to continue to do so. Moreover, there may be no other source of price information for the Shares or other purchasers of the Shares other than UBSFSPR.

Geographic Concentration Risk. The Fund is exposed to certain risks resulting from the reduced geographic diversification of its portfolio. The Fund's assets are invested primarily in securities of Puerto Rico issuers. Consequently, the Fund in general is more susceptible to economic, political, regulatory or other factors adversely affecting issuers in Puerto Rico than an investment company that is not so concentrated in Puerto Rico issuers. In addition, securities issued by the Government of Puerto Rico or its instrumentalities are affected by the central government's finances. That includes, but is not limited to, general obligations of Puerto Rico and revenue bonds, special tax bonds, or agency bonds. The effect on each specific debt may not be the same; it depends on exactly what part of the government's money or revenue is supposed to pay the interest thereon. Inasmuch as a relatively high percentage of the Fund's assets may be invested in obligations of a limited number of Puerto Rico issuers, the Fund's net asset value and its yield may increase or decrease more than that of a more diversified investment company as a result of changes in the market's assessment of the financial condition and prospects of such Puerto Rico issuers. The Fund may also be more susceptible to any single economic, political, or regulatory occurrence in Puerto Rico than a more widely diversified investment company. Over the past years, the principal Puerto Rico Government bonds as well as the securities issued by several Puerto Rico financial institutions have been downgraded as a result of several factors, including without limitation, the downturn experienced

by the Puerto Rico economy and the strained financial condition of the Government of Puerto Rico. Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years, thereby affecting the Fund's net asset value.

Portfolio transactions between the Fund and UBSFSPR, Popular Securities (in the case of a co-managed Fund with Banco Popular de Puerto Rico), and other affiliates, are conducted in accordance with procedures adopted by the Fund's Board of Directors in an effort to address potential conflicts of interest.

Secondary Market Disclosure: Given UBSFSPR is currently the dominant, and may be the sole source of secondary market liquidity for the Shares, an investor may not be able to sell its Shares or may only be able to sell them at a loss, if UBSFSPR were to cease to facilitate such secondary market for the Shares. Accordingly, an investor's ability to sell its Shares will depend on the interest of other investors buying Shares, or UBSFSPR's willingness to commit additional capital to holding Shares in inventory. UBSFSPR may, in its sole discretion, commit additional capital to hold Shares in inventory when it deems it appropriate to do so, given market conditions or other considerations, and similarly may reduce the amount of capital committed to fund such inventory of Shares at other times. For example, when UBSFSPR purchases Shares and holds them in its inventory, quoted prices may remain at the previously quoted levels or increase. Conversely, when UBSFSPR sells Shares from its inventory, the quoted prices may decrease. In situations where UBSFSPR is selling Shares from its inventory, it may offer to sell its Shares at prices that are lower than pending sell orders that were placed by investors in the Shares. Decisions by UBSFSPR to increase or decrease inventory are made at its sole discretion and are not generally disclosed.

Repurchase Agreement Tax Disclosure: While there is authority generally supporting the treatment of repurchase and reverse repurchase agreements as collateralized loans for Puerto Rico income tax purposes, that authority does not specifically address the tax treatment of the repurchase agreements that the Fund typically enters into, which contain provisions that grant the buyer the right to sell, transfer, pledge, or hypothecate the securities that are the object of such agreements. Although the Puerto Rico Treasury Department ("PR Treasury") has never pronounced itself as to whether this type of arrangement should be viewed as a transfer of ownership of the underlying securities, it is possible that the PR Treasury could take that position in the future and that Puerto Rico

courts would agree with that view. In such event, the tax exempt interest paid on such underlying securities could be deemed not to constitute tax exempt income for the seller of such securities; to the extent that the Fund was such seller, the dividends distributed on its Shares from such income could be treated either as taxable dividends or capital gain dividends. If such dividends were treated as taxable dividends, holders of the Shares who are individuals or Puerto Rico trusts could be subject to a 15% income tax (or 10% income for dividends distributed before July 15, 2014) on the dividend (or the applicable alternate basic tax), and those which are corporate investors would be subject to a maximum effective income tax rate of 5.85% (or 4.5% for dividends distributed before July 15, 2014), (due to the 85% dividend received deduction of the Puerto Rico Internal Revenue Code, 15% of the dividend multiplied by a 39% maximum corporate income tax rate for dividends distributed on or after July 1, 2014 and 30% for dividends distributed before July 1, 2014). On the other hand, if such dividends were treated as capital gains dividends, holders of the Shares who are individuals or Puerto Rico trusts would be subject to a 15% income tax (or 10% income tax for capital dividends distributed before July 1, 2014) (or the applicable alternate basic tax), and holders of the Shares which are taxed as corporations would be subject to a 20% income tax (15% income tax for capital dividends distributed before July 1, 2014).

Recent Changes in Puerto Rico tax law: On July 1, 2014, the Governor of Puerto Rico signed into law Act 77-2014 which amended the Puerto Rico Internal Revenue Code of 2011 to provide, among other things, (i) the 10% withholding tax that is imposed on dividends distributed by Puerto Rico corporations to individuals will apply to dividends distributed before July 1, 2014, and that a 15% rate will apply for dividends distributed after June 30, 2014, and (ii) the long-term capital gains rate for sales and exchanges effected after June 30, 2014, is increased from 10% to 15%, in the case of individuals, estates, and trusts; and from 15% to 20%, in the case of corporations. Accordingly, if the Fund distributes "Taxable Dividends" after June 30, 2014, the applicable tax and withholding rate will be 15%. Similarly, if the Fund distributes Capital Gain Dividends after June 30, 2014, the applicable tax rate for individuals, estates and trusts will be 15%, and 20% in the case of corporations. Investors are encouraged to contact their lawyer or tax consultant. Neither the Fund nor UBS Financial Services Incorporated of Puerto Rico provides legal or tax advice.

On February 11, 2015, two (2) bills (P.C. 2329 and P.S. 1304) were introduced into the Puerto Rico Legislature and which propose the

adoption of a "New Puerto Rico Internal Revenue Code of 2015" ("New Code"). In general, the New Code would be effective for taxable years beginning after December 31, 2014 and, if approved, the New Code would, amongst other changes: (a) eliminate the preferential tax rates that currently apply to long-term capital gains derived after December 31, 2014, (b) eliminate the preferential 10% rate that currently applies to interest on certain obligations, such as Taxable Interest, (c) reduce the maximum marginal tax rate of individuals to 30%, (d) eliminate the alternate basic tax for individuals, (e) provide for a fixed 30% regular income tax rate for corporations, (f) eliminate the exemption for interest on obligations issued by States and their political sub-divisions, and (g) eliminate the preferential tax rates that currently exist for certain dividends and other interest income items. The Puerto Rico Legislature is currently reviewing the proposed bills and, therefore, their final outcome is not currently determinable.

Legal Disclaimer

Past performance does not guarantee future results. Current performance may be lower or higher than the performance quoted. Securities issued by the Fund are subject to market risk, including the loss of principal amounts invested. This document is not an offer to sell, or the solicitation of an offer to buy any investment in the Fund, and is for informational purposes only. Fund investments are designed primarily and suitable for long-term investors and not viewed as a vehicle for trading purposes. They may not be suitable to all investors. Fund investments are not equivalent to investments in its underlying securities. The Fund's utilization of leverage poses certain risks to investors, and in some cases, interest rate fluctuations may increase the volatility of its return and affect the Fund to a significantly greater extent than a non-leveraged investment company. **More detailed information about the Fund, including applicable fees, costs, penalties, investment objectives and policies, risk factors, and the effects of leverage, is further described in the Share's prospectus, which you should read carefully prior to making an investment.** To obtain additional information related to the Fund (including investment returns calculated in accordance with Regulation 5766 of March 11, 1998, as amended) or a copy of the Shares' prospectus or Fund's annual report, please contact the Puerto Rico Investors Family of Funds at 787-751-5452. To obtain the Fund's month-end performance or more up-to-date information, please contact your UBS Financial Advisor or see "press releases" at <http://www.ubs.com/prfunds>.

Footnotes:

¹ Generally, the Fund must invest at least 67% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage) and cash, including cash equivalents, but excluding non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), in Puerto Rico securities. Additionally, the Fund may issue preferred stock, debt securities, or other forms of leverage, representing not more than 50% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage), cash (including cash equivalents), and non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), immediately after the issuance of any such preferred stock, or other debt securities. Moreover, the Fund may not issue preferred stock, debt securities, or other forms of leverage unless the value of its total assets less all its liabilities and indebtedness, other than the preferred stock, debt securities, or other forms of leverage being issued or already outstanding, is at least equal to 200% of the total aggregate liquidation preference/principal amount of all its outstanding preferred stock (not including any accumulated dividends or other distributions), debt securities, and other forms of leverage. **Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years. In view of these volatile market conditions, the Puerto Rico Office of the Commissioner of Financial Institutions (the "PROCFI") has granted to the Fund a temporary regulatory waiver from the Fund's investment requirement in Puerto Rico securities of at least 67% of the Fund's total assets and leverage limitation of 50% of its total assets and 200% asset coverage requirement described above, through July 31, 2015. These temporary waivers may be renewed by the PROCFI for additional periods of time, should market conditions warrant, and upon written request by the Fund. It is the Fund's intention to re-achieve compliance therewith as soon as market conditions permit, though there is**

no assurance the Fund will be able to do so.

² The "Expense Ratio" calculation may reflect a partial waiver of the investment advisory and administration fees payable to UBS Trust Company of Puerto Rico, implemented on October 1, 2013. For more up-to-date information with respect to such partial fee waivers, if any, please see "Press Releases" at <http://www.ubs.com/prfunds>. Credit quality is as of December 31, 2014. The Fund's investment portfolio is actively managed, and its composition (including the portfolio statistics and characteristics) will vary over time. Credit quality percentages include only fixed income securities and vary over time, as new investment securities are acquired and the credit rating of any investment held by the Fund is reassessed. For purposes of determining compliance with the Fund's investment requirements, ratings are as of the time of purchase, using a Standard & Poor's equivalent ratings scale. On February 12, 2015, S&P further downgraded the credit rating on the GOs from "BB" to "B", as well as the credit ratings of other Commonwealth agencies and public corporations, including its credit ratings on senior and subordinate-lien bonds issued by COFINA, which were lowered from "BBB" and "BBB-", respectively to "B". On such date, the long-term issuer credit rating on the GDB was also lowered, from "BB-" to "B-". On February 19, 2015, Moody's followed suit and downgraded its credit ratings on various Government of Puerto Rico entities and issuances, including GOs, from "B2" to "Caa1", and COFINA's senior and subordinate-lien bonds, which were lowered from "Ba3" and "B1", to "B3" and "Caa1", respectively. Lastly, on March 26, 2015, Fitch also downgraded the credit rating on the GOs from "BB-" to "B", as well as the credit ratings of PRASA senior lien revenue bonds from "B+" to "B" and COFINA's senior and subordinate-lien bonds from "BB-" to "B". All of the before-mentioned ratings carry a negative outlook. **As a result of the foregoing, none of the bonds issued by the Government of Puerto Rico and its instrumentalities currently carry an investment-grade credit rating. In view of the fact that the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years and the subsequent credit**

rating downgrade of certain Puerto Rico bonds, current or more up-to-date information regarding the Fund's portfolio holdings is available at <http://www.ubs.com/prfunds>. The Fund has commenced pro-rata distribution of its holders of common stock of the principal payments received on its portfolio securities. Currently, the Fund's percentage investment in securities rated below "AAA" or which are unrated, amounted to 4.43% of the Fund's total portfolio, which is below the Fund's maximum investment threshold of 10% of its total assets invested in securities rated below "AAA" or which are unrated.

On July 2014, the Board of Directors approved an extension of the Fund's existing share repurchase program for the acquisition of up to 45% of each Fund's issued Shares. The Repurchase Program is intended to enhance shareholder value by providing additional liquidity to Fund shareholders. For the quarter ended December 31, 2014, the Fund had repurchased 49,463 Shares in the open market with an NAV of \$434,137, at a cost of \$412,879. Since the program's inception, the Fund has repurchased 3,204,191 Shares of common stock in the open market with an NAV of \$27,193,899, at a cost of \$26,685,884, and which represent 15.26% of the aggregate number of Shares issued by the Fund (net of Shares acquired for dividend reinvestment purposes and which remain outstanding).

³ As of December 31, 2014, **Return figures were not calculated in accordance with Regulation 5766 of March 11, 1998, as amended, which requires that investment returns for an individual retirement account ("IRA") be calculated in the manner provided therein.** To the extent that an individual invests in the Fund through an IRA, his or her investment return figures will be less than those reported herein, when computed in accordance with Regulation 5766 and inasmuch as actual sales charges applicable to such IRA investments are taken into consideration. This Fund has commenced return of capital distributions to its shareholders of Common Stock. This Fund has never offered a dividend reinvestment plan for the Shares. Solely for purposes of providing investors with (a) the ability to compare the performance of the Fund to that of other similar closed-end investment companies, and (b) performance information which does not take into account any reinvestment of return of capital distributions, two (2)

separate sets of "Average Annual Total Return" figures are set out above. The first set of "Market Total Return" figures reflect the percentage change in the market value, determined by calculating the average between the bid and ask prices, plus any income and capital gain dividends, and return of capital distributions, all such dividends and distributions reinvested as of the corresponding record date thereof, at the month-end NAV as of that date. The second set of "Market Total Return" figures reflect the percentage change in the market value, determined by calculating the average between the bid and ask prices, including in each case the aggregate amounts of all return of capital distributions to date, plus any income and capital gain dividends, all such dividends reinvested as of the corresponding record date thereof, at the month-end Pro Forma NAV as of that date. In the case of "NAV Total Return," the Fund's NAV per Share is used, rather than the average between the bid and ask prices or the sum of (i) the average between the bid and ask prices and (ii) the aggregate amount of return of capital distributions to date, to determine such total return, as applicable. "Rolling Period Annual Returns" measure the monthly movement in the average of the Annualized Average Market Return figures over a one-year, three-year, five-year, and ten-year period (as applicable), as it moves over a consecutive time series that begins on the Fund's inception date. Additionally, in the case of the Average Annual Total Return and Rolling Period Annual Return figures, commissions or sales charges payable in connection with a purchase or sale of Shares may vary with each brokerage institution. Total return figures are not representative of the performance of any individual investment, and taxes on capital gain distributions or income dividends, if any, have not been deducted. All calculations were performed by Thomson Reuters, based on certain financial data provided by this Fund and are annualized with the exception of year-to-date figures.

⁴ A \$10,000 investment is hypothetical and is shown for illustrative purposes only.

⁵ "IPO Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the remaining capital. "Current Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the month-end bid price.



UBS Asset Managers of Puerto Rico Funds Quarterly Review Fourth Quarter 2014

*Consideraciones Especiales

Cada Fondo es una compañía de inversión no diversificada de fin cerrado inscrita bajo la Ley Número 6 de 19 de octubre de 1954, según enmendada. Los valores emitidos por un Fondo pueden solamente ser adquiridos por, o transferidos a, individuos que sean residentes de Puerto Rico y a entidades cuya oficina y localización de negocios principal estén localizados en Puerto Rico. El rendimiento, el valor neto de los activos de un Fondo y el precio en el mercado de las acciones de capital común del Fondo (en adelante, las "Acciones"), podrán fluctuar y se determinarán por factores como la demanda y oferta en el mercado de las Acciones y las condiciones económicas, políticas y del mercado en general, al igual que otros factores que están fuera del control de un Fondo. Las Acciones son negociadas al precio del mercado, el cual puede reflejar una prima o descuento del valor neto de los activos de un Fondo y no se puede dar representación alguna sobre su liquidez o el mercado para disponer de las mismas. A pesar de que es la intención de UBS Financial Services Incorporated of Puerto Rico (en adelante, "UBSFSPR") de continuar manteniendo un mercado secundario para las Acciones, no está obligada a continuar haciéndolo. De otra parte, puede que no exista otra fuente de información de precios para las Acciones u otros compradores para las Acciones que no sea UBSFSPR.

Riesgo de concentración geográfica: El Fondo está expuesto a ciertos riesgos debido a la diversificación geográfica reducida de su cartera de inversiones. Los activos del fondo están invertidos primariamente en valores de emisores de Puerto Rico. A consecuencia, el Fondo generalmente es más susceptible a factores económicos, políticos, regulatorios y otros que podrían afectar adversamente a emisores de Puerto Rico que otra compañía de inversión la cual no esté tan concentrada en emisores de Puerto Rico. En adición, valores emitidos por el Gobierno de Puerto Rico o sus instrumentalidades se afectan por las finanzas del gobierno central. Eso incluye, pero no se limita a, las obligaciones generales de Puerto Rico y los bonos de ingresos, contribuciones especiales o de agencias. El efecto en cada deuda específica podría no ser el mismo y depende de que parte del dinero del gobierno o sus ingresos se supone pague el interés de dicha deuda. En la medida que un porcentaje relativamente alto de los activos del Fondo pueden ser invertidos en obligaciones de un número limitado de emisores de Puerto Rico, el valor neto de activos y su rendimiento puede aumentar o disminuir más que el de una compañía de inversión más diversificada, como resultado de cambios en cuanto a la evaluación de la condición financiera o prospectos de dichos emisores de Puerto Rico. El Fondo también puede ser más susceptible a cualquier ocurrencia individual económica, política o regulatoria en Puerto Rico que una compañía de inversión más diversificada. En los pasados años, los bonos principales del Gobierno de Puerto Rico, al igual que valores emitidos por ciertas instituciones financieras de Puerto Rico han sido degradados por varios factores, incluyendo sin limitación, al empeoramiento experimentado por la economía de Puerto Rico y la condición financiera pobre del Gobierno de Puerto Rico. Al presente, el mercado de bonos de Puerto Rico está experimentando un periodo de volatilidad, con los

bonos de Puerto Rico traficando a precios más bajos y rendimientos más altos a los puntos de referencia de los pasados dos (2) años, y así afectando el valor neto de activos del Fondo.

Transacciones de cartera entre un Fondo y UBSFSPR, Popular Securities (en el caso de un Fondo co-manejado con Banco Popular de Puerto Rico) y otras afiliadas son efectuadas conforme a ciertos procedimientos adoptados por la Junta de Directores de un Fondo con miras a atender posibles conflictos de interés.

Divulgación de Mercado Secundario: Dado a que actualmente UBSFSPR es la fuente dominante, y podría ser la única fuente, de liquidez para la negociación de las Acciones en el mercado secundario, cabe la posibilidad que un inversionista no pueda vender sus Acciones en el mercado secundario o que solamente pueda venderlas a pérdida, si UBSFSPR cesara de facilitar un mercado secundario para la negociación de las Acciones. Por lo tanto, la habilidad de un inversionista para vender sus Acciones dependerá del interés de otros inversionistas que estén comprando Acciones o la disponibilidad de UBSFSPR de designar capital adicional para mantener Acciones en su inventario. UBSFSPR podrá, a su única discreción, comprometer capital adicional para mantener Acciones en inventario cuando así lo estime apropiado, dependiendo de las condiciones del mercado y otras consideraciones, e igualmente en otras ocasiones, podrá reducir la cantidad de capital comprometida para financiar dicho inventario de las Acciones. Por ejemplo, cuando UBSFSPR compra Acciones para su inventario, los precios cotizados por éste podrán permanecer a los niveles previamente cotizados o aumentar. Por otro lado, cuando UBSFSPR vende Acciones de su inventario, los precios cotizados por éste podrían reducirse. En situaciones en que UBSFSPR está vendiendo Acciones de su inventario, podría ofrecer vender dichas Acciones a precios más bajos que cualquier orden de venta pendiente que fue puesta sobre sus Acciones por cualquier inversionista. Cualquier decisión de UBSFSPR de aumentar o reducir su inventario será tomada a su única discreción y no son divulgadas al público.

Divulgación Contributiva sobre Acuerdos de Recompra: A pesar de que existe precedente contable que apoya el concepto que los acuerdos de recompra y recompra a la inversa sean considerados como préstamos con garantía colateral para propósitos contributivos en Puerto Rico, dicho precedente no es determinante en cuanto a las disposiciones contributivas aplicables a los acuerdos de recompra que normalmente el Fondo suscribe, que contienen disposiciones que conceden al comprador de los valores subyacentes a dichos acuerdos el derecho a vender, transferir, pignorar o hipotecar dichos valores. A pesar de que el Departamento de Hacienda de Puerto Rico (en adelante, "Hacienda") nunca se ha expresado sobre si estos tipos de acuerdos deben ser considerados como una transferencia de titularidad sobre los valores subyacentes, Hacienda podría adoptar dicha posición y que los tribunales de Puerto Rico estén de acuerdo con dicha posición. En dicho caso, el interés exento pagado sobre los valores subyacentes a dichos acuerdos podría considerarse

como ingreso no exento del pago de contribución para el vendedor de tales valores subyacentes. En la medida que el Fondo sea considerado el vendedor bajo el acuerdo de recompra correspondiente, los dividendos distribuidos sobre las Acciones que a su vez son derivados del ingreso del acuerdo de recompra correspondiente podría ser considerado como un dividendo sujeto a tributación o ganancias de capital. Si tal dividendo fuera considerado como dividendo sujeto a tributación, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico podrían estar sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos distribuidos antes del 15 de julio de 2014) sobre el dividendo (o la contribución básica alterna aplicable), y aquellos que sean inversionistas corporativos estarían sujetos a una máxima tasa efectiva de 5.85% (o 4.5% para dividendos distribuidos antes del 15 de julio de 2014), debido a la deducción de 85% sobre dividendos recibidos, según dispuesto por el Código de Rentas Internas de Puerto Rico, multiplicando el 15% del dividendo por una tasa contributiva corporativa máxima de 39% para los dividendos distribuidos en o después del 1 de julio de 2014 y 30% para los dividendos distribuidos antes del 1 de julio de 2014). Por otro lado, si tales dividendos fueran considerados como dividendos de ganancias de capital, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico estarían sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014 o la contribución básica alterna aplicable), y los tenedores de las Acciones que tributa como corporaciones, estarían sujetos a una tasa contributiva de 20% (tasa contributiva de 15% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014).

Cambios Recientes al Derecho Tributario de Puerto Rico: El 1 de julio de 2014, el Gobernador de Puerto Rico firmó como ley la Ley 77-2014, la cual enmendó el Código de Rentas Internas de Puerto Rico del 2011 para proveer, entre otras cosas, (i) que el 10% de retención de impuesto que se le impone a los dividendos distribuidos por corporaciones de Puerto Rico a individuos, aplicará a los dividendos distribuidos antes del 1 de julio de 2014, y que la tasa de 15% aplicará a los dividendos distribuidos después del 30 de junio de 2014, y (ii) que las tasas de ganancias de capital a largo plazo para ventas e intercambios realizadas después del 30 de junio de 2014, ha sido aumentada de 10% a 15% para individuos, sucesiones y fideicomisos; y de 15% a 20% para las corporaciones. Consecuentemente, si el Fondo distribuye "Dividendos Tributables" después del 30 de junio de 2014, el interés aplicable y la tasa de retención será 15%. Del mismo modo, si el Fondo distribuye Dividendos de Ganancias de Capital después del 30 de junio de 2014, la tasa de interés aplicable para individuos, sucesiones y fideicomisos será un 15%, y 20% para las corporaciones. Se exhorta a los inversionistas a que contacten a su abogado o asesor contributivo. Ni UBS Financial Services Incorporated of Puerto Rico ni el Fondo proveen asesoría legal o contributiva.

El 11 de febrero de 2015 la Legislatura de Puerto Rico presentó dos proyectos de ley (P.C. 2329 y P.S.

1304) que proponen una reforma contributiva con la aprobación del "Nuevo Código de Rentas Internas de 2015" (el "Código Nuevo"). En términos generales, el Código Nuevo sería efectivo para años contributivos comenzados después del 31 de diciembre de 2014 y, de aprobarse, incluiría los siguientes cambios: (a) eliminar las tasas preferenciales que actualmente aplican a las ganancias de capital a largo plazo generadas después del 31 de diciembre de 2014; (b) eliminar la tasa preferencial de 10% que actualmente aplica a los ingresos de intereses de ciertas obligaciones, incluyendo los Intereses Tributables; (c) reducir el máximo de la tasa de contribuciones de individuos a 30%; (d) eliminar la contribución básica alterna de individuos; (e) establecer una tasa fija de contribuciones sobre ingresos de las corporaciones a 30%; (f) eliminar la exención de los intereses de ciertas obligaciones de los Estados Unidos y sus subdivisiones políticas; y (g) eliminar las tasas preferenciales aplicables a ciertos dividendos y otros ingresos de intereses. La Legislatura de Puerto Rico está en el proceso de revisión de los proyectos de ley, por lo que, actualmente, el resultado final no se puede determinar.

Aviso Legal

Rendimientos anteriores no son garantía de resultados futuros similares. Los rendimientos actuales podrían ser más bajos o más altos que el rendimiento aquí citado. Los valores emitidos por un Fondo están sujetos a riesgo de mercado, incluyendo la pérdida del principal invertido. Este documento no es una oferta de compra ni una solicitud de una oferta de compra para cualquier inversión en un Fondo y es para propósitos informativos solamente. Las inversiones en un Fondo están diseñadas principalmente y son adecuadas para inversionistas a largo plazo y no deben ser consideradas como un vehículo para fines de negociación. Estas inversiones pueden que no sean adecuadas para cualquier inversionista. Una inversión en un Fondo no es equivalente a una inversión en los valores subyacentes en los cuales un Fondo invierte. El uso de apalancamiento por un Fondo representa ciertos riesgos a los inversionistas en éste, y en ciertos casos, las fluctuaciones en las tasas de intereses podrían aumentar la volatilidad en su rendimiento y afectar a un Fondo a mayor grado que a una compañía de inversión no apalancada. **Información más detallada en cuanto a un Fondo, incluyendo los cargos, gastos y penalidades aplicables, objetivo(s) y políticas de inversión, factores de riesgo y el efecto de apalancamiento, se incluye en la documentación de oferta del Fondo, el cual usted debe leer cuidadosamente antes de hacer una inversión.** Para obtener más información en cuanto a un Fondo (incluyendo los rendimientos de inversión calculados conforme el Reglamento 5766 de 11 de marzo de 1998, según enmendado) o una copia del prospecto para la oferta de las Acciones o los informes anuales del Fondo, favor de contactar a la familia de fondos UBS Puerto Rico o Puerto Rico Investors al 787-773-3888 ó 787-751-5452, respectivamente. Para obtener más información en cuanto a los rendimientos del Fondo de fin de mes o información más actualizada, por favor contactar a su Asesor Financiero en UBSFSPR o verifique los comunicados de prensa ("press releases") en <http://www.ubs.com/prfunds>.

Glossary of fund terms

- **Ask Price:** generally refers to the lowest price at which a seller will sell a specified number of units of a given security at a particular time. The ask price may incorporate a markup, which may vary by transaction and may include commissions and other charges. The ask prices quoted by UBSFSPR represent its judgment of the market price for Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price and age of pending customer orders.
- **Average Duration:** a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flow accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flow consist of coupon payments and repayment of capital.) A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, for which maturity and duration are equal.
- **Bid Price:** generally refers to the highest price a buyer is willing to pay at a particular time for a unit of a given security. UBSFSPR publishes two types of bid prices for the Shares: firm or indicative. A firm bid is provided when UBSFSPR has the risk capacity and/or appetite at the particular time to purchase a specified number of Shares. An investor can sell to UBSFSPR at the firm bid price up to the specified number of Shares at a particular time. On the other hand, an indicative bid is provided for informational purposes only when UBSFSPR does not have the risk capacity and/or appetite at a particular time to purchase Shares. The prices quoted by UBSFSPR represent its judgment of the market price for the Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price, and age of pending customer orders, and may be higher (in which case the price is at a premium) or lower (in which case the price is at a discount) than the NAV of the Fund.

The prices quoted by UBSFSPR may also be affected by its willingness to hold additional inventory of the Shares or by its need to sell its inventory of Shares. Depending on market liquidity conditions, orders to buy or sell at the quoted price may not receive immediate execution, and an investor may not be able to sell its Shares at the price quoted by UBSFSPR. Moreover, the proceeds an investor receives on a sale of Shares may be lower than the bid price due to discounts, markdowns, and other charges. Since inception, the Shares have historically traded at prices which reflect a premium to their respective NAV per Share, though on certain limited instances, they have traded at prices which reflect a discount to their respective NAV per Share. However, there is no assurance that the Shares will continue to trade at prices which reflect such a premium. The Fund is presently experiencing liquidity issues. As a result, the bid price is for a limited number of shares, and it may not be possible for sellers to obtain the current bid price.

- **Credit Quality:** a measure of the likelihood that a financial obligation will not be honored provided by one or more of the rating agencies. Rating agencies assign classifications to their ratings, with "AAA" being the highest and "D" being the lowest for Standard & Poor's Ratings Services ("S&P"). The Fund may use other ratings and adjust them for use in this scale.
- **Effective Duration:** a calculation of duration that takes into account the embedded options in the securities of a portfolio and their expected changes in the cash flow of a portfolio caused by those options.
- **Expense Ratio:** The percentage of the Fund's average net assets attributable to holders of the Shares and which is used to pay operating expenses and takes into account investment management fees, administration fees, and other operating expenses such as legal, audit, insurance, and shareholder communications.
- **Hedge Notional:** refers to the total net face value, reflecting any offsetting positions, of derivative instruments employed in hedging strategies of the Fund.
- **Hedge Ratio:** ratio of the Fund's hedge notional amount to its total dollar amount of leverage as of the end of a calendar quarter, assuming the Fund is fully invested at quarter-end. The Fund's investment adviser may, at its discretion, use a variety of derivative instruments including securities options, financial futures contracts, options on futures contracts, and other interest rate protection transactions such as swap agreements, to attempt to hedge its portfolio of assets and seek to enhance its return. There can be no assurance that any particular hedging strategy used will succeed.
- **Leverage:** the Fund may issue preferred stock or debt, enter into repurchase agreements, or borrow money, in order to increase the amounts available for investment ("leverage"). This gives the Fund's investment adviser, in the fixed income area in particular, the opportunity to enhance yield. The use of leverage increases the likelihood of price volatility and market risk for the Shares. There is also the risk that the cost of funding leverage will exceed the earnings on the related investments, which will have the likely effect of reducing the Fund's yield and the value of its investments.
- **Leverage Adjusted Effective Duration:** effective duration adjusted for the impact of the Fund's utilization of leverage. A Fund that utilizes leverage will have a leverage-adjusted effective duration that is longer than its effective duration.
- **Maturity:** date on which the face value of a security/bond must be repaid. It measures the average length to maturity in years of all the bonds in the Fund's portfolio. For mortgage-backed securities, the maturity takes into account the prepayment of the underlying mortgages.
- **NAV:** Net Asset Value. On a per-Share basis, it is determined by calculating the Fund's total assets less its total liabilities and dividing such result by the Shares outstanding. On an aggregate, Fund basis, it is determined by calculating the Fund's total assets less its total liabilities.

- **Undistributed Income:** the Fund's net income that has not been distributed to holders of its Shares as of the latest available audited financial statements. In the case of a target maturity-type investment company (which is liquidated on or by a specific date), it also includes the amounts to be distributed on or by the liquidation date as the return of the initial investment.

For a definition of other terms, please see the Shares' prospectus.



Puerto Rico Investors Bond Fund I

Investment Objectives and Policies

- Seeks high level of tax-advantaged current income, consistent with the preservation of capital, by investing:
- up to 33% of its total assets in, among other things, securities issued or guaranteed by the U.S. Government, its agencies, and instrumentalities
 - at least 67% of its total assets in Puerto Rico obligations (as described in the Prospectus)
 - at least 95% of total assets in investment-grade securities²
 - may issue leverage representing up to 50% of total assets¹

Pricing and Distribution History²

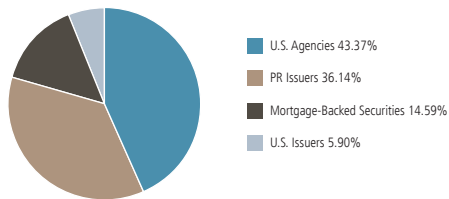
Initial Public Offering (IPO)	\$10.00
52-week Bid Low/High	\$3.87/\$4.36
YTD NAV Change	\$0.55
YTD Bid Price Change	\$0.23
IPO Yield ⁵	4.75%
Current Yield ⁵	11.59%
Last Dividend Paid	\$0.0396
Last 12 Month Dividend	\$0.4896

Portfolio Statistics and Characteristics²

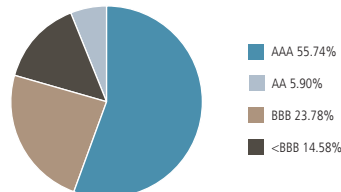
Commencement	Jan 99	Fiscal Year	30-Sep
Shares Outstanding (mm)	17.60	Weighted Avg. Coupon	3.61%
Bid Price	\$4.10	Average Maturity (yrs)	16.80
Net Asset Value (NAV)	\$4.60	Average Duration (yrs)	11.52
Bid Price to NAV Ratio	89.13%	Leverage Adjusted Effective Duration (yrs)	20.04
Net Assets (mm)	\$80.90	Leverage %	45.96% ¹
Leverage (mm)	\$69.47	Leverage Cost	0.44%
Undistributed Income (mm)	\$4.36	Hedge Notional (mm)	\$0.00
Expense Ratio	1.29%	Hedge Ratio	0%

See Portfolio Holdings, Portfolio Managers, Special Considerations, Disclaimers, Glossary of Fund Terms, and Footnotes on reverse.

Portfolio Summary²



Credit Quality²



Portfolio Holdings²

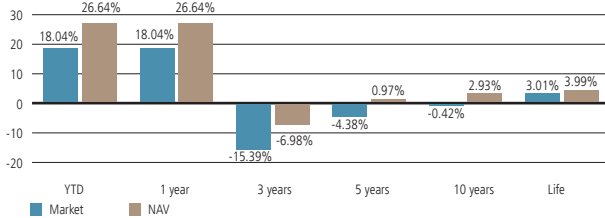
PR Obligations	PRASA	0.26%	
Mortgage-Backed Securities	PRIDCO	0.04%	
GNMA, FNMA, FGLMC	Convention Center	1.60%	
CMO	13.92%	PR Obligations 50.73%	
Participation Certificate			
Doral	0.67%		
U.S. Obligations			
AFICA			
Palmas del Mar	1.35%	Federal Home	
PRGOs	0.81%	Loan Bank	36.58%
PR Sales Tax Financing	23.77%	Federal Farm	
GDB	0.29%	Credit Bank	6.79%
Employees Retirement System	7.80%	Build America Bonds	5.90%
PR Highway & Transportation	0.22%	U.S. Obligations 49.27%	

Portfolio Managers

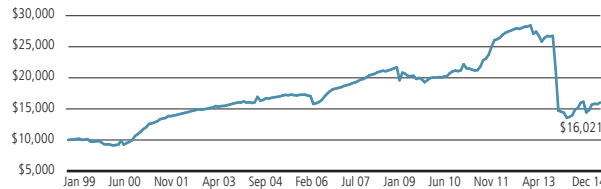
Leslie Highley, Jr.
Portfolio Manager since inception
UBS Asset Managers of Puerto Rico

Javier Rubio
Portfolio Manager since inception
Popular Asset Management

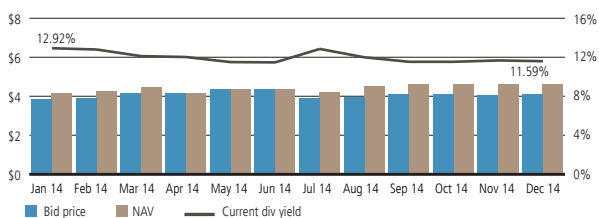
Average Annual Total Return³



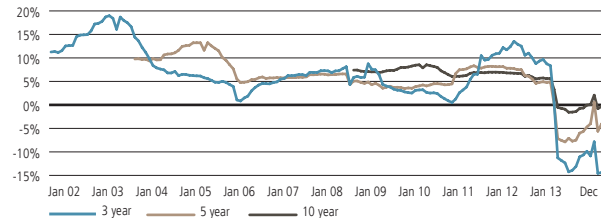
Growth of a \$10,000 Investment as of December 31, 2014⁴



Share Price, NAV and Current Dividend Yield – Prior 12 months



Rolling Period Annual Returns³



*Special Considerations

The Fund is a non-diversified, closed-end management investment company registered under the Puerto Rico Investment Companies Act of 1954, as amended. Securities issued by the Fund may be purchased or otherwise transferred only to individuals who are residents of Puerto Rico and to entities whose principal office and principal place of business are located in Puerto Rico. The Fund's yield and net asset value and the market price of the Fund's shares of Common Stock (the "Shares") may fluctuate and will be determined by such factors as relative demand for and supply of the Shares in the market, as well as general market, political, and economic conditions and other factors beyond the control of the Fund. The Shares trade at market price, which may be at a discount or premium to NAV, and no assurance can be given as to their liquidity or trading market. While it is the intention of UBS Financial Services Incorporated of Puerto Rico ("UBSFSPR") to continue to maintain a secondary market for the Shares, it is not obligated to continue to do so. Moreover, there may be no other source of price information for the Shares or other purchasers of the Shares other than UBSFSPR.

Geographic Concentration Risk. The Fund is exposed to certain risks resulting from the reduced geographic diversification of its portfolio. The Fund's assets are invested primarily in securities of Puerto Rico issuers. Consequently, the Fund in general is more susceptible to economic, political, regulatory or other factors adversely affecting issuers in Puerto Rico than an investment company that is not so concentrated in Puerto Rico issuers. In addition, securities issued by the Government of Puerto Rico or its instrumentalities are affected by the central government's finances. That includes, but is not limited to, general obligations of Puerto Rico and revenue bonds, special tax bonds, or agency bonds. The effect on each specific debt may not be the same; it depends on exactly what part of the government's money or revenue is supposed to pay the interest thereon. Inasmuch as a relatively high percentage of the Fund's assets may be invested in obligations of a limited number of Puerto Rico issuers, the Fund's net asset value and its yield may increase or decrease more than that of a more diversified investment company as a result of changes in the market's assessment of the financial condition and prospects of such Puerto Rico issuers. The Fund may also be more susceptible to any single economic, political, or regulatory occurrence in Puerto Rico than a more widely diversified investment company. Over the past years, the principal Puerto Rico Government bonds as well as the securities issued by several Puerto Rico financial institutions have been downgraded as a result of several factors, including without limitation, the downturn experienced

by the Puerto Rico economy and the strained financial condition of the Government of Puerto Rico. Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years, thereby affecting the Fund's net asset value.

Portfolio transactions between the Fund and UBSFSPR, Popular Securities (in the case of a co-managed Fund with Banco Popular de Puerto Rico), and other affiliates, are conducted in accordance with procedures adopted by the Fund's Board of Directors in an effort to address potential conflicts of interest.

Secondary Market Disclosure: Given UBSFSPR is currently the dominant, and may be the sole source of secondary market liquidity for the Shares an investor may not be able to sell its Shares or may only be able to sell them at a loss, if UBSFSPR were to cease to facilitate such secondary market for the Shares. Accordingly, an investor's ability to sell its Shares will depend on the interest of other investors buying Shares, or UBSFSPR's willingness to commit additional capital to holding Shares in inventory. UBSFSPR may, in its sole discretion, commit additional capital to hold Shares in inventory when it deems it appropriate to do so, given market conditions or other considerations, and similarly may reduce the amount of capital committed to fund such inventory of Shares at other times. For example, when UBSFSPR purchases Shares and holds them in its inventory, quoted prices may remain at the previously quoted levels or increase. Conversely, when UBSFSPR sells Shares from its inventory, the quoted prices may decrease. In situations where UBSFSPR is selling Shares from its inventory, it may offer to sell its Shares at prices that are lower than pending sell orders that were placed by investors in the Shares. Decisions by UBSFSPR to increase or decrease inventory are made at its sole discretion and are not generally disclosed.

Repurchase Agreement Tax Disclosure: While there is authority generally supporting the treatment of repurchase and reverse repurchase agreements as collateralized loans for Puerto Rico income tax purposes, that authority does not specifically address the tax treatment of the repurchase agreements that the Fund typically enters into, which contain provisions that grant the buyer the right to sell, transfer, pledge, or hypothecate the securities that are the object of such agreements. Although the Puerto Rico Treasury Department ("PR Treasury") has never pronounced itself as to whether this type of arrangement should be viewed as a transfer of ownership of the underlying securities, it is possible that the PR Treasury could take that position in the future and that Puerto Rico

courts would agree with that view. In such event, the tax exempt interest paid on such underlying securities could be deemed not to constitute tax exempt income for the seller of such securities; to the extent that the Fund was such seller, the dividends distributed on its Shares from such income could be treated either as taxable dividends or capital gain dividends. If such dividends were treated as taxable dividends, holders of the Shares who are individuals or Puerto Rico trusts could be subject to a 15% income tax (or 10% income for dividends distributed before July 15, 2014) on the dividend (or the applicable alternate basic tax), and those which are corporate investors would be subject to a maximum effective income tax rate of 5.85% (or 4.5% for dividends distributed before July 15, 2014), (due to the 85% dividend received deduction of the Puerto Rico Internal Revenue Code, 15% of the dividend multiplied by a 39% maximum corporate income tax rate for dividends distributed on or after July 1, 2014 and 30% for dividends distributed before July 1, 2014). On the other hand, if such dividends were treated as capital gains dividends, holders of the Shares who are individuals or Puerto Rico trusts would be subject to a 15% income tax (or 10% income tax for capital dividends distributed before July 1, 2014) (or the applicable alternate basic tax), and holders of the Shares which are taxed as corporations would be subject to a 20% income tax (15% income tax for capital dividends distributed before July 1, 2014).

Recent Changes in Puerto Rico tax law: On July 1, 2014, the Governor of Puerto Rico signed into law Act 77-2014 which amended the Puerto Rico Internal Revenue Code of 2011 to provide, among other things, (i) the 10% withholding tax that is imposed on dividends distributed by Puerto Rico corporations to individuals will apply to dividends distributed before July 1, 2014, and that a 15% rate will apply for dividends distributed after June 30, 2014, and (ii) the long-term capital gains rate for sales and exchanges effected after June 30, 2014, is increased from 10% to 15%, in the case of individuals, estates, and trusts; and from 15% to 20%, in the case of corporations. Accordingly, if the Fund distributes "Taxable Dividends" after June 30, 2014, the applicable tax and withholding rate will be 15%. Similarly, if the Fund distributes Capital Gain Dividends after June 30, 2014, the applicable tax rate for individuals, estates and trusts will be 15%, and 20% in the case of corporations. Investors are encouraged to contact their lawyer or tax consultant. Neither the Fund nor UBS Financial Services Incorporated of Puerto Rico provides legal or tax advice.

On February 11, 2015, two (2) bills (P.C. 2329 and P.S. 1304) were introduced into the Puerto Rico Legislature and which propose the

adoption of a "New Puerto Rico Internal Revenue Code of 2015" ("New Code"). In general, the New Code would be effective for taxable years beginning after December 31, 2014 and, if approved, the New Code would, amongst other changes: (a) eliminate the preferential tax rates that currently apply to long-term capital gains derived after December 31, 2014, (b) eliminate the preferential 10% rate that currently applies to interest on certain obligations, such as Taxable Interest, (c) reduce the maximum marginal tax rate of individuals to 30%, (d) eliminate the alternate basic tax for individuals, (e) provide for a fixed 30% regular income tax rate for corporations, (f) eliminate the exemption for interest on obligations issued by States and their political sub-divisions, and (g) eliminate the preferential tax rates that currently exist for certain dividends and other interest income items. The Puerto Rico Legislature is currently reviewing the proposed bills and, therefore, their final outcome is not currently determinable.

Legal Disclaimer

Past performance does not guarantee future results. Current performance may be lower or higher than the performance quoted. Securities issued by the Fund are subject to market risk, including the loss of principal amounts invested. This document is not an offer to sell, or the solicitation of an offer to buy any investment in the Fund, and is for informational purposes only. Fund investments are designed primarily and suitable for long-term investors and not viewed as a vehicle for trading purposes. They may not be suitable to all investors. Fund investments are not equivalent to investments in its underlying securities. The Fund's utilization of leverage poses certain risks to investors, and in some cases, interest rate fluctuations may increase the volatility of its return and affect the Fund to a significantly greater extent than a non-leveraged investment company. **More detailed information about the Fund, including applicable fees, costs, penalties, investment objectives and policies, risk factors, and the effects of leverage, is further described in the Share's prospectus, which you should read carefully prior to making an investment.** To obtain additional information related to the Fund (including investment returns calculated in accordance with Regulation 5766 of March 11, 1998, as amended) or a copy of the Shares' prospectus or Fund's annual report, please contact the Puerto Rico Investors Family of Funds at 787-751-5452. To obtain the Fund's month-end performance or more up-to-date information, please contact your UBS Financial Advisor or see "press releases" at <http://www.ubs.com/pr/funds>.

Footnotes:

¹ Generally, the Fund must invest at least 67% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage) and cash, including cash equivalents, but excluding non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), in Puerto Rico securities. Additionally, the Fund may issue preferred stock, debt securities, or other forms of leverage, representing not more than 50% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage), cash (including cash equivalents), and non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), immediately after the issuance of any such preferred stock, or other debt securities. Moreover, the Fund may not issue preferred stock, debt securities, or other forms of leverage unless the value of its total assets less all its liabilities and indebtedness, other than the preferred stock, debt securities, or other forms of leverage being issued or already outstanding, is at least equal to 200% of the total aggregate liquidation preference/principal amount of all its outstanding preferred stock (not including any accumulated dividends or other distributions), debt securities, and other forms of leverage. **Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years. In view of these volatile market conditions, the Puerto Rico Office of the Commissioner of Financial Institutions (the "PROCFI") has granted to the Fund a temporary regulatory waiver from the Fund's investment requirement in Puerto Rico securities of at least 67% of the Fund's total assets and leverage limitation of 50% of its total assets and 200% asset coverage requirement described above, through July 31, 2015. These temporary waivers may be renewed by the PROCFI for additional periods of time, should market conditions warrant, and upon written request by the Fund. It is the Fund's intention to re-achieve compliance**

therewith as soon as market conditions permit, though there is no assurance the Fund will be able to do so.

² Credit quality is as of December 31, 2014. The Fund's investment portfolio is actively managed, and its composition (including the portfolio statistics and characteristics) will vary over time. Credit quality percentages include only fixed income securities and vary over time, as new investment securities are acquired and the credit rating of any investment held by the Fund is reassessed. For purposes of determining compliance with the Fund's investment requirements, ratings are as of the time of purchase, using a Standard & Poor's equivalent ratings scale. On February 12, 2015, S&P further downgraded the credit rating on the GOs from "BB" to "B", as well as the credit ratings of other Commonwealth agencies and public corporations, including its credit ratings on senior and subordinate-lien bonds issued by COFINA, which were lowered from "BBB" and "BBB-" respectively to "B". On such date, the long-term issuer credit rating on the GOB was also lowered, from "BB-" to "B-". On February 19, 2015, Moody's followed suit and downgraded its credit ratings on various Government of Puerto Rico entities and issuances, including GOs, from "B2" to "Ca1", and COFINA's senior and subordinate-lien bonds, which were lowered from "Ba3" and "B1", to "B3" and "Ca1", respectively. Lastly, on March 26, 2015, Fitch also downgraded the credit rating on the GOs from "BB-" to "B", as well as the credit ratings of PRASA senior lien revenue bonds from "B+" to "B" and COFINA's senior and subordinate-lien bonds from "BB-" to "B". All of the before-mentioned ratings carry a negative outlook. **As a result of the foregoing, none of the bonds issued by the Government of Puerto Rico and its instrumentalities currently carry an investment-grade credit rating.** Inasmuch as the Fund invests a substantial portion of its assets in securities issued by the Commonwealth of Puerto Rico, these recent rating downgrades will negatively impact the Fund's ability to maintain compliance with its maximum/minimum investment threshold(s) in securities of a specific credit quality. To the extent that such investment threshold(s) in securities of a specific credit quality are exceeded, Fund management may determine to continue to hold such lower-rated securities, provided any new investment

proceeds are directed to acquire investment securities which satisfy the Fund's minimum credit rating requirements. **In view of the fact that the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years and the subsequent credit rating downgrade of certain Puerto Rico bonds, current or more up-to-date information regarding the Fund's portfolio holdings is available at <http://www.ubs.com/pr/funds>.** Currently, the Fund's percentage investment in securities rated below investment-grade (below "BBB" rating) or which are unrated, amounted to 14.58% of the Fund's total portfolio, which exceeds the Fund's maximum investment threshold of 5% of its total assets invested in securities rated below investment-grade or which are unrated. On January 2014, the Board of Directors approved the implementation of a share repurchase program for the acquisition of up to 25% of each Fund's total assets. The Repurchase Program is intended to enhance shareholder value by providing additional liquidity to Fund shareholders. For the quarter ended December 31, 2014, the Fund had repurchased 327,665 shares in the open market with an NAV of \$1,530,196, at a cost of \$1,366,319. Since the program's inception, the Fund has repurchased 9,465,694 shares of common stock in the open market with an NAV of \$42,327,987, at a cost of \$38,328,759, and which represent 17.86% of the total assets of the Fund (net of Shares acquired for dividend reinvestment purposes and which remain outstanding).

³ As of December 31, 2014. **Return figures were not calculated in accordance with Regulation 5766 of March 11, 1998, as amended, which requires that investment returns for an individual retirement account ("IRA") be calculated in the manner provided therein.** To the extent that an individual invests in the Fund through an IRA, his or her investment return figures will be less than those reported herein, when computed in accordance with Regulation 5766 and inasmuch as actual sales charges applicable to such IRA investments are taken into consideration. "Average Annual Total Return" figures reflect the percentage change in

the market value, determined by calculating the average between the bid and ask prices, plus any income and capital gain dividends, and return of capital distributions, all such dividends and distributions reinvested as of the corresponding record date thereof, at the month-end NAV as of that date. In the case of "NAV Total Return," the Fund's NAV per Share is used, rather than the average between the bid and ask prices, to determine such total return, as applicable. "Rolling Period Annual Returns" measure the monthly movement in the average of the Annualized Average Market Return figures over a one-year, three-year, five-year, and ten-year period (as applicable), as it moves over a consecutive time series that begins on the Fund's inception date. Additionally, in the case of the Average Annual Total Return and Rolling Period Annual Return figures, commissions or sales charges payable in connection with a purchase or sale of Shares may vary with each brokerage institution. Total return figures are not representative of the performance of any individual investment, and taxes on capital gain distributions or income dividends, if any, have not been deducted. All calculations were performed by Thomson Reuters, based on certain financial data provided by this Fund and are annualized with the exception of year-to-date figures.

⁴ A \$10,000 investment is hypothetical and is shown for illustrative purposes only.

⁵ "IPO Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the initial public offering price. "Current Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the month-end bid price.



UBS Asset Managers of Puerto Rico Funds Quarterly Review Fourth Quarter 2014

*Consideraciones Especiales

Cada Fondo es una compañía de inversión no diversificada de fin cerrado inscrita bajo la Ley Número 6 de 19 de octubre de 1954, según enmendada. Los valores emitidos por un Fondo pueden solamente ser adquiridos por, o transferidos a, individuos que sean residentes de Puerto Rico y a entidades cuya oficina y localización de negocios principal estén localizados en Puerto Rico. El rendimiento, el valor neto de los activos de un Fondo y el precio en el mercado de las acciones de capital común del Fondo (en adelante, las "Acciones"), podrán fluctuar y se determinarán por factores como la demanda y oferta en el mercado de las Acciones y las condiciones económicas, políticas y del mercado en general, al igual que otros factores que están fuera del control de un Fondo. Las Acciones son negociadas al precio del mercado, el cual puede reflejar una prima o descuento del valor neto de los activos de un Fondo y no se puede dar representación alguna sobre su liquidez o el mercado para disponer de las mismas. A pesar de que es la intención de UBS Financial Services Incorporated of Puerto Rico (en adelante, "UBSFSPR") de continuar manteniendo un mercado secundario para las Acciones, no está obligada a continuar haciéndolo. De otra parte, puede que no exista otra fuente de información de precios para las Acciones u otros compradores para las Acciones que no sea UBSFSPR.

Riesgo de concentración geográfica: El Fondo está expuesto a ciertos riesgos debido a la diversificación geográfica reducida de su cartera de inversiones. Los activos del fondo están invertidos primariamente en valores de emisores de Puerto Rico. A consecuencia, el Fondo generalmente es más susceptible a factores económicos, políticos, regulatorios y otros que podrían afectar adversamente a emisores de Puerto Rico que otra compañía de inversión la cual no esté tan concentrada en emisores de Puerto Rico. En adición, valores emitidos por el Gobierno de Puerto Rico o sus instrumentalidades se afectan por las finanzas del gobierno central. Eso incluye, pero no se limita a, las obligaciones generales de Puerto Rico y los bonos de ingresos, contribuciones especiales o de agencias. El efecto en cada deuda específica podría no ser el mismo y depende de que parte del dinero del gobierno o sus ingresos se supone pague el interés de dicha deuda. En la medida que un porcentaje relativamente alto de los activos del Fondo pueden ser invertidos en obligaciones de un número limitado de emisores de Puerto Rico, el valor neto de activos y su rendimiento puede aumentar o disminuir más que el de una compañía de inversión más diversificada, como resultado de cambios en cuanto a la evaluación de la condición financiera o prospectos de dichos emisores de Puerto Rico. El Fondo también puede ser más susceptible a cualquier ocurrencia individual económica, política o regulatoria en Puerto Rico que una compañía de inversión más diversificada. En los pasados años, los bonos principales del Gobierno de Puerto Rico, al igual que valores emitidos por ciertas instituciones financieras de Puerto Rico han sido degradados por varios factores, incluyendo sin limitación, al empeoramiento experimentado por la economía de Puerto Rico y la condición financiera pobre del Gobierno de Puerto Rico. Al presente, el mercado de bonos de Puerto Rico está experimentando un periodo de volatilidad, con los

bonos de Puerto Rico traficando a precios más bajos y rendimientos más altos a los puntos de referencia de los pasados dos (2) años, y así afectando el valor neto de activos del Fondo.

Transacciones de cartera entre un Fondo y UBSFSPR, Popular Securities (en el caso de un Fondo co-manejado con Banco Popular de Puerto Rico) y otras afiliadas son efectuadas conforme a ciertos procedimientos adoptados por la Junta de Directores de un Fondo con miras a atender posibles conflictos de interés.

Divulgación de Mercado Secundario: Dado a que actualmente UBSFSPR es la fuente dominante, y podría ser la única fuente, de liquidez para la negociación de las Acciones en el mercado secundario, cabe la posibilidad que un inversionista no pueda vender sus Acciones en el mercado secundario o que solamente pueda venderlas a pérdida, si UBSFSPR cesara de facilitar un mercado secundario para la negociación de las Acciones. Por lo tanto, la habilidad de un inversionista para vender sus Acciones dependerá del interés de otros inversionistas que estén comprando Acciones o la disponibilidad de UBSFSPR de designar capital adicional para mantener Acciones en su inventario. UBSFSPR podrá, a su única discreción, comprometer capital adicional para mantener Acciones en inventario cuando así lo estime apropiado, dependiendo de las condiciones del mercado y otras consideraciones, e igualmente en otras ocasiones, podrá reducir la cantidad de capital comprometida para financiar dicho inventario de las Acciones. Por ejemplo, cuando UBSFSPR compra Acciones para su inventario, los precios cotizados por éste podrán permanecer a los niveles previamente cotizados o aumentar. Por otro lado, cuando UBSFSPR vende Acciones de su inventario, los precios cotizados por éste podrían reducirse. En situaciones en que UBSFSPR está vendiendo Acciones de su inventario, podría ofrecer vender dichas Acciones a precios más bajos que cualquier orden de venta pendiente que fue puesta sobre sus Acciones por cualquier inversionista. Cualquier decisión de UBSFSPR de aumentar o reducir su inventario será tomada a su única discreción y no son divulgadas al público.

Divulgación Contributiva sobre Acuerdos de Recompra: A pesar de que existe precedente contable que apoya el concepto que los acuerdos de recompra y recompra a la inversa sean considerados como préstamos con garantía colateral para propósitos contributivos en Puerto Rico, dicho precedente no es determinante en cuanto a las disposiciones contributivas aplicables a los acuerdos de recompra que normalmente el Fondo suscribe, que contienen disposiciones que conceden al comprador de los valores subyacentes a dichos acuerdos el derecho a vender, transferir, pignorar o hipotecar dichos valores. A pesar de que el Departamento de Hacienda de Puerto Rico (en adelante, "Hacienda") nunca se ha expresado sobre si estos tipos de acuerdos deben ser considerados como una transferencia de titularidad sobre los valores subyacentes, Hacienda podría adoptar dicha posición y que los tribunales de Puerto Rico estén de acuerdo con dicha posición. En dicho caso, el interés exento pagado sobre los valores subyacentes a dichos acuerdos podría considerarse

como ingreso no exento del pago de contribución para el vendedor de tales valores subyacentes. En la medida que el Fondo sea considerado el vendedor bajo el acuerdo de recompra correspondiente, los dividendos distribuidos sobre las Acciones que a su vez son derivados del ingreso del acuerdo de recompra correspondiente podría ser considerado como un dividendo sujeto a tributación o ganancias de capital. Si tal dividendo fuera considerado como dividendo sujeto a tributación, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico podrían estar sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos distribuidos antes del 15 de julio de 2014) sobre el dividendo (o la contribución básica alterna aplicable), y aquellos que sean inversionistas corporativos estarían sujetos a una máxima tasa efectiva de 5.85% (o 4.5% para dividendos distribuidos antes del 15 de julio de 2014), debido a la deducción de 85% sobre dividendos recibidos, según dispuesto por el Código de Rentas Internas de Puerto Rico, multiplicando el 15% del dividendo por una tasa contributiva corporativa máxima de 39% para los dividendos distribuidos en o después del 1 de julio de 2014 y 30% para los dividendos distribuidos antes del 1 de julio de 2014). Por otro lado, si tales dividendos fueran considerados como dividendos de ganancias de capital, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico estarían sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014 o la contribución básica alterna aplicable), y los tenedores de las Acciones que tributa como corporaciones, estarían sujetos a una tasa contributiva de 20% (tasa contributiva de 15% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014).

Cambios Recientes al Derecho Tributario de Puerto Rico: El 1 de julio de 2014, el Gobernador de Puerto Rico firmó como ley la Ley 77-2014, la cual enmendó el Código de Rentas Internas de Puerto Rico del 2011 para proveer, entre otras cosas, (i) que el 10% de retención de impuesto que se le impone a los dividendos distribuidos por corporaciones de Puerto Rico a individuos, aplicará a los dividendos distribuidos antes del 1 de julio de 2014, y que la tasa de 15% aplicará a los dividendos distribuidos después del 30 de junio de 2014, y (ii) que las tasas de ganancias de capital a largo plazo para ventas e intercambios realizadas después del 30 de junio de 2014, ha sido aumentada de 10% a 15% para individuos, sucesiones y fideicomisos; y de 15% a 20% para las corporaciones. Consecuentemente, si el Fondo distribuye "Dividendos Tributables" después del 30 de junio de 2014, el interés aplicable y la tasa de retención será 15%. Del mismo modo, si el Fondo distribuye Dividendos de Ganancias de Capital después del 30 de junio de 2014, la tasa de interés aplicable para individuos, sucesiones y fideicomisos será un 15%, y 20% para las corporaciones. Se exhorta a los inversionistas a que contacten a su abogado o asesor contributivo. Ni UBS Financial Services Incorporated of Puerto Rico ni el Fondo proveen asesoría legal o contributiva.

El 11 de febrero de 2015 la Legislatura de Puerto Rico presentó dos proyectos de ley (P.C. 2329 y P.S.

1304) que proponen una reforma contributiva con la aprobación del "Nuevo Código de Rentas Internas de 2015" (el "Código Nuevo"). En términos generales, el Código Nuevo sería efectivo para años contributivos comenzados después del 31 de diciembre de 2014 y, de aprobarse, incluiría los siguientes cambios: (a) eliminar las tasas preferenciales que actualmente aplican a las ganancias de capital a largo plazo generadas después del 31 de diciembre de 2014; (b) eliminar la tasa preferencial de 10% que actualmente aplica a los ingresos de intereses de ciertas obligaciones, incluyendo los Intereses Tributables; (c) reducir el máximo de la tasa de contribuciones de individuos a 30%; (d) eliminar la contribución básica alterna de individuos; (e) establecer una tasa fija de contribuciones sobre ingresos de las corporaciones a 30%; (f) eliminar la exención de los intereses de ciertas obligaciones de los Estados Unidos y sus subdivisiones políticas; y (g) eliminar las tasas preferenciales aplicables a ciertos dividendos y otros ingresos de intereses. La Legislatura de Puerto Rico está en el proceso de revisión de los proyectos de ley, por lo que, actualmente, el resultado final no se puede determinar.

Aviso Legal

Rendimientos anteriores no son garantía de resultados futuros similares. Los rendimientos actuales podrían ser más bajos o más altos que el rendimiento aquí citado. Los valores emitidos por un Fondo están sujetos a riesgo de mercado, incluyendo la pérdida del principal invertido. Este documento no es una oferta de compra ni una solicitud de una oferta de compra para cualquier inversión en un Fondo y es para propósitos informativos solamente. Las inversiones en un Fondo están diseñadas principalmente y son adecuadas para inversionistas a largo plazo y no deben ser consideradas como un vehículo para fines de negociación. Estas inversiones pueden que no sean adecuadas para cualquier inversionista. Una inversión en un Fondo no es equivalente a una inversión en los valores subyacentes en los cuales un Fondo invierte. El uso de apalancamiento por un Fondo representa ciertos riesgos a los inversionistas en éste, y en ciertos casos, las fluctuaciones en las tasas de intereses podrían aumentar la volatilidad en su rendimiento y afectar a un Fondo a mayor grado que a una compañía de inversión no apalancada. **Información más detallada en cuanto a un Fondo, incluyendo los cargos, gastos y penalidades aplicables, objetivo(s) y políticas de inversión, factores de riesgo y el efecto de apalancamiento, se incluye en la documentación de oferta del Fondo, el cual usted debe leer cuidadosamente antes de hacer una inversión.** Para obtener más información en cuanto a un Fondo (incluyendo los rendimientos de inversión calculados conforme el Reglamento 5766 de 11 de marzo de 1998, según enmendado) o una copia del prospecto para la oferta de las Acciones o los informes anuales del Fondo, favor de contactar a la familia de fondos UBS Puerto Rico o Puerto Rico Investors al 787-773-3888 ó 787-751-5452, respectivamente. Para obtener más información en cuanto a los rendimientos del Fondo de fin de mes o información más actualizada, por favor contactar a su Asesor Financiero en UBSFSPR o verifique los comunicados de prensa ("press releases") en <http://www.ubs.com/prfunds>.

Glossary of fund terms

- **Ask Price:** generally refers to the lowest price at which a seller will sell a specified number of units of a given security at a particular time. The ask price may incorporate a markup, which may vary by transaction and may include commissions and other charges. The ask prices quoted by UBSFSPR represent its judgment of the market price for Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price and age of pending customer orders.
- **Average Duration:** a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flow accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flow consist of coupon payments and repayment of capital.) A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, for which maturity and duration are equal.
- **Bid Price:** generally refers to the highest price a buyer is willing to pay at a particular time for a unit of a given security. UBSFSPR publishes two types of bid prices for the Shares: firm or indicative. A firm bid is provided when UBSFSPR has the risk capacity and/or appetite at the particular time to purchase a specified number of Shares. An investor can sell to UBSFSPR at the firm bid price up to the specified number of Shares at a particular time. On the other hand, an indicative bid is provided for informational purposes only when UBSFSPR does not have the risk capacity and/or appetite at a particular time to purchase Shares. The prices quoted by UBSFSPR represent its judgment of the market price for the Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price, and age of pending customer orders, and may be higher (in which case the price is at a premium) or lower (in which case the price is at a discount) than the NAV of the Fund.

The prices quoted by UBSFSPR may also be affected by its willingness to hold additional inventory of the Shares or by its need to sell its inventory of Shares. Depending on market liquidity conditions, orders to buy or sell at the quoted price may not receive immediate execution, and an investor may not be able to sell its Shares at the price quoted by UBSFSPR. Moreover, the proceeds an investor receives on a sale of Shares may be lower than the bid price due to discounts, markdowns, and other charges. Since inception, the Shares have historically traded at prices which reflect a premium to their respective NAV per Share, though on certain limited instances, they have traded at prices which reflect a discount to their respective NAV per Share. However, there is no assurance that the Shares will continue to trade at prices which reflect such a premium. The Fund is presently experiencing liquidity issues. As a result, the bid price is for a limited number of shares, and it may not be possible for sellers to obtain the current bid price.

- **Credit Quality:** a measure of the likelihood that a financial obligation will not be honored provided by one or more of the rating agencies. Rating agencies assign classifications to their ratings, with "AAA" being the highest and "D" being the lowest for Standard & Poor's Ratings Services ("S&P"). The Fund may use other ratings and adjust them for use in this scale.
- **Effective Duration:** a calculation of duration that takes into account the embedded options in the securities of a portfolio and their expected changes in the cash flow of a portfolio caused by those options.
- **Expense Ratio:** The percentage of the Fund's average net assets attributable to holders of the Shares and which is used to pay operating expenses and takes into account investment management fees, administration fees, and other operating expenses such as legal, audit, insurance, and shareholder communications.
- **Hedge Notional:** refers to the total net face value, reflecting any offsetting positions, of derivative instruments employed in hedging strategies of the Fund.
- **Hedge Ratio:** ratio of the Fund's hedge notional amount to its total dollar amount of leverage as of the end of a calendar quarter, assuming the Fund is fully invested at quarter-end. The Fund's investment adviser may, at its discretion, use a variety of derivative instruments including securities options, financial futures contracts, options on futures contracts, and other interest rate protection transactions such as swap agreements, to attempt to hedge its portfolio of assets and seek to enhance its return. There can be no assurance that any particular hedging strategy used will succeed.
- **Leverage:** the Fund may issue preferred stock or debt, enter into repurchase agreements, or borrow money, in order to increase the amounts available for investment ("leverage"). This gives the Fund's investment adviser, in the fixed income area in particular, the opportunity to enhance yield. The use of leverage increases the likelihood of price volatility and market risk for the Shares. There is also the risk that the cost of funding leverage will exceed the earnings on the related investments, which will have the likely effect of reducing the Fund's yield and the value of its investments.
- **Leverage Adjusted Effective Duration:** effective duration adjusted for the impact of the Fund's utilization of leverage. A Fund that utilizes leverage will have a leverage-adjusted effective duration that is longer than its effective duration.
- **Maturity:** date on which the face value of a security/bond must be repaid. It measures the average length to maturity in years of all the bonds in the Fund's portfolio. For mortgage-backed securities, the maturity takes into account the prepayment of the underlying mortgages.
- **NAV:** Net Asset Value. On a per-Share basis, it is determined by calculating the Fund's total assets less its total liabilities and dividing such result by the Shares outstanding. On an aggregate, Fund basis, it is determined by calculating the Fund's total assets less its total liabilities.

- **Undistributed Income:** the Fund's net income that has not been distributed to holders of its Shares as of the latest available audited financial statements. In the case of a target maturity-type investment company (which is liquidated on or by a specific date), it also includes the amounts to be distributed on or by the liquidation date as the return of the initial investment.

For a definition of other terms, please see the Shares' prospectus.



Puerto Rico Investors Tax-Free Fund, Inc.

Investment Objectives and Policies

Seeks high level of current income that, for Puerto Rico residents, is exempt from both U.S. Federal and Puerto Rico income taxes, consistent with the preservation of capital, by investing:

- up to 30% of its total assets in, among other things, securities issued or guaranteed by the U.S. Government, its agencies, and instrumentalities
- at least 70% of its total assets in Puerto Rico obligations (as described in the Prospectus)
- at least 95% of total assets in investment-grade securities²
- may issue leverage representing up to 50% of total assets¹

Pricing and Distribution History²

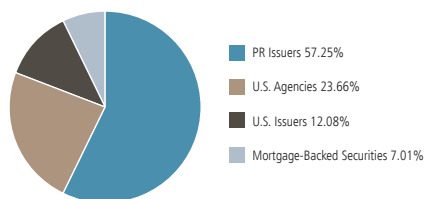
Initial Public Offering (IPO)	\$10.00
52-week Bid Low/High	\$3.47/\$4.07
YTD NAV Change	\$0.12
YTD Bid Price Change	-\$0.10
IPO Yield ⁵	4.60%
Current Yield ⁵	13.26%
Last Dividend Paid	\$0.0383
Last 12 Month Dividend	\$0.4746

Portfolio Statistics and Characteristics²

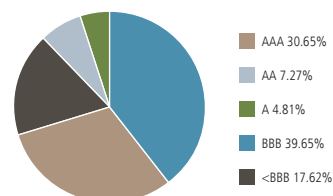
Commencement	Jan-95	Fiscal Year	31-Aug
Shares Outstanding (mm)	9.54	Weighted Avg. Coupon	5.07%
Bid Price	\$3.47	Average Maturity (yrs)	20.43
Net Asset Value (NAV)	\$3.88	Average Duration (yrs)	10.45
Bid Price to NAV Ratio	89.43%	Leverage Adjusted Effective Duration (yrs)	17.28
Net Assets (mm)	\$37.05	Leverage %	45.71% ¹
Leverage (mm)	\$31.55	Leverage Cost	0.75%
Undistributed Income (mm)	\$1.72	Hedge Notional (mm)	\$0.00
Expense Ratio	1.69%	Hedge Ratio	0%

See Portfolio Holdings, Portfolio Managers, Special Considerations, Disclaimers, Glossary of Fund Terms, and Footnotes on reverse.

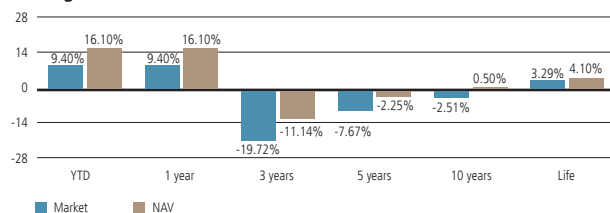
Portfolio Summary²



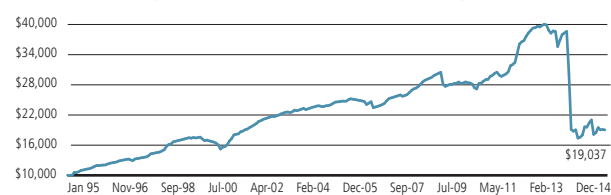
Credit Quality²



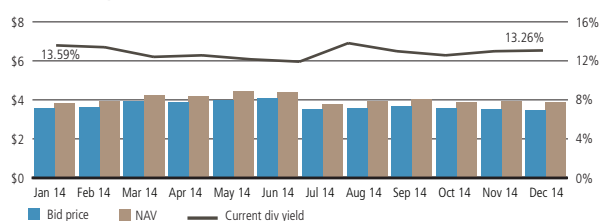
Average Annual Total Return³



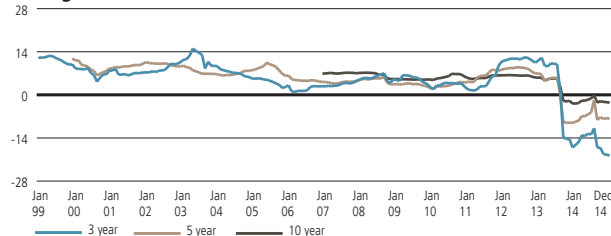
Growth of a \$10,000 Investment as of December 31, 2014⁴



Share Price, NAV and Current Dividend Yield – Prior 12 months



Rolling Period Annual Returns³



Portfolio Holdings²

PR Obligations	Convention Center	0.38%	
Mortgage-Backed Securities	PR Obligations	64.26%	
GNMA, FNMA, FGLMC			
CMO	7.01%		
U.S. Obligations			
AFICA			
Doral Financial	0.93%	Federal Home Loan Bank	14.08%
Palmas del Mar	0.63%	Federal Farm Credit Bank	7.40%
PR Conservation Trust		Fannie Mae Note	2.18%
Doral	2.18%	Build America Bonds	7.27%
PR Sales Tax Financing	39.64%	U.S. Municipals	4.81%
Employees Retirement System	13.46%	U.S. Obligations	35.74%
PRIDCO	0.03%		

Portfolio Managers

Leslie Highley, Jr.

Portfolio Manager since inception
UBS Asset Managers of Puerto Rico

Javier Rubio

Portfolio Manager since 1996
Popular Asset Management

*Special Considerations

The Fund is a non-diversified, closed-end management investment company registered under the Puerto Rico Investment Companies Act of 1954, as amended. Securities issued by the Fund may be purchased or otherwise transferred only to individuals who are residents of Puerto Rico and to entities whose principal office and principal place of business are located in Puerto Rico. The Fund's yield and net asset value and the market price of the Fund's shares of Common Stock (the "Shares") may fluctuate and will be determined by such factors as relative demand for and supply of the Shares in the market, as well as general market, political, and economic conditions and other factors beyond the control of the Fund. The Shares trade at market price, which may be at a discount or premium to NAV, and no assurance can be given as to their liquidity or trading market. While it is the intention of UBS Financial Services Incorporated of Puerto Rico ("UBSFSPR") to continue to maintain a secondary market for the Shares, it is not obligated to continue to do so. Moreover, there may be no other source of price information for the Shares or other purchasers of the Shares other than UBSFSPR.

Geographic Concentration Risk. The Fund is exposed to certain risks resulting from the reduced geographic diversification of its portfolio. The Fund's assets are invested primarily in securities of Puerto Rico issuers. Consequently, the Fund in general is more susceptible to economic, political, regulatory or other factors adversely affecting issuers in Puerto Rico than an investment company that is not so concentrated in Puerto Rico issuers. In addition, securities issued by the Government of Puerto Rico or its instrumentalities are affected by the central government's finances. That includes, but is not limited to, general obligations of Puerto Rico and revenue bonds, special tax bonds, or agency bonds. The effect on each specific debt may not be the same; it depends on exactly what part of the government's money or revenue is supposed to pay the interest thereon. Inasmuch as a relatively high percentage of the Fund's assets may be invested in obligations of a limited number of Puerto Rico issuers, the Fund's net asset value and its yield may increase or decrease more than that of a more diversified investment company as a result of changes in the market's assessment of the financial condition and prospects of such Puerto Rico issuers. The Fund may also be more susceptible to any single economic, political, or regulatory occurrence in Puerto Rico than a more widely diversified investment company. Over the past years, the principal Puerto Rico Government bonds as well as the securities issued by several Puerto Rico financial institutions have been downgraded as a result of several factors, including without limitation, the downturn experienced

by the Puerto Rico economy and the strained financial condition of the Government of Puerto Rico. Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years, thereby affecting the Fund's net asset value.

Portfolio transactions between the Fund and UBSFSPR, Popular Securities (in the case of a co-managed Fund with Banco Popular de Puerto Rico), and other affiliates, are conducted in accordance with procedures adopted by the Fund's Board of Directors in an effort to address potential conflicts of interest.

Secondary Market Disclosure: Given UBSFSPR is currently the dominant, and may be the sole source of secondary market liquidity for the Shares, an investor may not be able to sell its Shares or may only be able to sell them at a loss, if UBSFSPR were to cease to facilitate such secondary market for the Shares. Accordingly, an investor's ability to sell its Shares will depend on the interest of other investors buying Shares, or UBSFSPR's willingness to commit additional capital to holding Shares in inventory. UBSFSPR may, in its sole discretion, commit additional capital to hold Shares in inventory when it deems it appropriate to do so, given market conditions or other considerations, and similarly may reduce the amount of capital committed to fund such inventory of Shares at other times. For example, when UBSFSPR purchases Shares and holds them in its inventory, quoted prices may remain at the previously quoted levels or increase. Conversely, when UBSFSPR sells Shares from its inventory, the quoted prices may decrease. In situations where UBSFSPR is selling Shares from its inventory, it may offer to sell its Shares at prices that are lower than pending sell orders that were placed by investors in the Shares. Decisions by UBSFSPR to increase or decrease inventory are made at its sole discretion and are not generally disclosed.

Repurchase Agreement Tax Disclosure: While there is authority generally supporting the treatment of repurchase and reverse repurchase agreements as collateralized loans for Puerto Rico income tax purposes, that authority does not specifically address the tax treatment of the repurchase agreements that the Fund typically enters into, which contain provisions that grant the buyer the right to sell, transfer, pledge, or hypothecate the securities that are the object of such agreements. Although the Puerto Rico Treasury Department ("PR Treasury") has never pronounced itself as to whether this type of arrangement should be viewed as a transfer of ownership of the underlying securities, it is possible that the PR Treasury could take that position in the future and that Puerto Rico

courts would agree with that view. In such event, the tax exempt interest paid on such underlying securities could be deemed not to constitute tax exempt income for the seller of such securities; to the extent that the Fund was such seller, the dividends distributed on its Shares from such income could be treated either as taxable dividends or capital gain dividends. If such dividends were treated as taxable dividends, holders of the Shares who are individuals or Puerto Rico trusts could be subject to a 15% income tax (or 10% income for dividends distributed before July 15, 2014) on the dividend (or the applicable alternate basic tax), and those which are corporate investors would be subject to a maximum effective income tax rate of 5.85% (or 4.5% for dividends distributed before July 15, 2014), (due to the 85% dividend received deduction of the Puerto Rico Internal Revenue Code, 15% of the dividend multiplied by a 39% maximum corporate income tax rate for dividends distributed on or after July 1, 2014, and 30% for dividends distributed before July 1, 2014). On the other hand, if such dividends were treated as capital gains dividends, holders of the Shares who are individuals or Puerto Rico trusts would be subject to a 15% income tax (or 10% income tax for capital dividends distributed before July 1, 2014) (or the applicable alternate basic tax), and holders of the Shares which are taxed as corporations would be subject to a 20% income tax (15% income tax for capital dividends distributed before July 1, 2014).

Recent Changes in Puerto Rico tax law: On July 1, 2014, the Governor of Puerto Rico signed into law Act 77-2014 which amended the Puerto Rico Internal Revenue Code of 2011 to provide, among other things, (i) the 10% withholding tax that is imposed on dividends distributed by Puerto Rico corporations to individuals will apply to dividends distributed before July 1, 2014, and that a 15% rate will apply for dividends distributed after June 30, 2014, and (ii) the long-term capital gains rate for sales and exchanges effected after June 30, 2014, is increased from 10% to 15%, in the case of individuals, estates, and trusts; and from 15% to 20%, in the case of corporations. Accordingly, if the Fund distributes "Taxable Dividends" after June 30, 2014, the applicable tax and withholding rate will be 15%. Similarly, if the Fund distributes Capital Gain Dividends after June 30, 2014, the applicable tax rate for individuals, estates and trusts will be 15%, and 20% in the case of corporations. Investors are encouraged to contact their lawyer or tax consultant. Neither the Fund nor UBS Financial Services Incorporated of Puerto Rico provides legal or tax advice.

On February 11, 2015, two (2) bills (P.C. 2329 and P.S. 1304) were introduced into the Puerto Rico Legislature and which propose the

adoption of a "New Puerto Rico Internal Revenue Code of 2015" ("New Code"). In general, the New Code would be effective for taxable years beginning after December 31, 2014 and, if approved, the New Code would, amongst other changes: (a) eliminate the preferential tax rates that currently apply to long-term capital gains derived after December 31, 2014, (b) eliminate the preferential 10% rate that currently applies to interest on certain obligations, such as Taxable Interest, (c) reduce the maximum marginal tax rate of individuals to 30%, (d) eliminate the alternate basic tax for individuals, (e) provide for a fixed 30% regular income tax rate for corporations, (f) eliminate the exemption for interest on obligations issued by States and their political sub-divisions, and (g) eliminate the preferential tax rates that currently exist for certain dividends and other interest income items. The Puerto Rico Legislature is currently reviewing the proposed bills and, therefore, their final outcome is not currently determinable.

Legal Disclaimer

Past performance does not guarantee future results. Current performance may be lower or higher than the performance quoted. Securities issued by the Fund are subject to market risk, including the loss of principal amounts invested. This document is not an offer to sell, or the solicitation of an offer to buy any investment in the Fund, and is for informational purposes only. Fund investments are designed primarily and suitable for long-term investors and not viewed as a vehicle for trading purposes. They may not be suitable to all investors. Fund investments are not equivalent to investments in its underlying securities. The Fund's utilization of leverage poses certain risks to investors, and in some cases, interest rate fluctuations may increase the volatility of its return and affect the Fund to a significantly greater extent than a non-leveraged investment company. **More detailed information about the Fund, including applicable fees, costs, penalties, investment objectives and policies, risk factors, and the effects of leverage, is further described in the Share's prospectus, which you should read carefully prior to making an investment.** To obtain additional information related to the Fund (including investment returns calculated in accordance with Regulation 5766 of March 11, 1998, as amended) or a copy of the Shares' prospectus or Fund's annual report, please contact the Puerto Rico Investors Family of Funds at 787-751-5452. To obtain the Fund's month-end performance or more up-to-date information, please contact your UBS Financial Advisor or see "press releases" at <http://www.ubs.com/prfunds>.

Footnotes:

¹ Generally, the Fund must invest at least 67% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage) and cash, including cash equivalents, but excluding non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), in Puerto Rico securities. Additionally, the Fund may issue preferred stock, debt securities, or other forms of leverage, representing not more than 50% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage), cash (including cash equivalents), and non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), immediately after the issuance of any such preferred stock, or other debt securities. Moreover, the Fund may not issue preferred stock, debt securities, or other forms of leverage unless the value of its total assets less all its liabilities and indebtedness, other than the preferred stock, debt securities, or other forms of leverage being issued or already outstanding, is at least equal to 200% of the total aggregate liquidation preference/principal amount of all its outstanding preferred stock (not including any accumulated dividends or other distributions), debt securities, and other forms of leverage. **Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years. In view of these volatile market conditions, the Puerto Rico Office of the Commissioner of Financial Institutions (the "PROCFI") has granted to the Fund a temporary regulatory waiver from the Funds' investment requirement in Puerto Rico securities of at least 67% of the Fund's total assets and leverage limitation of 50% of its total assets and 200% asset coverage requirement described above, through July 31, 2015. These temporary waivers may be renewed by the PROCFI for additional periods of time, should market conditions warrant, and upon written request by the Fund. It is the Fund's intention to re-achieve**

compliance therewith as soon as market conditions permit, though there is no assurance the Fund will be able to do so.

² Credit quality is as of December 31, 2014. The Fund's investment portfolio is actively managed, and its composition (including the portfolio statistics and characteristics) will vary over time. Credit quality percentages include only fixed income securities and vary over time, as new investment securities are acquired and the credit rating of any investment held by the Fund is reassessed. For purposes of determining compliance with the Fund's investment requirements, ratings are as of the time of purchase, using a Standard & Poor's equivalent ratings scale. On February 12, 2015, S&P further downgraded the credit rating on the GOs from "BB" to "B", as well as the credit ratings of other Commonwealth agencies and public corporations, including its credit ratings on senior and subordinate-lien bonds issued by COFINA, which were lowered from "BBB" and "BBB-", respectively to "B". On such date, the long-term issuer credit rating on the GDB was also lowered, from "BB-" to "B-". On February 19, 2015, Moody's followed suit and downgraded its credit ratings on various Government of Puerto Rico entities and issuances, including GOs, from "B2" to "Caa1", and COFINA's senior and subordinate-lien bonds, which were lowered from "Ba3" and "B1", to "B3" and "Caa1", respectively. Lastly, on March 26, 2015, Fitch also downgraded the credit rating on the GOs from "BB-" to "B", as well as the credit ratings of PRASA senior lien revenue bonds from "B+" to "B" and COFINA's senior and subordinate-lien bonds from "BB-" to "B". All of the before-mentioned ratings carry a negative outlook. **As a result of the foregoing, none of the bonds issued by the Government of Puerto Rico and its instrumentalities currently carry an investment-grade credit rating.** Inasmuch as the Fund invests a substantial portion of its assets in securities issued by the Commonwealth of Puerto Rico, these recent rating downgrades will negatively impact the Fund's ability to maintain compliance with its maximum/minimum investment threshold(s) in securities of a specific credit quality. To the extent that such investment threshold(s) in securities of a specific credit quality are exceeded, Fund management may determine to continue to hold such

lower-rated securities, provided any new investment proceeds are directed to acquire investment securities which satisfy the Fund's minimum credit rating requirements. **In view of the fact that the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years and the subsequent credit rating downgrade of certain Puerto Rico bonds, current or more up-to-date information regarding the Fund's portfolio holdings is available at <http://www.ubs.com/prfunds>.** Currently, the Fund's percentage investment in securities rated below investment-grade (below "BBB" rating) or which are unrated, amounted to 17.62% of the Fund's total portfolio, which exceeds the Fund's maximum investment threshold of 5% of its total assets invested in securities rated below investment-grade or which are unrated.

On January 2014, the Board of Directors approved the implementation of a share repurchase program for the acquisition of up to 25% of each Fund's total assets. The Repurchase Program is intended to enhance shareholder value by providing additional liquidity to Fund shareholders. For the quarter ended December 31, 2014, the Fund had repurchased 889,319 shares in the open market with an NAV of \$3,592,849, at a cost of \$3,214,413. Since the program's inception, the Fund has repurchased 3,900,308 shares of common stock in the open market with an NAV of \$16,180,320, at a cost of \$14,740,751, and which represent 15.84% of the total assets of the Fund (net of Shares acquired for dividend reinvestment purposes and which remain outstanding).

³ As of December 31, 2014. **Return figures were not calculated in accordance with Regulation 5766 of March 11, 1998, as amended, which requires that investment returns for an individual retirement account ("IRA") be calculated in the manner provided therein.** To the extent that an individual invests in the Fund through an IRA, his or her investment return figures will be less than those reported herein, when computed in accordance with Regulation 5766 and inasmuch as actual sales charges applicable to such IRA investments are taken into consideration.

"Average Annual Total Return" figures reflect the percentage change in the market value, determined by calculating the average between the bid and ask prices, plus any income and capital gain dividends, and return of capital distributions, all such dividends and distributions reinvested as of the corresponding record date thereof, at the month-end NAV as of that date. In the case of "NAV Total Return," the Fund's NAV per Share is used, rather than the average between the bid and ask prices, to determine such total return, as applicable. "Rolling Period Annual Returns" measure the monthly movement in the average of the Annualized Average Market Return figures over a one-year, three-year, five-year, and ten-year period (as applicable), as it moves over a consecutive time series that begins on the Fund's inception date. Additionally, in the case of the Average Annual Total Return and Rolling Period Annual Return figures, commissions or sales charges payable in connection with a purchase or sale of Shares may vary with each brokerage institution. Total return figures are not representative of the performance of any individual investment, and taxes on capital gain distributions or income dividends, if any, have not been deducted. All calculations were performed by Thomson Reuters, based on certain financial data provided by this Fund and are annualized with the exception of year-to-date figures.

⁴ A \$10,000 investment is hypothetical and is shown for illustrative purposes only.

⁵ "IPO Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the initial public offering price. "Current Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the month-end bid price.



UBS Asset Managers of Puerto Rico Funds Quarterly Review Fourth Quarter 2014

*Consideraciones Especiales

Cada Fondo es una compañía de inversión no diversificada de fin cerrado inscrita bajo la Ley Número 6 de 19 de octubre de 1954, según enmendada. Los valores emitidos por un Fondo pueden solamente ser adquiridos por, o transferidos a, individuos que sean residentes de Puerto Rico y a entidades cuya oficina y localización de negocios principal estén localizados en Puerto Rico. El rendimiento, el valor neto de los activos de un Fondo y el precio en el mercado de las acciones de capital común del Fondo (en adelante, las "Acciones"), podrán fluctuar y se determinarán por factores como la demanda y oferta en el mercado de las Acciones y las condiciones económicas, políticas y del mercado en general, al igual que otros factores que están fuera del control de un Fondo. Las Acciones son negociadas al precio del mercado, el cual puede reflejar una prima o descuento del valor neto de los activos de un Fondo y no se puede dar representación alguna sobre su liquidez o el mercado para disponer de las mismas. A pesar de que es la intención de UBS Financial Services Incorporated of Puerto Rico (en adelante, "UBSFSPR") de continuar manteniendo un mercado secundario para las Acciones, no está obligada a continuar haciéndolo. De otra parte, puede que no exista otra fuente de información de precios para las Acciones u otros compradores para las Acciones que no sea UBSFSPR.

Riesgo de concentración geográfica: El Fondo está expuesto a ciertos riesgos debido a la diversificación geográfica reducida de su cartera de inversiones. Los activos del fondo están invertidos primariamente en valores de emisores de Puerto Rico. A consecuencia, el Fondo generalmente es más susceptible a factores económicos, políticos, regulatorios y otros que podrían afectar adversamente a emisores de Puerto Rico que otra compañía de inversión la cual no esté tan concentrada en emisores de Puerto Rico. En adición, valores emitidos por el Gobierno de Puerto Rico o sus instrumentalidades se afectan por las finanzas del gobierno central. Eso incluye, pero no se limita a, las obligaciones generales de Puerto Rico y los bonos de ingresos, contribuciones especiales o de agencias. El efecto en cada deuda específica podría no ser el mismo y depende de que parte del dinero del gobierno o sus ingresos se supone pague el interés de dicha deuda. En la medida que un porcentaje relativamente alto de los activos del Fondo pueden ser invertidos en obligaciones de un número limitado de emisores de Puerto Rico, el valor neto de activos y su rendimiento puede aumentar o disminuir más que el de una compañía de inversión más diversificada, como resultado de cambios en cuanto a la evaluación de la condición financiera o prospectos de dichos emisores de Puerto Rico. El Fondo también puede ser más susceptible a cualquier ocurrencia individual económica, política o regulatoria en Puerto Rico que una compañía de inversión más diversificada. En los pasados años, los bonos principales del Gobierno de Puerto Rico, al igual que valores emitidos por ciertas instituciones financieras de Puerto Rico han sido degradados por varios factores, incluyendo sin limitación, al empeoramiento experimentado por la economía de Puerto Rico y la condición financiera pobre del Gobierno de Puerto Rico. Al presente, el mercado de bonos de Puerto Rico está experimentando un periodo de volatilidad, con los

bonos de Puerto Rico traficando a precios más bajos y rendimientos más altos a los puntos de referencia de los pasados dos (2) años, y así afectando el valor neto de activos del Fondo.

Transacciones de cartera entre un Fondo y UBSFSPR, Popular Securities (en el caso de un Fondo co-manejado con Banco Popular de Puerto Rico) y otras afiliadas son efectuadas conforme a ciertos procedimientos adoptados por la Junta de Directores de un Fondo con miras a atender posibles conflictos de interés.

Divulgación de Mercado Secundario: Dado a que actualmente UBSFSPR es la fuente dominante, y podría ser la única fuente, de liquidez para la negociación de las Acciones en el mercado secundario, cabe la posibilidad que un inversionista no pueda vender sus Acciones en el mercado secundario o que solamente pueda venderlas a pérdida, si UBSFSPR cesara de facilitar un mercado secundario para la negociación de las Acciones. Por lo tanto, la habilidad de un inversionista para vender sus Acciones dependerá del interés de otros inversionistas que estén comprando Acciones o la disponibilidad de UBSFSPR de designar capital adicional para mantener Acciones en su inventario. UBSFSPR podrá, a su única discreción, comprometer capital adicional para mantener Acciones en inventario cuando así lo estime apropiado, dependiendo de las condiciones del mercado y otras consideraciones, e igualmente en otras ocasiones, podrá reducir la cantidad de capital comprometida para financiar dicho inventario de las Acciones. Por ejemplo, cuando UBSFSPR compra Acciones para su inventario, los precios cotizados por éste podrán permanecer a los niveles previamente cotizados o aumentar. Por otro lado, cuando UBSFSPR vende Acciones de su inventario, los precios cotizados por éste podrían reducirse. En situaciones en que UBSFSPR está vendiendo Acciones de su inventario, podría ofrecer vender dichas Acciones a precios más bajos que cualquier orden de venta pendiente que fue puesta sobre sus Acciones por cualquier inversionista. Cualquier decisión de UBSFSPR de aumentar o reducir su inventario será tomada a su única discreción y no son divulgadas al público.

Divulgación Contributiva sobre Acuerdos de Recompra: A pesar de que existe precedente contable que apoya el concepto que los acuerdos de recompra y recompra a la inversa sean considerados como préstamos con garantía colateral para propósitos contributivos en Puerto Rico, dicho precedente no es determinante en cuanto a las disposiciones contributivas aplicables a los acuerdos de recompra que normalmente el Fondo suscribe, que contienen disposiciones que conceden al comprador de los valores subyacentes a dichos acuerdos el derecho a vender, transferir, pignorar o hipotecar dichos valores. A pesar de que el Departamento de Hacienda de Puerto Rico (en adelante, "Hacienda") nunca se ha expresado sobre si estos tipos de acuerdos deben ser considerados como una transferencia de titularidad sobre los valores subyacentes, Hacienda podría adoptar dicha posición y que los tribunales de Puerto Rico estén de acuerdo con dicha posición. En dicho caso, el interés exento pagado sobre los valores subyacentes a dichos acuerdos podría considerarse

como ingreso no exento del pago de contribución para el vendedor de tales valores subyacentes. En la medida que el Fondo sea considerado el vendedor bajo el acuerdo de recompra correspondiente, los dividendos distribuidos sobre las Acciones que a su vez son derivados del ingreso del acuerdo de recompra correspondiente podría ser considerado como un dividendo sujeto a tributación o ganancias de capital. Si tal dividendo fuera considerado como dividendo sujeto a tributación, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico podrían estar sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos distribuidos antes del 15 de julio de 2014) sobre el dividendo (o la contribución básica alterna aplicable), y aquellos que sean inversionistas corporativos estarían sujetos a una máxima tasa efectiva de 5.85% (o 4.5% para dividendos distribuidos antes del 15 de julio de 2014), debido a la deducción de 85% sobre dividendos recibidos, según dispuesto por el Código de Rentas Internas de Puerto Rico, multiplicando el 15% del dividendo por una tasa contributiva corporativa máxima de 39% para los dividendos distribuidos en o después del 1 de julio de 2014 y 30% para los dividendos distribuidos antes del 1 de julio de 2014). Por otro lado, si tales dividendos fueran considerados como dividendos de ganancias de capital, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico estarían sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014 o la contribución básica alterna aplicable), y los tenedores de las Acciones que tributa como corporaciones, estarían sujetos a una tasa contributiva de 20% (tasa contributiva de 15% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014).

Cambios Recientes al Derecho Tributario de Puerto Rico: El 1 de julio de 2014, el Gobernador de Puerto Rico firmó como ley la Ley 77-2014, la cual enmendó el Código de Rentas Internas de Puerto Rico del 2011 para proveer, entre otras cosas, (i) que el 10% de retención de impuesto que se le impone a los dividendos distribuidos por corporaciones de Puerto Rico a individuos, aplicará a los dividendos distribuidos antes del 1 de julio de 2014, y que la tasa de 15% aplicará a los dividendos distribuidos después del 30 de junio de 2014, y (ii) que las tasas de ganancias de capital a largo plazo para ventas e intercambios realizadas después del 30 de junio de 2014, ha sido aumentada de 10% a 15% para individuos, sucesiones y fideicomisos; y de 15% a 20% para las corporaciones. Consecuentemente, si el Fondo distribuye "Dividendos Tributables" después del 30 de junio de 2014, el interés aplicable y la tasa de retención será 15%. Del mismo modo, si el Fondo distribuye Dividendos de Ganancias de Capital después del 30 de junio de 2014, la tasa de interés aplicable para individuos, sucesiones y fideicomisos será un 15%, y 20% para las corporaciones. Se exhorta a los inversionistas a que contacten a su abogado o asesor contributivo. Ni UBS Financial Services Incorporated of Puerto Rico ni el Fondo proveen asesoría legal o contributiva.

El 11 de febrero de 2015 la Legislatura de Puerto Rico presentó dos proyectos de ley (P.C. 2329 y P.S.

1304) que proponen una reforma contributiva con la aprobación del "Nuevo Código de Rentas Internas de 2015" (el "Código Nuevo"). En términos generales, el Código Nuevo sería efectivo para años contributivos comenzados después del 31 de diciembre de 2014 y, de aprobarse, incluiría los siguientes cambios: (a) eliminar las tasas preferenciales que actualmente aplican a las ganancias de capital a largo plazo generadas después del 31 de diciembre de 2014; (b) eliminar la tasa preferencial de 10% que actualmente aplica a los ingresos de intereses de ciertas obligaciones, incluyendo los Intereses Tributables; (c) reducir el máximo de la tasa de contribuciones de individuos a 30%; (d) eliminar la contribución básica alterna de individuos; (e) establecer una tasa fija de contribuciones sobre ingresos de las corporaciones a 30%; (f) eliminar la exención de los intereses de ciertas obligaciones de los Estados Unidos y sus subdivisiones políticas; y (g) eliminar las tasas preferenciales aplicables a ciertos dividendos y otros ingresos de intereses. La Legislatura de Puerto Rico está en el proceso de revisión de los proyectos de ley, por lo que, actualmente, el resultado final no se puede determinar.

Aviso Legal

Rendimientos anteriores no son garantía de resultados futuros similares. Los rendimientos actuales podrían ser más bajos o más altos que el rendimiento aquí citado. Los valores emitidos por un Fondo están sujetos a riesgo de mercado, incluyendo la pérdida del principal invertido. Este documento no es una oferta de compra ni una solicitud de una oferta de compra para cualquier inversión en un Fondo y es para propósitos informativos solamente. Las inversiones en un Fondo están diseñadas principalmente y son adecuadas para inversionistas a largo plazo y no deben ser consideradas como un vehículo para fines de negociación. Estas inversiones pueden que no sean adecuadas para cualquier inversionista. Una inversión en un Fondo no es equivalente a una inversión en los valores subyacentes en los cuales un Fondo invierte. El uso de apalancamiento por un Fondo representa ciertos riesgos a los inversionistas en éste, y en ciertos casos, las fluctuaciones en las tasas de intereses podrían aumentar la volatilidad en su rendimiento y afectar a un Fondo a mayor grado que a una compañía de inversión no apalancada. **Información más detallada en cuanto a un Fondo, incluyendo los cargos, gastos y penalidades aplicables, objetivo(s) y políticas de inversión, factores de riesgo y el efecto de apalancamiento, se incluye en la documentación de oferta del Fondo, el cual usted debe leer cuidadosamente antes de hacer una inversión.** Para obtener más información en cuanto a un Fondo (incluyendo los rendimientos de inversión calculados conforme el Reglamento 5766 de 11 de marzo de 1998, según enmendado) o una copia del prospecto para la oferta de las Acciones o los informes anuales del Fondo, favor de contactar a la familia de fondos UBS Puerto Rico o Puerto Rico Investors al 787-773-3888 ó 787-751-5452, respectivamente. Para obtener más información en cuanto a los rendimientos del Fondo de fin de mes o información más actualizada, por favor contactar a su Asesor Financiero en UBSFSPR o verifique los comunicados de prensa ("press releases") en <http://www.ubs.com/prfunds>.

Glossary of fund terms

- **Ask Price:** generally refers to the lowest price at which a seller will sell a specified number of units of a given security at a particular time. The ask price may incorporate a markup, which may vary by transaction and may include commissions and other charges. The ask prices quoted by UBSFSPR represent its judgment of the market price for Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price and age of pending customer orders.
- **Average Duration:** a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flow accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flow consist of coupon payments and repayment of capital.) A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, for which maturity and duration are equal.
- **Bid Price:** generally refers to the highest price a buyer is willing to pay at a particular time for a unit of a given security. UBSFSPR publishes two types of bid prices for the Shares: firm or indicative. A firm bid is provided when UBSFSPR has the risk capacity and/or appetite at the particular time to purchase a specified number of Shares. An investor can sell to UBSFSPR at the firm bid price up to the specified number of Shares at a particular time. On the other hand, an indicative bid is provided for informational purposes only when UBSFSPR does not have the risk capacity and/or appetite at a particular time to purchase Shares. The prices quoted by UBSFSPR represent its judgment of the market price for the Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price, and age of pending customer orders, and may be higher (in which case the price is at a premium) or lower (in which case the price is at a discount) than the NAV of the Fund.

The prices quoted by UBSFSPR may also be affected by its willingness to hold additional inventory of the Shares or by its need to sell its inventory of Shares. Depending on market liquidity conditions, orders to buy or sell at the quoted price may not receive immediate execution, and an investor may not be able to sell its Shares at the price quoted by UBSFSPR. Moreover, the proceeds an investor receives on a sale of Shares may be lower than the bid price due to discounts, markdowns, and other charges. Since inception, the Shares have historically traded at prices which reflect a premium to their respective NAV per Share, though on certain limited instances, they have traded at prices which reflect a discount to their respective NAV per Share. However, there is no assurance that the Shares will continue to trade at prices which reflect such a premium. The Fund is presently experiencing liquidity issues. As a result, the bid price is for a limited number of shares, and it may not be possible for sellers to obtain the current bid price.

- **Credit Quality:** a measure of the likelihood that a financial obligation will not be honored provided by one or more of the rating agencies. Rating agencies assign classifications to their ratings, with "AAA" being the highest and "D" being the lowest for Standard & Poor's Ratings Services ("S&P"). The Fund may use other ratings and adjust them for use in this scale.
- **Effective Duration:** a calculation of duration that takes into account the embedded options in the securities of a portfolio and their expected changes in the cash flow of a portfolio caused by those options.
- **Expense Ratio:** The percentage of the Fund's average net assets attributable to holders of the Shares and which is used to pay operating expenses and takes into account investment management fees, administration fees, and other operating expenses such as legal, audit, insurance, and shareholder communications.
- **Hedge Notional:** refers to the total net face value, reflecting any offsetting positions, of derivative instruments employed in hedging strategies of the Fund.
- **Hedge Ratio:** ratio of the Fund's hedge notional amount to its total dollar amount of leverage as of the end of a calendar quarter, assuming the Fund is fully invested at quarter-end. The Fund's investment adviser may, at its discretion, use a variety of derivative instruments including securities options, financial futures contracts, options on futures contracts, and other interest rate protection transactions such as swap agreements, to attempt to hedge its portfolio of assets and seek to enhance its return. There can be no assurance that any particular hedging strategy used will succeed.
- **Leverage:** the Fund may issue preferred stock or debt, enter into repurchase agreements, or borrow money, in order to increase the amounts available for investment ("leverage"). This gives the Fund's investment adviser, in the fixed income area in particular, the opportunity to enhance yield. The use of leverage increases the likelihood of price volatility and market risk for the Shares. There is also the risk that the cost of funding leverage will exceed the earnings on the related investments, which will have the likely effect of reducing the Fund's yield and the value of its investments.
- **Leverage Adjusted Effective Duration:** effective duration adjusted for the impact of the Fund's utilization of leverage. A Fund that utilizes leverage will have a leverage-adjusted effective duration that is longer than its effective duration.
- **Maturity:** date on which the face value of a security/bond must be repaid. It measures the average length to maturity in years of all the bonds in the Fund's portfolio. For mortgage-backed securities, the maturity takes into account the prepayment of the underlying mortgages.
- **NAV:** Net Asset Value. On a per-Share basis, it is determined by calculating the Fund's total assets less its total liabilities and dividing such result by the Shares outstanding. On an aggregate, Fund basis, it is determined by calculating the Fund's total assets less its total liabilities.

- **Undistributed Income:** the Fund's net income that has not been distributed to holders of its Shares as of the latest available audited financial statements. In the case of a target maturity-type investment company (which is liquidated on or by a specific date), it also includes the amounts to be distributed on or by the liquidation date as the return of the initial investment.

For a definition of other terms, please see the Shares' prospectus.



Puerto Rico Investors Tax-Free Fund Inc. II

Investment Objectives and Policies

- Seeks high level of current income that, for Puerto Rico residents, is exempt from both U.S. Federal and Puerto Rico income taxes, consistent with the preservation of capital, by investing:
- up to 30% of its total assets in, among other things, securities issued or guaranteed by the U.S. Government, its agencies, and instrumentalities
 - at least 70% of its total assets in Puerto Rico obligations (as described in the Prospectus)
 - at least 95% of total assets in investment-grade securities²
 - may issue leverage representing up to 50% of total assets¹

Pricing and Distribution History²

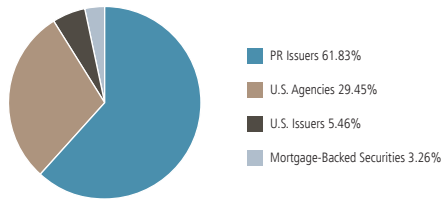
Initial Public Offering (IPO)	\$10.00
52-week Bid Low/High	\$3.42/\$3.93
YTD NAV Change	\$0.25
YTD Bid Price Change	\$0.02
IPO Yield ⁵	4.60%
Current Yield ⁵	13.37%
Last Dividend Paid	\$0.0383
Last 12 Month Dividend	\$0.4659

Portfolio Statistics and Characteristics²

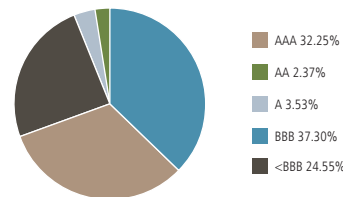
Commencement	May-95	Fiscal Year	31-Aug
Shares Outstanding (mm)	10.81	Weighted Avg. Coupon	4.82%
Bid Price	\$3.44	Average Maturity (yrs)	20.24
Net Asset Value (NAV)	\$3.85	Average Duration (yrs)	11.09
Bid Price to NAV Ratio	89.35%	Leverage Adjusted Effective Duration (yrs)	16.69
Net Assets (mm)	\$41.61	Leverage %	44.84% ¹
Leverage (mm)	\$34.21	Leverage Cost	0.75%
Undistributed Income (mm)	\$2.29	Hedge Notional (mm)	\$0.00
Expense Ratio	1.59%	Hedge Ratio	0%

See Portfolio Holdings, Portfolio Managers, Special Considerations, Disclaimers, Glossary of Fund Terms, and Footnotes on reverse.

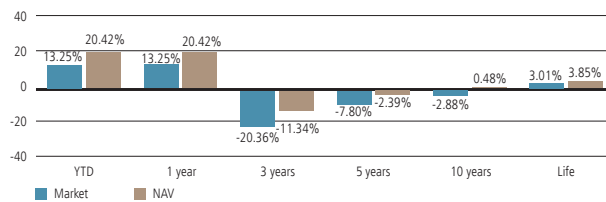
Portfolio Summary²



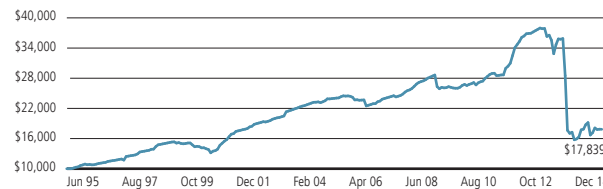
Credit Quality²



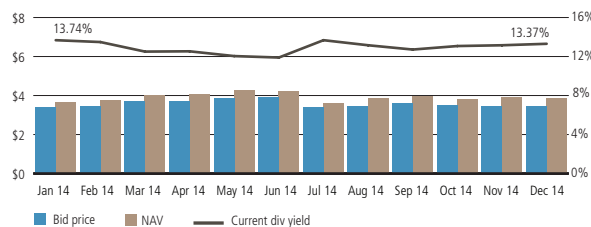
Average Annual Total Return³



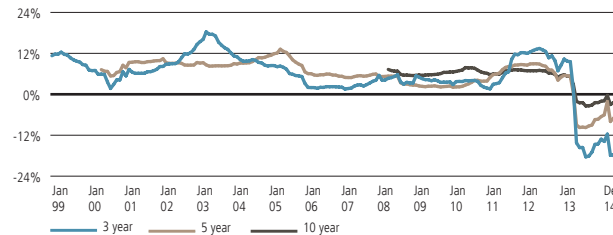
Growth of a \$10,000 Investment as of December 31, 2014⁴



Share Price, NAV and Current Dividend Yield – Prior 12 months



Rolling Period Annual Returns³



Portfolio Holdings²

PR Obligations	PRIDCO	1.15%
Mortgage-Backed Securities	PRASA	1.99%
GNMA, FNMA, FGLMC	PR Obligations	65.09%
CMO		3.26%
AFICA	U.S. Obligations	
Doral Financial	Federal Home	
Palmas del Mar	Loan Bank	28.02%
PR Conservation Trust	Federal Farm Credit Bank	1.43%
Doral	Build America Bonds	1.93%
PRGOs	U.S. Municipals	3.53%
PR Sales Tax Financing	U.S. Obligations	34.91%
Employees Retirement System		11.39%

Portfolio Managers

Leslie Highley, Jr.
Portfolio Manager since inception
UBS Asset Managers of Puerto Rico

Javier Rubio

Portfolio Manager since 1996
Popular Asset Management

*Special Considerations

The Fund is a non-diversified, closed-end management investment company registered under the Puerto Rico Investment Companies Act of 1954, as amended. Securities issued by the Fund may be purchased or otherwise transferred only to individuals who are residents of Puerto Rico and to entities whose principal office and principal place of business are located in Puerto Rico. The Fund's yield and net asset value and the market price of the Fund's shares of Common Stock (the "Shares") may fluctuate and will be determined by such factors as relative demand for and supply of the Shares in the market, as well as general market, political, and economic conditions and other factors beyond the control of the Fund. The Shares trade at market price, which may be at a discount or premium to NAV, and no assurance can be given as to their liquidity or trading market. While it is the intention of UBS Financial Services Incorporated of Puerto Rico ("UBSFSPR") to continue to maintain a secondary market for the Shares, it is not obligated to continue to do so. Moreover, there may be no other source of price information for the Shares or other purchasers of the Shares other than UBSFSPR.

Geographic Concentration Risk. The Fund is exposed to certain risks resulting from the reduced geographic diversification of its portfolio. The Fund's assets are invested primarily in securities of Puerto Rico issuers. Consequently, the Fund in general is more susceptible to economic, political, regulatory or other factors adversely affecting issuers in Puerto Rico than an investment company that is not so concentrated in Puerto Rico issuers. In addition, securities issued by the Government of Puerto Rico or its instrumentalities are affected by the central government's finances. That includes, but is not limited to, general obligations of Puerto Rico and revenue bonds, special tax bonds, or agency bonds. The effect on each specific debt may not be the same; it depends on exactly what part of the government's money or revenue is supposed to pay the interest thereon. Inasmuch as a relatively high percentage of the Fund's assets may be invested in obligations of a limited number of Puerto Rico issuers, the Fund's net asset value and its yield may increase or decrease more than that of a more diversified investment company as a result of changes in the market's assessment of the financial condition and prospects of such Puerto Rico issuers. The Fund may also be more susceptible to any single economic, political, or regulatory occurrence in Puerto Rico than a more widely diversified investment company. Over the past years, the principal Puerto Rico Government bonds as well as the securities issued by several Puerto Rico financial institutions have been downgraded as a result of several factors, including without limitation, the downturn experienced

by the Puerto Rico economy and the strained financial condition of the Government of Puerto Rico. Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years, thereby affecting the Fund's net asset value.

Portfolio transactions between the Fund and UBSFSPR, Popular Securities (in the case of a co-managed Fund with Banco Popular de Puerto Rico), and other affiliates, are conducted in accordance with procedures adopted by the Fund's Board of Directors in an effort to address potential conflicts of interest.

Secondary Market Disclosure: Given UBSFSPR is currently the dominant, and may be the sole source of secondary market liquidity for the Shares, an investor may not be able to sell its Shares or may only be able to sell them at a loss, if UBSFSPR were to cease to facilitate such secondary market for the Shares. Accordingly, an investor's ability to sell its Shares will depend on the interest of other investors buying Shares, or UBSFSPR's willingness to commit additional capital to holding Shares in inventory. UBSFSPR may, in its sole discretion, commit additional capital to hold Shares in inventory when it deems it appropriate to do so, given market conditions or other considerations, and similarly may reduce the amount of capital committed to fund such inventory of Shares at other times. For example, when UBSFSPR purchases Shares and holds them in its inventory, quoted prices may remain at the previously quoted levels or increase. Conversely, when UBSFSPR sells Shares from its inventory, the quoted prices may decrease. In situations where UBSFSPR is selling Shares from its inventory, it may offer to sell its Shares at prices that are lower than pending sell orders that were placed by investors in the Shares. Decisions by UBSFSPR to increase or decrease inventory are made at its sole discretion and are not generally disclosed.

Repurchase Agreement Tax Disclosure: While there is authority generally supporting the treatment of repurchase and reverse repurchase agreements as collateralized loans for Puerto Rico income tax purposes, that authority does not specifically address the tax treatment of the repurchase agreements that the Fund typically enters into, which contain provisions that grant the buyer the right to sell, transfer, pledge, or hypothecate the securities that are the object of such agreements. Although the Puerto Rico Treasury Department ("PR Treasury") has never pronounced itself as to whether this type of arrangement should be viewed as a transfer of ownership of the underlying securities, it is possible that the PR Treasury could take that position in the future and that Puerto Rico

therewith as soon as market conditions permit, though there is no assurance the Fund will be able to do so.

² Credit quality is as of December 31, 2014. The Fund's investment portfolio is actively managed, and its composition (including the portfolio statistics and characteristics) will vary over time. Credit quality percentages include only fixed income securities and vary over time, as new investment securities are acquired and the credit rating of any investment held by the Fund is reassessed. For purposes of determining compliance with the Fund's investment requirements, ratings are as of the time of purchase, using a Standard & Poor's equivalent ratings scale. On February 12, 2015, S&P further downgraded the credit rating on the GOs from "BB" to "B", as well as the credit ratings of other Commonwealth agencies and public corporations, including its credit ratings on senior and subordinate-lien bonds issued by COFINA, which were lowered from "BBB" and "BBB-", respectively to "B". On such date, the long-term issuer credit rating on the GDB was also lowered, from "BB-" to "B-". On February 19, 2015, Moody's followed suit and downgraded its credit ratings on various Government of Puerto Rico entities and issuances, including GOs, from "B2" to "Caa1", and COFINA's senior and subordinate-lien bonds, which were lowered from "Ba3" and "B1", to "B3" and "Caa1", respectively. Lastly, on March 26, 2015, Fitch also downgraded the credit rating on the GOs from "BB-" to "B", as well as the credit ratings of PRASA senior lien revenue bonds from "B+" to "B" and COFINA's senior and subordinate-lien bonds from "BB-" to "B". All of the before-mentioned ratings carry a negative outlook. **As a result of the foregoing, none of the bonds issued by the Government of Puerto Rico and its instrumentalities currently carry an investment-grade credit rating.** Inasmuch as the Fund invests a substantial portion of its assets in securities issued by the Commonwealth of Puerto Rico, these recent rating downgrades will negatively impact the Fund's ability to maintain compliance with its maximum/minimum investment threshold(s) in securities of a specific credit quality. To the extent that such investment threshold(s) in securities of a specific credit quality are exceeded, Fund management may determine to continue to hold such lower-rated securities, provided any new investment proceeds are directed to acquire investment securities which satisfy the

courts would agree with that view. In such event, the tax exempt interest paid on such underlying securities could be deemed not to constitute tax exempt income for the seller of such securities; to the extent that the Fund was such seller, the dividends distributed on its Shares from such income could be treated either as taxable dividends or capital gain dividends. If such dividends were treated as taxable dividends, holders of the Shares who are individuals or Puerto Rico trusts could be subject to a 15% income tax (or 10% income for dividends distributed before July 15, 2014) on the dividend (or the applicable alternate basic tax), and those which are corporate investors would be subject to a maximum effective income tax rate of 5.85% (or 4.5% for dividends distributed before July 15, 2014), (due to the 85% dividend received deduction of the Puerto Rico Internal Revenue Code, 15% of the dividend multiplied by a 39% maximum corporate income tax rate for dividends distributed on or after July 1, 2014 and 30% for dividends distributed before July 1, 2014). On the other hand, if such dividends were treated as capital gains dividends, holders of the Shares who are individuals or Puerto Rico trusts would be subject to a 15% income tax (or 10% income tax for capital dividends distributed before July 1, 2014) (or the applicable alternate basic tax), and holders of the Shares which are taxed as corporations would be subject to a 20% income tax (15% income tax for capital dividends distributed before July 1, 2014).

Recent Changes in Puerto Rico tax law: On July 1, 2014, the Governor of Puerto Rico signed into law Act 77-2014 which amended the Puerto Rico Internal Revenue Code of 2011 to provide, among other things, (i) the 10% withholding tax that is imposed on dividends distributed by Puerto Rico corporations to individuals will apply to dividends distributed before July 1, 2014, and that a 15% rate will apply for dividends distributed after June 30, 2014, and (ii) the long-term capital gains rate for sales and exchanges effected after June 30, 2014, is increased from 10% to 15%, in the case of individuals, estates, and trusts; and from 15% to 20%, in the case of corporations. Accordingly, if the Fund distributes "Taxable Dividends" after June 30, 2014, the applicable tax and withholding rate will be 15%. Similarly, if the Fund distributes Capital Gain Dividends after June 30, 2014, the applicable tax rate for individuals, estates and trusts will be 15%, and 20% in the case of corporations. Investors are encouraged to contact their lawyer or tax consultant. Neither the Fund nor UBS Financial Services Incorporated of Puerto Rico provides legal or tax advice.

On February 11, 2015, two (2) bills (P.C. 2329 and P.S. 1304) were introduced into the Puerto Rico Legislature and which propose the

Fund's minimum credit rating requirements. **In view of the fact that the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years and the subsequent credit rating downgrade of certain Puerto Rico bonds, current or more up-to-date information regarding the Fund's portfolio holdings is available at <http://www.ubs.com/pr/funds>.** Currently, the Fund's percentage investment in securities rated below investment-grade (below "BBB" rating) or which are unrated, amounted to 24.55% of the Fund's total portfolio, which exceeds the Fund's maximum investment threshold of 5% of its total assets invested in securities rated below investment-grade or which are unrated. On January 2014, the Board of Directors approved the implementation of a share repurchase program for the acquisition of up to 25% of each Fund's total assets. The Repurchase Program is intended to enhance shareholder value by providing additional liquidity to Fund shareholders. For the quarter ended December 31, 2014, the Fund had repurchased 593,132 shares in the open market with an NAV of \$2,360,665, at a cost of \$2,111,999. Since the program's inception, the Fund has repurchased 3,757,392 shares of common stock in the open market with an NAV of \$15,106,774, at a cost of \$13,831,690, and which represent 14.46% of the total assets of the Fund (net of Shares acquired for dividend reinvestment purposes and which remain outstanding).

³ As of December 31, 2014. **Return figures were not calculated in accordance with Regulation 5766 of March 11, 1998, as amended, which requires that investment returns for an individual retirement account ("IRA") be calculated in the manner provided therein.** To the extent that an individual invests in the Fund through an IRA, his or her investment return figures will be less than those reported herein, when computed in accordance with Regulation 5766 and inasmuch as actual sales charges applicable to such IRA investments are taken into consideration. "Average Annual Total Return" figures reflect the percentage change in the market value, determined by calculating the average between the bid

adoption of a "New Puerto Rico Internal Revenue Code of 2015" ("New Code"). In general, the New Code would be effective for taxable years beginning after December 31, 2014 and, if approved, the New Code would, amongst other changes: (a) eliminate the preferential tax rates that currently apply to long-term capital gains derived after December 31, 2014, (b) eliminate the preferential 10% rate that currently applies to interest on certain obligations, such as Taxable Interest, (c) reduce the maximum marginal tax rate of individuals to 30%, (d) eliminate the alternate basic tax for individuals, (e) provide for a fixed 30% regular income tax rate for corporations, (f) eliminate the exemption for interest on obligations issued by States and their political sub-divisions, and (g) eliminate the preferential tax rates that currently exist for certain dividends and other interest income items. The Puerto Rico Legislature is currently reviewing the proposed bills and, therefore, their final outcome is not currently determinable.

Legal Disclaimer

Past performance does not guarantee future results. Current performance may be lower or higher than the performance quoted. Securities issued by the Fund are subject to market risk, including the loss of principal amounts invested. This document is not an offer to sell, or the solicitation of an offer to buy any investment in the Fund, and is for informational purposes only. Fund investments are designed primarily and suitable for long-term investors and not viewed as a vehicle for trading purposes. They may not be suitable to all investors. Fund investments are not equivalent to investments in its underlying securities. The Fund's utilization of leverage poses certain risks to investors, and in some cases, interest rate fluctuations may increase the volatility of its return and affect the Fund to a significantly greater extent than a non-leveraged investment company. **More detailed information about the Fund, including applicable fees, costs, penalties, investment objectives and policies, risk factors, and the effects of leverage, is further described in the Share's prospectus, which you should read carefully prior to making an investment.** To obtain additional information related to the Fund (including investment returns calculated in accordance with Regulation 5766 of March 11, 1998, as amended) or a copy of the Shares' prospectus or Fund's annual report, please contact the Puerto Rico Investors Family of Funds at 787-751-5452. To obtain the Fund's month-end performance or more up-to-date information, please contact your UBS Financial Advisor or see "press releases" at <http://www.ubs.com/pr/funds>.

and ask prices, plus any income and capital gain dividends, and return of capital distributions, all such dividends and distributions reinvested as of the corresponding record date thereof, at the month-end NAV as of that date. In the case of "NAV Total Return," the Fund's NAV per Share is used, rather than the average between the bid and ask prices, to determine such total return, as applicable. "Rolling Period Annual Returns" measure the monthly movement in the average of the Annualized Average Market Return figures over a one-year, three-year, five-year, and ten-year period (as applicable), as it moves over a consecutive time series that begins on the Fund's inception date. Additionally, in the case of the Average Annual Total Return and Rolling Period Annual Return figures, commissions or sales charges payable in connection with a purchase or sale of Shares may vary with each brokerage institution. Total return figures are not representative of the performance of any individual investment, and taxes on capital gain distributions or income dividends, if any, have not been deducted. All calculations were performed by Thomson Reuters, based on certain financial data provided by this Fund and are annualized with the exception of year-to-date figures.

⁴ A \$10,000 investment is hypothetical and is shown for illustrative purposes only.

⁵ "IPO Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the initial public offering price. "Current Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the month-end bid price.

Footnotes:

¹ Generally, the Fund must invest at least 67% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage) and cash, including cash equivalents, but excluding non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), in Puerto Rico securities. Additionally, the Fund may issue preferred stock, debt securities, or other forms of leverage, representing not more than 50% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage), cash (including cash equivalents), and non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), immediately after the issuance of any such preferred stock, or other debt securities. Moreover, the Fund may not issue preferred stock, debt securities, or other forms of leverage unless the value of its total assets less all its liabilities and indebtedness, other than the preferred stock, debt securities, or other forms of leverage being issued or already outstanding, is at least equal to 200% of the total aggregate liquidation preference/principal amount of all its outstanding preferred stock (not including any accumulated dividends or other distributions), debt securities, and other forms of leverage. **Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years. In view of these volatile market conditions, the Puerto Rico Office of the Commissioner of Financial Institutions (the "PROCFI") has granted to the Fund a temporary regulatory waiver from the Funds' investment requirement in Puerto Rico securities of at least 67% of the Fund's total assets and leverage limitation of 50% of its total assets and 200% asset coverage requirement described above, through July 31, 2015. These temporary waivers may be renewed by the PROCFI for additional periods of time, should market conditions warrant, and upon written request by the Fund. It is the Fund's intention to re-achieve compliance**



UBS Asset Managers of Puerto Rico Funds Quarterly Review Fourth Quarter 2014

*Consideraciones Especiales

Cada Fondo es una compañía de inversión no diversificada de fin cerrado inscrita bajo la Ley Número 6 de 19 de octubre de 1954, según enmendada. Los valores emitidos por un Fondo pueden solamente ser adquiridos por, o transferidos a, individuos que sean residentes de Puerto Rico y a entidades cuya oficina y localización de negocios principal estén localizados en Puerto Rico. El rendimiento, el valor neto de los activos de un Fondo y el precio en el mercado de las acciones de capital común del Fondo (en adelante, las "Acciones"), podrán fluctuar y se determinarán por factores como la demanda y oferta en el mercado de las Acciones y las condiciones económicas, políticas y del mercado en general, al igual que otros factores que están fuera del control de un Fondo. Las Acciones son negociadas al precio del mercado, el cual puede reflejar una prima o descuento del valor neto de los activos de un Fondo y no se puede dar representación alguna sobre su liquidez o el mercado para disponer de las mismas. A pesar de que es la intención de UBS Financial Services Incorporated of Puerto Rico (en adelante, "UBSFSPR") de continuar manteniendo un mercado secundario para las Acciones, no está obligada a continuar haciéndolo. De otra parte, puede que no exista otra fuente de información de precios para las Acciones u otros compradores para las Acciones que no sea UBSFSPR.

Riesgo de concentración geográfica: El Fondo está expuesto a ciertos riesgos debido a la diversificación geográfica reducida de su cartera de inversiones. Los activos del fondo están invertidos primariamente en valores de emisores de Puerto Rico. A consecuencia, el Fondo generalmente es más susceptible a factores económicos, políticos, regulatorios y otros que podrían afectar adversamente a emisores de Puerto Rico que otra compañía de inversión la cual no esté tan concentrada en emisores de Puerto Rico. En adición, valores emitidos por el Gobierno de Puerto Rico o sus instrumentalidades se afectan por las finanzas del gobierno central. Eso incluye, pero no se limita a, las obligaciones generales de Puerto Rico y los bonos de ingresos, contribuciones especiales o de agencias. El efecto en cada deuda específica podría no ser el mismo y depende de que parte del dinero del gobierno o sus ingresos se supone pague el interés de dicha deuda. En la medida que un porcentaje relativamente alto de los activos del Fondo pueden ser invertidos en obligaciones de un número limitado de emisores de Puerto Rico, el valor neto de activos y su rendimiento puede aumentar o disminuir más que el de una compañía de inversión más diversificada, como resultado de cambios en cuanto a la evaluación de la condición financiera o prospectos de dichos emisores de Puerto Rico. El Fondo también puede ser más susceptible a cualquier ocurrencia individual económica, política o regulatoria en Puerto Rico que una compañía de inversión más diversificada. En los pasados años, los bonos principales del Gobierno de Puerto Rico, al igual que valores emitidos por ciertas instituciones financieras de Puerto Rico han sido degradados por varios factores, incluyendo sin limitación, al empeoramiento experimentado por la economía de Puerto Rico y la condición financiera pobre del Gobierno de Puerto Rico. Al presente, el mercado de bonos de Puerto Rico está experimentando un periodo de volatilidad, con los

bonos de Puerto Rico traficando a precios más bajos y rendimientos más altos a los puntos de referencia de los pasados dos (2) años, y así afectando el valor neto de activos del Fondo.

Transacciones de cartera entre un Fondo y UBSFSPR, Popular Securities (en el caso de un Fondo co-manejado con Banco Popular de Puerto Rico) y otras afiliadas son efectuadas conforme a ciertos procedimientos adoptados por la Junta de Directores de un Fondo con miras a atender posibles conflictos de interés.

Divulgación de Mercado Secundario: Dado a que actualmente UBSFSPR es la fuente dominante, y podría ser la única fuente, de liquidez para la negociación de las Acciones en el mercado secundario, cabe la posibilidad que un inversionista no pueda vender sus Acciones en el mercado secundario o que solamente pueda venderlas a pérdida, si UBSFSPR cesara de facilitar un mercado secundario para la negociación de las Acciones. Por lo tanto, la habilidad de un inversionista para vender sus Acciones dependerá del interés de otros inversionistas que estén comprando Acciones o la disponibilidad de UBSFSPR de designar capital adicional para mantener Acciones en su inventario. UBSFSPR podrá, a su única discreción, comprometer capital adicional para mantener Acciones en inventario cuando así lo estime apropiado, dependiendo de las condiciones del mercado y otras consideraciones, e igualmente en otras ocasiones, podrá reducir la cantidad de capital comprometida para financiar dicho inventario de las Acciones. Por ejemplo, cuando UBSFSPR compra Acciones para su inventario, los precios cotizados por éste podrán permanecer a los niveles previamente cotizados o aumentar. Por otro lado, cuando UBSFSPR vende Acciones de su inventario, los precios cotizados por éste podrían reducirse. En situaciones en que UBSFSPR está vendiendo Acciones de su inventario, podría ofrecer vender dichas Acciones a precios más bajos que cualquier orden de venta pendiente que fue puesta sobre sus Acciones por cualquier inversionista. Cualquier decisión de UBSFSPR de aumentar o reducir su inventario será tomada a su única discreción y no son divulgadas al público.

Divulgación Contributiva sobre Acuerdos de Recompra: A pesar de que existe precedente contable que apoya el concepto que los acuerdos de recompra y recompra a la inversa sean considerados como préstamos con garantía colateral para propósitos contributivos en Puerto Rico, dicho precedente no es determinante en cuanto a las disposiciones contributivas aplicables a los acuerdos de recompra que normalmente el Fondo suscribe, que contienen disposiciones que conceden al comprador de los valores subyacentes a dichos acuerdos el derecho a vender, transferir, pignorar o hipotecar dichos valores. A pesar de que el Departamento de Hacienda de Puerto Rico (en adelante, "Hacienda") nunca se ha expresado sobre si estos tipos de acuerdos deben ser considerados como una transferencia de titularidad sobre los valores subyacentes, Hacienda podría adoptar dicha posición y que los tribunales de Puerto Rico estén de acuerdo con dicha posición. En dicho caso, el interés exento pagado sobre los valores subyacentes a dichos acuerdos podría considerarse

como ingreso no exento del pago de contribución para el vendedor de tales valores subyacentes. En la medida que el Fondo sea considerado el vendedor bajo el acuerdo de recompra correspondiente, los dividendos distribuidos sobre las Acciones que a su vez son derivados del ingreso del acuerdo de recompra correspondiente podría ser considerado como un dividendo sujeto a tributación o ganancias de capital. Si tal dividendo fuera considerado como dividendo sujeto a tributación, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico podrían estar sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos distribuidos antes del 15 de julio de 2014) sobre el dividendo (o la contribución básica alterna aplicable), y aquellos que sean inversionistas corporativos estarían sujetos a una máxima tasa efectiva de 5.85% (o 4.5% para dividendos distribuidos antes del 15 de julio de 2014), debido a la deducción de 85% sobre dividendos recibidos, según dispuesto por el Código de Rentas Internas de Puerto Rico, multiplicando el 15% del dividendo por una tasa contributiva corporativa máxima de 39% para los dividendos distribuidos en o después del 1 de julio de 2014 y 30% para los dividendos distribuidos antes del 1 de julio de 2014). Por otro lado, si tales dividendos fueran considerados como dividendos de ganancias de capital, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico estarían sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014 o la contribución básica alterna aplicable), y los tenedores de las Acciones que tributa como corporaciones, estarían sujetos a una tasa contributiva de 20% (tasa contributiva de 15% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014).

Cambios Recientes al Derecho Tributario de Puerto Rico: El 1 de julio de 2014, el Gobernador de Puerto Rico firmó como ley la Ley 77-2014, la cual enmendó el Código de Rentas Internas de Puerto Rico del 2011 para proveer, entre otras cosas, (i) que el 10% de retención de impuesto que se le impone a los dividendos distribuidos por corporaciones de Puerto Rico a individuos, aplicará a los dividendos distribuidos antes del 1 de julio de 2014, y que la tasa de 15% aplicará a los dividendos distribuidos después del 30 de junio de 2014, y (ii) que las tasas de ganancias de capital a largo plazo para ventas e intercambios realizadas después del 30 de junio de 2014, ha sido aumentada de 10% a 15% para individuos, sucesiones y fideicomisos; y de 15% a 20% para las corporaciones. Consecuentemente, si el Fondo distribuye "Dividendos Tributables" después del 30 de junio de 2014, el interés aplicable y la tasa de retención será 15%. Del mismo modo, si el Fondo distribuye Dividendos de Ganancias de Capital después del 30 de junio de 2014, la tasa de interés aplicable para individuos, sucesiones y fideicomisos será un 15%, y 20% para las corporaciones. Se exhorta a los inversionistas a que contacten a su abogado o asesor contributivo. Ni UBS Financial Services Incorporated of Puerto Rico ni el Fondo proveen asesoría legal o contributiva.

El 11 de febrero de 2015 la Legislatura de Puerto Rico presentó dos proyectos de ley (P.C. 2329 y P.S.

1304) que proponen una reforma contributiva con la aprobación del "Nuevo Código de Rentas Internas de 2015" (el "Código Nuevo"). En términos generales, el Código Nuevo sería efectivo para años contributivos comenzados después del 31 de diciembre de 2014 y, de aprobarse, incluiría los siguientes cambios: (a) eliminar las tasas preferenciales que actualmente aplican a las ganancias de capital a largo plazo generadas después del 31 de diciembre de 2014; (b) eliminar la tasa preferencial de 10% que actualmente aplica a los ingresos de intereses de ciertas obligaciones, incluyendo los Intereses Tributables; (c) reducir el máximo de la tasa de contribuciones de individuos a 30%; (d) eliminar la contribución básica alterna de individuos; (e) establecer una tasa fija de contribuciones sobre ingresos de las corporaciones a 30%; (f) eliminar la exención de los intereses de ciertas obligaciones de los Estados Unidos y sus subdivisiones políticas; y (g) eliminar las tasas preferenciales aplicables a ciertos dividendos y otros ingresos de intereses. La Legislatura de Puerto Rico está en el proceso de revisión de los proyectos de ley, por lo que, actualmente, el resultado final no se puede determinar.

Aviso Legal

Rendimientos anteriores no son garantía de resultados futuros similares. Los rendimientos actuales podrían ser más bajos o más altos que el rendimiento aquí citado. Los valores emitidos por un Fondo están sujetos a riesgo de mercado, incluyendo la pérdida del principal invertido. Este documento no es una oferta de compra ni una solicitud de una oferta de compra para cualquier inversión en un Fondo y es para propósitos informativos solamente. Las inversiones en un Fondo están diseñadas principalmente y son adecuadas para inversionistas a largo plazo y no deben ser consideradas como un vehículo para fines de negociación. Estas inversiones pueden que no sean adecuadas para cualquier inversionista. Una inversión en un Fondo no es equivalente a una inversión en los valores subyacentes en los cuales un Fondo invierte. El uso de apalancamiento por un Fondo representa ciertos riesgos a los inversionistas en éste, y en ciertos casos, las fluctuaciones en las tasas de intereses podrían aumentar la volatilidad en su rendimiento y afectar a un Fondo a mayor grado que a una compañía de inversión no apalancada. **Información más detallada en cuanto a un Fondo, incluyendo los cargos, gastos y penalidades aplicables, objetivo(s) y políticas de inversión, factores de riesgo y el efecto de apalancamiento, se incluye en la documentación de oferta del Fondo, el cual usted debe leer cuidadosamente antes de hacer una inversión.** Para obtener más información en cuanto a un Fondo (incluyendo los rendimientos de inversión calculados conforme el Reglamento 5766 de 11 de marzo de 1998, según enmendado) o una copia del prospecto para la oferta de las Acciones o los informes anuales del Fondo, favor de contactar a la familia de fondos UBS Puerto Rico o Puerto Rico Investors al 787-773-3888 ó 787-751-5452, respectivamente. Para obtener más información en cuanto a los rendimientos del Fondo de fin de mes o información más actualizada, por favor contactar a su Asesor Financiero en UBSFSPR o verifique los comunicados de prensa ("press releases") en <http://www.ubs.com/prfunds>.

Glossary of fund terms

- **Ask Price:** generally refers to the lowest price at which a seller will sell a specified number of units of a given security at a particular time. The ask price may incorporate a markup, which may vary by transaction and may include commissions and other charges. The ask prices quoted by UBSFSPR represent its judgment of the market price for Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price and age of pending customer orders.
- **Average Duration:** a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flow accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flow consist of coupon payments and repayment of capital.) A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, for which maturity and duration are equal.
- **Bid Price:** generally refers to the highest price a buyer is willing to pay at a particular time for a unit of a given security. UBSFSPR publishes two types of bid prices for the Shares: firm or indicative. A firm bid is provided when UBSFSPR has the risk capacity and/or appetite at the particular time to purchase a specified number of Shares. An investor can sell to UBSFSPR at the firm bid price up to the specified number of Shares at a particular time. On the other hand, an indicative bid is provided for informational purposes only when UBSFSPR does not have the risk capacity and/or appetite at a particular time to purchase Shares. The prices quoted by UBSFSPR represent its judgment of the market price for the Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price, and age of pending customer orders, and may be higher (in which case the price is at a premium) or lower (in which case the price is at a discount) than the NAV of the Fund.

The prices quoted by UBSFSPR may also be affected by its willingness to hold additional inventory of the Shares or by its need to sell its inventory of Shares. Depending on market liquidity conditions, orders to buy or sell at the quoted price may not receive immediate execution, and an investor may not be able to sell its Shares at the price quoted by UBSFSPR. Moreover, the proceeds an investor receives on a sale of Shares may be lower than the bid price due to discounts, markdowns, and other charges. Since inception, the Shares have historically traded at prices which reflect a premium to their respective NAV per Share, though on certain limited instances, they have traded at prices which reflect a discount to their respective NAV per Share. However, there is no assurance that the Shares will continue to trade at prices which reflect such a premium. The Fund is presently experiencing liquidity issues. As a result, the bid price is for a limited number of shares, and it may not be possible for sellers to obtain the current bid price.

- **Credit Quality:** a measure of the likelihood that a financial obligation will not be honored provided by one or more of the rating agencies. Rating agencies assign classifications to their ratings, with "AAA" being the highest and "D" being the lowest for Standard & Poor's Ratings Services ("S&P"). The Fund may use other ratings and adjust them for use in this scale.
- **Effective Duration:** a calculation of duration that takes into account the embedded options in the securities of a portfolio and their expected changes in the cash flow of a portfolio caused by those options.
- **Expense Ratio:** The percentage of the Fund's average net assets attributable to holders of the Shares and which is used to pay operating expenses and takes into account investment management fees, administration fees, and other operating expenses such as legal, audit, insurance, and shareholder communications.
- **Hedge Notional:** refers to the total net face value, reflecting any offsetting positions, of derivative instruments employed in hedging strategies of the Fund.
- **Hedge Ratio:** ratio of the Fund's hedge notional amount to its total dollar amount of leverage as of the end of a calendar quarter, assuming the Fund is fully invested at quarter-end. The Fund's investment adviser may, at its discretion, use a variety of derivative instruments including securities options, financial futures contracts, options on futures contracts, and other interest rate protection transactions such as swap agreements, to attempt to hedge its portfolio of assets and seek to enhance its return. There can be no assurance that any particular hedging strategy used will succeed.
- **Leverage:** the Fund may issue preferred stock or debt, enter into repurchase agreements, or borrow money, in order to increase the amounts available for investment ("leverage"). This gives the Fund's investment adviser, in the fixed income area in particular, the opportunity to enhance yield. The use of leverage increases the likelihood of price volatility and market risk for the Shares. There is also the risk that the cost of funding leverage will exceed the earnings on the related investments, which will have the likely effect of reducing the Fund's yield and the value of its investments.
- **Leverage Adjusted Effective Duration:** effective duration adjusted for the impact of the Fund's utilization of leverage. A Fund that utilizes leverage will have a leverage-adjusted effective duration that is longer than its effective duration.
- **Maturity:** date on which the face value of a security/bond must be repaid. It measures the average length to maturity in years of all the bonds in the Fund's portfolio. For mortgage-backed securities, the maturity takes into account the prepayment of the underlying mortgages.
- **NAV:** Net Asset Value. On a per-Share basis, it is determined by calculating the Fund's total assets less its total liabilities and dividing such result by the Shares outstanding. On an aggregate, Fund basis, it is determined by calculating the Fund's total assets less its total liabilities.

- **Undistributed Income:** the Fund's net income that has not been distributed to holders of its Shares as of the latest available audited financial statements. In the case of a target maturity-type investment company (which is liquidated on or by a specific date), it also includes the amounts to be distributed on or by the liquidation date as the return of the initial investment.

For a definition of other terms, please see the Shares' prospectus.



Puerto Rico Investors Tax-Free Fund III, Inc.

Investment Objectives and Policies

Seeks high level of current income that, for Puerto Rico residents, is exempt from both U.S. Federal and Puerto Rico income taxes, consistent with the preservation of capital, by investing:

- up to 33% of its total assets in, among other things, securities issued or guaranteed by the U.S. Government, its agencies, and instrumentalities
- at least 67% of its total assets in Puerto Rico obligations (as described in the Prospectus)
- at least 95% of total assets in investment-grade securities²
- may issue leverage representing up to 50% of total assets¹

Pricing and Distribution History²

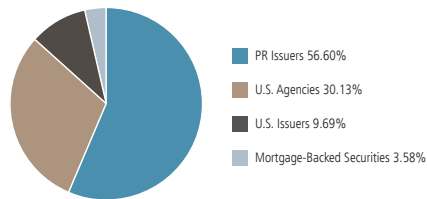
Initial Public Offering (IPO)	\$10.00
52-week Bid Low/High	\$3.79/\$4.38
YTD NAV Change	\$0.22
YTD Bid Price Change	-\$0.04
IPO Yield ⁵	4.85%
Current Yield ⁵	12.80%
Last Dividend Paid	\$0.0404
Last 12 Month Dividend	\$0.4996

Portfolio Statistics and Characteristics²

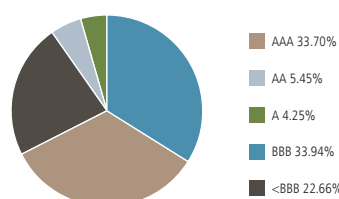
Commencement	Sep-95	Fiscal Year	31-Aug
Shares Outstanding (mm)	12.97	Weighted Avg. Coupon	5.21%
Bid Price	\$3.79	Average Maturity (yrs)	19.93
Net Asset Value (NAV)	\$4.24	Average Duration (yrs)	10.99
Bid Price to NAV Ratio	89.39%	Leverage Adjusted Effective Duration (yrs)	17.48
Net Assets (mm)	\$55.03	Leverage %	42.74% ¹
Leverage (mm)	\$41.51	Leverage Cost	0.62%
Undistributed Income (mm)	\$3.56	Hedge Notional (mm)	\$0.00
Expense Ratio	1.42%	Hedge Ratio	0%

See Portfolio Holdings, Portfolio Managers, Special Considerations, Disclaimers, Glossary of Fund Terms, and Footnotes on reverse.

Portfolio Summary²



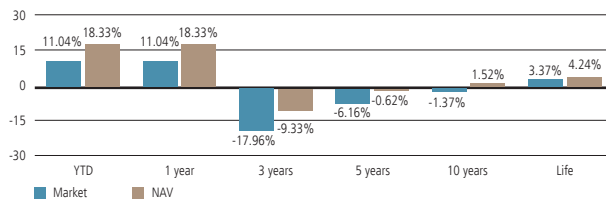
Credit Quality²



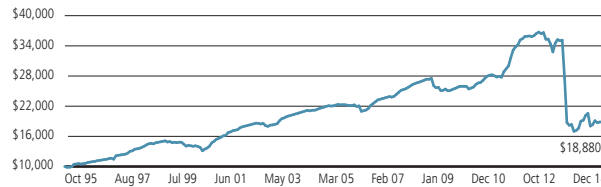
Portfolio Holdings²

PR Obligations	PRIDCO	4.10%
Mortgage-Backed Securities	University of PR	0.42%
GNMA, FNMA, FGLMC CMO		3.58%
PR Obligations		60.18%
U.S. Obligations		
AFICA		
Doral Financial	1.39%	
Palmas del Mar	3.28%	
PR Conservation Trust		
Doral	2.46%	
PRGOs	0.70%	
PR Sales Tax Financing	33.94%	
Employees Retirement System	10.31%	
U.S. Obligations		39.82%
Federal Home Loan Bank		24.92%
Federal Farm Credit Bank		2.81%
Fannie Mae Note		2.40%
Build America Bonds		5.45%
U.S. Municipals		4.24%

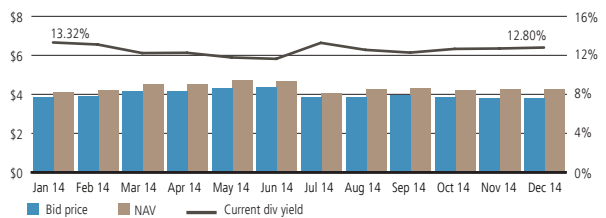
Average Annual Total Return³



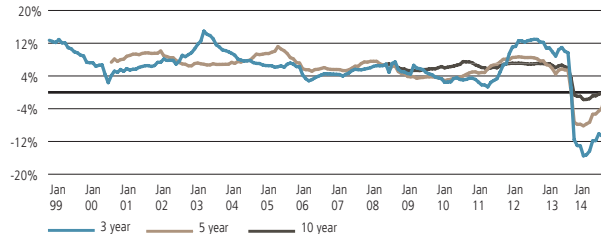
Growth of a \$10,000 Investment as of December 31, 2014⁴



Share Price, NAV and Current Dividend Yield – Prior 12 months⁵



Rolling Period Annual Returns³



Portfolio Managers

Leslie Highley, Jr.
Portfolio Manager since inception
UBS Asset Managers of Puerto Rico

Javier Rubio
Portfolio Manager since 1996
Popular Asset Management

*Special Considerations

The Fund is a non-diversified, closed-end management investment company registered under the Puerto Rico Investment Companies Act of 1954, as amended. Securities issued by the Fund may be purchased or otherwise transferred only to individuals who are residents of Puerto Rico and to entities whose principal office and principal place of business are located in Puerto Rico. The Fund's yield and net asset value and the market price of the Fund's shares of Common Stock (the "Shares") may fluctuate and will be determined by such factors as relative demand for and supply of the Shares in the market, as well as general market, political, and economic conditions and other factors beyond the control of the Fund. The Shares trade at market price, which may be at a discount or premium to NAV, and no assurance can be given as to their liquidity or trading market. While it is the intention of UBS Financial Services Incorporated of Puerto Rico ("UBSFSPR") to continue to maintain a secondary market for the Shares, it is not obligated to continue to do so. Moreover, there may be no other source of price information for the Shares or other purchasers of the Shares other than UBSFSPR.

Geographic Concentration Risk. The Fund is exposed to certain risks resulting from the reduced geographic diversification of its portfolio. The Fund's assets are invested primarily in securities of Puerto Rico issuers. Consequently, the Fund in general is more susceptible to economic, political, regulatory or other factors adversely affecting issuers in Puerto Rico than an investment company that is not so concentrated in Puerto Rico issuers. In addition, securities issued by the Government of Puerto Rico or its instrumentalities are affected by the central government's finances. That includes, but is not limited to, general obligations of Puerto Rico and revenue bonds, special tax bonds, or agency bonds. The effect on each specific debt may not be the same; it depends on exactly what part of the government's money or revenue is supposed to pay the interest thereon. Inasmuch as a relatively high percentage of the Fund's assets may be invested in obligations of a limited number of Puerto Rico issuers, the Fund's net asset value and its yield may increase or decrease more than that of a more diversified investment company as a result of changes in the market's assessment of the financial condition and prospects of such Puerto Rico issuers. The Fund may also be more susceptible to any single economic, political, or regulatory occurrence in Puerto Rico than a more widely diversified investment company. Over the past years, the principal Puerto Rico Government bonds as well as the securities issued by several Puerto Rico financial institutions have been downgraded as a result of several factors, including without limitation, the downturn experienced

by the Puerto Rico economy and the strained financial condition of the Government of Puerto Rico. Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years, thereby affecting the Fund's net asset value.

Portfolio transactions between the Fund and UBSFSPR, Popular Securities (in the case of a co-managed Fund with Banco Popular de Puerto Rico), and other affiliates, are conducted in accordance with procedures adopted by the Fund's Board of Directors in an effort to address potential conflicts of interest.

Secondary Market Disclosure: Given UBSFSPR is currently the dominant, and may be the sole source of secondary market liquidity for the Shares, an investor may not be able to sell its Shares or may only be able to sell them at a loss, if UBSFSPR were to cease to facilitate such secondary market for the Shares. Accordingly, an investor's ability to sell its Shares will depend on the interest of other investors buying Shares, or UBSFSPR's willingness to commit additional capital to holding Shares in inventory. UBSFSPR may, in its sole discretion, commit additional capital to hold Shares in inventory when it deems it appropriate to do so, given market conditions or other considerations, and similarly may reduce the amount of capital committed to fund such inventory of Shares at other times. For example, when UBSFSPR purchases Shares and holds them in its inventory, quoted prices may remain at the previously quoted levels or increase. Conversely, when UBSFSPR sells Shares from its inventory, the quoted prices may decrease. In situations where UBSFSPR is selling Shares from its inventory, it may offer to sell its Shares at prices that are lower than pending sell orders that were placed by investors in the Shares. Decisions by UBSFSPR to increase or decrease inventory are made at its sole discretion and are not generally disclosed.

Repurchase Agreement Tax Disclosure: While there is authority generally supporting the treatment of repurchase and reverse repurchase agreements as collateralized loans for Puerto Rico income tax purposes, that authority does not specifically address the tax treatment of the repurchase agreements that the Fund typically enters into, which contain provisions that grant the buyer the right to sell, transfer, pledge, or hypothecate the securities that are the object of such agreements. Although the Puerto Rico Treasury Department ("PR Treasury") has never pronounced itself as to whether this type of arrangement should be viewed as a transfer of ownership of the underlying securities, it is possible that the PR Treasury could take that position in the future and

that Puerto Rico courts would agree with that view. In such event, the tax exempt interest paid on such underlying securities could be deemed not to constitute tax exempt income for the seller of such securities; to the extent that the Fund was such seller, the dividends distributed on its Shares from such income could be treated either as taxable dividends or capital gain dividends. If such dividends were treated as taxable dividends, holders of the Shares who are individuals or Puerto Rico trusts could be subject to a 15% income tax (or 10% income for dividends distributed before July 15, 2014) on the dividend (or the applicable alternate basic tax), and those which are corporate investors would be subject to a maximum effective income tax rate of 5.85% (or 4.5% for dividends distributed before July 15, 2014), (due to the 85% dividend received deduction of the Puerto Rico Internal Revenue Code, 15% of the dividend multiplied by a 39% maximum corporate income tax rate for dividends distributed on or after July 1, 2014 and 30% for dividends distributed before July 1, 2014). On the other hand, if such dividends were treated as capital gains dividends, holders of the Shares who are individuals or Puerto Rico trusts would be subject to a 15% income tax (or 10% income tax for capital dividends distributed before July 1, 2014) (or the applicable alternate basic tax), and holders of the Shares which are taxed as corporations would be subject to a 20% income tax (15% income tax for capital dividends distributed before July 1, 2014).

Recent Changes in Puerto Rico tax law: On July 1, 2014, the Governor of Puerto Rico signed into law Act 77-2014 which amended the Puerto Rico Internal Revenue Code of 2011 to provide, among other things, (i) the 10% withholding tax that is imposed on dividends distributed by Puerto Rico corporations to individuals will apply to dividends distributed before July 1, 2014, and that a 15% rate will apply for dividends distributed after June 30, 2014, and (ii) the long-term capital gains rate for sales and exchanges effected after June 30, 2014, is increased from 10% to 15%, in the case of individuals, estates, and trusts; and from 15% to 20%, in the case of corporations. Accordingly, if the Fund distributes "Taxable Dividends" after June 30, 2014, the applicable tax and withholding rate will be 15%. Similarly, if the Fund distributes Capital Gain Dividends after June 30, 2014, the applicable tax rate for individuals, estates and trusts will be 15%, and 20% in the case of corporations. Investors are encouraged to contact their lawyer or tax consultant. Neither the Fund nor UBS Financial Services Incorporated of Puerto Rico provides legal or tax advice.

On February 11, 2015, two (2) bills (P.C. 2329 and P.S. 1304) were introduced into the Puerto Rico Legislature and which propose the

adoption of a "New Puerto Rico Internal Revenue Code of 2015" ("New Code"). In general, the New Code would be effective for taxable years beginning after December 31, 2014 and, if approved, the New Code would, amongst other changes: (a) eliminate the preferential tax rates that currently apply to long-term capital gains derived after December 31, 2014, (b) eliminate the preferential 10% rate that currently applies to interest on certain obligations, such as Taxable Interest, (c) reduce the maximum marginal tax rate of individuals to 30%, (d) eliminate the alternate basic tax for individuals, (e) provide for a fixed 30% regular income tax rate for corporations, (f) eliminate the exemption for interest on obligations issued by States and their political sub-divisions, and (g) eliminate the preferential tax rates that currently exist for certain dividends and other interest income items. The Puerto Rico Legislature is currently reviewing the proposed bills and, therefore, their final outcome is not currently determinable.

Legal Disclaimer

Past performance does not guarantee future results. Current performance may be lower or higher than the performance quoted. Securities issued by the Fund are subject to market risk, including the loss of principal amounts invested. This document is not an offer to sell, or the solicitation of an offer to buy any investment in the Fund, and is for informational purposes only. Fund investments are designed primarily and suitable for long-term investors and not viewed as a vehicle for trading purposes. They may not be suitable to all investors. Fund investments are not equivalent to investments in its underlying securities. The Fund's utilization of leverage poses certain risks to investors, and in some cases, interest rate fluctuations may increase the volatility of its return and affect the Fund to a significantly greater extent than a non-leveraged investment company. **More detailed information about the Fund, including applicable fees, costs, penalties, investment objectives and policies, risk factors, and the effects of leverage, is further described in the Share's prospectus, which you should read carefully prior to making an investment.** To obtain additional information related to the Fund (including investment returns calculated in accordance with Regulation 5766 of March 11, 1998, as amended) or a copy of the Shares' prospectus or Fund's annual report, please contact the Puerto Rico Investors Family of Funds at 787-751-5452. To obtain the Fund's month-end performance or more up-to-date information, please contact your UBS Financial Advisor or see "press releases" at <http://www.ubs.com/prfunds>.

Footnotes:

¹ Generally, the Fund must invest at least 67% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage) and cash, including cash equivalents, but excluding non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), in Puerto Rico securities. Additionally, the Fund may issue preferred stock, debt securities, or other forms of leverage, representing not more than 50% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage), cash (including cash equivalents), and non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), immediately after the issuance of any such preferred stock, or other debt securities. Moreover, the Fund may not issue preferred stock, debt securities, or other forms of leverage unless the value of its total assets less all its liabilities and indebtedness, other than the preferred stock, debt securities, or other forms of leverage being issued or already outstanding, is at least equal to 200% of the total aggregate liquidation preference/principal amount of all its outstanding preferred stock (not including any accumulated dividends or other distributions), debt securities, and other forms of leverage. **Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years. In view of these volatile market conditions, the Puerto Rico Office of the Commissioner of Financial Institutions (the "PROCFI") has granted to the Fund a temporary regulatory waiver from the Fund's investment requirement in Puerto Rico securities of at least 67% of the Fund's total assets and leverage limitation of 50% of its total assets and 200% asset coverage requirement described above, through July 31, 2015. These temporary waivers may be renewed by the PROCFI for additional periods of time, should market conditions warrant, and upon written request**

by the Fund. It is the Fund's intention to re-achieve compliance therewith as soon as market conditions permit, though there is no assurance the Fund will be able to do so.

² Credit quality is as of December 31, 2014. The Fund's investment portfolio is actively managed, and its composition (including the portfolio statistics and characteristics) will vary over time. Credit quality percentages include only fixed income securities and vary over time, as new investment securities are acquired and the credit rating of any investment held by the Fund is reassessed. For purposes of determining compliance with the Fund's investment requirements, ratings are as of the time of purchase, using a Standard & Poor's equivalent ratings scale. On February 12, 2015, S&P further downgraded the credit rating on the GOs from "BB" to "B", as well as the credit ratings of other Commonwealth agencies and public corporations, including its credit ratings on senior and subordinate-lien bonds issued by COFINA, which were lowered from "BBB" and "BBB-", respectively to "B". On such date, the long-term issuer credit rating on the GDB was also lowered, from "BB-" to "B-". On February 19, 2015, Moody's followed suit and downgraded its credit ratings on various Government of Puerto Rico entities and issuances, including GOs, from "B2" to "Caa1", and COFINA's senior and subordinate-lien bonds, which were lowered from "Ba3" and "B1", to "B3" and "Caa1", respectively. Lastly, on March 26, 2015, Fitch also downgraded the credit rating on the GOs from "BB-" to "B", as well as the credit ratings of PRASA senior lien revenue bonds from "B+" to "B" and COFINA's senior and subordinate-lien bonds from "BB-" to "B". All of the before-mentioned ratings carry a negative outlook. **As a result of the foregoing, none of the bonds issued by the Government of Puerto Rico and its instrumentalities currently carry an investment-grade credit rating.** Inasmuch as the Fund invests a substantial portion of its assets in securities issued by the Commonwealth of Puerto Rico, these recent rating downgrades will negatively impact the Fund's ability to maintain compliance with its maximum/minimum investment threshold(s) in securities

of a specific credit quality. To the extent that such investment threshold(s) in securities of a specific credit quality are exceeded, Fund management may determine to continue to hold such lower-rated securities, provided any new investment proceeds are directed to acquire investment securities which satisfy the Fund's minimum credit rating requirements. **In view of the fact that the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years and the subsequent credit rating downgrade of certain Puerto Rico bonds, current or more up-to-date information regarding the Fund's portfolio holdings is available at <http://www.ubs.com/prfunds>.** Currently, the Fund's percentage investment in securities rated below investment-grade (below "BBB" rating) or which are unrated, amounted to 22.66% of the Fund's total portfolio, which exceeds the Fund's maximum investment threshold of 5% of its total assets invested in securities rated below investment-grade or which are unrated.

On January 2014, the Board of Directors approved the implementation of a share repurchase program for the acquisition of up to 25% of each Fund's total assets. The Repurchase Program is intended to enhance shareholder value by providing additional liquidity to Fund shareholders. For the quarter ended December 31, 2014, the Fund had repurchased 530,025 shares in the open market with an NAV of \$2,305,609, at a cost of \$2,064,189. Since the program's inception, the Fund has repurchased 3,755,861 shares of common stock in the open market with an NAV of \$16,739,172, at a cost of \$15,334,564, and which represent 12.49% of the total assets of the Fund (net of Shares acquired for dividend reinvestment purposes and which remain outstanding).

³ As of December 31, 2014. **Return figures were not calculated in accordance with Regulation 5766 of March 11, 1998, as amended, which requires that investment returns for an individual retirement account ("IRA") be calculated in the manner provided**

therein. To the extent that an individual invests in the Fund through an IRA, his or her investment return figures will be less than those reported herein, when computed in accordance with Regulation 5766 and inasmuch as actual sales charges applicable to such IRA investments are taken into consideration. "Average Annual Total Return" figures reflect the percentage change in the market value, determined by calculating the average between the bid and ask prices, plus any income and capital gain dividends, and return of capital distributions, all such dividends and distributions reinvested as of the corresponding record date thereof, at the month-end NAV as of that date. In the case of "NAV Total Return," the Fund's NAV per Share is used, rather than the average between the bid and ask prices, to determine such total return, as applicable. "Rolling Period Annual Returns" measure the monthly movement in the average of the Annualized Average Market Return figures over a one-year, three-year, five-year, and ten-year period (as applicable), as it moves over a consecutive time series that begins on the Fund's inception date. Additionally, in the case of the Average Annual Total Return and Rolling Period Annual Return figures, commissions or sales charges payable in connection with a purchase or sale of Shares may vary with each brokerage institution. Total return figures are not representative of the performance of any individual investment, and taxes on capital gain distributions or income dividends, if any, have not been deducted. All calculations were performed by Thomson Reuters, based on certain financial data provided by this Fund and are annualized with the exception of year-to-date figures.

⁴ A \$10,000 investment is hypothetical and is shown for illustrative purposes only.

⁵ "IPO Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the initial public offering price. "Current Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the month-end bid price.



UBS Asset Managers of Puerto Rico Funds Quarterly Review Fourth Quarter 2014

*Consideraciones Especiales

Cada Fondo es una compañía de inversión no diversificada de fin cerrado inscrita bajo la Ley Número 6 de 19 de octubre de 1954, según enmendada. Los valores emitidos por un Fondo pueden solamente ser adquiridos por, o transferidos a, individuos que sean residentes de Puerto Rico y a entidades cuya oficina y localización de negocios principal estén localizados en Puerto Rico. El rendimiento, el valor neto de los activos de un Fondo y el precio en el mercado de las acciones de capital común del Fondo (en adelante, las "Acciones"), podrán fluctuar y se determinarán por factores como la demanda y oferta en el mercado de las Acciones y las condiciones económicas, políticas y del mercado en general, al igual que otros factores que están fuera del control de un Fondo. Las Acciones son negociadas al precio del mercado, el cual puede reflejar una prima o descuento del valor neto de los activos de un Fondo y no se puede dar representación alguna sobre su liquidez o el mercado para disponer de las mismas. A pesar de que es la intención de UBS Financial Services Incorporated of Puerto Rico (en adelante, "UBSFSPR") de continuar manteniendo un mercado secundario para las Acciones, no está obligada a continuar haciéndolo. De otra parte, puede que no exista otra fuente de información de precios para las Acciones u otros compradores para las Acciones que no sea UBSFSPR.

Riesgo de concentración geográfica: El Fondo está expuesto a ciertos riesgos debido a la diversificación geográfica reducida de su cartera de inversiones. Los activos del fondo están invertidos primariamente en valores de emisores de Puerto Rico. A consecuencia, el Fondo generalmente es más susceptible a factores económicos, políticos, regulatorios y otros que podrían afectar adversamente a emisores de Puerto Rico que otra compañía de inversión la cual no esté tan concentrada en emisores de Puerto Rico. En adición, valores emitidos por el Gobierno de Puerto Rico o sus instrumentalidades se afectan por las finanzas del gobierno central. Eso incluye, pero no se limita a, las obligaciones generales de Puerto Rico y los bonos de ingresos, contribuciones especiales o de agencias. El efecto en cada deuda específica podría no ser el mismo y depende de que parte del dinero del gobierno o sus ingresos se supone pague el interés de dicha deuda. En la medida que un porcentaje relativamente alto de los activos del Fondo pueden ser invertidos en obligaciones de un número limitado de emisores de Puerto Rico, el valor neto de activos y su rendimiento puede aumentar o disminuir más que el de una compañía de inversión más diversificada, como resultado de cambios en cuanto a la evaluación de la condición financiera o prospectos de dichos emisores de Puerto Rico. El Fondo también puede ser más susceptible a cualquier ocurrencia individual económica, política o regulatoria en Puerto Rico que una compañía de inversión más diversificada. En los pasados años, los bonos principales del Gobierno de Puerto Rico, al igual que valores emitidos por ciertas instituciones financieras de Puerto Rico han sido degradados por varios factores, incluyendo sin limitación, al empeoramiento experimentado por la economía de Puerto Rico y la condición financiera pobre del Gobierno de Puerto Rico. Al presente, el mercado de bonos de Puerto Rico está experimentando un periodo de volatilidad, con los

bonos de Puerto Rico traficando a precios más bajos y rendimientos más altos a los puntos de referencia de los pasados dos (2) años, y así afectando el valor neto de activos del Fondo.

Transacciones de cartera entre un Fondo y UBSFSPR, Popular Securities (en el caso de un Fondo co-manejado con Banco Popular de Puerto Rico) y otras afiliadas son efectuadas conforme a ciertos procedimientos adoptados por la Junta de Directores de un Fondo con miras a atender posibles conflictos de interés.

Divulgación de Mercado Secundario: Dado a que actualmente UBSFSPR es la fuente dominante, y podría ser la única fuente, de liquidez para la negociación de las Acciones en el mercado secundario, cabe la posibilidad que un inversionista no pueda vender sus Acciones en el mercado secundario o que solamente pueda venderlas a pérdida, si UBSFSPR cesara de facilitar un mercado secundario para la negociación de las Acciones. Por lo tanto, la habilidad de un inversionista para vender sus Acciones dependerá del interés de otros inversionistas que estén comprando Acciones o la disponibilidad de UBSFSPR de designar capital adicional para mantener Acciones en su inventario. UBSFSPR podrá, a su única discreción, comprometer capital adicional para mantener Acciones en inventario cuando así lo estime apropiado, dependiendo de las condiciones del mercado y otras consideraciones, e igualmente en otras ocasiones, podrá reducir la cantidad de capital comprometida para financiar dicho inventario de las Acciones. Por ejemplo, cuando UBSFSPR compra Acciones para su inventario, los precios cotizados por éste podrán permanecer a los niveles previamente cotizados o aumentar. Por otro lado, cuando UBSFSPR vende Acciones de su inventario, los precios cotizados por éste podrían reducirse. En situaciones en que UBSFSPR está vendiendo Acciones de su inventario, podría ofrecer vender dichas Acciones a precios más bajos que cualquier orden de venta pendiente que fue puesta sobre sus Acciones por cualquier inversionista. Cualquier decisión de UBSFSPR de aumentar o reducir su inventario será tomada a su única discreción y no son divulgadas al público.

Divulgación Contributiva sobre Acuerdos de Recompra: A pesar de que existe precedente contable que apoya el concepto que los acuerdos de recompra y recompra a la inversa sean considerados como préstamos con garantía colateral para propósitos contributivos en Puerto Rico, dicho precedente no es determinante en cuanto a las disposiciones contributivas aplicables a los acuerdos de recompra que normalmente el Fondo suscribe, que contienen disposiciones que conceden al comprador de los valores subyacentes a dichos acuerdos el derecho a vender, transferir, pignorar o hipotecar dichos valores. A pesar de que el Departamento de Hacienda de Puerto Rico (en adelante, "Hacienda") nunca se ha expresado sobre si estos tipos de acuerdos deben ser considerados como una transferencia de titularidad sobre los valores subyacentes, Hacienda podría adoptar dicha posición y que los tribunales de Puerto Rico estén de acuerdo con dicha posición. En dicho caso, el interés exento pagado sobre los valores subyacentes a dichos acuerdos podría considerarse

como ingreso no exento del pago de contribución para el vendedor de tales valores subyacentes. En la medida que el Fondo sea considerado el vendedor bajo el acuerdo de recompra correspondiente, los dividendos distribuidos sobre las Acciones que a su vez son derivados del ingreso del acuerdo de recompra correspondiente podría ser considerado como un dividendo sujeto a tributación o ganancias de capital. Si tal dividendo fuera considerado como dividendo sujeto a tributación, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico podrían estar sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos distribuidos antes del 15 de julio de 2014) sobre el dividendo (o la contribución básica alterna aplicable), y aquellos que sean inversionistas corporativos estarían sujetos a una máxima tasa efectiva de 5.85% (o 4.5% para dividendos distribuidos antes del 15 de julio de 2014), debido a la deducción de 85% sobre dividendos recibidos, según dispuesto por el Código de Rentas Internas de Puerto Rico, multiplicando el 15% del dividendo por una tasa contributiva corporativa máxima de 39% para los dividendos distribuidos en o después del 1 de julio de 2014 y 30% para los dividendos distribuidos antes del 1 de julio de 2014). Por otro lado, si tales dividendos fueran considerados como dividendos de ganancias de capital, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico estarían sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014 o la contribución básica alterna aplicable), y los tenedores de las Acciones que tributa como corporaciones, estarían sujetos a una tasa contributiva de 20% (tasa contributiva de 15% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014).

Cambios Recientes al Derecho Tributario de Puerto Rico: El 1 de julio de 2014, el Gobernador de Puerto Rico firmó como ley la Ley 77-2014, la cual enmendó el Código de Rentas Internas de Puerto Rico del 2011 para proveer, entre otras cosas, (i) que el 10% de retención de impuesto que se le impone a los dividendos distribuidos por corporaciones de Puerto Rico a individuos, aplicará a los dividendos distribuidos antes del 1 de julio de 2014, y que la tasa de 15% aplicará a los dividendos distribuidos después del 30 de junio de 2014, y (ii) que las tasas de ganancias de capital a largo plazo para ventas e intercambios realizadas después del 30 de junio de 2014, ha sido aumentada de 10% a 15% para individuos, sucesiones y fideicomisos; y de 15% a 20% para las corporaciones. Consecuentemente, si el Fondo distribuye "Dividendos Tributables" después del 30 de junio de 2014, el interés aplicable y la tasa de retención será 15%. Del mismo modo, si el Fondo distribuye Dividendos de Ganancias de Capital después del 30 de junio de 2014, la tasa de interés aplicable para individuos, sucesiones y fideicomisos será un 15%, y 20% para las corporaciones. Se exhorta a los inversionistas a que contacten a su abogado o asesor contributivo. Ni UBS Financial Services Incorporated of Puerto Rico ni el Fondo proveen asesoría legal o contributiva.

El 11 de febrero de 2015 la Legislatura de Puerto Rico presentó dos proyectos de ley (P.C. 2329 y P.S.

1304) que proponen una reforma contributiva con la aprobación del "Nuevo Código de Rentas Internas de 2015" (el "Código Nuevo"). En términos generales, el Código Nuevo sería efectivo para años contributivos comenzados después del 31 de diciembre de 2014 y, de aprobarse, incluiría los siguientes cambios: (a) eliminar las tasas preferenciales que actualmente aplican a las ganancias de capital a largo plazo generadas después del 31 de diciembre de 2014; (b) eliminar la tasa preferencial de 10% que actualmente aplica a los ingresos de intereses de ciertas obligaciones, incluyendo los Intereses Tributables; (c) reducir el máximo de la tasa de contribuciones de individuos a 30%; (d) eliminar la contribución básica alterna de individuos; (e) establecer una tasa fija de contribuciones sobre ingresos de las corporaciones a 30%; (f) eliminar la exención de los intereses de ciertas obligaciones de los Estados Unidos y sus subdivisiones políticas; y (g) eliminar las tasas preferenciales aplicables a ciertos dividendos y otros ingresos de intereses. La Legislatura de Puerto Rico está en el proceso de revisión de los proyectos de ley, por lo que, actualmente, el resultado final no se puede determinar.

Aviso Legal

Rendimientos anteriores no son garantía de resultados futuros similares. Los rendimientos actuales podrían ser más bajos o más altos que el rendimiento aquí citado. Los valores emitidos por un Fondo están sujetos a riesgo de mercado, incluyendo la pérdida del principal invertido. Este documento no es una oferta de compra ni una solicitud de una oferta de compra para cualquier inversión en un Fondo y es para propósitos informativos solamente. Las inversiones en un Fondo están diseñadas principalmente y son adecuadas para inversionistas a largo plazo y no deben ser consideradas como un vehículo para fines de negociación. Estas inversiones pueden que no sean adecuadas para cualquier inversionista. Una inversión en un Fondo no es equivalente a una inversión en los valores subyacentes en los cuales un Fondo invierte. El uso de apalancamiento por un Fondo representa ciertos riesgos a los inversionistas en éste, y en ciertos casos, las fluctuaciones en las tasas de intereses podrían aumentar la volatilidad en su rendimiento y afectar a un Fondo a mayor grado que a una compañía de inversión no apalancada. **Información más detallada en cuanto a un Fondo, incluyendo los cargos, gastos y penalidades aplicables, objetivo(s) y políticas de inversión, factores de riesgo y el efecto de apalancamiento, se incluye en la documentación de oferta del Fondo, el cual usted debe leer cuidadosamente antes de hacer una inversión.** Para obtener más información en cuanto a un Fondo (incluyendo los rendimientos de inversión calculados conforme el Reglamento 5766 de 11 de marzo de 1998, según enmendado) o una copia del prospecto para la oferta de las Acciones o los informes anuales del Fondo, favor de contactar a la familia de fondos UBS Puerto Rico o Puerto Rico Investors al 787-773-3888 ó 787-751-5452, respectivamente. Para obtener más información en cuanto a los rendimientos del Fondo de fin de mes o información más actualizada, por favor contactar a su Asesor Financiero en UBSFSPR o verifique los comunicados de prensa ("press releases") en <http://www.ubs.com/prfunds>.

Glossary of fund terms

- **Ask Price:** generally refers to the lowest price at which a seller will sell a specified number of units of a given security at a particular time. The ask price may incorporate a markup, which may vary by transaction and may include commissions and other charges. The ask prices quoted by UBSFSPR represent its judgment of the market price for Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price and age of pending customer orders.
- **Average Duration:** a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flow accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flow consist of coupon payments and repayment of capital.) A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, for which maturity and duration are equal.
- **Bid Price:** generally refers to the highest price a buyer is willing to pay at a particular time for a unit of a given security. UBSFSPR publishes two types of bid prices for the Shares: firm or indicative. A firm bid is provided when UBSFSPR has the risk capacity and/or appetite at the particular time to purchase a specified number of Shares. An investor can sell to UBSFSPR at the firm bid price up to the specified number of Shares at a particular time. On the other hand, an indicative bid is provided for informational purposes only when UBSFSPR does not have the risk capacity and/or appetite at a particular time to purchase Shares. The prices quoted by UBSFSPR represent its judgment of the market price for the Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price, and age of pending customer orders, and may be higher (in which case the price is at a premium) or lower (in which case the price is at a discount) than the NAV of the Fund.

The prices quoted by UBSFSPR may also be affected by its willingness to hold additional inventory of the Shares or by its need to sell its inventory of Shares. Depending on market liquidity conditions, orders to buy or sell at the quoted price may not receive immediate execution, and an investor may not be able to sell its Shares at the price quoted by UBSFSPR. Moreover, the proceeds an investor receives on a sale of Shares may be lower than the bid price due to discounts, markdowns, and other charges. Since inception, the Shares have historically traded at prices which reflect a premium to their respective NAV per Share, though on certain limited instances, they have traded at prices which reflect a discount to their respective NAV per Share. However, there is no assurance that the Shares will continue to trade at prices which reflect such a premium. The Fund is presently experiencing liquidity issues. As a result, the bid price is for a limited number of shares, and it may not be possible for sellers to obtain the current bid price.

- **Credit Quality:** a measure of the likelihood that a financial obligation will not be honored provided by one or more of the rating agencies. Rating agencies assign classifications to their ratings, with "AAA" being the highest and "D" being the lowest for Standard & Poor's Ratings Services ("S&P"). The Fund may use other ratings and adjust them for use in this scale.
- **Effective Duration:** a calculation of duration that takes into account the embedded options in the securities of a portfolio and their expected changes in the cash flow of a portfolio caused by those options.
- **Expense Ratio:** The percentage of the Fund's average net assets attributable to holders of the Shares and which is used to pay operating expenses and takes into account investment management fees, administration fees, and other operating expenses such as legal, audit, insurance, and shareholder communications.
- **Hedge Notional:** refers to the total net face value, reflecting any offsetting positions, of derivative instruments employed in hedging strategies of the Fund.
- **Hedge Ratio:** ratio of the Fund's hedge notional amount to its total dollar amount of leverage as of the end of a calendar quarter, assuming the Fund is fully invested at quarter-end. The Fund's investment adviser may, at its discretion, use a variety of derivative instruments including securities options, financial futures contracts, options on futures contracts, and other interest rate protection transactions such as swap agreements, to attempt to hedge its portfolio of assets and seek to enhance its return. There can be no assurance that any particular hedging strategy used will succeed.
- **Leverage:** the Fund may issue preferred stock or debt, enter into repurchase agreements, or borrow money, in order to increase the amounts available for investment ("leverage"). This gives the Fund's investment adviser, in the fixed income area in particular, the opportunity to enhance yield. The use of leverage increases the likelihood of price volatility and market risk for the Shares. There is also the risk that the cost of funding leverage will exceed the earnings on the related investments, which will have the likely effect of reducing the Fund's yield and the value of its investments.
- **Leverage Adjusted Effective Duration:** effective duration adjusted for the impact of the Fund's utilization of leverage. A Fund that utilizes leverage will have a leverage-adjusted effective duration that is longer than its effective duration.
- **Maturity:** date on which the face value of a security/bond must be repaid. It measures the average length to maturity in years of all the bonds in the Fund's portfolio. For mortgage-backed securities, the maturity takes into account the prepayment of the underlying mortgages.
- **NAV:** Net Asset Value. On a per-Share basis, it is determined by calculating the Fund's total assets less its total liabilities and dividing such result by the Shares outstanding. On an aggregate, Fund basis, it is determined by calculating the Fund's total assets less its total liabilities.

- **Undistributed Income:** the Fund's net income that has not been distributed to holders of its Shares as of the latest available audited financial statements. In the case of a target maturity-type investment company (which is liquidated on or by a specific date), it also includes the amounts to be distributed on or by the liquidation date as the return of the initial investment.

For a definition of other terms, please see the Shares' prospectus.



Puerto Rico Investors Tax-Free Fund IV, Inc.

Investment Objectives and Policies

Seeks high level of current income that, for Puerto Rico residents, is exempt from both U.S. Federal and Puerto Rico income taxes, consistent with the preservation of capital, by investing:

- up to 33% of its total assets in, among other things, securities issued or guaranteed by the U.S. Government, its agencies, and instrumentalities
- at least 67% of its total assets in Puerto Rico obligations (as described in the Prospectus)
- at least 95% of total assets in investment-grade securities²
- may issue leverage representing up to 50% of total assets¹

Pricing and Distribution History²

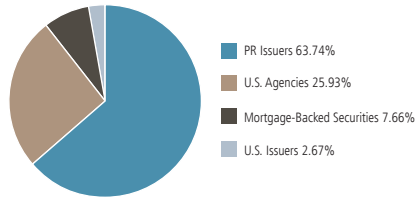
Initial Public Offering (IPO)	\$10.00
52-week Bid Low/High	\$3.11/\$3.76
YTD NAV Change	-\$0.05
YTD Bid Price Change	-\$0.24
IPO Yield ⁵	4.15%
Current Yield ⁵	13.34%
Last Dividend Paid	\$0.0346
Last 12 Month Dividend	\$0.4483

Portfolio Statistics and Characteristics²

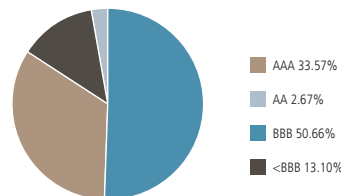
Commencement	Feb-96	Fiscal Year	31-Aug
Shares Outstanding (mm)	10.96	Weighted Avg. Coupon	4.89%
Bid Price	\$3.11	Average Maturity (yrs)	19.09
Net Asset Value (NAV)	\$3.47	Average Duration (yrs)	10.64
Bid Price to NAV Ratio	89.63%	Leverage Adjusted Effective Duration (yrs)	16.76
Net Assets (mm)	\$38.08	Leverage %	45.28% ¹
Leverage (mm)	\$31.88	Leverage Cost	0.88%
Undistributed Income (mm)	\$1.34	Hedge Notional (mm)	\$0.00
Expense Ratio	1.60%	Hedge Ratio	0%

See Portfolio Holdings, Portfolio Managers, Special Considerations, Disclaimers, Glossary of Fund Terms, and Footnotes on reverse.

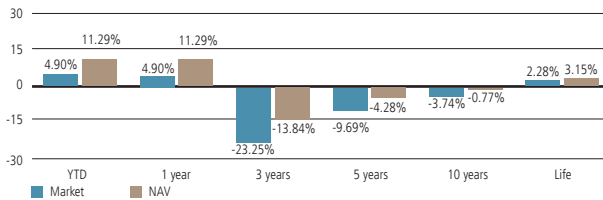
Portfolio Summary²



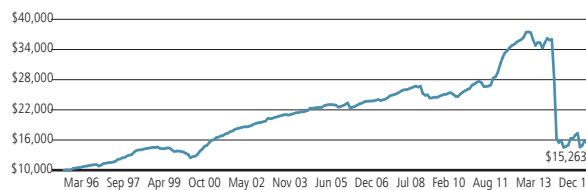
Credit Quality²



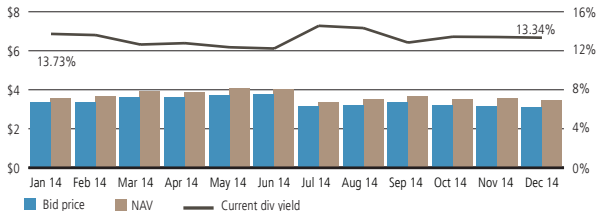
Average Annual Total Return³



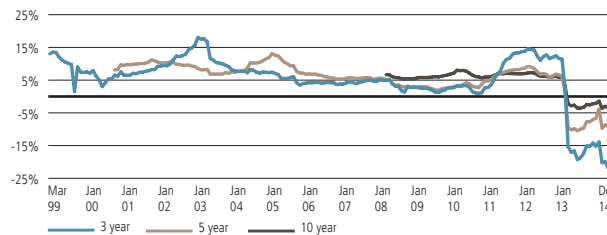
Growth of a \$10,000 Investment as of December 31, 2014⁴



Share Price, NAV and Current Dividend Yield – Prior 12 months



Rolling Period Annual Returns³



Portfolio Holdings²

PR Obligations	U.S. Obligations	
Mortgage-Backed Securities	Federal Home Loan Bank	22.16%
GNMA, FNMA, FGLMC CMO	Federal Farm Credit Bank	1.64%
AFICA	Fannie Mae Note	2.13%
Doral Financial	Palmas del Mar	1.04%
Costa Caribe	Build America Bonds	2.67%
PR Conservation Trust	U.S. Obligations 28.60%	
Doral		
PR Sales Tax Financing System		
Employees Retirement System		
PR Obligations 71.40%		

Portfolio Managers

Leslie Highley, Jr.
Portfolio Manager since inception
UBS Asset Managers of Puerto Rico

Javier Rubio
Portfolio Manager since inception
Popular Asset Management

*Special Considerations

The Fund is a non-diversified, closed-end management investment company registered under the Puerto Rico Investment Companies Act of 1954, as amended. Securities issued by the Fund may be purchased or otherwise transferred only to individuals who are residents of Puerto Rico and to entities whose principal office and principal place of business are located in Puerto Rico. The Fund's yield and net asset value and the market price of the Fund's shares of Common Stock (the "Shares") may fluctuate and will be determined by such factors as relative demand for and supply of the Shares in the market, as well as general market, political, and economic conditions and other factors beyond the control of the Fund. The Shares trade at market price, which may be at a discount or premium to NAV, and no assurance can be given as to their liquidity or trading market. While it is the intention of UBS Financial Services Incorporated of Puerto Rico ("UBSFSPR") to continue to maintain a secondary market for the Shares, it is not obligated to continue to do so. Moreover, there may be no other source of price information for the Shares or other purchasers of the Shares other than UBSFSPR.

Geographic Concentration Risk. The Fund is exposed to certain risks resulting from the reduced geographic diversification of its portfolio. The Fund's assets are invested primarily in securities of Puerto Rico issuers. Consequently, the Fund in general is more susceptible to economic, political, regulatory or other factors adversely affecting issuers in Puerto Rico than an investment company that is not so concentrated in Puerto Rico issuers. In addition, securities issued by the Government of Puerto Rico or its instrumentalities are affected by the central government's finances. That includes, but is not limited to, general obligations of Puerto Rico and revenue bonds, special tax bonds, or agency bonds. The effect on each specific debt may not be the same; it depends on exactly what part of the government's money or revenue is supposed to pay the interest thereon. Inasmuch as a relatively high percentage of the Fund's assets may be invested in obligations of a limited number of Puerto Rico issuers, the Fund's net asset value and its yield may increase or decrease more than that of a more diversified investment company as a result of changes in the market's assessment of the financial condition and prospects of such Puerto Rico issuers. The Fund may also be more susceptible to any single economic, political, or regulatory occurrence in Puerto Rico than a more widely diversified investment company. Over the past years, the principal Puerto Rico Government bonds as well as the securities issued by several Puerto Rico financial institutions have been downgraded as a result of several factors, including without limitation, the downturn experienced

by the Puerto Rico economy and the strained financial condition of the Government of Puerto Rico. Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years, thereby affecting the Fund's net asset value.

Portfolio transactions between the Fund and UBSFSPR, Popular Securities (in the case of a co-managed Fund with Banco Popular de Puerto Rico), and other affiliates, are conducted in accordance with procedures adopted by the Fund's Board of Directors in an effort to address potential conflicts of interest.

Secondary Market Disclosure: Given UBSFSPR is currently the dominant, and may be the sole source of secondary market liquidity for the Shares, an investor may not be able to sell its Shares or may only be able to sell them at a loss, if UBSFSPR were to cease to facilitate such secondary market for the Shares. Accordingly, an investor's ability to sell its Shares will depend on the interest of other investors buying Shares, or UBSFSPR's willingness to commit additional capital to holding Shares in inventory. UBSFSPR may, in its sole discretion, commit additional capital to hold Shares in inventory when it deems it appropriate to do so, given market conditions or other considerations, and similarly may reduce the amount of capital committed to fund such inventory of Shares at other times. For example, when UBSFSPR purchases Shares and holds them in its inventory, quoted prices may remain at the previously quoted levels or increase. Conversely, when UBSFSPR sells Shares from its inventory, the quoted prices may decrease. In situations where UBSFSPR is selling Shares from its inventory, it may offer to sell its Shares at prices that are lower than pending sell orders that were placed by investors in the Shares. Decisions by UBSFSPR to increase or decrease inventory are made at its sole discretion and are not generally disclosed.

Repurchase Agreement Tax Disclosure: While there is authority generally supporting the treatment of repurchase and reverse repurchase agreements as collateralized loans for Puerto Rico income tax purposes, that authority does not specifically address the tax treatment of the repurchase agreements that the Fund typically enters into, which contain provisions that grant the buyer the right to sell, transfer, pledge, or hypothecate the securities that are the object of such agreements. Although the Puerto Rico Treasury Department ("PR Treasury") has never pronounced itself as to whether this type of arrangement should be viewed as a transfer of ownership of the underlying securities, it is possible that the PR Treasury could take that position in the future and

that Puerto Rico courts would agree with that view. In such event, the tax exempt interest paid on such underlying securities could be deemed not to constitute tax exempt income for the seller of such securities; to the extent that the Fund was such seller, the dividends distributed on its Shares from such income could be treated either as taxable dividends or capital gain dividends. If such dividends were treated as taxable dividends, holders of the Shares who are individuals or Puerto Rico trusts could be subject to a 15% income tax (or 10% income for dividends distributed before July 15, 2014) on the dividend (or the applicable alternate basic tax), and those which are corporate investors would be subject to a maximum effective income tax rate of 5.85% (or 4.5% for dividends distributed before July 15, 2014), (due to the 85% dividend received deduction of the Puerto Rico Internal Revenue Code, 15% of the dividend multiplied by a 39% maximum corporate income tax rate for dividends distributed on or after July 1, 2014 and 30% for dividends distributed before July 1, 2014). On the other hand, if such dividends were treated as capital gains dividends, holders of the Shares who are individuals or Puerto Rico trusts would be subject to a 15% income tax (or 10% income tax for capital dividends distributed before July 1, 2014) (or the applicable alternate basic tax), and holders of the Shares which are taxed as corporations would be subject to a 20% income tax (15% income tax for capital dividends distributed before July 1, 2014).

Recent Changes in Puerto Rico tax law: On July 1, 2014, the Governor of Puerto Rico signed into law Act 77-2014 which amended the Puerto Rico Internal Revenue Code of 2011 to provide, among other things, (i) the 10% withholding tax that is imposed on dividends distributed by Puerto Rico corporations to individuals will apply to dividends distributed before July 1, 2014, and that a 15% rate will apply for dividends distributed after June 30, 2014, and (ii) the long-term capital gains rate for sales and exchanges effected after June 30, 2014, is increased from 10% to 15%, in the case of individuals, estates, and trusts; and from 15% to 20%, in the case of corporations. Accordingly, if the Fund distributes "Taxable Dividends" after June 30, 2014, the applicable tax and withholding rate will be 15%. Similarly, if the Fund distributes Capital Gain Dividends after June 30, 2014, the applicable tax rate for individuals, estates and trusts will be 15%, and 20% in the case of corporations. Investors are encouraged to contact their lawyer or tax consultant. Neither the Fund nor UBS Financial Services Incorporated of Puerto Rico provides legal or tax advice.

On February 11, 2015, two (2) bills (P.C. 2329 and P.S. 1304) were introduced into the Puerto Rico Legislature and which propose the

adoption of a "New Puerto Rico Internal Revenue Code of 2015" ("New Code"). In general, the New Code would be effective for taxable years beginning after December 31, 2014 and, if approved, the New Code would, amongst other changes: (a) eliminate the preferential tax rates that currently apply to long-term capital gains derived after December 31, 2014, (b) eliminate the preferential 10% rate that currently applies to interest on certain obligations, such as Taxable Interest, (c) reduce the maximum marginal tax rate of individuals to 30%, (d) eliminate the alternate basic tax for individuals, (e) provide for a fixed 30% regular income tax rate for corporations, (f) eliminate the exemption for interest on obligations issued by States and their political sub-divisions, and (g) eliminate the preferential tax rates that currently exist for certain dividends and other interest income items. The Puerto Rico Legislature is currently reviewing the proposed bills and, therefore, their final outcome is not currently determinable.

Legal Disclaimer

Past performance does not guarantee future results. Current performance may be lower or higher than the performance quoted. Securities issued by the Fund are subject to market risk, including the loss of principal amounts invested. This document is not an offer to sell, or the solicitation of an offer to buy any investment in the Fund, and is for informational purposes only. Fund investments are designed primarily and suitable for long-term investors and not viewed as a vehicle for trading purposes. They may not be suitable to all investors. Fund investments are not equivalent to investments in its underlying securities. The Fund's utilization of leverage poses certain risks to investors, and in some cases, interest rate fluctuations may increase the volatility of its return and affect the Fund to a significantly greater extent than a non-leveraged investment company. **More detailed information about the Fund, including applicable fees, costs, penalties, investment objectives and policies, risk factors, and the effects of leverage, is further described in the Share's prospectus, which you should read carefully prior to making an investment.** To obtain additional information related to the Fund (including investment returns calculated in accordance with Regulation 5766 of March 11, 1998, as amended) or a copy of the Shares' prospectus or Fund's annual report, please contact the Puerto Rico Investors Family of Funds at 787-751-5452. To obtain the Fund's month-end performance or more up-to-date information, please contact your UBS Financial Advisor or see "press releases" at <http://www.ubs.com/pr/funds>.

Footnotes:

¹ Generally, the Fund must invest at least 67% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage) and cash, including cash equivalents, but excluding non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), in Puerto Rico securities. Additionally, the Fund may issue preferred stock, debt securities, or other forms of leverage, representing not more than 50% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage), cash (including cash equivalents), and non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), immediately after the issuance of any such preferred stock, or other debt securities. Moreover, the Fund may not issue preferred stock, debt securities, or other forms of leverage unless the value of its total assets less all its liabilities and indebtedness, other than the preferred stock, debt securities, or other forms of leverage being issued or already outstanding, is at least equal to 200% of the total aggregate liquidation preference/principal amount of all its outstanding preferred stock (not including any accumulated dividends or other distributions), debt securities, and other forms of leverage. **Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years. In view of these volatile market conditions, the Puerto Rico Office of the Commissioner of Financial Institutions (the "PROCFI") has granted to the Fund a temporary regulatory waiver from the Funds' investment requirement in Puerto Rico securities of at least 67% of the Fund's total assets and leverage limitation of 50% of its total assets and 200% asset coverage requirement described above, through July 31, 2015. These temporary waivers may be renewed by the PROCFI for additional periods of time, should market conditions warrant, and upon written request by the Fund. It is the Fund's intention to re-achieve compliance**

therewith as soon as market conditions permit, though there is no assurance the Fund will be able to do so.

² Credit quality is as of December 31, 2014. The Fund's investment portfolio is actively managed, and its composition (including the portfolio statistics and characteristics) will vary over time. Credit quality percentages include only fixed income securities and vary over time, as new investment securities are acquired and the credit rating of any investment held by the Fund is reassessed. For purposes of determining compliance with the Fund's investment requirements, ratings are as of the time of purchase, using a Standard & Poor's equivalent ratings scale. On February 12, 2015, S&P further downgraded the credit rating on the GOs from "BB" to "B", as well as the credit ratings of other Commonwealth agencies and public corporations, including its credit ratings on senior and subordinate-lien bonds issued by COFINA, which were lowered from "BBB" and "BBB-", respectively to "B". On such date, the long-term issuer credit rating on the GDB was also lowered, from "BB-" to "B-". On February 19, 2015, Moody's followed suit and downgraded its credit ratings on various Government of Puerto Rico entities and issuances, including GOs, from "B2" to "Caa1", and COFINA's senior and subordinate-lien bonds, which were lowered from "Ba3" and "B1", to "B3" and "Caa1", respectively. Lastly, on March 26, 2015, Fitch also downgraded the credit rating on the GOs from "BB-" to "B", as well as the credit ratings of PRASA senior lien revenue bonds from "B+" to "B" and COFINA's senior and subordinate-lien bonds from "BB-" to "B". All of the before-mentioned ratings carry a negative outlook. **As a result of the foregoing, none of the bonds issued by the Government of Puerto Rico and its instrumentalities currently carry an investment-grade credit rating.** Inasmuch as the Fund invests a substantial portion of its assets in securities issued by the Commonwealth of Puerto Rico, these recent rating downgrades will negatively impact the Fund's ability to maintain compliance with its maximum/minimum investment threshold(s) in securities of a specific credit quality. To the extent that such investment threshold(s) in securities of a specific credit quality are exceeded, Fund management may determine to continue to hold such

lower-rated securities, provided any new investment proceeds are directed to acquire investment securities which satisfy the Fund's minimum credit rating requirements. **In view of the fact that the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years and the subsequent credit rating downgrade of certain Puerto Rico bonds, current or more up-to-date information regarding the Fund's portfolio holdings is available at <http://www.ubs.com/pr/funds>.** Currently, the Fund's percentage investment in securities rated below investment-grade (below "BBB" rating) or which are unrated, amounted to 13.10% of the Fund's total portfolio, which exceeds the Fund's maximum investment threshold of 5% of its total assets invested in securities rated below investment-grade or which are unrated. On January 2014, the Board of Directors approved the implementation of a share repurchase program for the acquisition of up to 25% of each Fund's total assets. The Repurchase Program is intended to enhance shareholder value by providing additional liquidity to Fund shareholders. For the quarter ended December 31, 2014, the Fund had repurchased 545,952 shares in the open market with an NAV of \$1,987,265, at a cost of \$1,777,755. Since the program's inception, the Fund has repurchased 2,870,709 shares of common stock in the open market with an NAV of \$11,023,750, at a cost of \$10,127,408, and which represent 10.80% of the total assets of the Fund (net of Shares acquired for dividend reinvestment purposes and which remain outstanding).

³ As of December 31, 2014. **Return figures were not calculated in accordance with Regulation 5766 of March 11, 1998, as amended, which requires that investment returns for an individual retirement account ("IRA") be calculated in the manner provided therein.** To the extent that an individual invests in the Fund through an IRA, his or her investment return figures will be less than those reported herein, when computed in accordance with Regulation 5766 and inasmuch as actual sales charges applicable to such IRA investments are taken into consideration.

"Average Annual Total Return" figures reflect the percentage change in the market value, determined by calculating the average between the bid and ask prices, plus any income and capital gain dividends, and return of capital distributions, all such dividends and distributions reinvested as of the corresponding record date thereof, at the month-end NAV as of that date. In the case of "NAV Total Return," the Fund's NAV per Share is used, rather than the average between the bid and ask prices, to determine such total return, as applicable. "Rolling Period Annual Returns" measure the monthly movement in the average of the Annualized Average Market Return figures over a one-year, three-year, five-year, and ten-year period (as applicable), as it moves over a consecutive time series that begins on the Fund's inception date. Additionally, in the case of the Average Annual Total Return and Rolling Period Annual Return figures, commissions or sales charges payable in connection with a purchase or sale of Shares may vary with each brokerage institution. Total return figures are not representative of the performance of any individual investment, and taxes on capital gain distributions or income dividends, if any, have not been deducted. All calculations were performed by Thomson Reuters, based on certain financial data provided by this Fund and are annualized with the exception of year-to-date figures.

⁴ A \$10,000 investment is hypothetical and is shown for illustrative purposes only.

⁵ "IPO Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the initial public offering price. "Current Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the month-end bid price.



UBS Asset Managers of Puerto Rico Funds Quarterly Review Fourth Quarter 2014

*Consideraciones Especiales

Cada Fondo es una compañía de inversión no diversificada de fin cerrado inscrita bajo la Ley Número 6 de 19 de octubre de 1954, según enmendada. Los valores emitidos por un Fondo pueden solamente ser adquiridos por, o transferidos a, individuos que sean residentes de Puerto Rico y a entidades cuya oficina y localización de negocios principal estén localizados en Puerto Rico. El rendimiento, el valor neto de los activos de un Fondo y el precio en el mercado de las acciones de capital común del Fondo (en adelante, las "Acciones"), podrán fluctuar y se determinarán por factores como la demanda y oferta en el mercado de las Acciones y las condiciones económicas, políticas y del mercado en general, al igual que otros factores que están fuera del control de un Fondo. Las Acciones son negociadas al precio del mercado, el cual puede reflejar una prima o descuento del valor neto de los activos de un Fondo y no se puede dar representación alguna sobre su liquidez o el mercado para disponer de las mismas. A pesar de que es la intención de UBS Financial Services Incorporated of Puerto Rico (en adelante, "UBSFSPR") de continuar manteniendo un mercado secundario para las Acciones, no está obligada a continuar haciéndolo. De otra parte, puede que no exista otra fuente de información de precios para las Acciones u otros compradores para las Acciones que no sea UBSFSPR.

Riesgo de concentración geográfica: El Fondo está expuesto a ciertos riesgos debido a la diversificación geográfica reducida de su cartera de inversiones. Los activos del fondo están invertidos primariamente en valores de emisores de Puerto Rico. A consecuencia, el Fondo generalmente es más susceptible a factores económicos, políticos, regulatorios y otros que podrían afectar adversamente a emisores de Puerto Rico que otra compañía de inversión la cual no esté tan concentrada en emisores de Puerto Rico. En adición, valores emitidos por el Gobierno de Puerto Rico o sus instrumentalidades se afectan por las finanzas del gobierno central. Eso incluye, pero no se limita a, las obligaciones generales de Puerto Rico y los bonos de ingresos, contribuciones especiales o de agencias. El efecto en cada deuda específica podría no ser el mismo y depende de que parte del dinero del gobierno o sus ingresos se supone pague el interés de dicha deuda. En la medida que un porcentaje relativamente alto de los activos del Fondo pueden ser invertidos en obligaciones de un número limitado de emisores de Puerto Rico, el valor neto de activos y su rendimiento puede aumentar o disminuir más que el de una compañía de inversión más diversificada, como resultado de cambios en cuanto a la evaluación de la condición financiera o prospectos de dichos emisores de Puerto Rico. El Fondo también puede ser más susceptible a cualquier ocurrencia individual económica, política o regulatoria en Puerto Rico que una compañía de inversión más diversificada. En los pasados años, los bonos principales del Gobierno de Puerto Rico, al igual que valores emitidos por ciertas instituciones financieras de Puerto Rico han sido degradados por varios factores, incluyendo sin limitación, al empeoramiento experimentado por la economía de Puerto Rico y la condición financiera pobre del Gobierno de Puerto Rico. Al presente, el mercado de bonos de Puerto Rico está experimentando un periodo de volatilidad, con los

bonos de Puerto Rico traficando a precios más bajos y rendimientos más altos a los puntos de referencia de los pasados dos (2) años, y así afectando el valor neto de activos del Fondo.

Transacciones de cartera entre un Fondo y UBSFSPR, Popular Securities (en el caso de un Fondo co-manejado con Banco Popular de Puerto Rico) y otras afiliadas son efectuadas conforme a ciertos procedimientos adoptados por la Junta de Directores de un Fondo con miras a atender posibles conflictos de interés.

Divulgación de Mercado Secundario: Dado a que actualmente UBSFSPR es la fuente dominante, y podría ser la única fuente, de liquidez para la negociación de las Acciones en el mercado secundario, cabe la posibilidad que un inversionista no pueda vender sus Acciones en el mercado secundario o que solamente pueda venderlas a pérdida, si UBSFSPR cesara de facilitar un mercado secundario para la negociación de las Acciones. Por lo tanto, la habilidad de un inversionista para vender sus Acciones dependerá del interés de otros inversionistas que estén comprando Acciones o la disponibilidad de UBSFSPR de designar capital adicional para mantener Acciones en su inventario. UBSFSPR podrá, a su única discreción, comprometer capital adicional para mantener Acciones en inventario cuando así lo estime apropiado, dependiendo de las condiciones del mercado y otras consideraciones, e igualmente en otras ocasiones, podrá reducir la cantidad de capital comprometida para financiar dicho inventario de las Acciones. Por ejemplo, cuando UBSFSPR compra Acciones para su inventario, los precios cotizados por éste podrán permanecer a los niveles previamente cotizados o aumentar. Por otro lado, cuando UBSFSPR vende Acciones de su inventario, los precios cotizados por éste podrían reducirse. En situaciones en que UBSFSPR está vendiendo Acciones de su inventario, podría ofrecer vender dichas Acciones a precios más bajos que cualquier orden de venta pendiente que fue puesta sobre sus Acciones por cualquier inversionista. Cualquier decisión de UBSFSPR de aumentar o reducir su inventario será tomada a su única discreción y no son divulgadas al público.

Divulgación Contributiva sobre Acuerdos de Recompra: A pesar de que existe precedente contable que apoya el concepto que los acuerdos de recompra y recompra a la inversa sean considerados como préstamos con garantía colateral para propósitos contributivos en Puerto Rico, dicho precedente no es determinante en cuanto a las disposiciones contributivas aplicables a los acuerdos de recompra que normalmente el Fondo suscribe, que contienen disposiciones que conceden al comprador de los valores subyacentes a dichos acuerdos el derecho a vender, transferir, pignorar o hipotecar dichos valores. A pesar de que el Departamento de Hacienda de Puerto Rico (en adelante, "Hacienda") nunca se ha expresado sobre si estos tipos de acuerdos deben ser considerados como una transferencia de titularidad sobre los valores subyacentes, Hacienda podría adoptar dicha posición y que los tribunales de Puerto Rico estén de acuerdo con dicha posición. En dicho caso, el interés exento pagado sobre los valores subyacentes a dichos acuerdos podría considerarse

como ingreso no exento del pago de contribución para el vendedor de tales valores subyacentes. En la medida que el Fondo sea considerado el vendedor bajo el acuerdo de recompra correspondiente, los dividendos distribuidos sobre las Acciones que a su vez son derivados del ingreso del acuerdo de recompra correspondiente podría ser considerado como un dividendo sujeto a tributación o ganancias de capital. Si tal dividendo fuera considerado como dividendo sujeto a tributación, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico podrían estar sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos distribuidos antes del 15 de julio de 2014) sobre el dividendo (o la contribución básica alterna aplicable), y aquellos que sean inversionistas corporativos estarían sujetos a una máxima tasa efectiva de 5.85% (o 4.5% para dividendos distribuidos antes del 15 de julio de 2014), debido a la deducción de 85% sobre dividendos recibidos, según dispuesto por el Código de Rentas Internas de Puerto Rico, multiplicando el 15% del dividendo por una tasa contributiva corporativa máxima de 39% para los dividendos distribuidos en o después del 1 de julio de 2014 y 30% para los dividendos distribuidos antes del 1 de julio de 2014). Por otro lado, si tales dividendos fueran considerados como dividendos de ganancias de capital, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico estarían sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014 o la contribución básica alterna aplicable), y los tenedores de las Acciones que tributa como corporaciones, estarían sujetos a una tasa contributiva de 20% (tasa contributiva de 15% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014).

Cambios Recientes al Derecho Tributario de Puerto Rico: El 1 de julio de 2014, el Gobernador de Puerto Rico firmó como ley la Ley 77-2014, la cual enmendó el Código de Rentas Internas de Puerto Rico del 2011 para proveer, entre otras cosas, (i) que el 10% de retención de impuesto que se le impone a los dividendos distribuidos por corporaciones de Puerto Rico a individuos, aplicará a los dividendos distribuidos antes del 1 de julio de 2014, y que la tasa de 15% aplicará a los dividendos distribuidos después del 30 de junio de 2014, y (ii) que las tasas de ganancias de capital a largo plazo para ventas e intercambios realizadas después del 30 de junio de 2014, ha sido aumentada de 10% a 15% para individuos, sucesiones y fideicomisos; y de 15% a 20% para las corporaciones. Consecuentemente, si el Fondo distribuye "Dividendos Tributables" después del 30 de junio de 2014, el interés aplicable y la tasa de retención será 15%. Del mismo modo, si el Fondo distribuye Dividendos de Ganancias de Capital después del 30 de junio de 2014, la tasa de interés aplicable para individuos, sucesiones y fideicomisos será un 15%, y 20% para las corporaciones. Se exhorta a los inversionistas a que contacten a su abogado o asesor contributivo. Ni UBS Financial Services Incorporated of Puerto Rico ni el Fondo proveen asesoría legal o contributiva.

El 11 de febrero de 2015 la Legislatura de Puerto Rico presentó dos proyectos de ley (P.C. 2329 y P.S.

1304) que proponen una reforma contributiva con la aprobación del "Nuevo Código de Rentas Internas de 2015" (el "Código Nuevo"). En términos generales, el Código Nuevo sería efectivo para años contributivos comenzados después del 31 de diciembre de 2014 y, de aprobarse, incluiría los siguientes cambios: (a) eliminar las tasas preferenciales que actualmente aplican a las ganancias de capital a largo plazo generadas después del 31 de diciembre de 2014; (b) eliminar la tasa preferencial de 10% que actualmente aplica a los ingresos de intereses de ciertas obligaciones, incluyendo los Intereses Tributables; (c) reducir el máximo de la tasa de contribuciones de individuos a 30%; (d) eliminar la contribución básica alterna de individuos; (e) establecer una tasa fija de contribuciones sobre ingresos de las corporaciones a 30%; (f) eliminar la exención de los intereses de ciertas obligaciones de los Estados Unidos y sus subdivisiones políticas; y (g) eliminar las tasas preferenciales aplicables a ciertos dividendos y otros ingresos de intereses. La Legislatura de Puerto Rico está en el proceso de revisión de los proyectos de ley, por lo que, actualmente, el resultado final no se puede determinar.

Aviso Legal

Rendimientos anteriores no son garantía de resultados futuros similares. Los rendimientos actuales podrían ser más bajos o más altos que el rendimiento aquí citado. Los valores emitidos por un Fondo están sujetos a riesgo de mercado, incluyendo la pérdida del principal invertido. Este documento no es una oferta de compra ni una solicitud de una oferta de compra para cualquier inversión en un Fondo y es para propósitos informativos solamente. Las inversiones en un Fondo están diseñadas principalmente y son adecuadas para inversionistas a largo plazo y no deben ser consideradas como un vehículo para fines de negociación. Estas inversiones pueden que no sean adecuadas para cualquier inversionista. Una inversión en un Fondo no es equivalente a una inversión en los valores subyacentes en los cuales un Fondo invierte. El uso de apalancamiento por un Fondo representa ciertos riesgos a los inversionistas en éste, y en ciertos casos, las fluctuaciones en las tasas de intereses podrían aumentar la volatilidad en su rendimiento y afectar a un Fondo a mayor grado que a una compañía de inversión no apalancada. **Información más detallada en cuanto a un Fondo, incluyendo los cargos, gastos y penalidades aplicables, objetivo(s) y políticas de inversión, factores de riesgo y el efecto de apalancamiento, se incluye en la documentación de oferta del Fondo, el cual usted debe leer cuidadosamente antes de hacer una inversión.** Para obtener más información en cuanto a un Fondo (incluyendo los rendimientos de inversión calculados conforme el Reglamento 5766 de 11 de marzo de 1998, según enmendado) o una copia del prospecto para la oferta de las Acciones o los informes anuales del Fondo, favor de contactar a la familia de fondos UBS Puerto Rico o Puerto Rico Investors al 787-773-3888 ó 787-751-5452, respectivamente. Para obtener más información en cuanto a los rendimientos del Fondo de fin de mes o información más actualizada, por favor contactar a su Asesor Financiero en UBSFSPR o verifique los comunicados de prensa ("press releases") en <http://www.ubs.com/prfunds>.

Glossary of fund terms

- **Ask Price:** generally refers to the lowest price at which a seller will sell a specified number of units of a given security at a particular time. The ask price may incorporate a markup, which may vary by transaction and may include commissions and other charges. The ask prices quoted by UBSFSPR represent its judgment of the market price for Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price and age of pending customer orders.
- **Average Duration:** a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flow accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flow consist of coupon payments and repayment of capital.) A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, for which maturity and duration are equal.
- **Bid Price:** generally refers to the highest price a buyer is willing to pay at a particular time for a unit of a given security. UBSFSPR publishes two types of bid prices for the Shares: firm or indicative. A firm bid is provided when UBSFSPR has the risk capacity and/or appetite at the particular time to purchase a specified number of Shares. An investor can sell to UBSFSPR at the firm bid price up to the specified number of Shares at a particular time. On the other hand, an indicative bid is provided for informational purposes only when UBSFSPR does not have the risk capacity and/or appetite at a particular time to purchase Shares. The prices quoted by UBSFSPR represent its judgment of the market price for the Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price, and age of pending customer orders, and may be higher (in which case the price is at a premium) or lower (in which case the price is at a discount) than the NAV of the Fund.

The prices quoted by UBSFSPR may also be affected by its willingness to hold additional inventory of the Shares or by its need to sell its inventory of Shares. Depending on market liquidity conditions, orders to buy or sell at the quoted price may not receive immediate execution, and an investor may not be able to sell its Shares at the price quoted by UBSFSPR. Moreover, the proceeds an investor receives on a sale of Shares may be lower than the bid price due to discounts, markdowns, and other charges. Since inception, the Shares have historically traded at prices which reflect a premium to their respective NAV per Share, though on certain limited instances, they have traded at prices which reflect a discount to their respective NAV per Share. However, there is no assurance that the Shares will continue to trade at prices which reflect such a premium. The Fund is presently experiencing liquidity issues. As a result, the bid price is for a limited number of shares, and it may not be possible for sellers to obtain the current bid price.

- **Credit Quality:** a measure of the likelihood that a financial obligation will not be honored provided by one or more of the rating agencies. Rating agencies assign classifications to their ratings, with "AAA" being the highest and "D" being the lowest for Standard & Poor's Ratings Services ("S&P"). The Fund may use other ratings and adjust them for use in this scale.
- **Effective Duration:** a calculation of duration that takes into account the embedded options in the securities of a portfolio and their expected changes in the cash flow of a portfolio caused by those options.
- **Expense Ratio:** The percentage of the Fund's average net assets attributable to holders of the Shares and which is used to pay operating expenses and takes into account investment management fees, administration fees, and other operating expenses such as legal, audit, insurance, and shareholder communications.
- **Hedge Notional:** refers to the total net face value, reflecting any offsetting positions, of derivative instruments employed in hedging strategies of the Fund.
- **Hedge Ratio:** ratio of the Fund's hedge notional amount to its total dollar amount of leverage as of the end of a calendar quarter, assuming the Fund is fully invested at quarter-end. The Fund's investment adviser may, at its discretion, use a variety of derivative instruments including securities options, financial futures contracts, options on futures contracts, and other interest rate protection transactions such as swap agreements, to attempt to hedge its portfolio of assets and seek to enhance its return. There can be no assurance that any particular hedging strategy used will succeed.
- **Leverage:** the Fund may issue preferred stock or debt, enter into repurchase agreements, or borrow money, in order to increase the amounts available for investment ("leverage"). This gives the Fund's investment adviser, in the fixed income area in particular, the opportunity to enhance yield. The use of leverage increases the likelihood of price volatility and market risk for the Shares. There is also the risk that the cost of funding leverage will exceed the earnings on the related investments, which will have the likely effect of reducing the Fund's yield and the value of its investments.
- **Leverage Adjusted Effective Duration:** effective duration adjusted for the impact of the Fund's utilization of leverage. A Fund that utilizes leverage will have a leverage-adjusted effective duration that is longer than its effective duration.
- **Maturity:** date on which the face value of a security/bond must be repaid. It measures the average length to maturity in years of all the bonds in the Fund's portfolio. For mortgage-backed securities, the maturity takes into account the prepayment of the underlying mortgages.
- **NAV:** Net Asset Value. On a per-Share basis, it is determined by calculating the Fund's total assets less its total liabilities and dividing such result by the Shares outstanding. On an aggregate, Fund basis, it is determined by calculating the Fund's total assets less its total liabilities.

- **Undistributed Income:** the Fund's net income that has not been distributed to holders of its Shares as of the latest available audited financial statements. In the case of a target maturity-type investment company (which is liquidated on or by a specific date), it also includes the amounts to be distributed on or by the liquidation date as the return of the initial investment.

For a definition of other terms, please see the Shares' prospectus.



Puerto Rico Investors Tax-Free Fund V, Inc.

Investment Objectives and Policies

Seeks high level of current income that, for Puerto Rico residents, is exempt from both U.S. Federal and Puerto Rico income taxes, consistent with the preservation of capital, by investing:

- up to 33% of its total assets in, among other things, securities issued or guaranteed by the U.S. Government, its agencies, and instrumentalities
- at least 67% of its total assets in Puerto Rico obligations (as described in the Prospectus)
- at least 95% of total assets in investment-grade securities²
- may issue leverage representing up to 50% of total assets¹

Pricing and Distribution History²

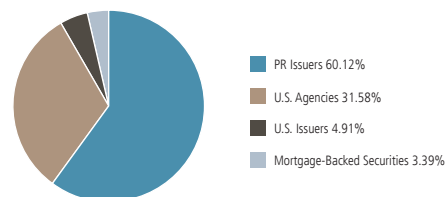
Initial Public Offering (IPO)	\$10.00
52-week Bid Low/High	\$3.67/\$4.19
YTD NAV Change	\$0.20
YTD Bid Price Change	\$0.00
IPO Yield ⁵	4.60%
Current Yield ⁵	12.50%
Last Dividend Paid	\$0.0388
Last 12 Month Dividend	\$0.4704

Portfolio Statistics and Characteristics²

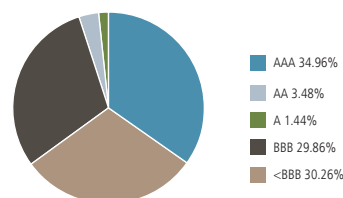
Commencement	Feb-97	Fiscal Year	31-Jan
Shares Outstanding (mm)	15.92	Weighted Avg. Coupon	5.37%
Bid Price	\$3.68	Average Maturity (yrs)	18.29
Net Asset Value (NAV)	\$4.11	Average Duration (yrs)	10.33
Bid Price to NAV Ratio	89.54%	Leverage Adjusted Effective Duration (yrs)	15.74
Net Assets (mm)	\$65.39	Leverage %	41.63% ¹
Leverage (mm)	\$47.15	Leverage Cost	0.73%
Undistributed Income (mm)	\$2.93	Hedge Notional (mm)	\$0.00
Expense Ratio	1.45%	Hedge Ratio	0%

See Portfolio Holdings, Portfolio Managers, Special Considerations, Disclaimers, Glossary of Fund Terms, and Footnotes on reverse.

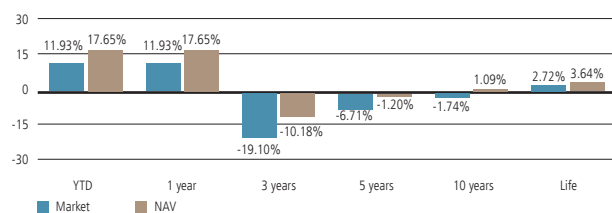
Portfolio Summary²



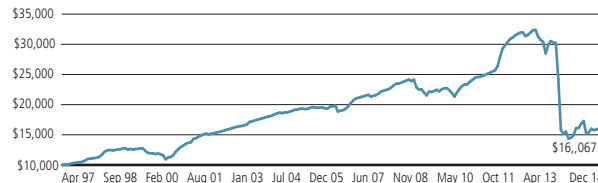
Credit Quality²



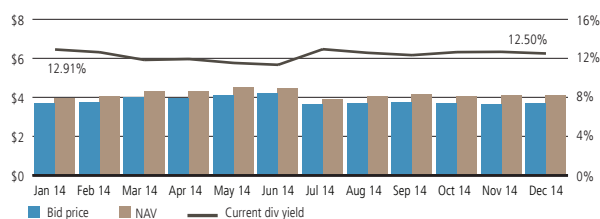
Average Annual Total Return³



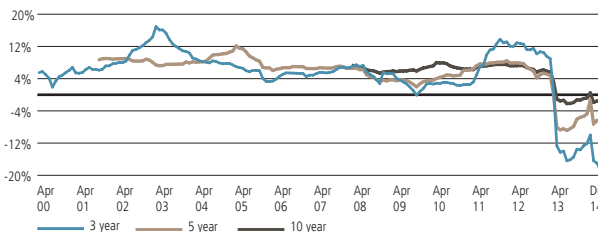
Growth of a \$10,000 Investment as of December 31, 2014⁴



Share Price, NAV and Current Dividend Yield – Prior 12 months



Rolling Period Annual Returns³



Portfolio Holdings²

PR Obligations	GDB	0.80%
Mortgage-Backed Securities	PRIDCO	10.39%
GNMA, FNMA, FGLMC CMO		3.39%
PR Obligations		63.51%
U.S. Obligations		
AFICA		
Doral Financial	3.64%	
Galería San Patricio	1.10%	
Costa Caribe	1.74%	
Palmas del Mar	0.45%	
PR Conservation Trust		
Doral	1.85%	
PR Sales Tax Financing	29.86%	
Employees Retirement System	10.29%	
U.S. Obligations		
Federal Home Loan Bank	25.40%	
Federal Farm Credit Bank	2.93%	
Fannie Mae Note	3.25%	
Build America Bonds	3.48%	
U.S. Municipals	1.43%	
U.S. Obligations		36.49%

Portfolio Managers

Leslie Highley, Jr.
Portfolio Manager since inception
UBS Asset Managers of Puerto Rico

Javier Rubio

Portfolio Manager since 1996
Popular Asset Management

*Special Considerations

The Fund is a non-diversified, closed-end management investment company registered under the Puerto Rico Investment Companies Act of 1954, as amended. Securities issued by the Fund may be purchased or otherwise transferred only to individuals who are residents of Puerto Rico and to entities whose principal office and principal place of business are located in Puerto Rico. The Fund's yield and net asset value and the market price of the Fund's shares of Common Stock (the "Shares") may fluctuate and will be determined by such factors as relative demand for and supply of the Shares in the market, as well as general market, political, and economic conditions and other factors beyond the control of the Fund. The Shares trade at market price, which may be at a discount or premium to NAV, and no assurance can be given as to their liquidity or trading market. While it is the intention of UBS Financial Services Incorporated of Puerto Rico ("UBSFSPR") to continue to maintain a secondary market for the Shares, it is not obligated to continue to do so. Moreover, there may be no other source of price information for the Shares or other purchasers of the Shares other than UBSFSPR.

Geographic Concentration Risk. The Fund is exposed to certain risks resulting from the reduced geographic diversification of its portfolio. The Fund's assets are invested primarily in securities of Puerto Rico issuers. Consequently, the Fund in general is more susceptible to economic, political, regulatory or other factors adversely affecting issuers in Puerto Rico than an investment company that is not so concentrated in Puerto Rico issuers. In addition, securities issued by the Government of Puerto Rico or its instrumentalities are affected by the central government's finances. That includes, but is not limited to, general obligations of Puerto Rico and revenue bonds, special tax bonds, or agency bonds. The effect on each specific debt may not be the same; it depends on exactly what part of the government's money or revenue is supposed to pay the interest thereon. Inasmuch as a relatively high percentage of the Fund's assets may be invested in obligations of a limited number of Puerto Rico issuers, the Fund's net asset value and its yield may increase or decrease more than that of a more diversified investment company as a result of changes in the market's assessment of the financial condition and prospects of such Puerto Rico issuers. The Fund may also be more susceptible to any single economic, political, or regulatory occurrence in Puerto Rico than a more widely diversified investment company. Over the past years, the principal Puerto Rico Government bonds as well as the securities issued by several Puerto Rico financial institutions have been downgraded as a result of several factors, including without limitation, the downturn experienced

by the Puerto Rico economy and the strained financial condition of the Government of Puerto Rico. Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years, thereby affecting the Fund's net asset value.

Portfolio transactions between the Fund and UBSFSPR, Popular Securities (in the case of a co-managed Fund with Banco Popular de Puerto Rico), and other affiliates, are conducted in accordance with procedures adopted by the Fund's Board of Directors in an effort to address potential conflicts of interest.

Secondary Market Disclosure: Given UBSFSPR is currently the dominant, and may be the sole source of secondary market liquidity for the Shares, an investor may not be able to sell its Shares or may only be able to sell them at a loss, if UBSFSPR were to cease to facilitate such secondary market for the Shares. Accordingly, an investor's ability to sell its Shares will depend on the interest of other investors buying Shares, or UBSFSPR's willingness to commit additional capital to holding Shares in inventory. UBSFSPR may, in its sole discretion, commit additional capital to hold Shares in inventory when it deems it appropriate to do so, given market conditions or other considerations, and similarly may reduce the amount of capital committed to fund such inventory of Shares at other times. For example, when UBSFSPR purchases Shares and holds them in its inventory, quoted prices may remain at the previously quoted levels or increase. Conversely, when UBSFSPR sells Shares from its inventory, the quoted prices may decrease. In situations where UBSFSPR is selling Shares from its inventory, it may offer to sell its Shares at prices that are lower than pending sell orders that were placed by investors in the Shares. Decisions by UBSFSPR to increase or decrease inventory are made at its sole discretion and are not generally disclosed.

Repurchase Agreement Tax Disclosure: While there is authority generally supporting the treatment of repurchase and reverse repurchase agreements as collateralized loans for Puerto Rico income tax purposes, that authority does not specifically address the tax treatment of the repurchase agreements that the Fund typically enters into, which contain provisions that grant the buyer the right to sell, transfer, pledge, or hypothecate the securities that are the object of such agreements. Although the Puerto Rico Treasury Department ("PR Treasury") has never pronounced itself as to whether this type of arrangement should be viewed as a transfer of ownership of the underlying securities, it is possible that the PR Treasury could take that position in the future and that Puerto Rico

therewith as soon as market conditions permit, though there is no assurance the Fund will be able to do so.

² **credit quality** is as of December 31, 2014. The Fund's investment portfolio is actively managed, and its composition (including the portfolio statistics and characteristics) will vary over time. Credit quality percentages include only fixed income securities and vary over time, as new investment securities are acquired and the credit rating of any investment held by the Fund is reassessed. For purposes of determining compliance with the Fund's investment requirements, ratings are as of the time of purchase, using a Standard & Poor's equivalent ratings scale. On February 12, 2015, S&P further downgraded the credit rating on the GOs from "BB" to "B", as well as the credit ratings of other Commonwealth agencies and public corporations, including its credit ratings on senior and subordinate-lien bonds issued by COFINA, which were lowered from "BBB" and "BBB-", respectively to "B". On such date, the long-term issuer credit rating on the GDB was also lowered, from "BB-" to "B-". On February 19, 2015, Moody's followed suit and downgraded its credit ratings on various Government of Puerto Rico entities and issuances, including GOs, from "B2" to "Caa1", and COFINA's senior and subordinate-lien bonds, which were lowered from "Ba3" and "B1", to "B3" and "Caa1", respectively. Lastly, on March 26, 2015, Fitch also downgraded the credit rating on the GOs from "BB-" to "B", as well as the credit ratings of PRASA senior lien revenue bonds from "B+" to "B" and COFINA's senior and subordinate-lien bonds from "BB-" to "B". All of the before-mentioned ratings carry a negative outlook. **As a result of the foregoing, none of the bonds issued by the Government of Puerto Rico and its instrumentalities currently carry an investment-grade credit rating.** Inasmuch as the Fund invests a substantial portion of its assets in securities issued by the Commonwealth of Puerto Rico, these recent rating downgrades will negatively impact the Fund's ability to maintain compliance with its maximum/minimum investment threshold(s) in securities of a specific credit quality. To the extent that such investment threshold(s) in securities of a specific credit quality are exceeded, Fund management may determine to continue to hold such

courts would agree with that view. In such event, the tax exempt interest paid on such underlying securities could be deemed not to constitute tax exempt income for the seller of such securities; to the extent that the Fund was such seller, the dividends distributed on its Shares from such income could be treated either as taxable dividends or capital gain dividends. If such dividends were treated as taxable dividends, holders of the Shares who are individuals or Puerto Rico trusts could be subject to a 15% income tax (or 10% income for dividends distributed before July 15, 2014) on the dividend (or the applicable alternate basic tax), and those which are corporate investors would be subject to a maximum effective income tax rate of 5.85% (or 4.5% for dividends distributed before July 15, 2014), (due to the 85% dividend received deduction of the Puerto Rico Internal Revenue Code, 15% of the dividend multiplied by a 39% maximum corporate income tax rate for dividends distributed on or after July 1, 2014 and 30% for dividends distributed before July 1, 2014). On the other hand, if such dividends were treated as capital gains dividends, holders of the Shares who are individuals or Puerto Rico trusts would be subject to a 15% income tax (or 10% income tax for capital dividends distributed before July 1, 2014) (or the applicable alternate basic tax), and holders of the Shares which are taxed as corporations would be subject to a 20% income tax (15% income tax for capital dividends distributed before July 1, 2014).

Recent Changes in Puerto Rico tax law: On July 1, 2014, the Governor of Puerto Rico signed into law Act 77-2014 which amended the Puerto Rico Internal Revenue Code of 2011 to provide, among other things, (i) the 10% withholding tax that is imposed on dividends distributed by Puerto Rico corporations to individuals will apply to dividends distributed before July 1, 2014, and that a 15% rate will apply for dividends distributed after June 30, 2014, and (ii) the long-term capital gains rate for sales and exchanges effected after June 30, 2014, is increased from 10% to 15%, in the case of individuals, estates, and trusts; and from 15% to 20%, in the case of corporations. Accordingly, if the Fund distributes "Taxable Dividends" after June 30, 2014, the applicable tax and withholding rate will be 15%. Similarly, if the Fund distributes Capital Gain Dividends after June 30, 2014, the applicable tax rate for individuals, estates and trusts will be 15%, and 20% in the case of corporations. Investors are encouraged to contact their lawyer or tax consultant. Neither the Fund nor UBS Financial Services Incorporated of Puerto Rico provides legal or tax advice.

On February 11, 2015, two (2) bills (P.C. 2329 and P.S. 1304) were introduced into the Puerto Rico Legislature and which propose the

lower-rated securities, provided any new investment proceeds are directed to acquire investment securities which satisfy the Fund's minimum credit rating requirements. **In view of the fact that the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years and the subsequent credit rating downgrade of certain Puerto Rico bonds, current or more up-to-date information regarding the Fund's portfolio holdings is available at <http://www.ubs.com/prfunds>.** Currently, the Fund's percentage investment in securities rated below investment-grade (below "BBB" rating) or which are unrated, amounted to 30.26% of the Fund's total portfolio, which exceeds the Fund's maximum investment threshold of 5% of its total assets invested in securities rated below investment-grade or which are unrated. On January 2014, the Board of Directors approved the implementation of a share repurchase program for the acquisition of up to 25% of each Fund's total assets. The Repurchase Program is intended to enhance shareholder value by providing additional liquidity to Fund shareholders. For the quarter ended December 31, 2014, the Fund had repurchased 655,041 shares in the open market with an NAV of \$2,731,521, at a cost of \$2,442,403. Since the program's inception, the Fund has repurchased 4,934,006 shares of common stock in the open market with an NAV of \$21,112,235, at a cost of \$19,315,637, and which represent 13.99% of the total assets of the Fund (net of Shares acquired for dividend reinvestment purposes and which remain outstanding).

³ As of December 31, 2014. **Return figures were not calculated in accordance with Regulation 5766 of March 11, 1998, as amended, which requires that investment returns for an individual retirement account ("IRA") be calculated in the manner provided therein.** To the extent that an individual invests in the Fund through an IRA, his or her investment return figures will be less than those reported herein, when computed in accordance with Regulation 5766 and inasmuch as actual sales charges applicable to such IRA investments are taken into consideration.

adoption of a "New Puerto Rico Internal Revenue Code of 2015" ("New Code"). In general, the New Code would be effective for taxable years beginning after December 31, 2014 and, if approved, the New Code would, amongst other changes: (a) eliminate the preferential tax rates that currently apply to long-term capital gains derived after December 31, 2014, (b) eliminate the preferential 10% rate that currently applies to interest on certain obligations, such as Taxable Interest, (c) reduce the maximum marginal tax rate of individuals to 30%, (d) eliminate the alternate basic tax for individuals, (e) provide for a fixed 30% regular income tax rate for corporations, (f) eliminate the exemption for interest on obligations issued by States and their political sub-divisions, and (g) eliminate the preferential tax rates that currently exist for certain dividends and other interest income items. The Puerto Rico Legislature is currently reviewing the proposed bills and, therefore, their final outcome is not currently determinable.

Legal Disclaimer

Past performance does not guarantee future results. Current performance may be lower or higher than the performance quoted. Securities issued by the Fund are subject to market risk, including the loss of principal amounts invested. This document is not an offer to sell, or the solicitation of an offer to buy any investment in the Fund, and is for informational purposes only. Fund investments are designed primarily and suitable for long-term investors and not viewed as a vehicle for trading purposes. They may not be suitable to all investors. Fund investments are not equivalent to investments in its underlying securities. The Fund's utilization of leverage poses certain risks to investors, and in some cases, interest rate fluctuations may increase the volatility of its return and affect the Fund to a significantly greater extent than a non-leveraged investment company. **More detailed information about the Fund, including applicable fees, costs, penalties, investment objectives and policies, risk factors, and the effects of leverage, is further described in the Share's prospectus, which you should read carefully prior to making an investment.** To obtain additional information related to the Fund (including investment returns calculated in accordance with Regulation 5766 of March 11, 1998, as amended) or a copy of the Shares' prospectus or Fund's annual report, please contact the Puerto Rico Investors Family of Funds at 787-751-5452. To obtain the Fund's month-end performance or more up-to-date information, please contact your UBS Financial Advisor or see "press releases" at <http://www.ubs.com/prfunds>.

"Average Annual Total Return" figures reflect the percentage change in the market value, determined by calculating the average between the bid and ask prices, plus any income and capital gain dividends, and return of capital distributions, all such dividends and distributions reinvested as of the corresponding record date thereof, at the month-end NAV as of that date. In the case of "NAV Total Return," the Fund's NAV per Share is used, rather than the average between the bid and ask prices, to determine such total return, as applicable. "Rolling Period Annual Returns" measure the monthly movement in the average of the Annualized Average Market Return figures over a one-year, three-year, five-year, and ten-year period (as applicable), as it moves over a consecutive time series that begins on the Fund's inception date. Additionally, in the case of the Average Annual Total Return and Rolling Period Annual Return figures, commissions or sales charges payable in connection with a purchase or sale of Shares may vary with each brokerage institution. Total return figures are not representative of the performance of any individual investment, and taxes on capital gain distributions or income dividends, if any, have not been deducted. All calculations were performed by Thomson Reuters, based on certain financial data provided by this Fund and are annualized with the exception of year-to-date figures. ⁴ A \$10,000 investment is hypothetical and is shown for illustrative purposes only. ⁵ "IPO Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the initial public offering price. "Current Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the month-end bid price.

Footnotes:

¹ Generally, the Fund must invest at least 67% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage) and cash, including cash equivalents, but excluding non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), in Puerto Rico securities. Additionally, the Fund may issue preferred stock, debt securities, or other forms of leverage, representing not more than 50% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage), cash (including cash equivalents), and non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), immediately after the issuance of any such preferred stock, or other debt securities. Moreover, the Fund may not issue preferred stock, debt securities, or other forms of leverage unless the value of its total assets less all its liabilities and indebtedness, other than the preferred stock, debt securities, or other forms of leverage being issued or already outstanding, is at least equal to 200% of the total aggregate liquidation preference/principal amount of all its outstanding preferred stock (not including any accumulated dividends or other distributions), debt securities, and other forms of leverage. **Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years. In view of these volatile market conditions, the Puerto Rico Office of the Commissioner of Financial Institutions (the "PROCFI") has granted to the Fund a temporary regulatory waiver from the Funds' investment requirement in Puerto Rico securities of at least 67% of the Fund's total assets and leverage limitation of 50% of its total assets and 200% asset coverage requirement described above, through July 31, 2015. These temporary waivers may be renewed by the PROCFI for additional periods of time, should market conditions warrant, and upon written request by the Fund. It is the Fund's intention to re-achieve compliance**



UBS Asset Managers of Puerto Rico Funds Quarterly Review Fourth Quarter 2014

*Consideraciones Especiales

Cada Fondo es una compañía de inversión no diversificada de fin cerrado inscrita bajo la Ley Número 6 de 19 de octubre de 1954, según enmendada. Los valores emitidos por un Fondo pueden solamente ser adquiridos por, o transferidos a, individuos que sean residentes de Puerto Rico y a entidades cuya oficina y localización de negocios principal estén localizados en Puerto Rico. El rendimiento, el valor neto de los activos de un Fondo y el precio en el mercado de las acciones de capital común del Fondo (en adelante, las "Acciones"), podrán fluctuar y se determinarán por factores como la demanda y oferta en el mercado de las Acciones y las condiciones económicas, políticas y del mercado en general, al igual que otros factores que están fuera del control de un Fondo. Las Acciones son negociadas al precio del mercado, el cual puede reflejar una prima o descuento del valor neto de los activos de un Fondo y no se puede dar representación alguna sobre su liquidez o el mercado para disponer de las mismas. A pesar de que es la intención de UBS Financial Services Incorporated of Puerto Rico (en adelante, "UBSFSPR") de continuar manteniendo un mercado secundario para las Acciones, no está obligada a continuar haciéndolo. De otra parte, puede que no exista otra fuente de información de precios para las Acciones u otros compradores para las Acciones que no sea UBSFSPR.

Riesgo de concentración geográfica: El Fondo está expuesto a ciertos riesgos debido a la diversificación geográfica reducida de su cartera de inversiones. Los activos del fondo están invertidos primariamente en valores de emisores de Puerto Rico. A consecuencia, el Fondo generalmente es más susceptible a factores económicos, políticos, regulatorios y otros que podrían afectar adversamente a emisores de Puerto Rico que otra compañía de inversión la cual no esté tan concentrada en emisores de Puerto Rico. En adición, valores emitidos por el Gobierno de Puerto Rico o sus instrumentalidades se afectan por las finanzas del gobierno central. Eso incluye, pero no se limita a, las obligaciones generales de Puerto Rico y los bonos de ingresos, contribuciones especiales o de agencias. El efecto en cada deuda específica podría no ser el mismo y depende de que parte del dinero del gobierno o sus ingresos se supone pague el interés de dicha deuda. En la medida que un porcentaje relativamente alto de los activos del Fondo pueden ser invertidos en obligaciones de un número limitado de emisores de Puerto Rico, el valor neto de activos y su rendimiento puede aumentar o disminuir más que el de una compañía de inversión más diversificada, como resultado de cambios en cuanto a la evaluación de la condición financiera o prospectos de dichos emisores de Puerto Rico. El Fondo también puede ser más susceptible a cualquier ocurrencia individual económica, política o regulatoria en Puerto Rico que una compañía de inversión más diversificada. En los pasados años, los bonos principales del Gobierno de Puerto Rico, al igual que valores emitidos por ciertas instituciones financieras de Puerto Rico han sido degradados por varios factores, incluyendo sin limitación, al empeoramiento experimentado por la economía de Puerto Rico y la condición financiera pobre del Gobierno de Puerto Rico. Al presente, el mercado de bonos de Puerto Rico está experimentando un periodo de volatilidad, con los

bonos de Puerto Rico traficando a precios más bajos y rendimientos más altos a los puntos de referencia de los pasados dos (2) años, y así afectando el valor neto de activos del Fondo.

Transacciones de cartera entre un Fondo y UBSFSPR, Popular Securities (en el caso de un Fondo co-manejado con Banco Popular de Puerto Rico) y otras afiliadas son efectuadas conforme a ciertos procedimientos adoptados por la Junta de Directores de un Fondo con miras a atender posibles conflictos de interés.

Divulgación de Mercado Secundario: Dado a que actualmente UBSFSPR es la fuente dominante, y podría ser la única fuente, de liquidez para la negociación de las Acciones en el mercado secundario, cabe la posibilidad que un inversionista no pueda vender sus Acciones en el mercado secundario o que solamente pueda venderlas a pérdida, si UBSFSPR cesara de facilitar un mercado secundario para la negociación de las Acciones. Por lo tanto, la habilidad de un inversionista para vender sus Acciones dependerá del interés de otros inversionistas que estén comprando Acciones o la disponibilidad de UBSFSPR de designar capital adicional para mantener Acciones en su inventario. UBSFSPR podrá, a su única discreción, comprometer capital adicional para mantener Acciones en inventario cuando así lo estime apropiado, dependiendo de las condiciones del mercado y otras consideraciones, e igualmente en otras ocasiones, podrá reducir la cantidad de capital comprometida para financiar dicho inventario de las Acciones. Por ejemplo, cuando UBSFSPR compra Acciones para su inventario, los precios cotizados por éste podrán permanecer a los niveles previamente cotizados o aumentar. Por otro lado, cuando UBSFSPR vende Acciones de su inventario, los precios cotizados por éste podrían reducirse. En situaciones en que UBSFSPR está vendiendo Acciones de su inventario, podría ofrecer vender dichas Acciones a precios más bajos que cualquier orden de venta pendiente que fue puesta sobre sus Acciones por cualquier inversionista. Cualquier decisión de UBSFSPR de aumentar o reducir su inventario será tomada a su única discreción y no son divulgadas al público.

Divulgación Contributiva sobre Acuerdos de Recompra: A pesar de que existe precedente contable que apoya el concepto que los acuerdos de recompra y recompra a la inversa sean considerados como préstamos con garantía colateral para propósitos contributivos en Puerto Rico, dicho precedente no es determinante en cuanto a las disposiciones contributivas aplicables a los acuerdos de recompra que normalmente el Fondo suscribe, que contienen disposiciones que conceden al comprador de los valores subyacentes a dichos acuerdos el derecho a vender, transferir, pignorar o hipotecar dichos valores. A pesar de que el Departamento de Hacienda de Puerto Rico (en adelante, "Hacienda") nunca se ha expresado sobre si estos tipos de acuerdos deben ser considerados como una transferencia de titularidad sobre los valores subyacentes, Hacienda podría adoptar dicha posición y que los tribunales de Puerto Rico estén de acuerdo con dicha posición. En dicho caso, el interés exento pagado sobre los valores subyacentes a dichos acuerdos podría considerarse

como ingreso no exento del pago de contribución para el vendedor de tales valores subyacentes. En la medida que el Fondo sea considerado el vendedor bajo el acuerdo de recompra correspondiente, los dividendos distribuidos sobre las Acciones que a su vez son derivados del ingreso del acuerdo de recompra correspondiente podría ser considerado como un dividendo sujeto a tributación o ganancias de capital. Si tal dividendo fuera considerado como dividendo sujeto a tributación, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico podrían estar sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos distribuidos antes del 15 de julio de 2014) sobre el dividendo (o la contribución básica alterna aplicable), y aquellos que sean inversionistas corporativos estarían sujetos a una máxima tasa efectiva de 5.85% (o 4.5% para dividendos distribuidos antes del 15 de julio de 2014), debido a la deducción de 85% sobre dividendos recibidos, según dispuesto por el Código de Rentas Internas de Puerto Rico, multiplicando el 15% del dividendo por una tasa contributiva corporativa máxima de 39% para los dividendos distribuidos en o después del 1 de julio de 2014 y 30% para los dividendos distribuidos antes del 1 de julio de 2014). Por otro lado, si tales dividendos fueran considerados como dividendos de ganancias de capital, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico estarían sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014 o la contribución básica alterna aplicable), y los tenedores de las Acciones que tributa como corporaciones, estarían sujetos a una tasa contributiva de 20% (tasa contributiva de 15% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014).

Cambios Recientes al Derecho Tributario de Puerto Rico: El 1 de julio de 2014, el Gobernador de Puerto Rico firmó como ley la Ley 77-2014, la cual enmendó el Código de Rentas Internas de Puerto Rico del 2011 para proveer, entre otras cosas, (i) que el 10% de retención de impuesto que se le impone a los dividendos distribuidos por corporaciones de Puerto Rico a individuos, aplicará a los dividendos distribuidos antes del 1 de julio de 2014, y que la tasa de 15% aplicará a los dividendos distribuidos después del 30 de junio de 2014, y (ii) que las tasas de ganancias de capital a largo plazo para ventas e intercambios realizadas después del 30 de junio de 2014, ha sido aumentada de 10% a 15% para individuos, sucesiones y fideicomisos; y de 15% a 20% para las corporaciones. Consecuentemente, si el Fondo distribuye "Dividendos Tributables" después del 30 de junio de 2014, el interés aplicable y la tasa de retención será 15%. Del mismo modo, si el Fondo distribuye Dividendos de Ganancias de Capital después del 30 de junio de 2014, la tasa de interés aplicable para individuos, sucesiones y fideicomisos será un 15%, y 20% para las corporaciones. Se exhorta a los inversionistas a que contacten a su abogado o asesor contributivo. Ni UBS Financial Services Incorporated of Puerto Rico ni el Fondo proveen asesoría legal o contributiva.

El 11 de febrero de 2015 la Legislatura de Puerto Rico presentó dos proyectos de ley (P.C. 2329 y P.S.

1304) que proponen una reforma contributiva con la aprobación del "Nuevo Código de Rentas Internas de 2015" (el "Código Nuevo"). En términos generales, el Código Nuevo sería efectivo para años contributivos comenzados después del 31 de diciembre de 2014 y, de aprobarse, incluiría los siguientes cambios: (a) eliminar las tasas preferenciales que actualmente aplican a las ganancias de capital a largo plazo generadas después del 31 de diciembre de 2014; (b) eliminar la tasa preferencial de 10% que actualmente aplica a los ingresos de intereses de ciertas obligaciones, incluyendo los Intereses Tributables; (c) reducir el máximo de la tasa de contribuciones de individuos a 30%; (d) eliminar la contribución básica alterna de individuos; (e) establecer una tasa fija de contribuciones sobre ingresos de las corporaciones a 30%; (f) eliminar la exención de los intereses de ciertas obligaciones de los Estados Unidos y sus subdivisiones políticas; y (g) eliminar las tasas preferenciales aplicables a ciertos dividendos y otros ingresos de intereses. La Legislatura de Puerto Rico está en el proceso de revisión de los proyectos de ley, por lo que, actualmente, el resultado final no se puede determinar.

Aviso Legal

Rendimientos anteriores no son garantía de resultados futuros similares. Los rendimientos actuales podrían ser más bajos o más altos que el rendimiento aquí citado. Los valores emitidos por un Fondo están sujetos a riesgo de mercado, incluyendo la pérdida del principal invertido. Este documento no es una oferta de compra ni una solicitud de una oferta de compra para cualquier inversión en un Fondo y es para propósitos informativos solamente. Las inversiones en un Fondo están diseñadas principalmente y son adecuadas para inversionistas a largo plazo y no deben ser consideradas como un vehículo para fines de negociación. Estas inversiones pueden que no sean adecuadas para cualquier inversionista. Una inversión en un Fondo no es equivalente a una inversión en los valores subyacentes en los cuales un Fondo invierte. El uso de apalancamiento por un Fondo representa ciertos riesgos a los inversionistas en éste, y en ciertos casos, las fluctuaciones en las tasas de intereses podrían aumentar la volatilidad en su rendimiento y afectar a un Fondo a mayor grado que a una compañía de inversión no apalancada. **Información más detallada en cuanto a un Fondo, incluyendo los cargos, gastos y penalidades aplicables, objetivo(s) y políticas de inversión, factores de riesgo y el efecto de apalancamiento, se incluye en la documentación de oferta del Fondo, el cual usted debe leer cuidadosamente antes de hacer una inversión.** Para obtener más información en cuanto a un Fondo (incluyendo los rendimientos de inversión calculados conforme el Reglamento 5766 de 11 de marzo de 1998, según enmendado) o una copia del prospecto para la oferta de las Acciones o los informes anuales del Fondo, favor de contactar a la familia de fondos UBS Puerto Rico o Puerto Rico Investors al 787-773-3888 ó 787-751-5452, respectivamente. Para obtener más información en cuanto a los rendimientos del Fondo de fin de mes o información más actualizada, por favor contactar a su Asesor Financiero en UBSFSPR o verifique los comunicados de prensa ("press releases") en <http://www.ubs.com/prfunds>.

Glossary of fund terms

- **Ask Price:** generally refers to the lowest price at which a seller will sell a specified number of units of a given security at a particular time. The ask price may incorporate a markup, which may vary by transaction and may include commissions and other charges. The ask prices quoted by UBSFSPR represent its judgment of the market price for Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price and age of pending customer orders.
- **Average Duration:** a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flow accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flow consist of coupon payments and repayment of capital.) A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, for which maturity and duration are equal.
- **Bid Price:** generally refers to the highest price a buyer is willing to pay at a particular time for a unit of a given security. UBSFSPR publishes two types of bid prices for the Shares: firm or indicative. A firm bid is provided when UBSFSPR has the risk capacity and/or appetite at the particular time to purchase a specified number of Shares. An investor can sell to UBSFSPR at the firm bid price up to the specified number of Shares at a particular time. On the other hand, an indicative bid is provided for informational purposes only when UBSFSPR does not have the risk capacity and/or appetite at a particular time to purchase Shares. The prices quoted by UBSFSPR represent its judgment of the market price for the Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price, and age of pending customer orders, and may be higher (in which case the price is at a premium) or lower (in which case the price is at a discount) than the NAV of the Fund.

The prices quoted by UBSFSPR may also be affected by its willingness to hold additional inventory of the Shares or by its need to sell its inventory of Shares. Depending on market liquidity conditions, orders to buy or sell at the quoted price may not receive immediate execution, and an investor may not be able to sell its Shares at the price quoted by UBSFSPR. Moreover, the proceeds an investor receives on a sale of Shares may be lower than the bid price due to discounts, markdowns, and other charges. Since inception, the Shares have historically traded at prices which reflect a premium to their respective NAV per Share, though on certain limited instances, they have traded at prices which reflect a discount to their respective NAV per Share. However, there is no assurance that the Shares will continue to trade at prices which reflect such a premium. The Fund is presently experiencing liquidity issues. As a result, the bid price is for a limited number of shares, and it may not be possible for sellers to obtain the current bid price.

- **Credit Quality:** a measure of the likelihood that a financial obligation will not be honored provided by one or more of the rating agencies. Rating agencies assign classifications to their ratings, with "AAA" being the highest and "D" being the lowest for Standard & Poor's Ratings Services ("S&P"). The Fund may use other ratings and adjust them for use in this scale.
- **Effective Duration:** a calculation of duration that takes into account the embedded options in the securities of a portfolio and their expected changes in the cash flow of a portfolio caused by those options.
- **Expense Ratio:** The percentage of the Fund's average net assets attributable to holders of the Shares and which is used to pay operating expenses and takes into account investment management fees, administration fees, and other operating expenses such as legal, audit, insurance, and shareholder communications.
- **Hedge Notional:** refers to the total net face value, reflecting any offsetting positions, of derivative instruments employed in hedging strategies of the Fund.
- **Hedge Ratio:** ratio of the Fund's hedge notional amount to its total dollar amount of leverage as of the end of a calendar quarter, assuming the Fund is fully invested at quarter-end. The Fund's investment adviser may, at its discretion, use a variety of derivative instruments including securities options, financial futures contracts, options on futures contracts, and other interest rate protection transactions such as swap agreements, to attempt to hedge its portfolio of assets and seek to enhance its return. There can be no assurance that any particular hedging strategy used will succeed.
- **Leverage:** the Fund may issue preferred stock or debt, enter into repurchase agreements, or borrow money, in order to increase the amounts available for investment ("leverage"). This gives the Fund's investment adviser, in the fixed income area in particular, the opportunity to enhance yield. The use of leverage increases the likelihood of price volatility and market risk for the Shares. There is also the risk that the cost of funding leverage will exceed the earnings on the related investments, which will have the likely effect of reducing the Fund's yield and the value of its investments.
- **Leverage Adjusted Effective Duration:** effective duration adjusted for the impact of the Fund's utilization of leverage. A Fund that utilizes leverage will have a leverage-adjusted effective duration that is longer than its effective duration.
- **Maturity:** date on which the face value of a security/bond must be repaid. It measures the average length to maturity in years of all the bonds in the Fund's portfolio. For mortgage-backed securities, the maturity takes into account the prepayment of the underlying mortgages.
- **NAV:** Net Asset Value. On a per-Share basis, it is determined by calculating the Fund's total assets less its total liabilities and dividing such result by the Shares outstanding. On an aggregate, Fund basis, it is determined by calculating the Fund's total assets less its total liabilities.

- **Undistributed Income:** the Fund's net income that has not been distributed to holders of its Shares as of the latest available audited financial statements. In the case of a target maturity-type investment company (which is liquidated on or by a specific date), it also includes the amounts to be distributed on or by the liquidation date as the return of the initial investment.

For a definition of other terms, please see the Shares' prospectus.



Puerto Rico Investors Tax-Free Fund VI, Inc.

Investment Objectives and Policies

Seeks high level of current income that, for Puerto Rico residents, is exempt from both U.S. Federal and Puerto Rico income taxes, consistent with the preservation of capital, by investing:

- up to 33% of its total assets in, among other things, securities issued or guaranteed by the U.S. Government, its agencies, and instrumentalities
- at least 67% of its total assets in securities issued by Puerto Rico issuers (as described in the Prospectus)
- at least 95% of total assets in investment-grade securities²
- may issue leverage representing up to 50% of total assets¹

Pricing and Distribution History²

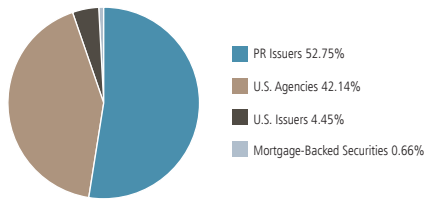
Initial Public Offering (IPO)	\$10.00
52-week Bid Low/High	\$4.26/\$5.06
YTD NAV Change	\$0.18
YTD Bid Price Change	-\$0.14
IPO Yield ⁵	5.15%
Current Yield ⁵	12.09%
Last Dividend Paid	\$0.0429
Last 12 Month Dividend	\$0.5371

Portfolio Statistics and Characteristics²

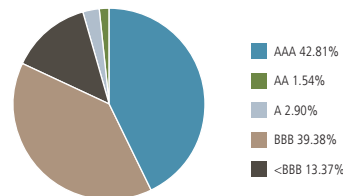
Commencement	July-99	Fiscal Year	30-Jun
Shares Outstanding (mm)	22.27	Weighted Avg. Coupon	4.90%
Bid Price	\$4.26	Average Maturity (yrs)	20.12
Net Asset Value (NAV)	\$4.78	Average Duration (yrs)	10.89
Bid Price to NAV Ratio	89.12%	Leverage Adjusted Effective Duration (yrs)	18.03
Net Assets (mm)	\$106.35	Leverage %	44.96% ¹
Leverage (mm)	\$87.77	Leverage Cost	0.45%
Undistributed Income (mm)	\$5.99	Hedge Notional (mm)	\$0.00
Expense Ratio	1.23%	Hedge Ratio	0%

See Portfolio Holdings, Portfolio Managers, Special Considerations, Disclaimers, Glossary of Fund Terms, and Footnotes on reverse.

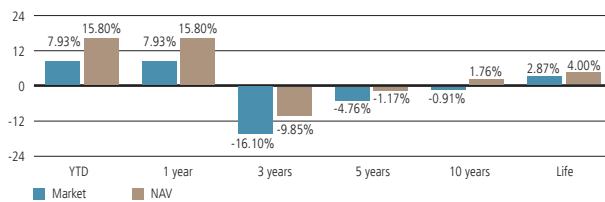
Portfolio Summary²



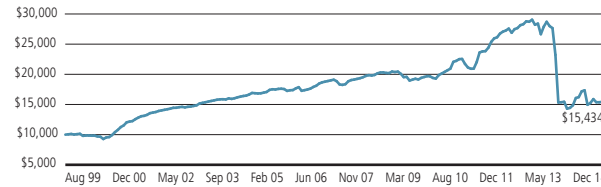
Credit Quality²



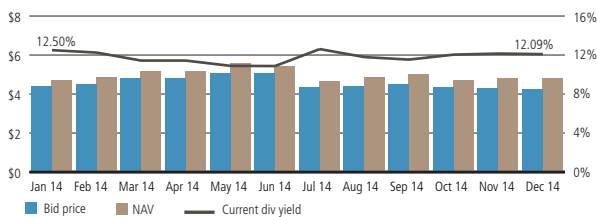
Average Annual Total Return³



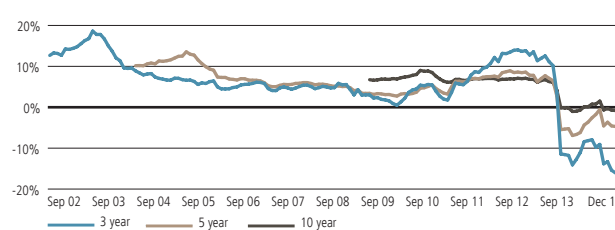
Growth of a \$10,000 Investment as of December 31, 2014⁴



Share Price, NAV and Current Dividend Yield – Prior 12 months



Rolling Period Annual Returns³



Portfolio Holdings²

PR Obligations	PRASA	0.58%
Mortgage-Backed Securities	University of PR	0.36%
GNMA, FNMA, FGLMC CMO		0.66%
PRGOs		0.17%
PR Sales Tax Financing		39.38%
GDB		0.88%
Employees Retirement System		10.46%
PR Highway & Transportation		0.31%
PRIDCO		0.61%
PR Obligations	53.41%	
U.S. Obligations		
Federal Home Loan Bank		25.07%
Federal Farm Credit Bank		17.07%
Build America Bonds		4.45%
U.S. Obligations	46.59%	

Portfolio Managers

Leslie Highley, Jr.
Portfolio Manager since inception
UBS Asset Managers of Puerto Rico

Javier Rubio

Portfolio Manager since inception
Popular Asset Management

*Special Considerations

The Fund is a non-diversified, closed-end management investment company registered under the Puerto Rico Investment Companies Act of 1954, as amended. Securities issued by the Fund may be purchased or otherwise transferred only to individuals who are residents of Puerto Rico and to entities whose principal office and principal place of business are located in Puerto Rico. The Fund's yield and net asset value and the market price of the Fund's shares of Common Stock (the "Shares") may fluctuate and will be determined by such factors as relative demand for and supply of the Shares in the market, as well as general market, political, and economic conditions and other factors beyond the control of the Fund. The Shares trade at market price, which may be at a discount or premium to NAV, and no assurance can be given as to their liquidity or trading market. While it is the intention of UBS Financial Services Incorporated of Puerto Rico ("UBSFSPR") to continue to maintain a secondary market for the Shares, it is not obligated to continue to do so. Moreover, there may be no other source of price information for the Shares or other purchasers of the Shares other than UBSFSPR.

Geographic Concentration Risk. The Fund is exposed to certain risks resulting from the reduced geographic diversification of its portfolio. The Fund's assets are invested primarily in securities of Puerto Rico issuers. Consequently, the Fund in general is more susceptible to economic, political, regulatory or other factors adversely affecting issuers in Puerto Rico than an investment company that is not so concentrated in Puerto Rico issuers. In addition, securities issued by the Government of Puerto Rico or its instrumentalities are affected by the central government's finances. That includes, but is not limited to, general obligations of Puerto Rico and revenue bonds, special tax bonds, or agency bonds. The effect on each specific debt may not be the same; it depends on exactly what part of the government's money or revenue is supposed to pay the interest thereon. Inasmuch as a relatively high percentage of the Fund's assets may be invested in obligations of a limited number of Puerto Rico issuers, the Fund's net asset value and its yield may increase or decrease more than that of a more diversified investment company as a result of changes in the market's assessment of the financial condition and prospects of such Puerto Rico issuers. The Fund may also be more susceptible to any single economic, political, or regulatory occurrence in Puerto Rico than a more widely diversified investment company. Over the past years, the principal Puerto Rico Government bonds as well as the securities issued by several Puerto Rico financial institutions have been downgraded as a result of several factors, including without limitation, the downturn experienced

by the Puerto Rico economy and the strained financial condition of the Government of Puerto Rico. Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years, thereby affecting the Fund's net asset value.

Portfolio transactions between the Fund and UBSFSPR, Popular Securities (in the case of a co-managed Fund with Banco Popular de Puerto Rico), and other affiliates, are conducted in accordance with procedures adopted by the Fund's Board of Directors in an effort to address potential conflicts of interest.

Secondary Market Disclosure: Given UBSFSPR is currently the dominant, and may be the sole source of secondary market liquidity for the Shares, an investor may not be able to sell its Shares or may only be able to sell them at a loss, if UBSFSPR were to cease to facilitate such secondary market for the Shares. Accordingly, an investor's ability to sell its Shares will depend on the interest of other investors buying Shares, or UBSFSPR's willingness to commit additional capital to holding Shares in inventory. UBSFSPR may, in its sole discretion, commit additional capital to hold Shares in inventory when it deems it appropriate to do so, given market conditions or other considerations, and similarly may reduce the amount of capital committed to fund such inventory of Shares at other times. For example, when UBSFSPR purchases Shares and holds them in its inventory, quoted prices may remain at the previously quoted levels or increase. Conversely, when UBSFSPR sells Shares from its inventory, the quoted prices may decrease. In situations where UBSFSPR is selling Shares from its inventory, it may offer to sell its Shares at prices that are lower than pending sell orders that were placed by investors in the Shares. Decisions by UBSFSPR to increase or decrease inventory are made at its sole discretion and are not generally disclosed.

Repurchase Agreement Tax Disclosure: While there is authority generally supporting the treatment of repurchase and reverse repurchase agreements as collateralized loans for Puerto Rico income tax purposes, that authority does not specifically address the tax treatment of the repurchase agreements that the Fund typically enters into, which contain provisions that grant the buyer the right to sell, transfer, pledge, or hypothecate the securities that are the object of such agreements. Although the Puerto Rico Treasury Department ("PR Treasury") has never pronounced itself as to whether this type of arrangement should be viewed as a transfer of ownership of the underlying securities, it is possible that the PR Treasury could take that position in the future and that Puerto Rico

therewith as soon as market conditions permit, though there is no assurance the Fund will be able to do so.

² **credit quality is as of December 31, 2014.** The Fund's investment portfolio is actively managed, and its composition (including the portfolio statistics and characteristics) will vary over time. Credit quality percentages include only fixed income securities and vary over time, as new investment securities are acquired and the credit rating of any investment held by the Fund is reassessed. For purposes of determining compliance with the Fund's investment requirements, ratings are as of the time of purchase, using a Standard & Poor's equivalent ratings scale. On February 12, 2015, S&P further downgraded the credit rating on the GOs from "BB" to "B", as well as the credit ratings of other Commonwealth agencies and public corporations, including its credit ratings on senior and subordinate-lien bonds issued by COFINA, which were lowered from "BBB" and "BBB-" respectively to "B". On such date, the long-term issuer credit rating on the GDB was also lowered, from "BB-" to "B-". On February 19, 2015, Moody's followed suit and downgraded its credit ratings on various Government of Puerto Rico entities and issuances, including GOs, from "B2" to "Caa1", and COFINA's senior and subordinate-lien bonds, which were lowered from "Ba3" and "B1", to "B3" and "Caa1", respectively. Lastly, on March 26, 2015, Fitch also downgraded the credit rating on the GOs from "BB-" to "B", as well as the credit ratings of PRASA senior lien revenue bonds from "B+" to "B" and COFINA's senior and subordinate-lien bonds from "BB-" to "B". All of the before-mentioned ratings carry a negative outlook. **As a result of the foregoing, none of the bonds issued by the Government of Puerto Rico and its instrumentalities currently carry an investment-grade credit rating.** Inasmuch as the Fund invests a substantial portion of its assets in securities issued by the Commonwealth of Puerto Rico, these recent rating downgrades will negatively impact the Fund's ability to maintain compliance with its maximum/minimum investment threshold(s) in securities of a specific credit quality. To the extent that such investment threshold(s) in securities of a specific credit quality are exceeded, Fund management may determine to continue to hold such

courts would agree with that view. In such event, the tax exempt interest paid on such underlying securities could be deemed not to constitute tax exempt income for the seller of such securities; to the extent that the Fund was such seller, the dividends distributed on its Shares from such income could be treated either as taxable dividends or capital gain dividends. If such dividends were treated as taxable dividends, holders of the Shares who are individuals or Puerto Rico trusts could be subject to a 15% income tax (or 10% income for dividends distributed before July 15, 2014) on the dividend (or the applicable alternate basic tax), and those which are corporate investors would be subject to a maximum effective income tax rate of 5.85% (or 4.5% for dividends distributed before July 15, 2014), (due to the 85% dividend received deduction of the Puerto Rico Internal Revenue Code, 15% of the dividend multiplied by a 39% maximum corporate income tax rate for dividends distributed on or after July 1, 2014 and 30% for dividends distributed before July 1, 2014). On the other hand, if such dividends were treated as capital gains dividends, holders of the Shares who are individuals or Puerto Rico trusts would be subject to a 15% income tax (or 10% income tax for capital dividends distributed before July 1, 2014) (or the applicable alternate basic tax), and holders of the Shares which are taxed as corporations would be subject to a 20% income tax (15% income tax for capital dividends distributed before July 1, 2014).

Recent Changes in Puerto Rico tax law: On July 1, 2014, the Governor of Puerto Rico signed into law Act 77-2014 which amended the Puerto Rico Internal Revenue Code of 2011 to provide, among other things, (i) the 10% withholding tax that is imposed on dividends distributed by Puerto Rico corporations to individuals will apply to dividends distributed before July 1, 2014, and that a 15% rate will apply for dividends distributed after June 30, 2014, and (ii) the long-term capital gains rate for sales and exchanges effected after June 30, 2014, is increased from 10% to 15%, in the case of individuals, estates, and trusts; and from 15% to 20%, in the case of corporations. Accordingly, if the Fund distributes "Taxable Dividends" after June 30, 2014, the applicable tax and withholding rate will be 15%. Similarly, if the Fund distributes Capital Gain Dividends after June 30, 2014, the applicable tax rate for individuals, estates and trusts will be 15%, and 20% in the case of corporations. Investors are encouraged to contact their lawyer or tax consultant. Neither the Fund nor UBS Financial Services Incorporated of Puerto Rico provides legal or tax advice.

On February 11, 2015, two (2) bills (P.C. 2329 and P.S. 1304) were introduced into the Puerto Rico Legislature and which propose the

adoption of a "New Puerto Rico Internal Revenue Code of 2015" ("New Code"). In general, the New Code would be effective for taxable years beginning after December 31, 2014 and, if approved, the New Code would, amongst other changes: (a) eliminate the preferential tax rates that currently apply to long-term capital gains derived after December 31, 2014, (b) eliminate the preferential 10% rate that currently applies to interest on certain obligations, such as Taxable Interest, (c) reduce the maximum marginal tax rate of individuals to 30%, (d) eliminate the alternate basic tax for individuals, (e) provide for a fixed 30% regular income tax rate for corporations, (f) eliminate the exemption for interest on obligations issued by States and their political sub-divisions, and (g) eliminate the preferential tax rates that currently exist for certain dividends and other interest income items. The Puerto Rico Legislature is currently reviewing the proposed bills and, therefore, their final outcome is not currently determinable.

Legal Disclaimer

Past performance does not guarantee future results. Current performance may be lower or higher than the performance quoted. Securities issued by the Fund are subject to market risk, including the loss of principal amounts invested. This document is not an offer to sell, or the solicitation of an offer to buy any investment in the Fund, and is for informational purposes only. Fund investments are designed primarily and suitable for long-term investors and not viewed as a vehicle for trading purposes. They may not be suitable to all investors. Fund investments are not equivalent to investments in its underlying securities. The Fund's utilization of leverage poses certain risks to investors, and in some cases, interest rate fluctuations may increase the volatility of its return and affect the Fund to a significantly greater extent than a non-leveraged investment company. **More detailed information about the Fund, including applicable fees, costs, penalties, investment objectives and policies, risk factors, and the effects of leverage, is further described in the Share's prospectus, which you should read carefully prior to making an investment.** To obtain additional information related to the Fund (including investment returns calculated in accordance with Regulation 5766 of March 11, 1998, as amended) or a copy of the Shares' prospectus or Fund's annual report, please contact the Puerto Rico Investors Family of Funds at 787-751-5452. To obtain the Fund's month-end performance or more up-to-date information, please contact your UBS Financial Advisor or see "press releases" at <http://www.ubs.com/prfunds>.

Footnotes:

¹ Generally, the Fund must invest at least 67% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage) and cash, including cash equivalents, but excluding non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), in Puerto Rico securities. Additionally, the Fund may issue preferred stock, debt securities, or other forms of leverage, representing not more than 50% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage), cash (including cash equivalents), and non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), immediately after the issuance of any such preferred stock, or other debt securities. Moreover, the Fund may not issue preferred stock, debt securities, or other forms of leverage unless the value of its total assets less all its liabilities and indebtedness, other than the preferred stock, debt securities, or other forms of leverage being issued or already outstanding, is at least equal to 200% of the total aggregate liquidation preference/principal amount of all its outstanding preferred stock (not including any accumulated dividends or other distributions), debt securities, and other forms of leverage. **Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years. In view of these volatile market conditions, the Puerto Rico Office of the Commissioner of Financial Institutions (the "PROCFI") has granted to the Fund a temporary regulatory waiver from the Funds' investment requirement in Puerto Rico securities of at least 67% of the Fund's total assets and leverage limitation of 50% of its total assets and 200% asset coverage requirement described above, through July 31, 2015. These temporary waivers may be renewed by the PROCFI for additional periods of time, should market conditions warrant, and upon written request by the Fund. It is the Fund's intention to re-achieve compliance**

lower-rated securities, provided any new investment proceeds are directed to acquire investment securities which satisfy the Fund's minimum credit rating requirements. **In view of the fact that the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years and the subsequent credit rating downgrade of certain Puerto Rico bonds, current or more up-to-date information regarding the Fund's portfolio holdings is available at <http://www.ubs.com/prfunds>.** Currently, the Fund's percentage investment in securities rated below investment-grade (below "BBB" rating) or which are unrated, amounted to 13.37% of the Fund's total portfolio, which exceeds the Fund's maximum investment threshold of 5% of its total assets invested in securities rated below investment-grade or which are unrated. On January 2014, the Board of Directors approved the implementation of a share repurchase program for the acquisition of up to 25% of each Fund's total assets. The Repurchase Program is intended to enhance shareholder value by providing additional liquidity to Fund shareholders. For the quarter ended December 31, 2014, the Fund had repurchased 948,490 shares in the open market with an NAV of \$4,723,480, at a cost of \$4,219,494. Since the program's inception, the Fund has repurchased 3,851,456 shares of common stock in the open market with an NAV of \$19,585,889, at a cost of \$17,987,037, and which represent 7.53% of the total assets of the Fund (net of Shares acquired for dividend reinvestment purposes and which remain outstanding).

³ As of December 31, 2014, **Return figures were not calculated in accordance with Regulation 5766 of March 11, 1998, as amended, which requires that investment returns for an individual retirement account ("IRA") be calculated in the manner provided therein.** To the extent that an individual invests in the Fund through an IRA, his or her investment return figures will be less than those reported herein, when computed in accordance with Regulation 5766 and inasmuch as actual sales charges applicable to such IRA investments are taken into consideration.

"Average Annual Total Return" figures reflect the percentage change in the market value, determined by calculating the average between the bid and ask prices, plus any income and capital gain dividends, and return of capital distributions, all such dividends and distributions reinvested as of the corresponding record date thereof, at the month-end NAV as of that date. In the case of "NAV Total Return," the Fund's NAV per Share is used, rather than the average between the bid and ask prices, to determine such total return, as applicable. "Rolling Period Annual Returns" measure the monthly movement in the average of the Annualized Average Market Return figures over a one-year, three-year, five-year, and ten-year period (as applicable), as it moves over a consecutive time series that begins on the Fund's inception date. Additionally, in the case of the Average Annual Total Return and Rolling Period Annual Return figures, commissions or sales charges payable in connection with a purchase or sale of Shares may vary with each brokerage institution. Total return figures are not representative of the performance of any individual investment, and taxes on capital gain distributions or income dividends, if any, have not been deducted. All calculations were performed by Thomson Reuters, based on certain financial data provided by this Fund and are annualized with the exception of year-to-date figures.

⁴ A \$10,000 investment is hypothetical and is shown for illustrative purposes only.

⁵ "IPO Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the initial public offering price. "Current Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the month-end bid price.



UBS Asset Managers of Puerto Rico Funds Quarterly Review Fourth Quarter 2014

*Consideraciones Especiales

Cada Fondo es una compañía de inversión no diversificada de fin cerrado inscrita bajo la Ley Número 6 de 19 de octubre de 1954, según enmendada. Los valores emitidos por un Fondo pueden solamente ser adquiridos por, o transferidos a, individuos que sean residentes de Puerto Rico y a entidades cuya oficina y localización de negocios principal estén localizados en Puerto Rico. El rendimiento, el valor neto de los activos de un Fondo y el precio en el mercado de las acciones de capital común del Fondo (en adelante, las "Acciones"), podrán fluctuar y se determinarán por factores como la demanda y oferta en el mercado de las Acciones y las condiciones económicas, políticas y del mercado en general, al igual que otros factores que están fuera del control de un Fondo. Las Acciones son negociadas al precio del mercado, el cual puede reflejar una prima o descuento del valor neto de los activos de un Fondo y no se puede dar representación alguna sobre su liquidez o el mercado para disponer de las mismas. A pesar de que es la intención de UBS Financial Services Incorporated of Puerto Rico (en adelante, "UBSFSPR") de continuar manteniendo un mercado secundario para las Acciones, no está obligada a continuar haciéndolo. De otra parte, puede que no exista otra fuente de información de precios para las Acciones u otros compradores para las Acciones que no sea UBSFSPR.

Riesgo de concentración geográfica: El Fondo está expuesto a ciertos riesgos debido a la diversificación geográfica reducida de su cartera de inversiones. Los activos del fondo están invertidos primariamente en valores de emisores de Puerto Rico. A consecuencia, el Fondo generalmente es más susceptible a factores económicos, políticos, regulatorios y otros que podrían afectar adversamente a emisores de Puerto Rico que otra compañía de inversión la cual no esté tan concentrada en emisores de Puerto Rico. En adición, valores emitidos por el Gobierno de Puerto Rico o sus instrumentalidades se afectan por las finanzas del gobierno central. Eso incluye, pero no se limita a, las obligaciones generales de Puerto Rico y los bonos de ingresos, contribuciones especiales o de agencias. El efecto en cada deuda específica podría no ser el mismo y depende de que parte del dinero del gobierno o sus ingresos se supone pague el interés de dicha deuda. En la medida que un porcentaje relativamente alto de los activos del Fondo pueden ser invertidos en obligaciones de un número limitado de emisores de Puerto Rico, el valor neto de activos y su rendimiento puede aumentar o disminuir más que el de una compañía de inversión más diversificada, como resultado de cambios en cuanto a la evaluación de la condición financiera o prospectos de dichos emisores de Puerto Rico. El Fondo también puede ser más susceptible a cualquier ocurrencia individual económica, política o regulatoria en Puerto Rico que una compañía de inversión más diversificada. En los pasados años, los bonos principales del Gobierno de Puerto Rico, al igual que valores emitidos por ciertas instituciones financieras de Puerto Rico han sido degradados por varios factores, incluyendo sin limitación, al empeoramiento experimentado por la economía de Puerto Rico y la condición financiera pobre del Gobierno de Puerto Rico. Al presente, el mercado de bonos de Puerto Rico está experimentando un periodo de volatilidad, con los

bonos de Puerto Rico traficando a precios más bajos y rendimientos más altos a los puntos de referencia de los pasados dos (2) años, y así afectando el valor neto de activos del Fondo.

Transacciones de cartera entre un Fondo y UBSFSPR, Popular Securities (en el caso de un Fondo co-manejado con Banco Popular de Puerto Rico) y otras afiliadas son efectuadas conforme a ciertos procedimientos adoptados por la Junta de Directores de un Fondo con miras a atender posibles conflictos de interés.

Divulgación de Mercado Secundario: Dado a que actualmente UBSFSPR es la fuente dominante, y podría ser la única fuente, de liquidez para la negociación de las Acciones en el mercado secundario, cabe la posibilidad que un inversionista no pueda vender sus Acciones en el mercado secundario o que solamente pueda venderlas a pérdida, si UBSFSPR cesara de facilitar un mercado secundario para la negociación de las Acciones. Por lo tanto, la habilidad de un inversionista para vender sus Acciones dependerá del interés de otros inversionistas que estén comprando Acciones o la disponibilidad de UBSFSPR de designar capital adicional para mantener Acciones en su inventario. UBSFSPR podrá, a su única discreción, comprometer capital adicional para mantener Acciones en inventario cuando así lo estime apropiado, dependiendo de las condiciones del mercado y otras consideraciones, e igualmente en otras ocasiones, podrá reducir la cantidad de capital comprometida para financiar dicho inventario de las Acciones. Por ejemplo, cuando UBSFSPR compra Acciones para su inventario, los precios cotizados por éste podrán permanecer a los niveles previamente cotizados o aumentar. Por otro lado, cuando UBSFSPR vende Acciones de su inventario, los precios cotizados por éste podrían reducirse. En situaciones en que UBSFSPR está vendiendo Acciones de su inventario, podría ofrecer vender dichas Acciones a precios más bajos que cualquier orden de venta pendiente que fue puesta sobre sus Acciones por cualquier inversionista. Cualquier decisión de UBSFSPR de aumentar o reducir su inventario será tomada a su única discreción y no son divulgadas al público.

Divulgación Contributiva sobre Acuerdos de Recompra: A pesar de que existe precedente contable que apoya el concepto que los acuerdos de recompra y recompra a la inversa sean considerados como préstamos con garantía colateral para propósitos contributivos en Puerto Rico, dicho precedente no es determinante en cuanto a las disposiciones contributivas aplicables a los acuerdos de recompra que normalmente el Fondo suscribe, que contienen disposiciones que conceden al comprador de los valores subyacentes a dichos acuerdos el derecho a vender, transferir, pignorar o hipotecar dichos valores. A pesar de que el Departamento de Hacienda de Puerto Rico (en adelante, "Hacienda") nunca se ha expresado sobre si estos tipos de acuerdos deben ser considerados como una transferencia de titularidad sobre los valores subyacentes, Hacienda podría adoptar dicha posición y que los tribunales de Puerto Rico estén de acuerdo con dicha posición. En dicho caso, el interés exento pagado sobre los valores subyacentes a dichos acuerdos podría considerarse

como ingreso no exento del pago de contribución para el vendedor de tales valores subyacentes. En la medida que el Fondo sea considerado el vendedor bajo el acuerdo de recompra correspondiente, los dividendos distribuidos sobre las Acciones que a su vez son derivados del ingreso del acuerdo de recompra correspondiente podría ser considerado como un dividendo sujeto a tributación o ganancias de capital. Si tal dividendo fuera considerado como dividendo sujeto a tributación, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico podrían estar sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos distribuidos antes del 15 de julio de 2014) sobre el dividendo (o la contribución básica alterna aplicable), y aquellos que sean inversionistas corporativos estarían sujetos a una máxima tasa efectiva de 5.85% (o 4.5% para dividendos distribuidos antes del 15 de julio de 2014), debido a la deducción de 85% sobre dividendos recibidos, según dispuesto por el Código de Rentas Internas de Puerto Rico, multiplicando el 15% del dividendo por una tasa contributiva corporativa máxima de 39% para los dividendos distribuidos en o después del 1 de julio de 2014 y 30% para los dividendos distribuidos antes del 1 de julio de 2014). Por otro lado, si tales dividendos fueran considerados como dividendos de ganancias de capital, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico estarían sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014 o la contribución básica alterna aplicable), y los tenedores de las Acciones que tributa como corporaciones, estarían sujetos a una tasa contributiva de 20% (tasa contributiva de 15% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014).

Cambios Recientes al Derecho Tributario de Puerto Rico: El 1 de julio de 2014, el Gobernador de Puerto Rico firmó como ley la Ley 77-2014, la cual enmendó el Código de Rentas Internas de Puerto Rico del 2011 para proveer, entre otras cosas, (i) que el 10% de retención de impuesto que se le impone a los dividendos distribuidos por corporaciones de Puerto Rico a individuos, aplicará a los dividendos distribuidos antes del 1 de julio de 2014, y que la tasa de 15% aplicará a los dividendos distribuidos después del 30 de junio de 2014, y (ii) que las tasas de ganancias de capital a largo plazo para ventas e intercambios realizadas después del 30 de junio de 2014, ha sido aumentada de 10% a 15% para individuos, sucesiones y fideicomisos; y de 15% a 20% para las corporaciones. Consecuentemente, si el Fondo distribuye "Dividendos Tributables" después del 30 de junio de 2014, el interés aplicable y la tasa de retención será 15%. Del mismo modo, si el Fondo distribuye Dividendos de Ganancias de Capital después del 30 de junio de 2014, la tasa de interés aplicable para individuos, sucesiones y fideicomisos será un 15%, y 20% para las corporaciones. Se exhorta a los inversionistas a que contacten a su abogado o asesor contributivo. Ni UBS Financial Services Incorporated of Puerto Rico ni el Fondo proveen asesoría legal o contributiva.

El 11 de febrero de 2015 la Legislatura de Puerto Rico presentó dos proyectos de ley (P.C. 2329 y P.S.

1304) que proponen una reforma contributiva con la aprobación del "Nuevo Código de Rentas Internas de 2015" (el "Código Nuevo"). En términos generales, el Código Nuevo sería efectivo para años contributivos comenzados después del 31 de diciembre de 2014 y, de aprobarse, incluiría los siguientes cambios: (a) eliminar las tasas preferenciales que actualmente aplican a las ganancias de capital a largo plazo generadas después del 31 de diciembre de 2014; (b) eliminar la tasa preferencial de 10% que actualmente aplica a los ingresos de intereses de ciertas obligaciones, incluyendo los Intereses Tributables; (c) reducir el máximo de la tasa de contribuciones de individuos a 30%; (d) eliminar la contribución básica alterna de individuos; (e) establecer una tasa fija de contribuciones sobre ingresos de las corporaciones a 30%; (f) eliminar la exención de los intereses de ciertas obligaciones de los Estados Unidos y sus subdivisiones políticas; y (g) eliminar las tasas preferenciales aplicables a ciertos dividendos y otros ingresos de intereses. La Legislatura de Puerto Rico está en el proceso de revisión de los proyectos de ley, por lo que, actualmente, el resultado final no se puede determinar.

Aviso Legal

Rendimientos anteriores no son garantía de resultados futuros similares. Los rendimientos actuales podrían ser más bajos o más altos que el rendimiento aquí citado. Los valores emitidos por un Fondo están sujetos a riesgo de mercado, incluyendo la pérdida del principal invertido. Este documento no es una oferta de compra ni una solicitud de una oferta de compra para cualquier inversión en un Fondo y es para propósitos informativos solamente. Las inversiones en un Fondo están diseñadas principalmente y son adecuadas para inversionistas a largo plazo y no deben ser consideradas como un vehículo para fines de negociación. Estas inversiones pueden que no sean adecuadas para cualquier inversionista. Una inversión en un Fondo no es equivalente a una inversión en los valores subyacentes en los cuales un Fondo invierte. El uso de apalancamiento por un Fondo representa ciertos riesgos a los inversionistas en éste, y en ciertos casos, las fluctuaciones en las tasas de intereses podrían aumentar la volatilidad en su rendimiento y afectar a un Fondo a mayor grado que a una compañía de inversión no apalancada. **Información más detallada en cuanto a un Fondo, incluyendo los cargos, gastos y penalidades aplicables, objetivo(s) y políticas de inversión, factores de riesgo y el efecto de apalancamiento, se incluye en la documentación de oferta del Fondo, el cual usted debe leer cuidadosamente antes de hacer una inversión.** Para obtener más información en cuanto a un Fondo (incluyendo los rendimientos de inversión calculados conforme el Reglamento 5766 de 11 de marzo de 1998, según enmendado) o una copia del prospecto para la oferta de las Acciones o los informes anuales del Fondo, favor de contactar a la familia de fondos UBS Puerto Rico o Puerto Rico Investors al 787-773-3888 ó 787-751-5452, respectivamente. Para obtener más información en cuanto a los rendimientos del Fondo de fin de mes o información más actualizada, por favor contactar a su Asesor Financiero en UBSFSPR o verifique los comunicados de prensa ("press releases") en <http://www.ubs.com/prfunds>.

Glossary of fund terms

- **Ask Price:** generally refers to the lowest price at which a seller will sell a specified number of units of a given security at a particular time. The ask price may incorporate a markup, which may vary by transaction and may include commissions and other charges. The ask prices quoted by UBSFSPR represent its judgment of the market price for Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price and age of pending customer orders.
- **Average Duration:** a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flow accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flow consist of coupon payments and repayment of capital.) A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, for which maturity and duration are equal.
- **Bid Price:** generally refers to the highest price a buyer is willing to pay at a particular time for a unit of a given security. UBSFSPR publishes two types of bid prices for the Shares: firm or indicative. A firm bid is provided when UBSFSPR has the risk capacity and/or appetite at the particular time to purchase a specified number of Shares. An investor can sell to UBSFSPR at the firm bid price up to the specified number of Shares at a particular time. On the other hand, an indicative bid is provided for informational purposes only when UBSFSPR does not have the risk capacity and/or appetite at a particular time to purchase Shares. The prices quoted by UBSFSPR represent its judgment of the market price for the Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price, and age of pending customer orders, and may be higher (in which case the price is at a premium) or lower (in which case the price is at a discount) than the NAV of the Fund.

The prices quoted by UBSFSPR may also be affected by its willingness to hold additional inventory of the Shares or by its need to sell its inventory of Shares. Depending on market liquidity conditions, orders to buy or sell at the quoted price may not receive immediate execution, and an investor may not be able to sell its Shares at the price quoted by UBSFSPR. Moreover, the proceeds an investor receives on a sale of Shares may be lower than the bid price due to discounts, markdowns, and other charges. Since inception, the Shares have historically traded at prices which reflect a premium to their respective NAV per Share, though on certain limited instances, they have traded at prices which reflect a discount to their respective NAV per Share. However, there is no assurance that the Shares will continue to trade at prices which reflect such a premium. The Fund is presently experiencing liquidity issues. As a result, the bid price is for a limited number of shares, and it may not be possible for sellers to obtain the current bid price.

- **Credit Quality:** a measure of the likelihood that a financial obligation will not be honored provided by one or more of the rating agencies. Rating agencies assign classifications to their ratings, with "AAA" being the highest and "D" being the lowest for Standard & Poor's Ratings Services ("S&P"). The Fund may use other ratings and adjust them for use in this scale.
- **Effective Duration:** a calculation of duration that takes into account the embedded options in the securities of a portfolio and their expected changes in the cash flow of a portfolio caused by those options.
- **Expense Ratio:** The percentage of the Fund's average net assets attributable to holders of the Shares and which is used to pay operating expenses and takes into account investment management fees, administration fees, and other operating expenses such as legal, audit, insurance, and shareholder communications.
- **Hedge Notional:** refers to the total net face value, reflecting any offsetting positions, of derivative instruments employed in hedging strategies of the Fund.
- **Hedge Ratio:** ratio of the Fund's hedge notional amount to its total dollar amount of leverage as of the end of a calendar quarter, assuming the Fund is fully invested at quarter-end. The Fund's investment adviser may, at its discretion, use a variety of derivative instruments including securities options, financial futures contracts, options on futures contracts, and other interest rate protection transactions such as swap agreements, to attempt to hedge its portfolio of assets and seek to enhance its return. There can be no assurance that any particular hedging strategy used will succeed.
- **Leverage:** the Fund may issue preferred stock or debt, enter into repurchase agreements, or borrow money, in order to increase the amounts available for investment ("leverage"). This gives the Fund's investment adviser, in the fixed income area in particular, the opportunity to enhance yield. The use of leverage increases the likelihood of price volatility and market risk for the Shares. There is also the risk that the cost of funding leverage will exceed the earnings on the related investments, which will have the likely effect of reducing the Fund's yield and the value of its investments.
- **Leverage Adjusted Effective Duration:** effective duration adjusted for the impact of the Fund's utilization of leverage. A Fund that utilizes leverage will have a leverage-adjusted effective duration that is longer than its effective duration.
- **Maturity:** date on which the face value of a security/bond must be repaid. It measures the average length to maturity in years of all the bonds in the Fund's portfolio. For mortgage-backed securities, the maturity takes into account the prepayment of the underlying mortgages.
- **NAV:** Net Asset Value. On a per-Share basis, it is determined by calculating the Fund's total assets less its total liabilities and dividing such result by the Shares outstanding. On an aggregate, Fund basis, it is determined by calculating the Fund's total assets less its total liabilities.

- **Undistributed Income:** the Fund's net income that has not been distributed to holders of its Shares as of the latest available audited financial statements. In the case of a target maturity-type investment company (which is liquidated on or by a specific date), it also includes the amounts to be distributed on or by the liquidation date as the return of the initial investment.

For a definition of other terms, please see the Shares' prospectus.



Puerto Rico Mortgage-Backed & U.S. Government Securities Fund, Inc.

Investment Objectives and Policies

Seeks current income, consistent with the preservation of capital, by investing:

- may invest up to 33% of its total assets in securities issued by the U.S. Government, its agencies and instrumentalities, non-Puerto Rico mortgage instruments, non-Puerto Rico mortgage-backed and asset-backed securities, corporate obligations or preferred stock of non-Puerto Rico issuers, and municipal securities of issuers within the U.S.
- at least 67% of its total assets in securities

issued by Puerto Rico issuers (as described in the Prospectus)

- at least 80% of total assets invested in mortgage-instruments and securities issued or guaranteed by the U.S. Government, its agencies, and/or instrumentalities
- up to 45% of total assets in mortgages backed by R&G Financial Corporation timely payment of principal and interest guarantee*
- at least 95% of total assets in investment-grade securities²
- may issue leverage representing up to 50% of total assets¹

Pricing and Distribution History²

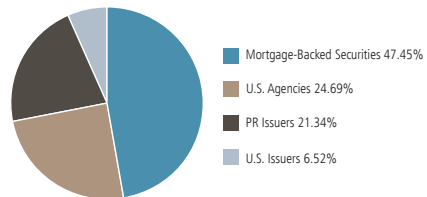
Initial Public Offering (IPO)	\$10.00
52-week Bid Low/High	\$4.89/\$5.88
YTD NAV Change	-\$0.50
YTD Bid Price Change	-\$0.89
IPO Yield ⁵	5.75%
Current Yield ⁵	11.52%
Last Dividend Paid	\$0.0479
Last 12 Month Dividend	\$0.6079

Portfolio Statistics and Characteristics²

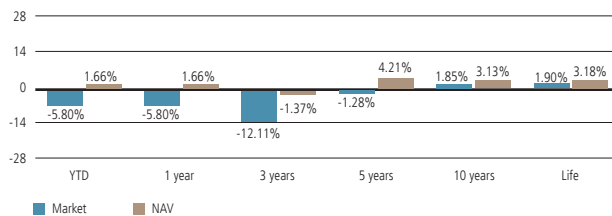
Commencement	Nov-04	Fiscal Year	30-Sep
Shares Outstanding	13.77	Weighted Avg. Coupon	4.92%
Bid Price	\$4.99	Average Maturity (yrs)	13.13
Net Asset Value (NAV)	\$5.46	Average Duration (yrs)	7.47
Bid Price to NAV Ratio	91.39%	Leverage Adjusted	
Net Assets (mm)	\$75.22	Effective Duration (yrs)	9.40
Leverage (mm)	\$58.31	Leverage %	43.35% ¹
Undistributed Income (mm)	\$2.33	Leverage Cost	0.45%
Expense Ratio	2.79%	Hedge Notional	\$13.75
		Hedge Ratio	24%

See Portfolio Holdings, Portfolio Manager, Special Considerations, Disclaimers, Glossary of Fund Terms, and Footnotes on reverse side of the page.

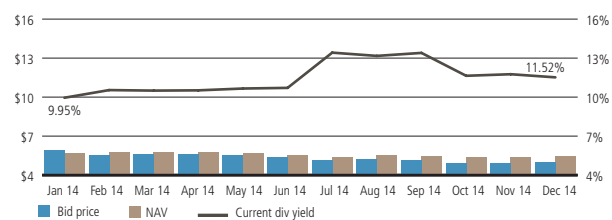
Portfolio Summary²



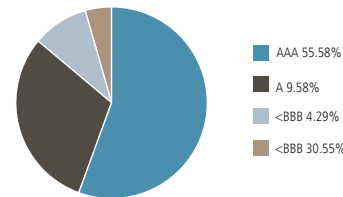
Average Annual Total Return³



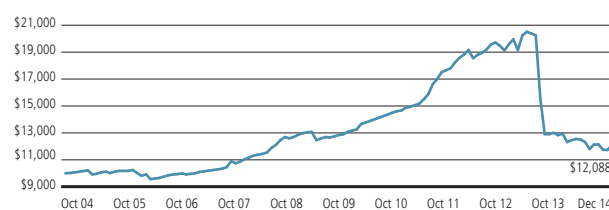
Share Price, NAV and Current Dividend Yield – Prior 12 months



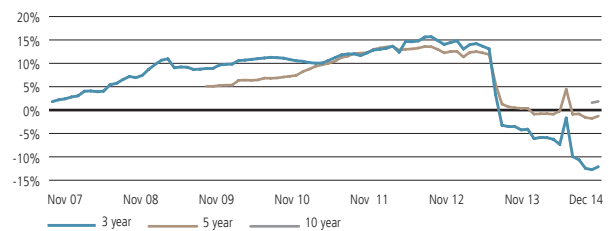
Credit Quality²



Growth of a \$10,000 Investment as of December 31, 2014⁴



Rolling Period Annual Returns³



Portfolio Holdings²

PR Obligations	PR Sales Tax Financing	4.29%
Mortgage - Backed Securities	PRBA (Insured)	1.06%
CMO, COMM END, FNMA	PR Obligations	68.79%
GNMA, FGLMC	U.S. Obligations	
Participation Certificate -	Federal Home	
Doral	Loan Bank	24.69%
R&G Non Conforming	Build America Bonds	1.34%
Loan Trust	U.S. Municipals	2.62%
AFICA	U.S. Taxable	2.56%
Costa Caribe	U.S. Obligations	31.21%
EDB - MBS		
Employee Retirement System		
		9.99%

Portfolio Manager

Leslie Highley, Jr.
Portfolio Manager since inception
UBS Asset Managers of Puerto Rico

* On May 14, 2010, R&G Financial Corporation filed a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code. The company commenced to operate its business as a "debtor-in-possession" under the jurisdiction of the U.S. Bankruptcy Court for the District of Puerto Rico.

*Special Considerations

The Fund is a non-diversified, closed-end management investment company registered under the Puerto Rico Investment Companies Act of 1954, as amended. Securities issued by the Fund may be purchased or otherwise transferred only to individuals who are residents of Puerto Rico and to entities whose principal office and principal place of business are located in Puerto Rico. The Fund's yield and net asset value and the market price of the Fund's shares of Common Stock (the "Shares") may fluctuate and will be determined by such factors as relative demand for and supply of the Shares in the market, as well as general market, political, and economic conditions and other factors beyond the control of the Fund. The Shares trade at market price, which may be at a discount or premium to NAV, and no assurance can be given as to their liquidity or trading market. While it is the intention of UBS Financial Services Incorporated of Puerto Rico ("UBSFSFR") to continue to maintain a secondary market for the Shares, it is not obligated to continue to do so. Moreover, there may be no other source of price information for the Shares or other purchasers of the Shares other than UBSFSFR.

Geographic Concentration Risk. The Fund is exposed to certain risks resulting from the reduced geographic diversification of its portfolio. The Fund's assets are invested primarily in securities of Puerto Rico issuers. Consequently, the Fund in general is more susceptible to economic, political, regulatory or other factors adversely affecting issuers in Puerto Rico than an investment company that is not so concentrated in Puerto Rico issuers. In addition, securities issued by the Government of Puerto Rico or its instrumentalities are affected by the central government's finances. That includes, but is not limited to, general obligations of Puerto Rico and revenue bonds, special tax bonds, or agency bonds. The effect on each specific debt may not be the same; it depends on exactly what part of the government's money or revenue is supposed to pay the interest thereon. Inasmuch as a relatively high percentage of the Fund's assets may be invested in obligations of a limited number of Puerto Rico issuers, the Fund's net asset value and its yield may increase or decrease more than that of a more diversified investment company as a result of changes in the market's assessment of the financial condition and prospects of such Puerto Rico issuers. The Fund may also be more susceptible to any single economic, political, or regulatory occurrence in Puerto Rico than a more widely diversified investment company. Over the past years, the principal Puerto Rico Government bonds as well as the securities issued by several Puerto Rico financial institutions have been downgraded as a result of several factors, including without limitation, the downturn experienced

by the Puerto Rico economy and the strained financial condition of the Government of Puerto Rico. Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years, thereby affecting the Fund's net asset value.

Portfolio transactions between the Fund and UBSFSFR, Popular Securities (in the case of a co-managed Fund with Banco Popular de Puerto Rico), and other affiliates, are conducted in accordance with procedures adopted by the Fund's Board of Directors in an effort to address potential conflicts of interest.

Secondary Market Disclosure: Given UBSFSFR is currently the dominant, and may be the sole, source of secondary market liquidity for the Shares an investor may not be able to sell its Shares or may only be able to sell them at a loss, if UBSFSFR were to cease to facilitate such secondary market for the Shares. Accordingly, an investor's ability to sell its Shares will depend on the interest of other investors buying Shares, or UBSFSFR's willingness to commit additional capital to holding Shares in inventory. UBSFSFR may, in its sole discretion, commit additional capital to hold Shares in inventory when it deems it appropriate to do so, given market conditions or other considerations, and similarly may reduce the amount of capital committed to fund such inventory of Shares at other times. For example, when UBSFSFR purchases Shares and holds them in its inventory, quoted prices may remain at the previously quoted levels or increase. Conversely, when UBSFSFR sells Shares from its inventory, the quoted prices may decrease. In situations where UBSFSFR is selling Shares from its inventory, it may offer to sell its Shares at prices that are lower than pending sell orders that were placed by investors in the Shares. Decisions by UBSFSFR to increase or decrease inventory are made at its sole discretion and are not generally disclosed.

Repurchase Agreement Tax Disclosure: While there is authority generally supporting the treatment of repurchase and reverse repurchase agreements as collateralized loans for Puerto Rico income tax purposes, that authority does not specifically address the tax treatment of the repurchase agreements that the Fund typically enters into, which contain provisions that grant the buyer the right to sell, transfer, pledge, or hypothecate the securities that are the object of such agreements. Although the Puerto Rico Treasury Department ("PR Treasury") has never pronounced itself as to whether this type of arrangement should be viewed as a transfer of ownership of the underlying securities, it is possible that the PR Treasury could take that position in the future and that Puerto Rico

courts would agree with that view. In such event, the tax exempt interest paid on such underlying securities could be deemed not to constitute tax exempt income for the seller of such securities; to the extent that the Fund was such seller, the dividends distributed on its Shares from such income could be treated either as taxable dividends or capital gain dividends. If such dividends were treated as taxable dividends, holders of the Shares who are individuals or Puerto Rico trusts could be subject to a 15% income tax (or 10% income for dividends distributed before July 15, 2014) on the dividend (or the applicable alternate basic tax), and those which are corporate investors would be subject to a maximum effective income tax rate of 5.85% (or 4.5% for dividends distributed before July 15, 2014), (due to the 85% dividend received deduction of the Puerto Rico Internal Revenue Code, 15% of the dividend multiplied by a 39% maximum corporate income tax rate for dividends distributed on or after July 1, 2014 and 30% for dividends distributed before July 1, 2014). On the other hand, if such dividends were treated as capital gains dividends, holders of the Shares who are individuals or Puerto Rico trusts would be subject to a 15% income tax (or 10% income tax for capital dividends distributed before July 1, 2014) (or the applicable alternate basic tax), and holders of the Shares which are taxed as corporations would be subject to a 20% income tax (15% income tax for capital dividends distributed before July 1, 2014).

Recent Changes in Puerto Rico tax law: On July 1, 2014, the Governor of Puerto Rico signed into law Act 77-2014 which amended the Puerto Rico Internal Revenue Code of 2011 to provide, among other things, (i) the 10% withholding tax that is imposed on dividends distributed by Puerto Rico corporations to individuals will apply to dividends distributed before July 1, 2014, and that a 15% rate will apply for dividends distributed after June 30, 2014, and (ii) the long-term capital gains rate for sales and exchanges effected after June 30, 2014, is increased from 10% to 15%, in the case of individuals, estates, and trusts; and from 15% to 20%, in the case of corporations. Accordingly, if the Fund distributes "Taxable Dividends" after June 30, 2014, the applicable tax and withholding rate will be 15%. Similarly, if the Fund distributes Capital Gain Dividends after June 30, 2014, the applicable tax rate for individuals, estates and trusts will be 15%, and 20% in the case of corporations. Investors are encouraged to contact their lawyer or tax consultant. Neither the Fund nor UBS Financial Services Incorporated of Puerto Rico provides legal or tax advice.

On February 11, 2015, two (2) bills (P.C. 2329 and P.S. 1304) were introduced into the Puerto Rico Legislature and which propose the

adoption of a "New Puerto Rico Internal Revenue Code of 2015" ("New Code"). In general, the New Code would be effective for taxable years beginning after December 31, 2014 and, if approved, the New Code would, amongst other changes: (a) eliminate the preferential tax rates that currently apply to long-term capital gains derived after December 31, 2014, (b) eliminate the preferential 10% rate that currently applies to interest on certain obligations, such as Taxable Interest, (c) reduce the maximum marginal tax rate of individuals to 30%, (d) eliminate the alternate basic tax for individuals, (e) provide for a fixed 30% regular income tax rate for corporations, (f) eliminate the exemption for interest on obligations issued by States and their political sub-divisions, and (g) eliminate the preferential tax rates that currently exist for certain dividends and other interest income items. The Puerto Rico Legislature is currently reviewing the proposed bills and, therefore, their final outcome is not currently determinable.

Legal Disclaimer

Past performance does not guarantee future results. Current performance may be lower or higher than the performance quoted. Securities issued by the Fund are subject to market risk, including the loss of principal amounts invested. This document is not an offer to sell, or the solicitation of an offer to buy any investment in the Fund, and is for informational purposes only. Fund investments are designed primarily and suitable for long-term investors and not viewed as a vehicle for trading purposes. They may not be suitable to all investors. Fund investments are not equivalent to investments in its underlying securities. The Fund's utilization of leverage poses certain risks to investors, and in some cases, interest rate fluctuations may increase the volatility of its return and affect the Fund to a significantly greater extent than a non-leveraged investment company. **More detailed information about the Fund, including applicable fees, costs, penalties, investment objectives and policies, risk factors, and the effects of leverage, is further described in the Share's prospectus, which you should read carefully prior to making an investment.** To obtain additional information related to the Fund (including investment returns calculated in accordance with Regulation 5766 of March 11, 1998, as amended) or a copy of the Shares' prospectus or Fund's annual report, please contact the UBS Puerto Rico Family of Funds at 787-773-3888. To obtain the Fund's month-end performance or more up-to-date information, please contact your UBS Financial Advisor or see "press releases" at <http://www.ubs.com/pr/funds>.

Footnotes:

¹ Generally, the Fund must invest at least 67% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage) and cash, including cash equivalents, but excluding non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), in Puerto Rico securities. Additionally, the Fund may issue preferred stock, debt securities, or other forms of leverage, representing not more than 50% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage), cash (including cash equivalents), and non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), immediately after the issuance of any such preferred stock, or other debt securities. Moreover, the Fund may not issue preferred stock, debt securities, or other forms of leverage unless the value of its total assets less all its liabilities and indebtedness, other than the preferred stock, debt securities, or other forms of leverage being issued or already outstanding, is at least equal to 200% of the total aggregate liquidation preference/principal amount of all its outstanding preferred stock (not including any accumulated dividends or other distributions), debt securities, and other forms of leverage. **Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years. In view of these volatile market conditions, the Puerto Rico Office of the Commissioner of Financial Institutions (the "PROCFI") has granted to the Fund a temporary regulatory waiver from the Fund's investment requirement in Puerto Rico securities of at least 67% of the Fund's total assets and leverage limitation of 50% of its total assets and 200% asset coverage requirement described above, through July 31, 2015. These temporary waivers may be renewed by the PROCFI for additional periods of time, should market conditions warrant, and upon written request by the Fund. It is the Fund's intention**

to re-achieve compliance therewith as soon as market conditions permit, though there is no assurance the Fund will be able to do so.

² The "Expense Ratio" calculation may reflect a partial waiver of the investment advisory and administration fees payable to UBS Trust Company of Puerto Rico, implemented on October 1, 2013. For more up-to-date information with respect to such partial fee waivers, if any, please see "Press Releases" at <http://www.ubs.com/pr/funds>.

Credit quality is as of December 31, 2014. The Fund's investment portfolio is actively managed, and its composition (including the portfolio statistics and characteristics) will vary over time. Credit quality percentages include only fixed income securities and vary over time, as new investment securities are acquired and the credit rating of any investment held by the Fund is reassessed. For purposes of determining compliance with the Fund's investment requirements, ratings are as of the time of purchase, using a Standard & Poor's equivalent ratings scale. On February 12, 2015, S&P further downgraded the credit rating on the GOs from "BB" to "B", as well as the credit ratings of other Commonwealth agencies and public corporations, including its credit ratings on senior and subordinate-lien bonds issued by COFINA, which were lowered from "BBB" and "BBB-", respectively to "B". On such date, the long-term issuer credit rating on the GDB was also lowered, from "BB-" to "B-". On February 19, 2015, Moody's followed suit and downgraded its credit ratings on various Government of Puerto Rico entities and issuances, including GOs, from "B2" to "Caa1", and COFINA's senior and subordinate-lien bonds, which were lowered from "Ba3" and "B1" to "B3" and "Caa1", respectively. Lastly, on March 26, 2015, Fitch also downgraded the credit rating on the GOs from "BB-" to "B", as well as the credit ratings of PRASA senior lien revenue bonds from "B+" to "B" and COFINA's senior and subordinate-lien bonds from "BB-" to "B". All of the before-mentioned ratings carry a negative outlook. **As a result of the foregoing, none of the bonds issued by the Government of Puerto Rico and its instrumentalities currently carry an investment-grade credit rating.** Inasmuch as the Fund invests a substantial portion of its assets in securities issued by the Commonwealth of Puerto Rico, these

recent rating downgrades will negatively impact the Fund's ability to maintain compliance with its maximum/minimum investment threshold(s) in securities of a specific credit quality. To the extent that such investment threshold(s) in securities of a specific credit quality are exceeded, Fund management may determine to continue to hold such lower-rated securities, provided any new investment proceeds are directed to acquire investment securities which satisfy the Fund's minimum credit rating requirements. **In view of the fact that the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years and the subsequent credit rating downgrade of certain Puerto Rico bonds, current or more up-to-date information regarding the Fund's portfolio holdings is available at <http://www.ubs.com/pr/funds>.** Currently, the Fund's percentage investment in securities rated below investment-grade (below "BBB" rating) or which are unrated, amounted to 30.55% of the Fund's total portfolio, which exceeds the Fund's maximum investment threshold of 5% of its total assets invested in securities rated below investment-grade or which are unrated.

On July 2014, the Board of Directors approved an extension of the Fund's existing share repurchase program for the acquisition of up to 45% of each Fund's issued Shares. The Repurchase Program is intended to enhance shareholder value by providing additional liquidity to Fund shareholders. For the quarter ended December 31, 2014, the Fund had repurchased 688,266 Shares in the open market with an NAV of \$3,744,855, at a cost of \$3,383,817. Since the program's inception, the Fund has repurchased 6,975,818 Shares of common stock in the open market with an NAV of \$45,129,859, at a cost of \$43,430,658, and which represent 33.67% of the aggregate number of Shares issued by the Fund (net of Shares acquired for dividend reinvestment purposes and which remain outstanding).

³ As of December 31, 2014. **Return figures were not calculated in accordance with Regulation 5766 of March 11, 1998, as amended, which requires that investment returns for an individual retirement account ("IRA") be calculated in the manner provided**

therein. To the extent that an individual invests in the Fund through an IRA, his or her investment return figures will be less than those reported herein, when computed in accordance with Regulation 5766 and inasmuch as actual sales charges applicable to such IRA investments are taken into consideration. "Average Annual Total Return" figures reflect the percentage change in the market value, determined by calculating the average between the bid and ask prices, plus any income and capital gain dividends, and return of capital distributions, all such dividends and distributions reinvested as of the corresponding record date thereof, at the month-end NAV as of that date. In the case of "NAV Total Return," the Fund's NAV per Share is used, rather than the average between the bid and ask prices, to determine such total return, as applicable. "Rolling Period Annual Returns" measure the monthly movement in the average of the Annualized Average Market Return figures over a one-year, three-year, five-year, and ten-year period (as applicable), as it moves over a consecutive time series that begins on the Fund's inception date. Additionally, in the case of the Average Annual Total Return and Rolling Period Annual Return figures, commissions or sales charges payable in connection with a purchase or sale of Shares may vary with each brokerage institution. Total return figures are not representative of the performance of any individual investment, and taxes on capital gain distributions or income dividends, if any, have not been deducted. All calculations were performed by Thomson Reuters, based on certain financial data provided by this Fund and are annualized with the exception of year-to-date figures.

⁴ A \$10,000 investment is hypothetical and is shown for illustrative purposes only.

⁵ "IPO Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the initial public offering price. "Current Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the month-end bid price.



UBS Asset Managers of Puerto Rico Funds Quarterly Review Fourth Quarter 2014

*Consideraciones Especiales

Cada Fondo es una compañía de inversión no diversificada de fin cerrado inscrita bajo la Ley Número 6 de 19 de octubre de 1954, según enmendada. Los valores emitidos por un Fondo pueden solamente ser adquiridos por, o transferidos a, individuos que sean residentes de Puerto Rico y a entidades cuya oficina y localización de negocios principal estén localizados en Puerto Rico. El rendimiento, el valor neto de los activos de un Fondo y el precio en el mercado de las acciones de capital común del Fondo (en adelante, las "Acciones"), podrán fluctuar y se determinarán por factores como la demanda y oferta en el mercado de las Acciones y las condiciones económicas, políticas y del mercado en general, al igual que otros factores que están fuera del control de un Fondo. Las Acciones son negociadas al precio del mercado, el cual puede reflejar una prima o descuento del valor neto de los activos de un Fondo y no se puede dar representación alguna sobre su liquidez o el mercado para disponer de las mismas. A pesar de que es la intención de UBS Financial Services Incorporated of Puerto Rico (en adelante, "UBSFSPR") de continuar manteniendo un mercado secundario para las Acciones, no está obligada a continuar haciéndolo. De otra parte, puede que no exista otra fuente de información de precios para las Acciones u otros compradores para las Acciones que no sea UBSFSPR.

Riesgo de concentración geográfica: El Fondo está expuesto a ciertos riesgos debido a la diversificación geográfica reducida de su cartera de inversiones. Los activos del fondo están invertidos primariamente en valores de emisores de Puerto Rico. A consecuencia, el Fondo generalmente es más susceptible a factores económicos, políticos, regulatorios y otros que podrían afectar adversamente a emisores de Puerto Rico que otra compañía de inversión la cual no esté tan concentrada en emisores de Puerto Rico. En adición, valores emitidos por el Gobierno de Puerto Rico o sus instrumentalidades se afectan por las finanzas del gobierno central. Eso incluye, pero no se limita a, las obligaciones generales de Puerto Rico y los bonos de ingresos, contribuciones especiales o de agencias. El efecto en cada deuda específica podría no ser el mismo y depende de que parte del dinero del gobierno o sus ingresos se supone pague el interés de dicha deuda. En la medida que un porcentaje relativamente alto de los activos del Fondo pueden ser invertidos en obligaciones de un número limitado de emisores de Puerto Rico, el valor neto de activos y su rendimiento puede aumentar o disminuir más que el de una compañía de inversión más diversificada, como resultado de cambios en cuanto a la evaluación de la condición financiera o prospectos de dichos emisores de Puerto Rico. El Fondo también puede ser más susceptible a cualquier ocurrencia individual económica, política o regulatoria en Puerto Rico que una compañía de inversión más diversificada. En los pasados años, los bonos principales del Gobierno de Puerto Rico, al igual que valores emitidos por ciertas instituciones financieras de Puerto Rico han sido degradados por varios factores, incluyendo sin limitación, al empeoramiento experimentado por la economía de Puerto Rico y la condición financiera pobre del Gobierno de Puerto Rico. Al presente, el mercado de bonos de Puerto Rico está experimentando un periodo de volatilidad, con los

bonos de Puerto Rico traficando a precios más bajos y rendimientos más altos a los puntos de referencia de los pasados dos (2) años, y así afectando el valor neto de activos del Fondo.

Transacciones de cartera entre un Fondo y UBSFSPR, Popular Securities (en el caso de un Fondo co-manejado con Banco Popular de Puerto Rico) y otras afiliadas son efectuadas conforme a ciertos procedimientos adoptados por la Junta de Directores de un Fondo con miras a atender posibles conflictos de interés.

Divulgación de Mercado Secundario: Dado a que actualmente UBSFSPR es la fuente dominante, y podría ser la única fuente, de liquidez para la negociación de las Acciones en el mercado secundario, cabe la posibilidad que un inversionista no pueda vender sus Acciones en el mercado secundario o que solamente pueda venderlas a pérdida, si UBSFSPR cesara de facilitar un mercado secundario para la negociación de las Acciones. Por lo tanto, la habilidad de un inversionista para vender sus Acciones dependerá del interés de otros inversionistas que estén comprando Acciones o la disponibilidad de UBSFSPR de designar capital adicional para mantener Acciones en su inventario. UBSFSPR podrá, a su única discreción, comprometer capital adicional para mantener Acciones en inventario cuando así lo estime apropiado, dependiendo de las condiciones del mercado y otras consideraciones, e igualmente en otras ocasiones, podrá reducir la cantidad de capital comprometida para financiar dicho inventario de las Acciones. Por ejemplo, cuando UBSFSPR compra Acciones para su inventario, los precios cotizados por éste podrán permanecer a los niveles previamente cotizados o aumentar. Por otro lado, cuando UBSFSPR vende Acciones de su inventario, los precios cotizados por éste podrían reducirse. En situaciones en que UBSFSPR está vendiendo Acciones de su inventario, podría ofrecer vender dichas Acciones a precios más bajos que cualquier orden de venta pendiente que fue puesta sobre sus Acciones por cualquier inversionista. Cualquier decisión de UBSFSPR de aumentar o reducir su inventario será tomada a su única discreción y no son divulgadas al público.

Divulgación Contributiva sobre Acuerdos de Recompra: A pesar de que existe precedente contable que apoya el concepto que los acuerdos de recompra y recompra a la inversa sean considerados como préstamos con garantía colateral para propósitos contributivos en Puerto Rico, dicho precedente no es determinante en cuanto a las disposiciones contributivas aplicables a los acuerdos de recompra que normalmente el Fondo suscribe, que contienen disposiciones que conceden al comprador de los valores subyacentes a dichos acuerdos el derecho a vender, transferir, pignorar o hipotecar dichos valores. A pesar de que el Departamento de Hacienda de Puerto Rico (en adelante, "Hacienda") nunca se ha expresado sobre si estos tipos de acuerdos deben ser considerados como una transferencia de titularidad sobre los valores subyacentes, Hacienda podría adoptar dicha posición y que los tribunales de Puerto Rico estén de acuerdo con dicha posición. En dicho caso, el interés exento pagado sobre los valores subyacentes a dichos acuerdos podría considerarse

como ingreso no exento del pago de contribución para el vendedor de tales valores subyacentes. En la medida que el Fondo sea considerado el vendedor bajo el acuerdo de recompra correspondiente, los dividendos distribuidos sobre las Acciones que a su vez son derivados del ingreso del acuerdo de recompra correspondiente podría ser considerado como un dividendo sujeto a tributación o ganancias de capital. Si tal dividendo fuera considerado como dividendo sujeto a tributación, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico podrían estar sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos distribuidos antes del 15 de julio de 2014) sobre el dividendo (o la contribución básica alterna aplicable), y aquellos que sean inversionistas corporativos estarían sujetos a una máxima tasa efectiva de 5.85% (o 4.5% para dividendos distribuidos antes del 15 de julio de 2014), debido a la deducción de 85% sobre dividendos recibidos, según dispuesto por el Código de Rentas Internas de Puerto Rico, multiplicando el 15% del dividendo por una tasa contributiva corporativa máxima de 39% para los dividendos distribuidos en o después del 1 de julio de 2014 y 30% para los dividendos distribuidos antes del 1 de julio de 2014). Por otro lado, si tales dividendos fueran considerados como dividendos de ganancias de capital, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico estarían sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014 o la contribución básica alterna aplicable), y los tenedores de las Acciones que tributa como corporaciones, estarían sujetos a una tasa contributiva de 20% (tasa contributiva de 15% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014).

Cambios Recientes al Derecho Tributario de Puerto Rico: El 1 de julio de 2014, el Gobernador de Puerto Rico firmó como ley la Ley 77-2014, la cual enmendó el Código de Rentas Internas de Puerto Rico del 2011 para proveer, entre otras cosas, (i) que el 10% de retención de impuesto que se le impone a los dividendos distribuidos por corporaciones de Puerto Rico a individuos, aplicará a los dividendos distribuidos antes del 1 de julio de 2014, y que la tasa de 15% aplicará a los dividendos distribuidos después del 30 de junio de 2014, y (ii) que las tasas de ganancias de capital a largo plazo para ventas e intercambios realizadas después del 30 de junio de 2014, ha sido aumentada de 10% a 15% para individuos, sucesiones y fideicomisos; y de 15% a 20% para las corporaciones. Consecuentemente, si el Fondo distribuye "Dividendos Tributables" después del 30 de junio de 2014, el interés aplicable y la tasa de retención será 15%. Del mismo modo, si el Fondo distribuye Dividendos de Ganancias de Capital después del 30 de junio de 2014, la tasa de interés aplicable para individuos, sucesiones y fideicomisos será un 15%, y 20% para las corporaciones. Se exhorta a los inversionistas a que contacten a su abogado o asesor contributivo. Ni UBS Financial Services Incorporated of Puerto Rico ni el Fondo proveen asesoría legal o contributiva.

El 11 de febrero de 2015 la Legislatura de Puerto Rico presentó dos proyectos de ley (P.C. 2329 y P.S.

1304) que proponen una reforma contributiva con la aprobación del "Nuevo Código de Rentas Internas de 2015" (el "Código Nuevo"). En términos generales, el Código Nuevo sería efectivo para años contributivos comenzados después del 31 de diciembre de 2014 y, de aprobarse, incluiría los siguientes cambios: (a) eliminar las tasas preferenciales que actualmente aplican a las ganancias de capital a largo plazo generadas después del 31 de diciembre de 2014; (b) eliminar la tasa preferencial de 10% que actualmente aplica a los ingresos de intereses de ciertas obligaciones, incluyendo los Intereses Tributables; (c) reducir el máximo de la tasa de contribuciones de individuos a 30%; (d) eliminar la contribución básica alterna de individuos; (e) establecer una tasa fija de contribuciones sobre ingresos de las corporaciones a 30%; (f) eliminar la exención de los intereses de ciertas obligaciones de los Estados Unidos y sus subdivisiones políticas; y (g) eliminar las tasas preferenciales aplicables a ciertos dividendos y otros ingresos de intereses. La Legislatura de Puerto Rico está en el proceso de revisión de los proyectos de ley, por lo que, actualmente, el resultado final no se puede determinar.

Aviso Legal

Rendimientos anteriores no son garantía de resultados futuros similares. Los rendimientos actuales podrían ser más bajos o más altos que el rendimiento aquí citado. Los valores emitidos por un Fondo están sujetos a riesgo de mercado, incluyendo la pérdida del principal invertido. Este documento no es una oferta de compra ni una solicitud de una oferta de compra para cualquier inversión en un Fondo y es para propósitos informativos solamente. Las inversiones en un Fondo están diseñadas principalmente y son adecuadas para inversionistas a largo plazo y no deben ser consideradas como un vehículo para fines de negociación. Estas inversiones pueden que no sean adecuadas para cualquier inversionista. Una inversión en un Fondo no es equivalente a una inversión en los valores subyacentes en los cuales un Fondo invierte. El uso de apalancamiento por un Fondo representa ciertos riesgos a los inversionistas en éste, y en ciertos casos, las fluctuaciones en las tasas de intereses podrían aumentar la volatilidad en su rendimiento y afectar a un Fondo a mayor grado que a una compañía de inversión no apalancada. **Información más detallada en cuanto a un Fondo, incluyendo los cargos, gastos y penalidades aplicables, objetivo(s) y políticas de inversión, factores de riesgo y el efecto de apalancamiento, se incluye en la documentación de oferta del Fondo, el cual usted debe leer cuidadosamente antes de hacer una inversión.** Para obtener más información en cuanto a un Fondo (incluyendo los rendimientos de inversión calculados conforme el Reglamento 5766 de 11 de marzo de 1998, según enmendado) o una copia del prospecto para la oferta de las Acciones o los informes anuales del Fondo, favor de contactar a la familia de fondos UBS Puerto Rico o Puerto Rico Investors al 787-773-3888 ó 787-751-5452, respectivamente. Para obtener más información en cuanto a los rendimientos del Fondo de fin de mes o información más actualizada, por favor contactar a su Asesor Financiero en UBSFSPR o verifique los comunicados de prensa ("press releases") en <http://www.ubs.com/prfunds>.

Glossary of fund terms

- **Ask Price:** generally refers to the lowest price at which a seller will sell a specified number of units of a given security at a particular time. The ask price may incorporate a markup, which may vary by transaction and may include commissions and other charges. The ask prices quoted by UBSFSPR represent its judgment of the market price for Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price and age of pending customer orders.
- **Average Duration:** a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flow accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flow consist of coupon payments and repayment of capital.) A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, for which maturity and duration are equal.
- **Bid Price:** generally refers to the highest price a buyer is willing to pay at a particular time for a unit of a given security. UBSFSPR publishes two types of bid prices for the Shares: firm or indicative. A firm bid is provided when UBSFSPR has the risk capacity and/or appetite at the particular time to purchase a specified number of Shares. An investor can sell to UBSFSPR at the firm bid price up to the specified number of Shares at a particular time. On the other hand, an indicative bid is provided for informational purposes only when UBSFSPR does not have the risk capacity and/or appetite at a particular time to purchase Shares. The prices quoted by UBSFSPR represent its judgment of the market price for the Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price, and age of pending customer orders, and may be higher (in which case the price is at a premium) or lower (in which case the price is at a discount) than the NAV of the Fund.

The prices quoted by UBSFSPR may also be affected by its willingness to hold additional inventory of the Shares or by its need to sell its inventory of Shares. Depending on market liquidity conditions, orders to buy or sell at the quoted price may not receive immediate execution, and an investor may not be able to sell its Shares at the price quoted by UBSFSPR. Moreover, the proceeds an investor receives on a sale of Shares may be lower than the bid price due to discounts, markdowns, and other charges. Since inception, the Shares have historically traded at prices which reflect a premium to their respective NAV per Share, though on certain limited instances, they have traded at prices which reflect a discount to their respective NAV per Share. However, there is no assurance that the Shares will continue to trade at prices which reflect such a premium. The Fund is presently experiencing liquidity issues. As a result, the bid price is for a limited number of shares, and it may not be possible for sellers to obtain the current bid price.

- **Credit Quality:** a measure of the likelihood that a financial obligation will not be honored provided by one or more of the rating agencies. Rating agencies assign classifications to their ratings, with "AAA" being the highest and "D" being the lowest for Standard & Poor's Ratings Services ("S&P"). The Fund may use other ratings and adjust them for use in this scale.
- **Effective Duration:** a calculation of duration that takes into account the embedded options in the securities of a portfolio and their expected changes in the cash flow of a portfolio caused by those options.
- **Expense Ratio:** The percentage of the Fund's average net assets attributable to holders of the Shares and which is used to pay operating expenses and takes into account investment management fees, administration fees, and other operating expenses such as legal, audit, insurance, and shareholder communications.
- **Hedge Notional:** refers to the total net face value, reflecting any offsetting positions, of derivative instruments employed in hedging strategies of the Fund.
- **Hedge Ratio:** ratio of the Fund's hedge notional amount to its total dollar amount of leverage as of the end of a calendar quarter, assuming the Fund is fully invested at quarter-end. The Fund's investment adviser may, at its discretion, use a variety of derivative instruments including securities options, financial futures contracts, options on futures contracts, and other interest rate protection transactions such as swap agreements, to attempt to hedge its portfolio of assets and seek to enhance its return. There can be no assurance that any particular hedging strategy used will succeed.
- **Leverage:** the Fund may issue preferred stock or debt, enter into repurchase agreements, or borrow money, in order to increase the amounts available for investment ("leverage"). This gives the Fund's investment adviser, in the fixed income area in particular, the opportunity to enhance yield. The use of leverage increases the likelihood of price volatility and market risk for the Shares. There is also the risk that the cost of funding leverage will exceed the earnings on the related investments, which will have the likely effect of reducing the Fund's yield and the value of its investments.
- **Leverage Adjusted Effective Duration:** effective duration adjusted for the impact of the Fund's utilization of leverage. A Fund that utilizes leverage will have a leverage-adjusted effective duration that is longer than its effective duration.
- **Maturity:** date on which the face value of a security/bond must be repaid. It measures the average length to maturity in years of all the bonds in the Fund's portfolio. For mortgage-backed securities, the maturity takes into account the prepayment of the underlying mortgages.
- **NAV:** Net Asset Value. On a per-Share basis, it is determined by calculating the Fund's total assets less its total liabilities and dividing such result by the Shares outstanding. On an aggregate, Fund basis, it is determined by calculating the Fund's total assets less its total liabilities.

- **Undistributed Income:** the Fund's net income that has not been distributed to holders of its Shares as of the latest available audited financial statements. In the case of a target maturity-type investment company (which is liquidated on or by a specific date), it also includes the amounts to be distributed on or by the liquidation date as the return of the initial investment.

For a definition of other terms, please see the Shares' prospectus.



Puerto Rico Tax-Free Target Maturity Fund, Inc.

Investment Objectives and Policies

Seeks high level of current income that, for Puerto Rico residents, is exempt from both U.S. Federal and Puerto Rico income taxes, consistent with the preservation of capital, and the distribution to shareholders of common stock of an amount at least equal to \$10 per share.

- return initial investment of \$10 per share by or before December 31, 2022; distributions of principal may occur as of January 1, 2007^{A, 2}
- may issue leverage representing up to 50% of total assets¹

Pricing and Distribution History^{2, 3, A, B}

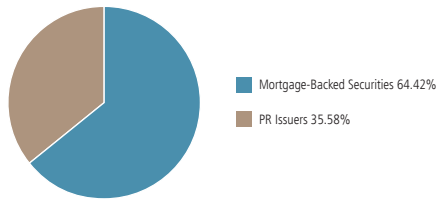
Initial Public Offering (IPO)	\$10.00
Distribution to date	\$9.00
Remaining Capital	\$1.00
IPO Yield ⁵	1.50%
Current Yield ⁵	2.00%
Last Dividend Paid	\$0.0015
Last 12-month dividend	\$0.0177

Portfolio Statistics and Characteristics²

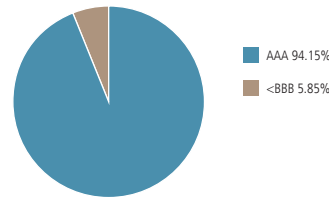
Commencement	Aug 96	Average Maturity (yrs)	1.99
Shares Outstanding (mm)	9.28	Average Duration (yrs)	1.88
Bid Price	\$0.75	Leverage Adjusted	
Net Asset Value (NAV)	\$0.80	Effective Duration (yrs)	3.36
Net Assets (mm)	\$7.46	Fiscal Year	31-May
Leverage (mm)	\$6.06	Leverage %	44.67% ¹
Expense Ratio	2.75%		

See Portfolio Holdings, Portfolio Managers, Special Considerations, Disclaimers, Glossary of Fund Terms, and Footnotes on reverse.

Portfolio Summary²



Credit Quality²



Portfolio Holdings²

PR Obligations

Mortgage-Backed Securities	
GNMA, FNMA, FGLMC, CMO	64.42%
PR Conservation Trust	
Doral	5.85%
PR Housing Finance	29.73%
PR Obligations	100.00%

Pro-Forma ^B	Actual	Capital distributed to date	Adjusted Amount
Bid Price	\$0.75	\$9.00	\$9.75
NAV	\$0.80	\$9.00	\$9.80

Portfolio Managers

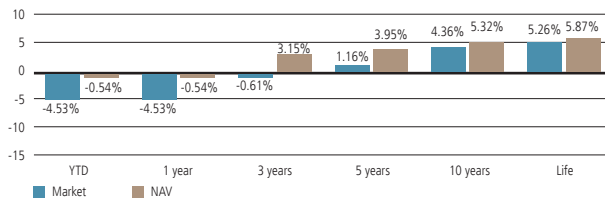
Leslie Highley, Jr., Portfolio Manager since inception
UBS Asset Managers of Puerto Rico

Javier Rubio, Portfolio Manager since inception
Popular Asset Management

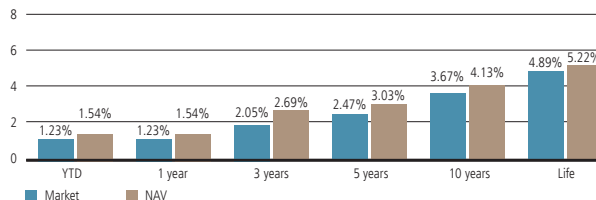
^A During the principal distribution period, the Fund will distribute pro-rata to holders of common stock the principal payments received by the Fund on its portfolio securities, in addition to the regular monthly distributions of net investment income and annual distributions of net capital gains. Provided the Fund adheres to certain requirements imposed by the Office of the Commission of Financial Institutions during the principal distribution period, the 67% investment requirement in Puerto Rico securities will not be applicable to the Fund.

^B In order to compute the Pro-Forma values, the total aggregate amount of all return of capital distributions per Share made to date (i.e. since commencement of capital distributions on December 2007) is added back to (i) the bid price for the Shares and (ii) the NAV. The Pro-Forma value is intended to reflect the value of a Share on the basis of the original \$10.00 initial public offering (IPO) price per Share. An investor purchasing Shares at current market prices can expect to receive return of capital distributions of up to the amount labeled "Remaining Capital" in the "Pricing and Distribution History" table, although there can be no assurance that they will ultimately receive such amounts.

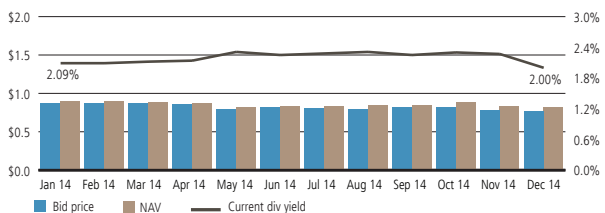
Average Annual Total Return of Capital Reinvested³



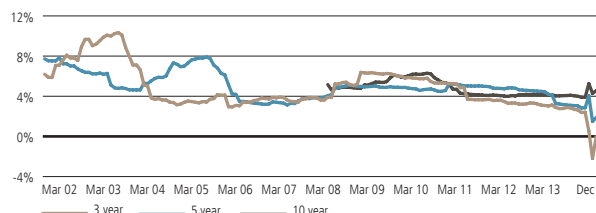
Average Annual Total Return of Capital Not Reinvested³



Share Price, NAV and Current Dividend Yield – Prior 12 months⁵



Rolling Period Annual Returns³



*Special Considerations

The Fund is a non-diversified, closed-end management investment company registered under the Puerto Rico Investment Companies Act of 1954, as amended. Securities issued by the Fund may be purchased or otherwise transferred only to individuals who are residents of Puerto Rico and to entities whose principal office and principal place of business are located in Puerto Rico. The Fund's yield and net asset value and the market price of the Fund's shares of Common Stock (the "Shares") may fluctuate and will be determined by such factors as relative demand for and supply of the Shares in the market, as well as general market, political, and economic conditions and other factors beyond the control of the Fund. The Shares trade at market price, which may be at a discount or premium to NAV, and no assurance can be given as to their liquidity or trading market. While it is the intention of UBS Financial Services Incorporated of Puerto Rico ("UBSFSPR") to continue to maintain a secondary market for the Shares, it is not obligated to continue to do so. Moreover, there may be no other source of price information for the Shares or other purchasers of the Shares other than UBSFSPR.

Geographic Concentration Risk. The Fund is exposed to certain risks resulting from the reduced geographic diversification of its portfolio. The Fund's assets are invested primarily in securities of Puerto Rico issuers. Consequently, the Fund in general is more susceptible to economic, political, regulatory or other factors adversely affecting issuers in Puerto Rico than an investment company that is not so concentrated in Puerto Rico issuers. In addition, securities issued by the Government of Puerto Rico or its instrumentalities are affected by the central government's finances. That includes, but is not limited to, general obligations of Puerto Rico and revenue bonds, special tax bonds, or agency bonds. The effect on each specific debt may not be the same; it depends on exactly what part of the government's money or revenue is supposed to pay the interest thereon. Inasmuch as a relatively high percentage of the Fund's assets may be invested in obligations of a limited number of Puerto Rico issuers, the Fund's net asset value and its yield may increase or decrease more than that of a more diversified investment company as a result of changes in the market's assessment of the financial condition and prospects of such Puerto Rico issuers. The Fund may also be more susceptible to any single economic, political, or regulatory occurrence in Puerto Rico than a more widely diversified investment company. Over the past years, the principal Puerto Rico Government bonds as well as the securities issued by several Puerto Rico financial institutions have been downgraded as a result of several factors, including without limitation, the downturn experienced

by the Puerto Rico economy and the strained financial condition of the Government of Puerto Rico. Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years, thereby affecting the Fund's net asset value.

Portfolio transactions between the Fund and UBSFSPR, Popular Securities (in the case of a co-managed Fund with Banco Popular de Puerto Rico), and other affiliates, are conducted in accordance with procedures adopted by the Fund's Board of Directors in an effort to address potential conflicts of interest.

Secondary Market Disclosure: Given UBSFSPR is currently the dominant, and may be the sole source of secondary market liquidity for the Shares, an investor may not be able to sell its Shares or may only be able to sell them at a loss, if UBSFSPR were to cease to facilitate such secondary market for the Shares. Accordingly, an investor's ability to sell its Shares will depend on the interest of other investors buying Shares, or UBSFSPR's willingness to commit additional capital to holding Shares in inventory. UBSFSPR may, in its sole discretion, commit additional capital to hold Shares in inventory when it deems it appropriate to do so, given market conditions or other considerations, and similarly may reduce the amount of capital committed to fund such inventory of Shares at other times. For example, when UBSFSPR purchases Shares and holds them in its inventory, quoted prices may remain at the previously quoted levels or increase. Conversely, when UBSFSPR sells Shares from its inventory, the quoted prices may decrease. In situations where UBSFSPR is selling Shares from its inventory, it may offer to sell its Shares at prices that are lower than pending sell orders that were placed by investors in the Shares. Decisions by UBSFSPR to increase or decrease inventory are made at its sole discretion and are not generally disclosed.

Repurchase Agreement Tax Disclosure: While there is authority generally supporting the treatment of repurchase and reverse repurchase agreements as collateralized loans for Puerto Rico income tax purposes, that authority does not specifically address the tax treatment of the repurchase agreements that the Fund typically enters into, which contain provisions that grant the buyer the right to sell, transfer, pledge, or hypothecate the securities that are the object of such agreements. Although the Puerto Rico Treasury Department ("PR Treasury") has never pronounced itself as to whether this type of arrangement should be viewed as a transfer of ownership of the underlying securities, it is possible that the PR Treasury could take that position in the future and that Puerto Rico

courts would agree with that view. In such event, the tax exempt interest paid on such underlying securities could be deemed not to constitute tax exempt income for the seller of such securities; to the extent that the Fund was such seller, the dividends distributed on its Shares from such income could be treated either as taxable dividends or capital gain dividends. If such dividends were treated as taxable dividends, holders of the Shares who are individuals or Puerto Rico trusts could be subject to a 15% income tax (or 10% income for dividends distributed before July 15, 2014) on the dividend (or the applicable alternate basic tax), and those which are corporate investors would be subject to a maximum effective income tax rate of 5.85% (or 4.5% for dividends distributed before July 15, 2014), (due to the 85% dividend received deduction of the Puerto Rico Internal Revenue Code, 15% of the dividend multiplied by a 39% maximum corporate income tax rate for dividends distributed on or after July 1, 2014 and 30% for dividends distributed before July 1, 2014). On the other hand, if such dividends were treated as capital gains dividends, holders of the Shares who are individuals or Puerto Rico trusts would be subject to a 15% income tax (or 10% income tax for capital dividends distributed before July 1, 2014) (or the applicable alternate basic tax), and holders of the Shares which are taxed as corporations would be subject to a 20% income tax (15% income tax for capital dividends distributed before July 1, 2014).

Recent Changes in Puerto Rico tax law: On July 1, 2014, the Governor of Puerto Rico signed into law Act 77-2014 which amended the Puerto Rico Internal Revenue Code of 2011 to provide, among other things, (i) the 10% withholding tax that is imposed on dividends distributed by Puerto Rico corporations to individuals will apply to dividends distributed before July 1, 2014, and that a 15% rate will apply for dividends distributed after June 30, 2014, and (ii) the long-term capital gains rate for sales and exchanges effected after June 30, 2014, is increased from 10% to 15%, in the case of individuals, estates, and trusts; and from 15% to 20%, in the case of corporations. Accordingly, if the Fund distributes "Taxable Dividends" after June 30, 2014, the applicable tax and withholding rate will be 15%. Similarly, if the Fund distributes Capital Gain Dividends after June 30, 2014, the applicable tax rate for individuals, estates and trusts will be 15%, and 20% in the case of corporations. Investors are encouraged to contact their lawyer or tax consultant. Neither the Fund nor UBS Financial Services Incorporated of Puerto Rico provides legal or tax advice.

On February 11, 2015, two (2) bills (P.C. 2329 and P.S. 1304) were introduced into the Puerto Rico Legislature and which propose the

adoption of a "New Puerto Rico Internal Revenue Code of 2015" ("New Code"). In general, the New Code would be effective for taxable years beginning after December 31, 2014 and, if approved, the New Code would, amongst other changes: (a) eliminate the preferential tax rates that currently apply to long-term capital gains derived after December 31, 2014, (b) eliminate the preferential 10% rate that currently applies to interest on certain obligations, such as Taxable Interest, (c) reduce the maximum marginal tax rate of individuals to 30%, (d) eliminate the alternate basic tax for individuals, (e) provide for a fixed 30% regular income tax rate for corporations, (f) eliminate the exemption for interest on obligations issued by States and their political sub-divisions, and (g) eliminate the preferential tax rates that currently exist for certain dividends and other interest income items. The Puerto Rico Legislature is currently reviewing the proposed bills and, therefore, their final outcome is not currently determinable.

Legal Disclaimer

Past performance does not guarantee future results. Current performance may be lower or higher than the performance quoted. Securities issued by the Fund are subject to market risk, including the loss of principal amounts invested. This document is not an offer to sell, or the solicitation of an offer to buy any investment in the Fund, and is for informational purposes only. Fund investments are designed primarily and suitable for long-term investors and not viewed as a vehicle for trading purposes. They may not be suitable to all investors. Fund investments are not equivalent to investments in its underlying securities. The Fund's utilization of leverage poses certain risks to investors, and in some cases, interest rate fluctuations may increase the volatility of its return and affect the Fund to a significantly greater extent than a non-leveraged investment company. **More detailed information about the Fund, including applicable fees, costs, penalties, investment objectives and policies, risk factors, and the effects of leverage, is further described in the Share's prospectus, which you should read carefully prior to making an investment.** To obtain additional information related to the Fund (including investment returns calculated in accordance with Regulation 5766 of March 11, 1998, as amended) or a copy of the Shares' prospectus or Fund's annual report, please contact the Puerto Rico Investors Family of Funds at 787-751-5452. To obtain the Fund's month-end performance or more up-to-date information, please contact your UBS Financial Advisor or see "press releases" at <http://www.ubs.com/pr/funds>.

Footnotes:

¹ Generally, the Fund must invest at least 67% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage) and cash, including cash equivalents, but excluding non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), in Puerto Rico securities. Additionally, the Fund may issue preferred stock, debt securities, or other forms of leverage, representing not more than 50% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage), cash (including cash equivalents), and non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), immediately after the issuance of any such preferred stock, or other debt securities. Moreover, the Fund may not issue preferred stock, debt securities, or other forms of leverage unless the value of its total assets less all its liabilities and indebtedness, other than the preferred stock, debt securities, or other forms of leverage being issued or already outstanding, is at least equal to 200% of the total aggregate liquidation preference/principal amount of all its outstanding preferred stock (not including any accumulated dividends or other distributions), debt securities, and other forms of leverage. **Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years. In view of these volatile market conditions, the Puerto Rico Office of the Commissioner of Financial Institutions (the "PROCFI") has granted to the Fund a temporary regulatory waiver from the Funds' investment requirement in Puerto Rico securities of at least 67% of the Fund's total assets and leverage limitation of 50% of its total assets and 200% asset coverage requirement described above, through July 31, 2015. These temporary waivers may be renewed by the PROCFI for additional periods of time, should market conditions warrant, and upon written request by the Fund. It is the Fund's intention to re-achieve compliance**

therewith as soon as market conditions permit, though there is no assurance the Fund will be able to do so.

² Credit quality is as of December 31, 2014. The Fund's investment portfolio is actively managed, and its composition (including the portfolio statistics and characteristics) will vary over time. Credit quality percentages include only fixed income securities and vary over time, as new investment securities are acquired and the credit rating of any investment held by the Fund is reassessed. For purposes of determining compliance with the Fund's investment requirements, ratings are as of the time of purchase, using a Standard & Poor's equivalent ratings scale. On February 12, 2015, S&P further downgraded the credit rating on the GOs from "BB" to "B", as well as the credit ratings of other Commonwealth agencies and public corporations, including its credit ratings on senior and subordinate-lien bonds issued by COFINA, which were lowered from "BBB" and "BBB-", respectively to "B". On such date, the long-term issuer credit rating on the GDB was also lowered, from "BB-" to "B-". On February 19, 2015, Moody's followed suit and downgraded its credit ratings on various Government of Puerto Rico entities and issuances, including GOs, from "B2" to "Caa1", and COFINA's senior and subordinate-lien bonds, which were lowered from "Ba3" and "B1", to "B3" and "Caa1", respectively. Lastly, on March 26, 2015, Fitch also downgraded the credit rating on the GOs from "BB-" to "B", as well as the credit ratings of PRASA senior lien revenue bonds from "Ba+" to "B" and COFINA's senior and subordinate-lien bonds from "BB-" to "B". All of the before-mentioned ratings carry a negative outlook. **As a result of the foregoing, none of the bonds issued by the Government of Puerto Rico and its instrumentalities currently carry an investment-grade credit rating. In view of the fact that the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years and the subsequent credit rating downgrade of certain Puerto Rico bonds, current or more up-to-date information regarding the Fund's portfolio**

holdings is available at <http://www.ubs.com/pr/funds>. The Fund has commenced pro-rata distributions to its holders of common stock, of the principal payments received on its portfolio securities.

On January 2014, the Board of Directors approved the implementation of a share repurchase program for the acquisition of up to 25% of each Fund's total assets. The Repurchase Program is intended to enhance shareholder value by providing additional liquidity to Fund shareholders. For the quarter ended December 31, 2014, the Fund had repurchased 21,400 shares in the open market with an NAV of \$17,762, at a cost of \$16,125. Since the program's inception, the Fund has repurchased 326,080 shares of common stock in the open market with an NAV of \$267,600, at a cost of \$241,804, and which represent 1.53% of the total assets of the Fund (net of Shares acquired for dividend reinvestment purposes and which remain outstanding).

³ As of December 31, 2014, **return figures were not calculated in accordance with Regulation 5766 of March 11, 1998, as amended, which requires that investment returns for an individual retirement account ("IRA") be calculated in the manner provided therein.** To the extent that an individual invests in the Fund through an IRA, his or her investment return figures will be less than those reported herein, when computed in accordance with Regulation 5766 and inasmuch as actual sales charges applicable to such IRA investments are taken into consideration. This Fund has commenced return of capital distributions to its shareholders of Common Stock. This Fund has never offered a dividend reinvestment plan for the Shares. Solely for purposes of providing investors with (a) the ability to compare the performance of the Fund to that of other similar closed-end investment companies, and (b) performance information which does not take into account any reinvestment of return of capital distributions, two (2) separate sets of "Average Annual Total Return" figures are set out above. The first set of "Market Total Return" figures reflect the percentage change in the market value, determined by calculating the average between the bid and ask prices, plus any income and capital gain dividends, and return of capital distributions, all such dividends and distributions reinvested as of the corresponding record date thereof, at the month-end NAV as of that date.

The second set of "Market Total Return" figures reflect the percentage change in the market value, determined by calculating the average between the bid and ask prices, including in each case the aggregate amounts of all return of capital distributions to date, plus any income and capital gain dividends, all such dividends reinvested as of the corresponding record date thereof, at the month-end Pro Forma NAV as of that date. In the case of "NAV Total Return," the Fund's NAV per Share is used, rather than the average between the bid and ask prices or the sum of (i) the average between the bid and ask prices and (ii) the aggregate amount of return of capital distributions to date, to determine such total return, as applicable. "Rolling Period Annual Returns" measure the monthly movement in the average of the Annualized Average Market Return figures over a one-year, three-year, five-year, and ten-year period (as applicable), as it moves over a consecutive time series that begins on the Fund's inception date. Additionally, in the case of the Average Annual Total Return and Rolling Period Annual Return figures, commissions or sales charges payable in connection with a purchase or sale of Shares may vary with each brokerage institution. Total return figures are not representative of the performance of any individual investment, and taxes on capital gain distributions or income dividends, if any, have not been deducted. All calculations were performed by Thomson Reuters, based on certain financial data provided by this Fund and are annualized with the exception of year-to-date figures.

⁴ A \$10,000 investment is hypothetical and is shown for illustrative purposes only.

⁵ "IPO Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the remaining capital. "Current Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the month-end bid price.



UBS Asset Managers of Puerto Rico Funds Quarterly Review Fourth Quarter 2014

*Consideraciones Especiales

Cada Fondo es una compañía de inversión no diversificada de fin cerrado inscrita bajo la Ley Número 6 de 19 de octubre de 1954, según enmendada. Los valores emitidos por un Fondo pueden solamente ser adquiridos por, o transferidos a, individuos que sean residentes de Puerto Rico y a entidades cuya oficina y localización de negocios principal estén localizados en Puerto Rico. El rendimiento, el valor neto de los activos de un Fondo y el precio en el mercado de las acciones de capital común del Fondo (en adelante, las "Acciones"), podrán fluctuar y se determinarán por factores como la demanda y oferta en el mercado de las Acciones y las condiciones económicas, políticas y del mercado en general, al igual que otros factores que están fuera del control de un Fondo. Las Acciones son negociadas al precio del mercado, el cual puede reflejar una prima o descuento del valor neto de los activos de un Fondo y no se puede dar representación alguna sobre su liquidez o el mercado para disponer de las mismas. A pesar de que es la intención de UBS Financial Services Incorporated of Puerto Rico (en adelante, "UBSFSPR") de continuar manteniendo un mercado secundario para las Acciones, no está obligada a continuar haciéndolo. De otra parte, puede que no exista otra fuente de información de precios para las Acciones u otros compradores para las Acciones que no sea UBSFSPR.

Riesgo de concentración geográfica: El Fondo está expuesto a ciertos riesgos debido a la diversificación geográfica reducida de su cartera de inversiones. Los activos del fondo están invertidos primariamente en valores de emisores de Puerto Rico. A consecuencia, el Fondo generalmente es más susceptible a factores económicos, políticos, regulatorios y otros que podrían afectar adversamente a emisores de Puerto Rico que otra compañía de inversión la cual no esté tan concentrada en emisores de Puerto Rico. En adición, valores emitidos por el Gobierno de Puerto Rico o sus instrumentalidades se afectan por las finanzas del gobierno central. Eso incluye, pero no se limita a, las obligaciones generales de Puerto Rico y los bonos de ingresos, contribuciones especiales o de agencias. El efecto en cada deuda específica podría no ser el mismo y depende de que parte del dinero del gobierno o sus ingresos se supone pague el interés de dicha deuda. En la medida que un porcentaje relativamente alto de los activos del Fondo pueden ser invertidos en obligaciones de un número limitado de emisores de Puerto Rico, el valor neto de activos y su rendimiento puede aumentar o disminuir más que el de una compañía de inversión más diversificada, como resultado de cambios en cuanto a la evaluación de la condición financiera o prospectos de dichos emisores de Puerto Rico. El Fondo también puede ser más susceptible a cualquier ocurrencia individual económica, política o regulatoria en Puerto Rico que una compañía de inversión más diversificada. En los pasados años, los bonos principales del Gobierno de Puerto Rico, al igual que valores emitidos por ciertas instituciones financieras de Puerto Rico han sido degradados por varios factores, incluyendo sin limitación, al empeoramiento experimentado por la economía de Puerto Rico y la condición financiera pobre del Gobierno de Puerto Rico. Al presente, el mercado de bonos de Puerto Rico está experimentando un periodo de volatilidad, con los

bonos de Puerto Rico traficando a precios más bajos y rendimientos más altos a los puntos de referencia de los pasados dos (2) años, y así afectando el valor neto de activos del Fondo.

Transacciones de cartera entre un Fondo y UBSFSPR, Popular Securities (en el caso de un Fondo co-manejado con Banco Popular de Puerto Rico) y otras afiliadas son efectuadas conforme a ciertos procedimientos adoptados por la Junta de Directores de un Fondo con miras a atender posibles conflictos de interés.

Divulgación de Mercado Secundario: Dado a que actualmente UBSFSPR es la fuente dominante, y podría ser la única fuente, de liquidez para la negociación de las Acciones en el mercado secundario, cabe la posibilidad que un inversionista no pueda vender sus Acciones en el mercado secundario o que solamente pueda venderlas a pérdida, si UBSFSPR cesara de facilitar un mercado secundario para la negociación de las Acciones. Por lo tanto, la habilidad de un inversionista para vender sus Acciones dependerá del interés de otros inversionistas que estén comprando Acciones o la disponibilidad de UBSFSPR de designar capital adicional para mantener Acciones en su inventario. UBSFSPR podrá, a su única discreción, comprometer capital adicional para mantener Acciones en inventario cuando así lo estime apropiado, dependiendo de las condiciones del mercado y otras consideraciones, e igualmente en otras ocasiones, podrá reducir la cantidad de capital comprometida para financiar dicho inventario de las Acciones. Por ejemplo, cuando UBSFSPR compra Acciones para su inventario, los precios cotizados por éste podrán permanecer a los niveles previamente cotizados o aumentar. Por otro lado, cuando UBSFSPR vende Acciones de su inventario, los precios cotizados por éste podrían reducirse. En situaciones en que UBSFSPR está vendiendo Acciones de su inventario, podría ofrecer vender dichas Acciones a precios más bajos que cualquier orden de venta pendiente que fue puesta sobre sus Acciones por cualquier inversionista. Cualquier decisión de UBSFSPR de aumentar o reducir su inventario será tomada a su única discreción y no son divulgadas al público.

Divulgación Contributiva sobre Acuerdos de Recompra: A pesar de que existe precedente contable que apoya el concepto que los acuerdos de recompra y recompra a la inversa sean considerados como préstamos con garantía colateral para propósitos contributivos en Puerto Rico, dicho precedente no es determinante en cuanto a las disposiciones contributivas aplicables a los acuerdos de recompra que normalmente el Fondo suscribe, que contienen disposiciones que conceden al comprador de los valores subyacentes a dichos acuerdos el derecho a vender, transferir, pignorar o hipotecar dichos valores. A pesar de que el Departamento de Hacienda de Puerto Rico (en adelante, "Hacienda") nunca se ha expresado sobre si estos tipos de acuerdos deben ser considerados como una transferencia de titularidad sobre los valores subyacentes, Hacienda podría adoptar dicha posición y que los tribunales de Puerto Rico estén de acuerdo con dicha posición. En dicho caso, el interés exento pagado sobre los valores subyacentes a dichos acuerdos podría considerarse

como ingreso no exento del pago de contribución para el vendedor de tales valores subyacentes. En la medida que el Fondo sea considerado el vendedor bajo el acuerdo de recompra correspondiente, los dividendos distribuidos sobre las Acciones que a su vez son derivados del ingreso del acuerdo de recompra correspondiente podría ser considerado como un dividendo sujeto a tributación o ganancias de capital. Si tal dividendo fuera considerado como dividendo sujeto a tributación, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico podrían estar sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos distribuidos antes del 15 de julio de 2014) sobre el dividendo (o la contribución básica alterna aplicable), y aquellos que sean inversionistas corporativos estarían sujetos a una máxima tasa efectiva de 5.85% (o 4.5% para dividendos distribuidos antes del 15 de julio de 2014), debido a la deducción de 85% sobre dividendos recibidos, según dispuesto por el Código de Rentas Internas de Puerto Rico, multiplicando el 15% del dividendo por una tasa contributiva corporativa máxima de 39% para los dividendos distribuidos en o después del 1 de julio de 2014 y 30% para los dividendos distribuidos antes del 1 de julio de 2014). Por otro lado, si tales dividendos fueran considerados como dividendos de ganancias de capital, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico estarían sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014 o la contribución básica alterna aplicable), y los tenedores de las Acciones que tributa como corporaciones, estarían sujetos a una tasa contributiva de 20% (tasa contributiva de 15% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014).

Cambios Recientes al Derecho Tributario de Puerto Rico: El 1 de julio de 2014, el Gobernador de Puerto Rico firmó como ley la Ley 77-2014, la cual enmendó el Código de Rentas Internas de Puerto Rico del 2011 para proveer, entre otras cosas, (i) que el 10% de retención de impuesto que se le impone a los dividendos distribuidos por corporaciones de Puerto Rico a individuos, aplicará a los dividendos distribuidos antes del 1 de julio de 2014, y que la tasa de 15% aplicará a los dividendos distribuidos después del 30 de junio de 2014, y (ii) que las tasas de ganancias de capital a largo plazo para ventas e intercambios realizadas después del 30 de junio de 2014, ha sido aumentada de 10% a 15% para individuos, sucesiones y fideicomisos; y de 15% a 20% para las corporaciones. Consecuentemente, si el Fondo distribuye "Dividendos Tributables" después del 30 de junio de 2014, el interés aplicable y la tasa de retención será 15%. Del mismo modo, si el Fondo distribuye Dividendos de Ganancias de Capital después del 30 de junio de 2014, la tasa de interés aplicable para individuos, sucesiones y fideicomisos será un 15%, y 20% para las corporaciones. Se exhorta a los inversionistas a que contacten a su abogado o asesor contributivo. Ni UBS Financial Services Incorporated of Puerto Rico ni el Fondo proveen asesoría legal o contributiva.

El 11 de febrero de 2015 la Legislatura de Puerto Rico presentó dos proyectos de ley (P.C. 2329 y P.S.

1304) que proponen una reforma contributiva con la aprobación del "Nuevo Código de Rentas Internas de 2015" (el "Código Nuevo"). En términos generales, el Código Nuevo sería efectivo para años contributivos comenzados después del 31 de diciembre de 2014 y, de aprobarse, incluiría los siguientes cambios: (a) eliminar las tasas preferenciales que actualmente aplican a las ganancias de capital a largo plazo generadas después del 31 de diciembre de 2014; (b) eliminar la tasa preferencial de 10% que actualmente aplica a los ingresos de intereses de ciertas obligaciones, incluyendo los Intereses Tributables; (c) reducir el máximo de la tasa de contribuciones de individuos a 30%; (d) eliminar la contribución básica alterna de individuos; (e) establecer una tasa fija de contribuciones sobre ingresos de las corporaciones a 30%; (f) eliminar la exención de los intereses de ciertas obligaciones de los Estados Unidos y sus subdivisiones políticas; y (g) eliminar las tasas preferenciales aplicables a ciertos dividendos y otros ingresos de intereses. La Legislatura de Puerto Rico está en el proceso de revisión de los proyectos de ley, por lo que, actualmente, el resultado final no se puede determinar.

Aviso Legal

Rendimientos anteriores no son garantía de resultados futuros similares. Los rendimientos actuales podrían ser más bajos o más altos que el rendimiento aquí citado. Los valores emitidos por un Fondo están sujetos a riesgo de mercado, incluyendo la pérdida del principal invertido. Este documento no es una oferta de compra ni una solicitud de una oferta de compra para cualquier inversión en un Fondo y es para propósitos informativos solamente. Las inversiones en un Fondo están diseñadas principalmente y son adecuadas para inversionistas a largo plazo y no deben ser consideradas como un vehículo para fines de negociación. Estas inversiones pueden que no sean adecuadas para cualquier inversionista. Una inversión en un Fondo no es equivalente a una inversión en los valores subyacentes en los cuales un Fondo invierte. El uso de apalancamiento por un Fondo representa ciertos riesgos a los inversionistas en éste, y en ciertos casos, las fluctuaciones en las tasas de intereses podrían aumentar la volatilidad en su rendimiento y afectar a un Fondo a mayor grado que a una compañía de inversión no apalancada. **Información más detallada en cuanto a un Fondo, incluyendo los cargos, gastos y penalidades aplicables, objetivo(s) y políticas de inversión, factores de riesgo y el efecto de apalancamiento, se incluye en la documentación de oferta del Fondo, el cual usted debe leer cuidadosamente antes de hacer una inversión.** Para obtener más información en cuanto a un Fondo (incluyendo los rendimientos de inversión calculados conforme el Reglamento 5766 de 11 de marzo de 1998, según enmendado) o una copia del prospecto para la oferta de las Acciones o los informes anuales del Fondo, favor de contactar a la familia de fondos UBS Puerto Rico o Puerto Rico Investors al 787-773-3888 ó 787-751-5452, respectivamente. Para obtener más información en cuanto a los rendimientos del Fondo de fin de mes o información más actualizada, por favor contactar a su Asesor Financiero en UBSFSPR o verifique los comunicados de prensa ("press releases") en <http://www.ubs.com/prfunds>.

Glossary of fund terms

- **Ask Price:** generally refers to the lowest price at which a seller will sell a specified number of units of a given security at a particular time. The ask price may incorporate a markup, which may vary by transaction and may include commissions and other charges. The ask prices quoted by UBSFSPR represent its judgment of the market price for Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price and age of pending customer orders.
- **Average Duration:** a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flow accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flow consist of coupon payments and repayment of capital.) A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, for which maturity and duration are equal.
- **Bid Price:** generally refers to the highest price a buyer is willing to pay at a particular time for a unit of a given security. UBSFSPR publishes two types of bid prices for the Shares: firm or indicative. A firm bid is provided when UBSFSPR has the risk capacity and/or appetite at the particular time to purchase a specified number of Shares. An investor can sell to UBSFSPR at the firm bid price up to the specified number of Shares at a particular time. On the other hand, an indicative bid is provided for informational purposes only when UBSFSPR does not have the risk capacity and/or appetite at a particular time to purchase Shares. The prices quoted by UBSFSPR represent its judgment of the market price for the Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price, and age of pending customer orders, and may be higher (in which case the price is at a premium) or lower (in which case the price is at a discount) than the NAV of the Fund.

The prices quoted by UBSFSPR may also be affected by its willingness to hold additional inventory of the Shares or by its need to sell its inventory of Shares. Depending on market liquidity conditions, orders to buy or sell at the quoted price may not receive immediate execution, and an investor may not be able to sell its Shares at the price quoted by UBSFSPR. Moreover, the proceeds an investor receives on a sale of Shares may be lower than the bid price due to discounts, markdowns, and other charges. Since inception, the Shares have historically traded at prices which reflect a premium to their respective NAV per Share, though on certain limited instances, they have traded at prices which reflect a discount to their respective NAV per Share. However, there is no assurance that the Shares will continue to trade at prices which reflect such a premium. The Fund is presently experiencing liquidity issues. As a result, the bid price is for a limited number of shares, and it may not be possible for sellers to obtain the current bid price.

- **Credit Quality:** a measure of the likelihood that a financial obligation will not be honored provided by one or more of the rating agencies. Rating agencies assign classifications to their ratings, with "AAA" being the highest and "D" being the lowest for Standard & Poor's Ratings Services ("S&P"). The Fund may use other ratings and adjust them for use in this scale.
- **Effective Duration:** a calculation of duration that takes into account the embedded options in the securities of a portfolio and their expected changes in the cash flow of a portfolio caused by those options.
- **Expense Ratio:** The percentage of the Fund's average net assets attributable to holders of the Shares and which is used to pay operating expenses and takes into account investment management fees, administration fees, and other operating expenses such as legal, audit, insurance, and shareholder communications.
- **Hedge Notional:** refers to the total net face value, reflecting any offsetting positions, of derivative instruments employed in hedging strategies of the Fund.
- **Hedge Ratio:** ratio of the Fund's hedge notional amount to its total dollar amount of leverage as of the end of a calendar quarter, assuming the Fund is fully invested at quarter-end. The Fund's investment adviser may, at its discretion, use a variety of derivative instruments including securities options, financial futures contracts, options on futures contracts, and other interest rate protection transactions such as swap agreements, to attempt to hedge its portfolio of assets and seek to enhance its return. There can be no assurance that any particular hedging strategy used will succeed.
- **Leverage:** the Fund may issue preferred stock or debt, enter into repurchase agreements, or borrow money, in order to increase the amounts available for investment ("leverage"). This gives the Fund's investment adviser, in the fixed income area in particular, the opportunity to enhance yield. The use of leverage increases the likelihood of price volatility and market risk for the Shares. There is also the risk that the cost of funding leverage will exceed the earnings on the related investments, which will have the likely effect of reducing the Fund's yield and the value of its investments.
- **Leverage Adjusted Effective Duration:** effective duration adjusted for the impact of the Fund's utilization of leverage. A Fund that utilizes leverage will have a leverage-adjusted effective duration that is longer than its effective duration.
- **Maturity:** date on which the face value of a security/bond must be repaid. It measures the average length to maturity in years of all the bonds in the Fund's portfolio. For mortgage-backed securities, the maturity takes into account the prepayment of the underlying mortgages.
- **NAV:** Net Asset Value. On a per-Share basis, it is determined by calculating the Fund's total assets less its total liabilities and dividing such result by the Shares outstanding. On an aggregate, Fund basis, it is determined by calculating the Fund's total assets less its total liabilities.

- **Undistributed Income:** the Fund's net income that has not been distributed to holders of its Shares as of the latest available audited financial statements. In the case of a target maturity-type investment company (which is liquidated on or by a specific date), it also includes the amounts to be distributed on or by the liquidation date as the return of the initial investment.

For a definition of other terms, please see the Shares' prospectus.



Puerto Rico Tax-Free Target Maturity Fund II, Inc.

Investment Objectives and Policies

Seeks high level of current income that, for Puerto Rico residents, is exempt from both U.S. Federal and Puerto Rico income taxes, consistent with the preservation of capital, and the distribution to shareholders of common stock of an amount at least equal to \$10 per share.

- return initial investment of \$10 per share by or before December 31, 2028; distributions of principal may occur as of January 1, 2008^{A,2}
- may issue leverage representing up to 50% of total assets¹

Pricing and Distribution History^{2, 3, A, B}

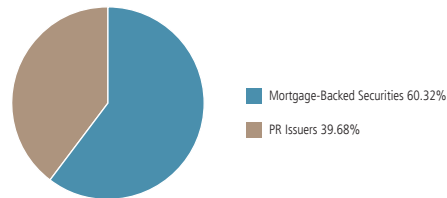
Initial Public Offering (IPO)	\$10.00
Distribution to date	\$8.20
Remaining Capital	\$1.80
IPO Yield ⁵	2.25%
Current Yield ⁵	2.77%
Last Dividend Paid	\$0.0034
Last 12-month dividend	\$0.0409

Portfolio Statistics and Characteristics²

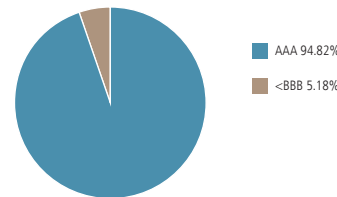
Commencement	July-97	Average Maturity (yrs)	4.37
Shares Outstanding (mm)	6.56	Average Duration (yrs)	3.87
Bid Price	\$1.46	Leverage Adjusted	
Net Asset Value (NAV)	\$1.58	Effective Duration (yrs)	6.80
Net Assets (mm)	\$10.35	Fiscal Year	31-May
Leverage (mm)	\$8.06	Leverage %	43.64% ¹
Expense Ratio	2.04%		

See Portfolio Holdings, Portfolio Managers, Special Considerations, Disclaimers, Glossary of Fund Terms, and Footnotes on reverse.

Portfolio Summary²



Credit Quality²



Portfolio Holdings²

PR Obligations	
Mortgage-Backed Securities GNMA, FNMA, FGLMC, CMO	60.32%
PR Conservation Trust Doral	5.18%
PR Housing Finance	34.50%
PR Obligations	100.00%

	Pro-Forma ^B	Actual	Capital distributed to date	Adjusted Amount
Bid Price	\$1.46		\$8.20	\$9.66
NAV	\$1.58		\$8.20	\$9.78

Portfolio Managers

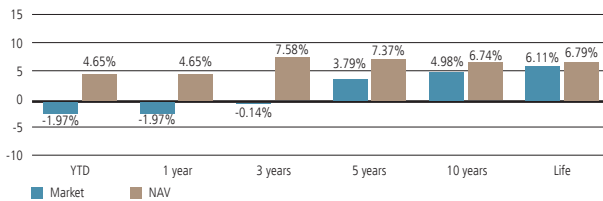
Leslie Highley, Jr., Portfolio Manager since inception
UBS Asset Managers of Puerto Rico

Javier Rubio, Portfolio Manager since inception
Popular Asset Management

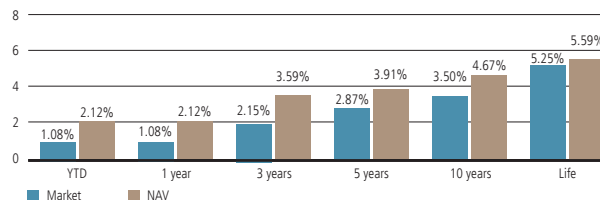
^A During the principal distribution period, the Fund will distribute pro-rata to holders of common stock the principal payments received by the Fund on its portfolio securities, in addition to the regular monthly distributions of net investment income and annual distributions of net capital gains. Provided the Fund adheres to certain requirements imposed by the Office of the Commission of Financial Institutions during the principal distribution period, the 67% investment requirement in Puerto Rico securities will not be applicable to the Fund.

^B In order to compute the Pro-Forma values, the total aggregate amount of all return of capital distributions per Share made to date (i.e. since commencement of capital distributions on August 2008) is added back to (i) the bid price for the Shares and (ii) the NAV. The Pro-Forma value is intended to reflect the value of a Share on the basis of the original \$10.00 initial public offering (IPO) price per Share. An investor purchasing Shares at current market prices can expect to receive return of capital distributions of up to the amount labeled "Remaining Capital" in the "Pricing and Distribution History" table, although there can be no assurance that they will ultimately receive such amounts.

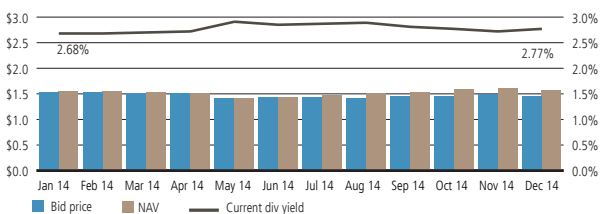
Average Annual Total Return - Return of Capital Reinvested³



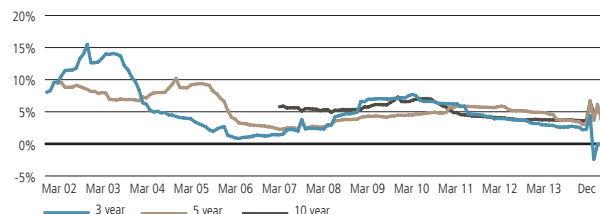
Average Annual Total Return - Return of Capital Not Reinvested³



Share Price, NAV and Current Dividend Yield - Prior 12 months



Rolling Period Annual Returns³



*Special Considerations

The Fund is a non-diversified, closed-end management investment company registered under the Puerto Rico Investment Companies Act of 1954, as amended. Securities issued by the Fund may be purchased or otherwise transferred only to individuals who are residents of Puerto Rico and to entities whose principal office and principal place of business are located in Puerto Rico. The Fund's yield and net asset value and the market price of the Fund's shares of Common Stock (the "Shares") may fluctuate and will be determined by such factors as relative demand for and supply of the Shares in the market, as well as general market, political, and economic conditions and other factors beyond the control of the Fund. The Shares trade at market price, which may be at a discount or premium to NAV, and no assurance can be given as to their liquidity or trading market. While it is the intention of UBS Financial Services Incorporated of Puerto Rico ("UBSFSPR") to continue to maintain a secondary market for the Shares, it is not obligated to continue to do so. Moreover, there may be no other source of price information for the Shares or other purchasers of the Shares other than UBSFSPR.

Geographic Concentration Risk. The Fund is exposed to certain risks resulting from the reduced geographic diversification of its portfolio. The Fund's assets are invested primarily in securities of Puerto Rico issuers. Consequently, the Fund in general is more susceptible to economic, political, regulatory or other factors adversely affecting issuers in Puerto Rico than an investment company that is not so concentrated in Puerto Rico issuers. In addition, securities issued by the Government of Puerto Rico or its instrumentalities are affected by the central government's finances. That includes, but is not limited to, general obligations of Puerto Rico and revenue bonds, special tax bonds, or agency bonds. The effect on each specific debt may not be the same; it depends on exactly what part of the government's money or revenue is supposed to pay the interest thereon. Inasmuch as a relatively high percentage of the Fund's assets may be invested in obligations of a limited number of Puerto Rico issuers, the Fund's net asset value and its yield may increase or decrease more than that of a more diversified investment company as a result of changes in the market's assessment of the financial condition and prospects of such Puerto Rico issuers. The Fund may also be more susceptible to any single economic, political, or regulatory occurrence in Puerto Rico than a more widely diversified investment company. Over the past years, the principal Puerto Rico Government bonds as well as the securities issued by several Puerto Rico financial institutions have been downgraded as a result of several factors, including without limitation, the downturn experienced

by the Puerto Rico economy and the strained financial condition of the Government of Puerto Rico. Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years, thereby affecting the Fund's net asset value.

Portfolio transactions between the Fund and UBSFSPR, Popular Securities (in the case of a co-managed Fund with Banco Popular de Puerto Rico), and other affiliates, are conducted in accordance with procedures adopted by the Fund's Board of Directors in an effort to address potential conflicts of interest.

Secondary Market Disclosure: Given UBSFSPR is currently the dominant, and may be the sole source of secondary market liquidity for the Shares, an investor may not be able to sell its Shares or may only be able to sell them at a loss, if UBSFSPR were to cease to facilitate such secondary market for the Shares. Accordingly, an investor's ability to sell its Shares will depend on the interest of other investors buying Shares, or UBSFSPR's willingness to commit additional capital to holding Shares in inventory. UBSFSPR may, in its sole discretion, commit additional capital to hold Shares in inventory when it deems it appropriate to do so, given market conditions or other considerations, and similarly may reduce the amount of capital committed to fund such inventory of Shares at other times. For example, when UBSFSPR purchases Shares and holds them in its inventory, quoted prices may remain at the previously quoted levels or increase. Conversely, when UBSFSPR sells Shares from its inventory, the quoted prices may decrease. In situations where UBSFSPR is selling Shares from its inventory, it may offer to sell its Shares at prices that are lower than pending sell orders that were placed by investors in the Shares. Decisions by UBSFSPR to increase or decrease inventory are made at its sole discretion and are not generally disclosed.

Repurchase Agreement Tax Disclosure: While there is authority generally supporting the treatment of repurchase and reverse repurchase agreements as collateralized loans for Puerto Rico income tax purposes, that authority does not specifically address the tax treatment of the repurchase agreements that the Fund typically enters into, which contain provisions that grant the buyer the right to sell, transfer, pledge, or hypothecate the securities that are the object of such agreements. Although the Puerto Rico Treasury Department ("PR Treasury") has never pronounced itself as to whether this type of arrangement should be viewed as a transfer of ownership of the underlying securities, it is possible that the PR Treasury could take that position in the future and that Puerto Rico

therewith as soon as market conditions permit, though there is no assurance the Fund will be able to do so.

² Credit quality is as of December 31, 2014. The Fund's investment portfolio is actively managed, and its composition (including the portfolio statistics and characteristics) will vary over time. Credit quality percentages include only fixed income securities and vary over time, as new investment securities are acquired and the credit rating of any investment held by the Fund is reassessed. For purposes of determining compliance with the Fund's investment requirements, ratings are as of the time of purchase, using a Standard & Poor's equivalent ratings scale. On February 12, 2015, S&P further downgraded the credit rating on the GOs from "BB" to "B", as well as the credit ratings of other Commonwealth agencies and public corporations, including its credit ratings on senior and subordinate-lien bonds issued by COFINA, which were lowered from "BBB" and "BBB-", respectively to "B". On such date, the long-term issuer credit rating on the GDB was also lowered, from "BB-" to "B". On February 19, 2015, Moody's followed suit and downgraded its credit ratings on various Government of Puerto Rico entities and issuances, including GOs, from "B2" to "Caa1", and COFINA's senior and subordinate-lien bonds, which were lowered from "Ba3" and "B1", to "B3" and "Caa1", respectively. Lastly, on March 26, 2015, Fitch also downgraded the credit rating on the GOs from "BB-" to "B", as well as the credit ratings of PRASA senior lien revenue bonds from "B+" to "B" and COFINA's senior and subordinate-lien bonds from "BB-" to "B". All of the before-mentioned ratings carry a negative outlook. **As a result of the foregoing, none of the bonds issued by the Government of Puerto Rico and its instrumentalities currently carry an investment-grade credit rating. In view of the fact that the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years and the subsequent credit rating downgrade of certain Puerto Rico bonds, current or more up-to-date information regarding the Fund's portfolio**

courts would agree with that view. In such event, the tax exempt interest paid on such underlying securities could be deemed not to constitute tax exempt income for the seller of such securities; to the extent that the Fund was such seller, the dividends distributed on its Shares from such income could be treated either as taxable dividends or capital gain dividends. If such dividends were treated as taxable dividends, holders of the Shares who are individuals or Puerto Rico trusts could be subject to a 15% income tax (or 10% income for dividends distributed before July 15, 2014) on the dividend (or the applicable alternate basic tax), and those which are corporate investors would be subject to a maximum effective income tax rate of 5.85% (or 4.5% for dividends distributed before July 15, 2014), (due to the 85% dividend received deduction of the Puerto Rico Internal Revenue Code, 15% of the dividend multiplied by a 39% maximum corporate income tax rate for dividends distributed on or after July 1, 2014 and 30% for dividends distributed before July 1, 2014). On the other hand, if such dividends were treated as capital gains dividends, holders of the Shares who are individuals or Puerto Rico trusts would be subject to a 15% income tax (or 10% income tax for capital dividends distributed before July 1, 2014) (or the applicable alternate basic tax), and holders of the Shares which are taxed as corporations would be subject to a 20% income tax (15% income tax for capital dividends distributed before July 1, 2014).

Recent Changes in Puerto Rico tax law: On July 1, 2014, the Governor of Puerto Rico signed into law Act 77-2014 which amended the Puerto Rico Internal Revenue Code of 2011 to provide, among other things, (i) the 10% withholding tax that is imposed on dividends distributed by Puerto Rico corporations to individuals will apply to dividends distributed before July 1, 2014, and that a 15% rate will apply for dividends distributed after June 30, 2014, and (ii) the long-term capital gains rate for sales and exchanges effected after June 30, 2014, is increased from 10% to 15%, in the case of individuals, estates, and trusts; and from 15% to 20%, in the case of corporations. Accordingly, if the Fund distributes "Taxable Dividends" after June 30, 2014, the applicable tax and withholding rate will be 15%. Similarly, if the Fund distributes Capital Gain Dividends after June 30, 2014, the applicable tax rate for individuals, estates and trusts will be 15%, and 20% in the case of corporations. Investors are encouraged to contact their lawyer or tax consultant. Neither the Fund nor UBS Financial Services Incorporated of Puerto Rico provides legal or tax advice.

On February 11, 2015, two (2) bills (P.C. 2329 and P.S. 1304) were introduced into the Puerto Rico Legislature and which propose the

holdings is available at <http://www.ubs.com/prfunds>. The Fund has commenced pro-rata distributions to its holders of common stock, of the principal payments received on its portfolio securities.

On January 2014, the Board of Directors approved the implementation of a share repurchase program for the acquisition of up to 25% of each Fund's total assets. The Repurchase Program is intended to enhance shareholder value by providing additional liquidity to Fund shareholders. For the quarter ended December 31, 2014, the Fund had repurchased 56,529 shares in the open market with an NAV of \$87,055, at a cost of \$78,991. Since the program's inception, the Fund has repurchased 975,057 shares of common stock in the open market with an NAV of \$1,464,847, at a cost of \$1,343,585, and which represent 6.51% of the total assets of the Fund (net of Shares acquired for dividend reinvestment purposes and which remain outstanding).

³ As of December 31, 2014. **Return figures were not calculated in accordance with Regulation 5766 of March 11, 1998, as amended, which requires that the investment returns for an individual retirement account ("IRA") be calculated in the manner provided therein.** To the extent that an individual invests in the Fund through an IRA, his or her investment return figures will be less than those reported herein, when computed in accordance with Regulation 5766 and inasmuch as actual sales charges applicable to such IRA investments are taken into consideration. This Fund has commenced return of capital distributions to its shareholders of Common Stock. This Fund has never offered a dividend reinvestment plan for the Shares. Solely for purposes of providing investors with (a) the ability to compare the performance of the Fund to that of other similar closed-end investment companies, and (b) performance information which does not take into account any reinvestment of return of capital distributions, two (2) separate sets of "Average Annual Total Return" figures are set out above. The first set of "Market Total Return" figures reflect the percentage change in the market value, determined by calculating the average between the bid and ask prices, plus any income and capital gain dividends, and return of capital distributions, all such dividends and distributions reinvested as of the

adoption of a "New Puerto Rico Internal Revenue Code of 2015" ("New Code"). In general, the New Code would be effective for taxable years beginning after December 31, 2014 and, if approved, the New Code would, amongst other changes: (a) eliminate the preferential tax rates that currently apply to long-term capital gains derived after December 31, 2014, (b) eliminate the preferential 10% rate that currently applies to interest on certain obligations, such as Taxable Interest, (c) reduce the maximum marginal tax rate of individuals to 30%, (d) eliminate the alternate basic tax for individuals, (e) provide for a fixed 30% regular income tax rate for corporations, (f) eliminate the exemption for interest on obligations issued by States and their political sub-divisions, and (g) eliminate the preferential tax rates that currently exist for certain dividends and other interest income items. The Puerto Rico Legislature is currently reviewing the proposed bills and, therefore, their final outcome is not currently determinable.

Legal Disclaimer

Past performance does not guarantee future results. Current performance may be lower or higher than the performance quoted. Securities issued by the Fund are subject to market risk, including the loss of principal amounts invested. This document is not an offer to sell, or the solicitation of an offer to buy any investment in the Fund, and is for informational purposes only. Fund investments are designed primarily and suitable for long-term investors and not viewed as a vehicle for trading purposes. They may not be suitable to all investors. Fund investments are not equivalent to investments in its underlying securities. The Fund's utilization of leverage poses certain risks to investors, and in some cases, interest rate fluctuations may increase the volatility of its return and affect the Fund to a significantly greater extent than a non-leveraged investment company. **More detailed information about the Fund, including applicable fees, costs, penalties, investment objectives and policies, risk factors, and the effects of leverage, is further described in the Share's prospectus, which you should read carefully prior to making an investment.** To obtain additional information related to the Fund (including investment returns calculated in accordance with Regulation 5766 of March 11, 1998, as amended) or a copy of the Shares' prospectus or Fund's annual report, please contact the Puerto Rico Investors Family of Funds at 787-751-5452. To obtain the Fund's month-end performance or more up-to-date information, please contact your UBS Financial Advisor or see "press releases" at <http://www.ubs.com/prfunds>.

corresponding record date thereof, at the month-end NAV as of that date. The second set of "Market Total Return" figures reflect the percentage change in the market value, determined by calculating the average between the bid and ask prices, including in each case the aggregate amounts of all return of capital distributions to date, plus any income and capital gain dividends, all such dividends reinvested as of the corresponding record date thereof, at the month-end Pro Forma NAV as of that date. In the case of "NAV Total Return," the Fund's NAV per Share is used, rather than the average between the bid and ask prices or the sum of (i) the average between the bid and ask prices and (ii) the aggregate amount of return of capital distributions to date, to determine such total return, as applicable. "Rolling Period Annual Returns" measure the monthly movement in the average of the Annualized Average Market Return figures over a one-year, three-year, five-year, and ten-year period (as applicable), as it moves over a consecutive time series that begins on the Fund's inception date. Additionally, in the case of the Average Annual Total Return and Rolling Period Annual Return figures, commissions or sales charges payable in connection with a purchase or sale of Shares may vary with each brokerage institution. Total return figures are not representative of the performance of any individual investment, and taxes on capital gain distributions or income dividends, if any, have not been deducted. All calculations were performed by Thomson Reuters, based on certain financial data provided by this Fund and are annualized with the exception of year-to-date figures.

⁴ A \$10,000 investment is hypothetical and is shown for illustrative purposes only.

⁵ "IPO Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the remaining capital. "Current Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the month-end bid price.

Footnotes:

¹ Generally, the Fund must invest at least 67% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage) and cash, including cash equivalents, but excluding non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), in Puerto Rico securities. Additionally, the Fund may issue preferred stock, debt securities, or other forms of leverage, representing not more than 50% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage), cash (including cash equivalents), and non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), immediately after the issuance of any such preferred stock, or other debt securities. Moreover, the Fund may not issue preferred stock, debt securities, or other forms of leverage unless the value of its total assets less all its liabilities and indebtedness, other than the preferred stock, debt securities, or other forms of leverage being issued or already outstanding, is at least equal to 200% of the total aggregate liquidation preference/principal amount of all its outstanding preferred stock (not including any accumulated dividends or other distributions), debt securities, and other forms of leverage. **Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years. In view of these volatile market conditions, the Puerto Rico Office of the Commissioner of Financial Institutions (the "PROCFI") has granted to the Fund a temporary regulatory waiver from the Funds' investment requirement in Puerto Rico securities of at least 67% of the Fund's total assets and leverage limitation of 50% of its total assets and 200% asset coverage requirement described above, through July 31, 2015. These temporary waivers may be renewed by the PROCFI for additional periods of time, should market conditions warrant, and upon written request by the Fund. It is the Fund's intention to re-achieve compliance**



UBS Asset Managers of Puerto Rico Funds Quarterly Review Fourth Quarter 2014

*Consideraciones Especiales

Cada Fondo es una compañía de inversión no diversificada de fin cerrado inscrita bajo la Ley Número 6 de 19 de octubre de 1954, según enmendada. Los valores emitidos por un Fondo pueden solamente ser adquiridos por, o transferidos a, individuos que sean residentes de Puerto Rico y a entidades cuya oficina y localización de negocios principal estén localizados en Puerto Rico. El rendimiento, el valor neto de los activos de un Fondo y el precio en el mercado de las acciones de capital común del Fondo (en adelante, las "Acciones"), podrán fluctuar y se determinarán por factores como la demanda y oferta en el mercado de las Acciones y las condiciones económicas, políticas y del mercado en general, al igual que otros factores que están fuera del control de un Fondo. Las Acciones son negociadas al precio del mercado, el cual puede reflejar una prima o descuento del valor neto de los activos de un Fondo y no se puede dar representación alguna sobre su liquidez o el mercado para disponer de las mismas. A pesar de que es la intención de UBS Financial Services Incorporated of Puerto Rico (en adelante, "UBSFSPR") de continuar manteniendo un mercado secundario para las Acciones, no está obligada a continuar haciéndolo. De otra parte, puede que no exista otra fuente de información de precios para las Acciones u otros compradores para las Acciones que no sea UBSFSPR.

Riesgo de concentración geográfica: El Fondo está expuesto a ciertos riesgos debido a la diversificación geográfica reducida de su cartera de inversiones. Los activos del fondo están invertidos primariamente en valores de emisores de Puerto Rico. A consecuencia, el Fondo generalmente es más susceptible a factores económicos, políticos, regulatorios y otros que podrían afectar adversamente a emisores de Puerto Rico que otra compañía de inversión la cual no esté tan concentrada en emisores de Puerto Rico. En adición, valores emitidos por el Gobierno de Puerto Rico o sus instrumentalidades se afectan por las finanzas del gobierno central. Eso incluye, pero no se limita a, las obligaciones generales de Puerto Rico y los bonos de ingresos, contribuciones especiales o de agencias. El efecto en cada deuda específica podría no ser el mismo y depende de que parte del dinero del gobierno o sus ingresos se supone pague el interés de dicha deuda. En la medida que un porcentaje relativamente alto de los activos del Fondo pueden ser invertidos en obligaciones de un número limitado de emisores de Puerto Rico, el valor neto de activos y su rendimiento puede aumentar o disminuir más que el de una compañía de inversión más diversificada, como resultado de cambios en cuanto a la evaluación de la condición financiera o prospectos de dichos emisores de Puerto Rico. El Fondo también puede ser más susceptible a cualquier ocurrencia individual económica, política o regulatoria en Puerto Rico que una compañía de inversión más diversificada. En los pasados años, los bonos principales del Gobierno de Puerto Rico, al igual que valores emitidos por ciertas instituciones financieras de Puerto Rico han sido degradados por varios factores, incluyendo sin limitación, al empeoramiento experimentado por la economía de Puerto Rico y la condición financiera pobre del Gobierno de Puerto Rico. Al presente, el mercado de bonos de Puerto Rico está experimentando un periodo de volatilidad, con los

bonos de Puerto Rico traficando a precios más bajos y rendimientos más altos a los puntos de referencia de los pasados dos (2) años, y así afectando el valor neto de activos del Fondo.

Transacciones de cartera entre un Fondo y UBSFSPR, Popular Securities (en el caso de un Fondo co-manejado con Banco Popular de Puerto Rico) y otras afiliadas son efectuadas conforme a ciertos procedimientos adoptados por la Junta de Directores de un Fondo con miras a atender posibles conflictos de interés.

Divulgación de Mercado Secundario: Dado a que actualmente UBSFSPR es la fuente dominante, y podría ser la única fuente, de liquidez para la negociación de las Acciones en el mercado secundario, cabe la posibilidad que un inversionista no pueda vender sus Acciones en el mercado secundario o que solamente pueda venderlas a pérdida, si UBSFSPR cesara de facilitar un mercado secundario para la negociación de las Acciones. Por lo tanto, la habilidad de un inversionista para vender sus Acciones dependerá del interés de otros inversionistas que estén comprando Acciones o la disponibilidad de UBSFSPR de designar capital adicional para mantener Acciones en su inventario. UBSFSPR podrá, a su única discreción, comprometer capital adicional para mantener Acciones en inventario cuando así lo estime apropiado, dependiendo de las condiciones del mercado y otras consideraciones, e igualmente en otras ocasiones, podrá reducir la cantidad de capital comprometida para financiar dicho inventario de las Acciones. Por ejemplo, cuando UBSFSPR compra Acciones para su inventario, los precios cotizados por éste podrán permanecer a los niveles previamente cotizados o aumentar. Por otro lado, cuando UBSFSPR vende Acciones de su inventario, los precios cotizados por éste podrían reducirse. En situaciones en que UBSFSPR está vendiendo Acciones de su inventario, podría ofrecer vender dichas Acciones a precios más bajos que cualquier orden de venta pendiente que fue puesta sobre sus Acciones por cualquier inversionista. Cualquier decisión de UBSFSPR de aumentar o reducir su inventario será tomada a su única discreción y no son divulgadas al público.

Divulgación Contributiva sobre Acuerdos de Recompra: A pesar de que existe precedente contable que apoya el concepto que los acuerdos de recompra y recompra a la inversa sean considerados como préstamos con garantía colateral para propósitos contributivos en Puerto Rico, dicho precedente no es determinante en cuanto a las disposiciones contributivas aplicables a los acuerdos de recompra que normalmente el Fondo suscribe, que contienen disposiciones que conceden al comprador de los valores subyacentes a dichos acuerdos el derecho a vender, transferir, pignorar o hipotecar dichos valores. A pesar de que el Departamento de Hacienda de Puerto Rico (en adelante, "Hacienda") nunca se ha expresado sobre si estos tipos de acuerdos deben ser considerados como una transferencia de titularidad sobre los valores subyacentes, Hacienda podría adoptar dicha posición y que los tribunales de Puerto Rico estén de acuerdo con dicha posición. En dicho caso, el interés exento pagado sobre los valores subyacentes a dichos acuerdos podría considerarse

como ingreso no exento del pago de contribución para el vendedor de tales valores subyacentes. En la medida que el Fondo sea considerado el vendedor bajo el acuerdo de recompra correspondiente, los dividendos distribuidos sobre las Acciones que a su vez son derivados del ingreso del acuerdo de recompra correspondiente podría ser considerado como un dividendo sujeto a tributación o ganancias de capital. Si tal dividendo fuera considerado como dividendo sujeto a tributación, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico podrían estar sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos distribuidos antes del 15 de julio de 2014) sobre el dividendo (o la contribución básica alterna aplicable), y aquellos que sean inversionistas corporativos estarían sujetos a una máxima tasa efectiva de 5.85% (o 4.5% para dividendos distribuidos antes del 15 de julio de 2014), debido a la deducción de 85% sobre dividendos recibidos, según dispuesto por el Código de Rentas Internas de Puerto Rico, multiplicando el 15% del dividendo por una tasa contributiva corporativa máxima de 39% para los dividendos distribuidos en o después del 1 de julio de 2014 y 30% para los dividendos distribuidos antes del 1 de julio de 2014). Por otro lado, si tales dividendos fueran considerados como dividendos de ganancias de capital, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico estarían sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014 o la contribución básica alterna aplicable), y los tenedores de las Acciones que tributa como corporaciones, estarían sujetos a una tasa contributiva de 20% (tasa contributiva de 15% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014).

Cambios Recientes al Derecho Tributario de Puerto Rico: El 1 de julio de 2014, el Gobernador de Puerto Rico firmó como ley la Ley 77-2014, la cual enmendó el Código de Rentas Internas de Puerto Rico del 2011 para proveer, entre otras cosas, (i) que el 10% de retención de impuesto que se le impone a los dividendos distribuidos por corporaciones de Puerto Rico a individuos, aplicará a los dividendos distribuidos antes del 1 de julio de 2014, y que la tasa de 15% aplicará a los dividendos distribuidos después del 30 de junio de 2014, y (ii) que las tasas de ganancias de capital a largo plazo para ventas e intercambios realizadas después del 30 de junio de 2014, ha sido aumentada de 10% a 15% para individuos, sucesiones y fideicomisos; y de 15% a 20% para las corporaciones. Consecuentemente, si el Fondo distribuye "Dividendos Tributables" después del 30 de junio de 2014, el interés aplicable y la tasa de retención será 15%. Del mismo modo, si el Fondo distribuye Dividendos de Ganancias de Capital después del 30 de junio de 2014, la tasa de interés aplicable para individuos, sucesiones y fideicomisos será un 15%, y 20% para las corporaciones. Se exhorta a los inversionistas a que contacten a su abogado o asesor contributivo. Ni UBS Financial Services Incorporated of Puerto Rico ni el Fondo proveen asesoría legal o contributiva.

El 11 de febrero de 2015 la Legislatura de Puerto Rico presentó dos proyectos de ley (P.C. 2329 y P.S.

1304) que proponen una reforma contributiva con la aprobación del "Nuevo Código de Rentas Internas de 2015" (el "Código Nuevo"). En términos generales, el Código Nuevo sería efectivo para años contributivos comenzados después del 31 de diciembre de 2014 y, de aprobarse, incluiría los siguientes cambios: (a) eliminar las tasas preferenciales que actualmente aplican a las ganancias de capital a largo plazo generadas después del 31 de diciembre de 2014; (b) eliminar la tasa preferencial de 10% que actualmente aplica a los ingresos de intereses de ciertas obligaciones, incluyendo los Intereses Tributables; (c) reducir el máximo de la tasa de contribuciones de individuos a 30%; (d) eliminar la contribución básica alterna de individuos; (e) establecer una tasa fija de contribuciones sobre ingresos de las corporaciones a 30%; (f) eliminar la exención de los intereses de ciertas obligaciones de los Estados Unidos y sus subdivisiones políticas; y (g) eliminar las tasas preferenciales aplicables a ciertos dividendos y otros ingresos de intereses. La Legislatura de Puerto Rico está en el proceso de revisión de los proyectos de ley, por lo que, actualmente, el resultado final no se puede determinar.

Aviso Legal

Rendimientos anteriores no son garantía de resultados futuros similares. Los rendimientos actuales podrían ser más bajos o más altos que el rendimiento aquí citado. Los valores emitidos por un Fondo están sujetos a riesgo de mercado, incluyendo la pérdida del principal invertido. Este documento no es una oferta de compra ni una solicitud de una oferta de compra para cualquier inversión en un Fondo y es para propósitos informativos solamente. Las inversiones en un Fondo están diseñadas principalmente y son adecuadas para inversionistas a largo plazo y no deben ser consideradas como un vehículo para fines de negociación. Estas inversiones pueden que no sean adecuadas para cualquier inversionista. Una inversión en un Fondo no es equivalente a una inversión en los valores subyacentes en los cuales un Fondo invierte. El uso de apalancamiento por un Fondo representa ciertos riesgos a los inversionistas en éste, y en ciertos casos, las fluctuaciones en las tasas de intereses podrían aumentar la volatilidad en su rendimiento y afectar a un Fondo a mayor grado que a una compañía de inversión no apalancada. **Información más detallada en cuanto a un Fondo, incluyendo los cargos, gastos y penalidades aplicables, objetivo(s) y políticas de inversión, factores de riesgo y el efecto de apalancamiento, se incluye en la documentación de oferta del Fondo, el cual usted debe leer cuidadosamente antes de hacer una inversión.** Para obtener más información en cuanto a un Fondo (incluyendo los rendimientos de inversión calculados conforme el Reglamento 5766 de 11 de marzo de 1998, según enmendado) o una copia del prospecto para la oferta de las Acciones o los informes anuales del Fondo, favor de contactar a la familia de fondos UBS Puerto Rico o Puerto Rico Investors al 787-773-3888 ó 787-751-5452, respectivamente. Para obtener más información en cuanto a los rendimientos del Fondo de fin de mes o información más actualizada, por favor contactar a su Asesor Financiero en UBSFSPR o verifique los comunicados de prensa ("press releases") en <http://www.ubs.com/prfunds>.

Glossary of fund terms

- **Ask Price:** generally refers to the lowest price at which a seller will sell a specified number of units of a given security at a particular time. The ask price may incorporate a markup, which may vary by transaction and may include commissions and other charges. The ask prices quoted by UBSFSPR represent its judgment of the market price for Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price and age of pending customer orders.
- **Average Duration:** a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flow accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flow consist of coupon payments and repayment of capital.) A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, for which maturity and duration are equal.
- **Bid Price:** generally refers to the highest price a buyer is willing to pay at a particular time for a unit of a given security. UBSFSPR publishes two types of bid prices for the Shares: firm or indicative. A firm bid is provided when UBSFSPR has the risk capacity and/or appetite at the particular time to purchase a specified number of Shares. An investor can sell to UBSFSPR at the firm bid price up to the specified number of Shares at a particular time. On the other hand, an indicative bid is provided for informational purposes only when UBSFSPR does not have the risk capacity and/or appetite at a particular time to purchase Shares. The prices quoted by UBSFSPR represent its judgment of the market price for the Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price, and age of pending customer orders, and may be higher (in which case the price is at a premium) or lower (in which case the price is at a discount) than the NAV of the Fund.

The prices quoted by UBSFSPR may also be affected by its willingness to hold additional inventory of the Shares or by its need to sell its inventory of Shares. Depending on market liquidity conditions, orders to buy or sell at the quoted price may not receive immediate execution, and an investor may not be able to sell its Shares at the price quoted by UBSFSPR. Moreover, the proceeds an investor receives on a sale of Shares may be lower than the bid price due to discounts, markdowns, and other charges. Since inception, the Shares have historically traded at prices which reflect a premium to their respective NAV per Share, though on certain limited instances, they have traded at prices which reflect a discount to their respective NAV per Share. However, there is no assurance that the Shares will continue to trade at prices which reflect such a premium. The Fund is presently experiencing liquidity issues. As a result, the bid price is for a limited number of shares, and it may not be possible for sellers to obtain the current bid price.

- **Credit Quality:** a measure of the likelihood that a financial obligation will not be honored provided by one or more of the rating agencies. Rating agencies assign classifications to their ratings, with "AAA" being the highest and "D" being the lowest for Standard & Poor's Ratings Services ("S&P"). The Fund may use other ratings and adjust them for use in this scale.
- **Effective Duration:** a calculation of duration that takes into account the embedded options in the securities of a portfolio and their expected changes in the cash flow of a portfolio caused by those options.
- **Expense Ratio:** The percentage of the Fund's average net assets attributable to holders of the Shares and which is used to pay operating expenses and takes into account investment management fees, administration fees, and other operating expenses such as legal, audit, insurance, and shareholder communications.
- **Hedge Notional:** refers to the total net face value, reflecting any offsetting positions, of derivative instruments employed in hedging strategies of the Fund.
- **Hedge Ratio:** ratio of the Fund's hedge notional amount to its total dollar amount of leverage as of the end of a calendar quarter, assuming the Fund is fully invested at quarter-end. The Fund's investment adviser may, at its discretion, use a variety of derivative instruments including securities options, financial futures contracts, options on futures contracts, and other interest rate protection transactions such as swap agreements, to attempt to hedge its portfolio of assets and seek to enhance its return. There can be no assurance that any particular hedging strategy used will succeed.
- **Leverage:** the Fund may issue preferred stock or debt, enter into repurchase agreements, or borrow money, in order to increase the amounts available for investment ("leverage"). This gives the Fund's investment adviser, in the fixed income area in particular, the opportunity to enhance yield. The use of leverage increases the likelihood of price volatility and market risk for the Shares. There is also the risk that the cost of funding leverage will exceed the earnings on the related investments, which will have the likely effect of reducing the Fund's yield and the value of its investments.
- **Leverage Adjusted Effective Duration:** effective duration adjusted for the impact of the Fund's utilization of leverage. A Fund that utilizes leverage will have a leverage-adjusted effective duration that is longer than its effective duration.
- **Maturity:** date on which the face value of a security/bond must be repaid. It measures the average length to maturity in years of all the bonds in the Fund's portfolio. For mortgage-backed securities, the maturity takes into account the prepayment of the underlying mortgages.
- **NAV:** Net Asset Value. On a per-Share basis, it is determined by calculating the Fund's total assets less its total liabilities and dividing such result by the Shares outstanding. On an aggregate, Fund basis, it is determined by calculating the Fund's total assets less its total liabilities.

- **Undistributed Income:** the Fund's net income that has not been distributed to holders of its Shares as of the latest available audited financial statements. In the case of a target maturity-type investment company (which is liquidated on or by a specific date), it also includes the amounts to be distributed on or by the liquidation date as the return of the initial investment.

For a definition of other terms, please see the Shares' prospectus.



Tax-Free Puerto Rico Fund, Inc.

Investment Objectives and Policies

Seeks high level of current income that, for Puerto Rico residents, is exempt from both U.S. Federal and Puerto Rico income taxes, consistent with the preservation of capital, by investing:

- up to 33% of its total assets in, among other things, securities issued or guaranteed by the U.S. Government, its agencies, and instrumentalities
- at least 67% of its total assets in securities issued by Puerto Rico issuers (as described in the Prospectus)
- at least 95% of total assets in investment-grade securities²
- may issue leverage representing up to 50% of total assets¹

Pricing and Distribution History²

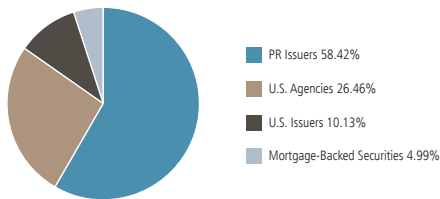
Initial Public Offering (IPO)	\$10.00
52-week Bid Low/High	\$4.51/\$5.26
YTD NAV Change	\$0.26
YTD Bid Price Change	\$0.06
IPO Yield ⁵	5.85%
Current Yield ⁵	12.80%
Last Dividend Paid	\$0.0488
Last 12 Month Dividend	\$0.5852

Portfolio Statistics and Characteristics²

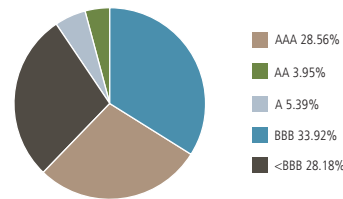
Commencement	Feb-01	Fiscal Year	31-Dec
Shares Outstanding (mm)	13.27	Weighted Avg. Coupon	4.92%
Bid Price	\$4.57	Average Maturity (yrs)	21.34
Net Asset Value (NAV)	\$4.93	Average Duration (yrs)	10.86
Bid Price to NAV Ratio	92.70%	Leverage Adjusted Effective Duration (yrs)	17.47
Net Assets (mm)	\$65.39	Leverage %	46.69% ¹
Leverage (mm)	\$57.99	Leverage Cost	0.62%
Undistributed Income (mm)	\$6.47	Hedge Notional (mm)	\$23.35
Expense Ratio	1.10%	Hedge Ratio	40%

See Portfolio Holdings, Portfolio Manager, Special Considerations, Disclaimers, Glossary of Fund Terms, and Footnotes on reverse.

Portfolio Summary²



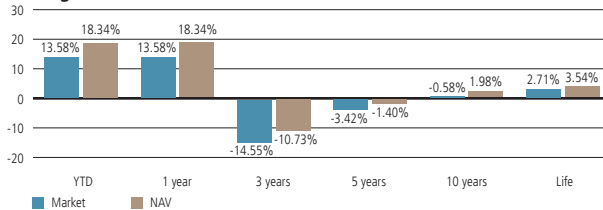
Credit Quality²



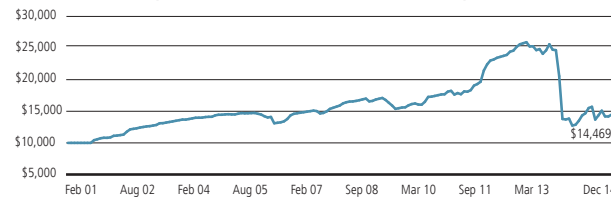
Portfolio Holdings²

PR Obligations	PREPA	2.92%
Mortgage-Backed Securities	PRIDCO	0.02%
CMO, COMM END, FNMA, GNMA, FGLMC	PRPBA (Insured)	6.16%
Participation Certificate - Doral	GDB	1.52%
PR Obligations	63.41%	
AFICA	U.S. Obligations	
Ashford	Federal Home	
Galería San Patricio	Loan Bank	15.80%
Palmas del Mar	Federal Farm	
Employees Retirement System	Credit Bank	10.66%
PR Infrastructure	Build America Bonds	4.54%
PR Infrastructure (Insured)	Build America Bonds (Insured)	0.79%
PR GOs	U.S. Municipals	0.85%
PR Sales Tax Financing	U.S. Municipals (Insured)	3.95%
PR Sales Tax Financing	U.S. Obligations	36.59%

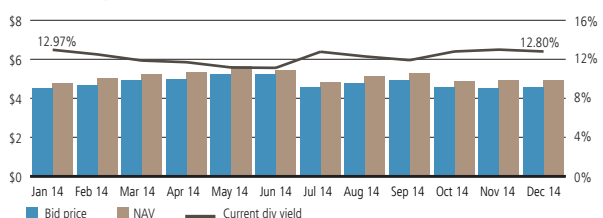
Average Annual Total Return³



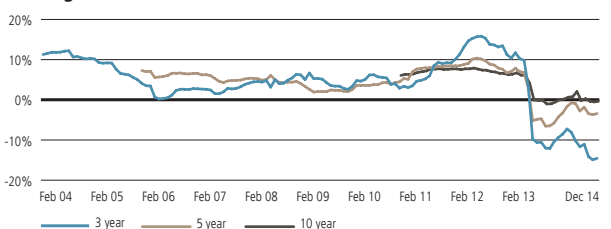
Growth of a \$10,000 Investment as of December 31, 2014⁴



Share Price, NAV and Current Dividend Yield – Prior 12 months



Rolling Period Annual Returns³



Portfolio Manager

Leslie Highley, Jr.
Portfolio Manager since inception
UBS Asset Managers of Puerto Rico

*Special Considerations

The Fund is a non-diversified, closed-end management investment company registered under the Puerto Rico Investment Companies Act of 1954, as amended. Securities issued by the Fund may be purchased or otherwise transferred only to individuals who are residents of Puerto Rico and to entities whose principal office and principal place of business are located in Puerto Rico. The Fund's yield and net asset value and the market price of the Fund's shares of Common Stock (the "Shares") may fluctuate and will be determined by such factors as relative demand for and supply of the Shares in the market, as well as general market, political, and economic conditions and other factors beyond the control of the Fund. The Shares trade at market price, which may be at a discount or premium to NAV, and no assurance can be given as to their liquidity or trading market. While it is the intention of UBS Financial Services Incorporated of Puerto Rico ("UBSFSPR") to continue to maintain a secondary market for the Shares, it is not obligated to continue to do so. Moreover, there may be no other source of price information for the Shares or other purchasers of the Shares other than UBSFSPR.

Geographic Concentration Risk. The Fund is exposed to certain risks resulting from the reduced geographic diversification of its portfolio. The Fund's assets are invested primarily in securities of Puerto Rico issuers. Consequently, the Fund in general is more susceptible to economic, political, regulatory or other factors adversely affecting issuers in Puerto Rico than an investment company that is not so concentrated in Puerto Rico issuers. In addition, securities issued by the Government of Puerto Rico or its instrumentalities are affected by the central government's finances. That includes, but is not limited to, general obligations of Puerto Rico and revenue bonds, special tax bonds, or agency bonds. The effect on each specific debt may not be the same; it depends on exactly what part of the government's money or revenue is supposed to pay the interest thereon. Inasmuch as a relatively high percentage of the Fund's assets may be invested in obligations of a limited number of Puerto Rico issuers, the Fund's net asset value and its yield may increase or decrease more than that of a more diversified investment company as a result of changes in the market's assessment of the financial condition and prospects of such Puerto Rico issuers. The Fund may also be more susceptible to any single economic, political, or regulatory occurrence in Puerto Rico than a more widely diversified investment company. Over the past years, the principal Puerto Rico Government bonds as well as the securities issued by several Puerto Rico financial institutions have been downgraded as a result of several factors, including without limitation, the downturn experienced

by the Puerto Rico economy and the strained financial condition of the Government of Puerto Rico. Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years, thereby affecting the Fund's net asset value.

Portfolio transactions between the Fund and UBSFSPR, Popular Securities (in the case of a co-managed Fund with Banco Popular de Puerto Rico), and other affiliates, are conducted in accordance with procedures adopted by the Fund's Board of Directors in an effort to address potential conflicts of interest.

Secondary Market Disclosure: Given UBSFSPR is currently the dominant, and may be the sole source of secondary market liquidity for the Shares, an investor may not be able to sell its Shares or may only be able to sell them at a loss, if UBSFSPR were to cease to facilitate such secondary market for the Shares. Accordingly, an investor's ability to sell its Shares will depend on the interest of other investors buying Shares, or UBSFSPR's willingness to commit additional capital to holding Shares in inventory. UBSFSPR may, in its sole discretion, commit additional capital to hold Shares in inventory when it deems it appropriate to do so, given market conditions or other considerations, and similarly may reduce the amount of capital committed to fund such inventory of Shares at other times. For example, when UBSFSPR purchases Shares and holds them in its inventory, quoted prices may remain at the previously quoted levels or increase. Conversely, when UBSFSPR sells Shares from its inventory, the quoted prices may decrease. In situations where UBSFSPR is selling Shares from its inventory, it may offer to sell its Shares at prices that are lower than pending sell orders that were placed by investors in the Shares. Decisions by UBSFSPR to increase or decrease inventory are made at its sole discretion and are not generally disclosed.

Repurchase Agreement Tax Disclosure: While there is authority generally supporting the treatment of repurchase and reverse repurchase agreements as collateralized loans for Puerto Rico income tax purposes, that authority does not specifically address the tax treatment of the repurchase agreements that the Fund typically enters into, which contain provisions that grant the buyer the right to sell, transfer, pledge, or hypothecate the securities that are the object of such agreements. Although the Puerto Rico Treasury Department ("PR Treasury") has never pronounced itself as to whether this type of arrangement should be viewed as a transfer of ownership of the underlying securities, it is possible that the PR Treasury could take that position in the future and that Puerto Rico

soon as market conditions permit, though there is no assurance the Fund will be able to do so.

² The "Expense Ratio" calculation may reflect a partial waiver of the investment advisory and administration fees payable to UBS Trust Company of Puerto Rico, implemented on October 1, 2013. For more up-to-date information with respect to such partial fee waivers, if any, please see "Press Releases" at <http://www.ubs.com/prfunds>.

Credit quality is as of December 31, 2014. The Fund's investment portfolio is actively managed, and its composition (including the portfolio statistics and characteristics) will vary over time. Credit quality percentages include only fixed income securities and vary over time, as new investment securities are acquired and the credit rating of any investment held by the Fund is reassessed. For purposes of determining compliance with the Fund's investment requirements, ratings are as of the time of purchase, using a Standard & Poor's equivalent ratings scale. On February 12, 2015, S&P further downgraded the credit rating on the GOs from "BB" to "B", as well as the credit ratings of other Commonwealth agencies and public corporations, including its credit ratings on senior and subordinate-lien bonds issued by COFINA, which were lowered from "BBB" and "BBB-", respectively to "B". On such date, the long-term issuer credit rating on the GOB was also lowered, from "BB-" to "B-". On February 19, 2015, Moody's followed suit and downgraded its credit ratings on various Government of Puerto Rico entities and issuances, including GOs, from "B2" to "Caa1", and COFINA's senior and subordinate-lien bonds, which were lowered from "Ba3" and "B1", to "B3" and "Caa1", respectively. Lastly, on March 26, 2015, Fitch also downgraded the credit rating on the GOs from "BB-" to "B", as well as the credit ratings of PRASA senior lien revenue bonds from "B+" to "B" and COFINA's senior and subordinate-lien bonds from "BB-" to "B". All of the before-mentioned ratings carry a negative outlook. **As a result of the foregoing, none of the bonds issued by the Government of Puerto Rico and its instrumentalities currently carry an investment-grade credit rating.** Inasmuch as the Fund invests a substantial portion of its assets in securities issued by the Commonwealth of Puerto Rico, these recent rating downgrades will negatively impact the Fund's ability to maintain

courts would agree with that view. In such event, the tax exempt interest paid on such underlying securities could be deemed not to constitute tax exempt income for the seller of such securities; to the extent that the Fund was such seller, the dividends distributed on its Shares from such income could be treated either as taxable dividends or capital gain dividends. If such dividends were treated as taxable dividends, holders of the Shares who are individuals or Puerto Rico trusts could be subject to a 15% income tax (or 10% income for dividends distributed before July 15, 2014) on the dividend (or the applicable alternate basic tax), and those which are corporate investors would be subject to a maximum effective income tax rate of 5.85% (or 4.5% for dividends distributed before July 15, 2014), (due to the 85% dividend received deduction of the Puerto Rico Internal Revenue Code, 15% of the dividend multiplied by a 39% maximum corporate income tax rate for dividends distributed on or after July 1, 2014 and 30% for dividends distributed before July 1, 2014). On the other hand, if such dividends were treated as capital gains dividends, holders of the Shares who are individuals or Puerto Rico trusts would be subject to a 15% income tax (or 10% income tax for capital dividends distributed before July 1, 2014) (or the applicable alternate basic tax), and holders of the Shares which are taxed as corporations would be subject to a 20% income tax (15% income tax for capital dividends distributed before July 1, 2014).

Recent Changes in Puerto Rico tax law: On July 1, 2014, the Governor of Puerto Rico signed into law Act 77-2014 which amended the Puerto Rico Internal Revenue Code of 2011 to provide, among other things, (i) the 10% withholding tax that is imposed on dividends distributed by Puerto Rico corporations to individuals will apply to dividends distributed before July 1, 2014, and that a 15% rate will apply for dividends distributed after June 30, 2014, and (ii) the long-term capital gains rate for sales and exchanges effected after June 30, 2014, is increased from 10% to 15%, in the case of individuals, estates, and trusts; and from 15% to 20%, in the case of corporations. Accordingly, if the Fund distributes "Taxable Dividends" after June 30, 2014, the applicable tax and withholding rate will be 15%. Similarly, if the Fund distributes Capital Gain Dividends after June 30, 2014, the applicable tax rate for individuals, estates and trusts will be 15%, and 20% in the case of corporations. Investors are encouraged to contact their lawyer or tax consultant. Neither the Fund nor UBS Financial Services Incorporated of Puerto Rico provides legal or tax advice.

On February 11, 2015, two (2) bills (P.C. 2329 and P.S. 1304) were introduced into the Puerto Rico Legislature and which propose the

compliance with its maximum/minimum investment threshold(s) in securities of a specific credit quality. To the extent that such investment threshold(s) in securities of a specific credit quality are exceeded, Fund management may determine to continue to hold such lower-rated securities, provided any new investment proceeds are directed to acquire investment securities which satisfy the Fund's minimum credit rating requirements. **In view of the fact that the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years and the subsequent credit rating downgrade of certain Puerto Rico bonds, current or more up-to-date information regarding the Fund's portfolio holdings is available at <http://www.ubs.com/prfunds>.** Currently, the Fund's percentage investment in securities rated below investment-grade (below "BBB" rating) or which are unrated, amounted to 28.18% of the Fund's total portfolio, which exceeds the Fund's maximum investment threshold of 5% of its total assets invested in securities rated below investment-grade or which are unrated. On July 2014, the Board of Directors approved an extension of the Fund's existing share repurchase program for the acquisition of up to 45% of each Fund's issued Shares. The Repurchase Program is intended to enhance shareholder value by providing additional liquidity to Fund shareholders. For the quarter ended December 31, 2014, the Fund had repurchased 55,046 Shares in the open market with an NAV of \$272,147, at a cost of \$235,826. Since the program's inception, the Fund has repurchased 5,250,561 Shares of common stock in the open market with an NAV of \$26,799,029, at a cost of \$25,210,008, and which represent 28.37% of the aggregate number of Shares issued by the Fund (net of Shares acquired for dividend reinvestment purposes and which remain outstanding).

³ As of December 31, 2014. **Return figures were not calculated in accordance with Regulation 5766 of March 11, 1998, as amended, which requires that investment returns for an individual retirement account ("IRA") be calculated in the manner provided therein.** To the extent that an individual invests in the Fund through an IRA,

adoption of a "New Puerto Rico Internal Revenue Code of 2015" ("New Code"). In general, the New Code would be effective for taxable years beginning after December 31, 2014 and, if approved, the New Code would, amongst other changes: (a) eliminate the preferential tax rates that currently apply to long-term capital gains derived after December 31, 2014, (b) eliminate the preferential 10% rate that currently applies to interest on certain obligations, such as Taxable Interest, (c) reduce the maximum marginal tax rate of individuals to 30%, (d) eliminate the alternate basic tax for individuals, (e) provide for a fixed 30% regular income tax rate for corporations, (f) eliminate the exemption for interest on obligations issued by States and their political sub-divisions, and (g) eliminate the preferential tax rates that currently exist for certain dividends and other interest income items. The Puerto Rico Legislature is currently reviewing the proposed bills and, therefore, their final outcome is not currently determinable.

Legal Disclaimer

Past performance does not guarantee future results. Current performance may be lower or higher than the performance quoted. Securities issued by the Fund are subject to market risk, including the loss of principal amounts invested. This document is not an offer to sell, or the solicitation of an offer to buy any investment in the Fund, and is for informational purposes only. Fund investments are designed primarily and suitable for long-term investors and not viewed as a vehicle for trading purposes. They may not be suitable to all investors. Fund investments are not equivalent to investments in its underlying securities. The Fund's utilization of leverage poses certain risks to investors, and in some cases, interest rate fluctuations may increase the volatility of its return and affect the Fund to a significantly greater extent than a non-leveraged investment company. **More detailed information about the Fund, including applicable fees, costs, penalties, investment objectives and policies, risk factors, and the effects of leverage, is further described in the Share's prospectus, which you should read carefully prior to making an investment.** To obtain additional information related to the Fund (including investment returns calculated in accordance with Regulation 5766 of March 11, 1998, as amended) or a copy of the Shares' prospectus or Fund's annual report, please contact the UBS Puerto Rico Family of Funds at 787-773-3888. To obtain the Fund's month-end performance or more up-to-date information, please contact your UBS Financial Advisor or see "press releases" at <http://www.ubs.com/prfunds>.

his or her investment return figures will be less than those reported herein, when computed in accordance with Regulation 5766 and inasmuch as actual sales charges applicable to such IRA investments are taken into consideration. "Average Annual Total Return" figures reflect the percentage change in the market value, determined by calculating the average between the bid and ask prices, plus any income and capital gain dividends, and return of capital distributions, all such dividends and distributions reinvested as of the corresponding record date thereof, at the month-end NAV as of that date. In the case of "NAV Total Return," the Fund's NAV per Share is used, rather than the average between the bid and ask prices, to determine such total return, as applicable. "Rolling Period Annual Returns" measure the monthly movement in the average of the Annualized Average Market Return figures over a one-year, three-year, five-year, and ten-year period (as applicable), as it moves over a consecutive time series that begins on the Fund's inception date. Additionally, in the case of the Average Annual Total Return and Rolling Period Annual Return figures, commissions or sales charges payable in connection with a purchase or sale of Shares may vary with each brokerage institution. Total return figures are not representative of the performance of any individual investment, and taxes on capital gain distributions or income dividends, if any, have not been deducted. All calculations were performed by Thomson Reuters, based on certain financial data provided by this Fund and are annualized with the exception of year-to-date figures.

⁴ A \$10,000 investment is hypothetical and is shown for illustrative purposes only.

⁵ "IPO Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the initial public offering price. "Current Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the month-end bid price.

Footnotes:

¹ Generally, the Fund must invest at least 67% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage) and cash, including cash equivalents, but excluding non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), in Puerto Rico securities. Additionally, the Fund may issue preferred stock, debt securities, or other forms of leverage, representing not more than 50% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage), cash (including cash equivalents), and non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), immediately after the issuance of any such preferred stock, or other debt securities. Moreover, the Fund may not issue preferred stock, debt securities, or other forms of leverage unless the value of its total assets less all its liabilities and indebtedness, other than the preferred stock, debt securities, or other forms of leverage being issued or already outstanding, is at least equal to 200% of the total aggregate liquidation preference/principal amount of all its outstanding preferred stock (not including any accumulated dividends or other distributions), debt securities, and other forms of leverage. **Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years. In view of these volatile market conditions, the Puerto Rico Office of the Commissioner of Financial Institutions (the "PROCFI") has granted to the Fund a temporary regulatory waiver from the Fund's investment requirement in Puerto Rico securities of at least 67% of the Fund's total assets and leverage limitation of 50% of its total assets and 200% asset coverage requirement described above, through July 31, 2015. These temporary waivers may be renewed by the PROCFI for additional periods of time, should market conditions warrant, and upon written request by the Fund. It is the Fund's intention to re-achieve compliance therewith as**



UBS Asset Managers of Puerto Rico Funds Quarterly Review Fourth Quarter 2014

*Consideraciones Especiales

Cada Fondo es una compañía de inversión no diversificada de fin cerrado inscrita bajo la Ley Número 6 de 19 de octubre de 1954, según enmendada. Los valores emitidos por un Fondo pueden solamente ser adquiridos por, o transferidos a, individuos que sean residentes de Puerto Rico y a entidades cuya oficina y localización de negocios principal estén localizados en Puerto Rico. El rendimiento, el valor neto de los activos de un Fondo y el precio en el mercado de las acciones de capital común del Fondo (en adelante, las "Acciones"), podrán fluctuar y se determinarán por factores como la demanda y oferta en el mercado de las Acciones y las condiciones económicas, políticas y del mercado en general, al igual que otros factores que están fuera del control de un Fondo. Las Acciones son negociadas al precio del mercado, el cual puede reflejar una prima o descuento del valor neto de los activos de un Fondo y no se puede dar representación alguna sobre su liquidez o el mercado para disponer de las mismas. A pesar de que es la intención de UBS Financial Services Incorporated of Puerto Rico (en adelante, "UBSFSPR") de continuar manteniendo un mercado secundario para las Acciones, no está obligada a continuar haciéndolo. De otra parte, puede que no exista otra fuente de información de precios para las Acciones u otros compradores para las Acciones que no sea UBSFSPR.

Riesgo de concentración geográfica: El Fondo está expuesto a ciertos riesgos debido a la diversificación geográfica reducida de su cartera de inversiones. Los activos del fondo están invertidos primariamente en valores de emisores de Puerto Rico. A consecuencia, el Fondo generalmente es más susceptible a factores económicos, políticos, regulatorios y otros que podrían afectar adversamente a emisores de Puerto Rico que otra compañía de inversión la cual no esté tan concentrada en emisores de Puerto Rico. En adición, valores emitidos por el Gobierno de Puerto Rico o sus instrumentalidades se afectan por las finanzas del gobierno central. Eso incluye, pero no se limita a, las obligaciones generales de Puerto Rico y los bonos de ingresos, contribuciones especiales o de agencias. El efecto en cada deuda específica podría no ser el mismo y depende de que parte del dinero del gobierno o sus ingresos se supone pague el interés de dicha deuda. En la medida que un porcentaje relativamente alto de los activos del Fondo pueden ser invertidos en obligaciones de un número limitado de emisores de Puerto Rico, el valor neto de activos y su rendimiento puede aumentar o disminuir más que el de una compañía de inversión más diversificada, como resultado de cambios en cuanto a la evaluación de la condición financiera o prospectos de dichos emisores de Puerto Rico. El Fondo también puede ser más susceptible a cualquier ocurrencia individual económica, política o regulatoria en Puerto Rico que una compañía de inversión más diversificada. En los pasados años, los bonos principales del Gobierno de Puerto Rico, al igual que valores emitidos por ciertas instituciones financieras de Puerto Rico han sido degradados por varios factores, incluyendo sin limitación, al empeoramiento experimentado por la economía de Puerto Rico y la condición financiera pobre del Gobierno de Puerto Rico. Al presente, el mercado de bonos de Puerto Rico está experimentando un periodo de volatilidad, con los

bonos de Puerto Rico traficando a precios más bajos y rendimientos más altos a los puntos de referencia de los pasados dos (2) años, y así afectando el valor neto de activos del Fondo.

Transacciones de cartera entre un Fondo y UBSFSPR, Popular Securities (en el caso de un Fondo co-manejado con Banco Popular de Puerto Rico) y otras afiliadas son efectuadas conforme a ciertos procedimientos adoptados por la Junta de Directores de un Fondo con miras a atender posibles conflictos de interés.

Divulgación de Mercado Secundario: Dado a que actualmente UBSFSPR es la fuente dominante, y podría ser la única fuente, de liquidez para la negociación de las Acciones en el mercado secundario, cabe la posibilidad que un inversionista no pueda vender sus Acciones en el mercado secundario o que solamente pueda venderlas a pérdida, si UBSFSPR cesara de facilitar un mercado secundario para la negociación de las Acciones. Por lo tanto, la habilidad de un inversionista para vender sus Acciones dependerá del interés de otros inversionistas que estén comprando Acciones o la disponibilidad de UBSFSPR de designar capital adicional para mantener Acciones en su inventario. UBSFSPR podrá, a su única discreción, comprometer capital adicional para mantener Acciones en inventario cuando así lo estime apropiado, dependiendo de las condiciones del mercado y otras consideraciones, e igualmente en otras ocasiones, podrá reducir la cantidad de capital comprometida para financiar dicho inventario de las Acciones. Por ejemplo, cuando UBSFSPR compra Acciones para su inventario, los precios cotizados por éste podrán permanecer a los niveles previamente cotizados o aumentar. Por otro lado, cuando UBSFSPR vende Acciones de su inventario, los precios cotizados por éste podrían reducirse. En situaciones en que UBSFSPR está vendiendo Acciones de su inventario, podría ofrecer vender dichas Acciones a precios más bajos que cualquier orden de venta pendiente que fue puesta sobre sus Acciones por cualquier inversionista. Cualquier decisión de UBSFSPR de aumentar o reducir su inventario será tomada a su única discreción y no son divulgadas al público.

Divulgación Contributiva sobre Acuerdos de Recompra: A pesar de que existe precedente contable que apoya el concepto que los acuerdos de recompra y recompra a la inversa sean considerados como préstamos con garantía colateral para propósitos contributivos en Puerto Rico, dicho precedente no es determinante en cuanto a las disposiciones contributivas aplicables a los acuerdos de recompra que normalmente el Fondo suscribe, que contienen disposiciones que conceden al comprador de los valores subyacentes a dichos acuerdos el derecho a vender, transferir, pignorar o hipotecar dichos valores. A pesar de que el Departamento de Hacienda de Puerto Rico (en adelante, "Hacienda") nunca se ha expresado sobre si estos tipos de acuerdos deben ser considerados como una transferencia de titularidad sobre los valores subyacentes, Hacienda podría adoptar dicha posición y que los tribunales de Puerto Rico estén de acuerdo con dicha posición. En dicho caso, el interés exento pagado sobre los valores subyacentes a dichos acuerdos podría considerarse

como ingreso no exento del pago de contribución para el vendedor de tales valores subyacentes. En la medida que el Fondo sea considerado el vendedor bajo el acuerdo de recompra correspondiente, los dividendos distribuidos sobre las Acciones que a su vez son derivados del ingreso del acuerdo de recompra correspondiente podría ser considerado como un dividendo sujeto a tributación o ganancias de capital. Si tal dividendo fuera considerado como dividendo sujeto a tributación, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico podrían estar sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos distribuidos antes del 15 de julio de 2014) sobre el dividendo (o la contribución básica alterna aplicable), y aquellos que sean inversionistas corporativos estarían sujetos a una máxima tasa efectiva de 5.85% (o 4.5% para dividendos distribuidos antes del 15 de julio de 2014), debido a la deducción de 85% sobre dividendos recibidos, según dispuesto por el Código de Rentas Internas de Puerto Rico, multiplicando el 15% del dividendo por una tasa contributiva corporativa máxima de 39% para los dividendos distribuidos en o después del 1 de julio de 2014 y 30% para los dividendos distribuidos antes del 1 de julio de 2014). Por otro lado, si tales dividendos fueran considerados como dividendos de ganancias de capital, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico estarían sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014 o la contribución básica alterna aplicable), y los tenedores de las Acciones que tributa como corporaciones, estarían sujetos a una tasa contributiva de 20% (tasa contributiva de 15% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014).

Cambios Recientes al Derecho Tributario de Puerto Rico: El 1 de julio de 2014, el Gobernador de Puerto Rico firmó como ley la Ley 77-2014, la cual enmendó el Código de Rentas Internas de Puerto Rico del 2011 para proveer, entre otras cosas, (i) que el 10% de retención de impuesto que se le impone a los dividendos distribuidos por corporaciones de Puerto Rico a individuos, aplicará a los dividendos distribuidos antes del 1 de julio de 2014, y que la tasa de 15% aplicará a los dividendos distribuidos después del 30 de junio de 2014, y (ii) que las tasas de ganancias de capital a largo plazo para ventas e intercambios realizadas después del 30 de junio de 2014, ha sido aumentada de 10% a 15% para individuos, sucesiones y fideicomisos; y de 15% a 20% para las corporaciones. Consecuentemente, si el Fondo distribuye "Dividendos Tributables" después del 30 de junio de 2014, el interés aplicable y la tasa de retención será 15%. Del mismo modo, si el Fondo distribuye Dividendos de Ganancias de Capital después del 30 de junio de 2014, la tasa de interés aplicable para individuos, sucesiones y fideicomisos será un 15%, y 20% para las corporaciones. Se exhorta a los inversionistas a que contacten a su abogado o asesor contributivo. Ni UBS Financial Services Incorporated of Puerto Rico ni el Fondo proveen asesoría legal o contributiva.

El 11 de febrero de 2015 la Legislatura de Puerto Rico presentó dos proyectos de ley (P.C. 2329 y P.S.

1304) que proponen una reforma contributiva con la aprobación del "Nuevo Código de Rentas Internas de 2015" (el "Código Nuevo"). En términos generales, el Código Nuevo sería efectivo para años contributivos comenzados después del 31 de diciembre de 2014 y, de aprobarse, incluiría los siguientes cambios: (a) eliminar las tasas preferenciales que actualmente aplican a las ganancias de capital a largo plazo generadas después del 31 de diciembre de 2014; (b) eliminar la tasa preferencial de 10% que actualmente aplica a los ingresos de intereses de ciertas obligaciones, incluyendo los Intereses Tributables; (c) reducir el máximo de la tasa de contribuciones de individuos a 30%; (d) eliminar la contribución básica alterna de individuos; (e) establecer una tasa fija de contribuciones sobre ingresos de las corporaciones a 30%; (f) eliminar la exención de los intereses de ciertas obligaciones de los Estados Unidos y sus subdivisiones políticas; y (g) eliminar las tasas preferenciales aplicables a ciertos dividendos y otros ingresos de intereses. La Legislatura de Puerto Rico está en el proceso de revisión de los proyectos de ley, por lo que, actualmente, el resultado final no se puede determinar.

Aviso Legal

Rendimientos anteriores no son garantía de resultados futuros similares. Los rendimientos actuales podrían ser más bajos o más altos que el rendimiento aquí citado. Los valores emitidos por un Fondo están sujetos a riesgo de mercado, incluyendo la pérdida del principal invertido. Este documento no es una oferta de compra ni una solicitud de una oferta de compra para cualquier inversión en un Fondo y es para propósitos informativos solamente. Las inversiones en un Fondo están diseñadas principalmente y son adecuadas para inversionistas a largo plazo y no deben ser consideradas como un vehículo para fines de negociación. Estas inversiones pueden que no sean adecuadas para cualquier inversionista. Una inversión en un Fondo no es equivalente a una inversión en los valores subyacentes en los cuales un Fondo invierte. El uso de apalancamiento por un Fondo representa ciertos riesgos a los inversionistas en éste, y en ciertos casos, las fluctuaciones en las tasas de intereses podrían aumentar la volatilidad en su rendimiento y afectar a un Fondo a mayor grado que a una compañía de inversión no apalancada. **Información más detallada en cuanto a un Fondo, incluyendo los cargos, gastos y penalidades aplicables, objetivo(s) y políticas de inversión, factores de riesgo y el efecto de apalancamiento, se incluye en la documentación de oferta del Fondo, el cual usted debe leer cuidadosamente antes de hacer una inversión.** Para obtener más información en cuanto a un Fondo (incluyendo los rendimientos de inversión calculados conforme el Reglamento 5766 de 11 de marzo de 1998, según enmendado) o una copia del prospecto para la oferta de las Acciones o los informes anuales del Fondo, favor de contactar a la familia de fondos UBS Puerto Rico o Puerto Rico Investors al 787-773-3888 ó 787-751-5452, respectivamente. Para obtener más información en cuanto a los rendimientos del Fondo de fin de mes o información más actualizada, por favor contactar a su Asesor Financiero en UBSFSPR o verifique los comunicados de prensa ("press releases") en <http://www.ubs.com/prfunds>.

Glossary of fund terms

- **Ask Price:** generally refers to the lowest price at which a seller will sell a specified number of units of a given security at a particular time. The ask price may incorporate a markup, which may vary by transaction and may include commissions and other charges. The ask prices quoted by UBSFSPR represent its judgment of the market price for Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price and age of pending customer orders.
- **Average Duration:** a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flow accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flow consist of coupon payments and repayment of capital.) A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, for which maturity and duration are equal.
- **Bid Price:** generally refers to the highest price a buyer is willing to pay at a particular time for a unit of a given security. UBSFSPR publishes two types of bid prices for the Shares: firm or indicative. A firm bid is provided when UBSFSPR has the risk capacity and/or appetite at the particular time to purchase a specified number of Shares. An investor can sell to UBSFSPR at the firm bid price up to the specified number of Shares at a particular time. On the other hand, an indicative bid is provided for informational purposes only when UBSFSPR does not have the risk capacity and/or appetite at a particular time to purchase Shares. The prices quoted by UBSFSPR represent its judgment of the market price for the Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price, and age of pending customer orders, and may be higher (in which case the price is at a premium) or lower (in which case the price is at a discount) than the NAV of the Fund.

The prices quoted by UBSFSPR may also be affected by its willingness to hold additional inventory of the Shares or by its need to sell its inventory of Shares. Depending on market liquidity conditions, orders to buy or sell at the quoted price may not receive immediate execution, and an investor may not be able to sell its Shares at the price quoted by UBSFSPR. Moreover, the proceeds an investor receives on a sale of Shares may be lower than the bid price due to discounts, markdowns, and other charges. Since inception, the Shares have historically traded at prices which reflect a premium to their respective NAV per Share, though on certain limited instances, they have traded at prices which reflect a discount to their respective NAV per Share. However, there is no assurance that the Shares will continue to trade at prices which reflect such a premium. The Fund is presently experiencing liquidity issues. As a result, the bid price is for a limited number of shares, and it may not be possible for sellers to obtain the current bid price.

- **Credit Quality:** a measure of the likelihood that a financial obligation will not be honored provided by one or more of the rating agencies. Rating agencies assign classifications to their ratings, with "AAA" being the highest and "D" being the lowest for Standard & Poor's Ratings Services ("S&P"). The Fund may use other ratings and adjust them for use in this scale.
- **Effective Duration:** a calculation of duration that takes into account the embedded options in the securities of a portfolio and their expected changes in the cash flow of a portfolio caused by those options.
- **Expense Ratio:** The percentage of the Fund's average net assets attributable to holders of the Shares and which is used to pay operating expenses and takes into account investment management fees, administration fees, and other operating expenses such as legal, audit, insurance, and shareholder communications.
- **Hedge Notional:** refers to the total net face value, reflecting any offsetting positions, of derivative instruments employed in hedging strategies of the Fund.
- **Hedge Ratio:** ratio of the Fund's hedge notional amount to its total dollar amount of leverage as of the end of a calendar quarter, assuming the Fund is fully invested at quarter-end. The Fund's investment adviser may, at its discretion, use a variety of derivative instruments including securities options, financial futures contracts, options on futures contracts, and other interest rate protection transactions such as swap agreements, to attempt to hedge its portfolio of assets and seek to enhance its return. There can be no assurance that any particular hedging strategy used will succeed.
- **Leverage:** the Fund may issue preferred stock or debt, enter into repurchase agreements, or borrow money, in order to increase the amounts available for investment ("leverage"). This gives the Fund's investment adviser, in the fixed income area in particular, the opportunity to enhance yield. The use of leverage increases the likelihood of price volatility and market risk for the Shares. There is also the risk that the cost of funding leverage will exceed the earnings on the related investments, which will have the likely effect of reducing the Fund's yield and the value of its investments.
- **Leverage Adjusted Effective Duration:** effective duration adjusted for the impact of the Fund's utilization of leverage. A Fund that utilizes leverage will have a leverage-adjusted effective duration that is longer than its effective duration.
- **Maturity:** date on which the face value of a security/bond must be repaid. It measures the average length to maturity in years of all the bonds in the Fund's portfolio. For mortgage-backed securities, the maturity takes into account the prepayment of the underlying mortgages.
- **NAV:** Net Asset Value. On a per-Share basis, it is determined by calculating the Fund's total assets less its total liabilities and dividing such result by the Shares outstanding. On an aggregate, Fund basis, it is determined by calculating the Fund's total assets less its total liabilities.

- **Undistributed Income:** the Fund's net income that has not been distributed to holders of its Shares as of the latest available audited financial statements. In the case of a target maturity-type investment company (which is liquidated on or by a specific date), it also includes the amounts to be distributed on or by the liquidation date as the return of the initial investment.

For a definition of other terms, please see the Shares' prospectus.



Tax-Free Puerto Rico Fund II, Inc.

Investment Objectives and Policies

Seeks current income that, for Puerto Rico residents, is exempt from both U.S. Federal and Puerto Rico income taxes, consistent with the preservation of capital, by investing:

- up to 33% of its total assets in, among other things, securities issued or guaranteed by the U.S. Government, its agencies, and instrumentalities
- at least 67% of its total assets in securities issued by Puerto Rico issuers (as described in the Prospectus)
- at least 95% of total assets in investment-grade securities²
- may issue leverage representing up to 50% of total assets¹

Pricing and Distribution History²

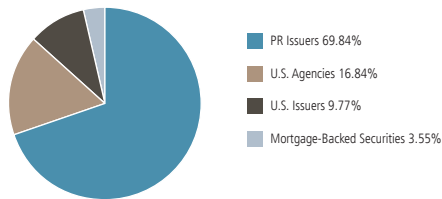
Initial Public Offering (IPO)	\$10.00
52-week Bid Low/High	\$3.63/\$4.57
YTD NAV Change	-\$0.27
YTD Bid Price Change	-\$0.39
IPO Yield ⁵	5.45%
Current Yield ⁵	14.77%
Last Dividend Paid	\$0.0454
Last 12 Month Dividend	\$0.5509

Portfolio Statistics and Characteristics²

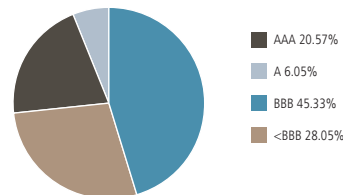
Commencement	Jan-02	Fiscal Year	30-Sep
Shares Outstanding (mm)	19.80	Weighted Avg. Coupon	4.26%
Bid Price	\$3.69	Average Maturity (yrs)	20.34
Net Asset Value (NAV)	\$3.93	Average Duration (yrs)	11.12
Bid Price to NAV Ratio	93.89%	Leverage Adjusted Effective Duration (yrs)	18.94
Net Assets (mm)	\$77.79	Leverage %	47.71% ¹
Leverage (mm)	\$71.95	Leverage Cost	0.77%
Undistributed Income (mm)	\$6.01	Hedge Notional (mm)	\$23.10
Expense Ratio	1.18%	Hedge Ratio	32%

See Portfolio Holdings, Portfolio Manager, Special Considerations, Disclaimers, Glossary of Fund Terms, and Footnotes on reverse.

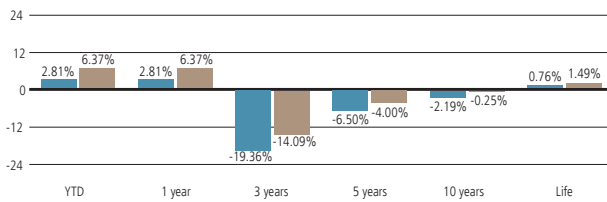
Portfolio Summary²



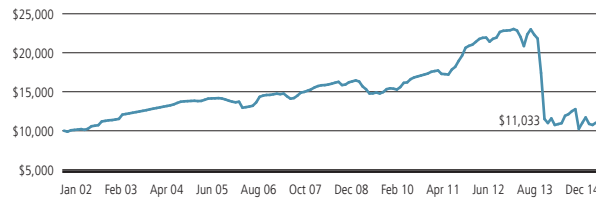
Credit Quality²



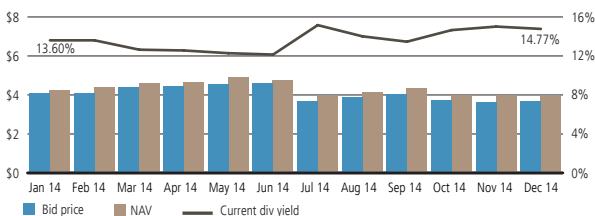
Average Annual Total Return³



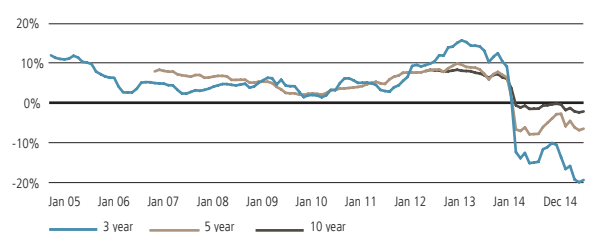
Growth of a \$10,000 Investment as of December 31, 2014⁴



Share Price, NAV and Current Dividend Yield – Prior 12 months



Rolling Period Annual Returns³



Portfolio Holdings²

PR Obligations	U.S. Obligations	
Mortgage-Backed Securities Participation Certificate - Doral	Federal Home Loan Bank	3.13%
AFICA	Federal Farm Credit Bank	13.71%
Ashford	Build America Bonds	6.33%
Galeria San Patricio	Build America Bonds (Insured)	0.66%
Palmas del Mar	U.S. Municipals	2.78%
Employees Retirement System	U.S. Obligations 26.61%	
PR Sales Tax Financing		
PREPA		
PRIDCO		
GDB		
PR Obligations 73.39%		

Portfolio Manager

Leslie Highley, Jr.
Portfolio Manager since inception
UBS Asset Managers of Puerto Rico

*Special Considerations

The Fund is a non-diversified, closed-end management investment company registered under the Puerto Rico Investment Companies Act of 1954, as amended. Securities issued by the Fund may be purchased or otherwise transferred only to individuals who are residents of Puerto Rico and to entities whose principal office and principal place of business are located in Puerto Rico. The Fund's yield and net asset value and the market price of the Fund's shares of Common Stock (the "Shares") may fluctuate and will be determined by such factors as relative demand for and supply of the Shares in the market, as well as general market, political, and economic conditions and other factors beyond the control of the Fund. The Shares trade at market price, which may be at a discount or premium to NAV, and no assurance can be given as to their liquidity or trading market. While it is the intention of UBS Financial Services Incorporated of Puerto Rico ("UBSFSPR") to continue to maintain a secondary market for the Shares, it is not obligated to continue to do so. Moreover, there may be no other source of price information for the Shares or other purchasers of the Shares other than UBSFSPR.

Geographic Concentration Risk. The Fund is exposed to certain risks resulting from the reduced geographic diversification of its portfolio. The Fund's assets are invested primarily in securities of Puerto Rico issuers. Consequently, the Fund in general is more susceptible to economic, political, regulatory or other factors adversely affecting issuers in Puerto Rico than an investment company that is not so concentrated in Puerto Rico issuers. In addition, securities issued by the Government of Puerto Rico or its instrumentalities are affected by the central government's finances. That includes, but is not limited to, general obligations of Puerto Rico and revenue bonds, special tax bonds, or agency bonds. The effect on each specific debt may not be the same; it depends on exactly what part of the government's money or revenue is supposed to pay the interest thereon. Inasmuch as a relatively high percentage of the Fund's assets may be invested in obligations of a limited number of Puerto Rico issuers, the Fund's net asset value and its yield may increase or decrease more than that of a more diversified investment company as a result of changes in the market's assessment of the financial condition and prospects of such Puerto Rico issuers. The Fund may also be more susceptible to any single economic, political, or regulatory occurrence in Puerto Rico than a more widely diversified investment company. Over the past years, the principal Puerto Rico Government bonds as well as the securities issued by several Puerto Rico financial institutions have been downgraded as a result of several factors, including without limitation, the downturn experienced

by the Puerto Rico economy and the strained financial condition of the Government of Puerto Rico. Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years, thereby affecting the Fund's net asset value.

Portfolio transactions between the Fund and UBSFSPR, Popular Securities (in the case of a co-managed Fund with Banco Popular de Puerto Rico), and other affiliates, are conducted in accordance with procedures adopted by the Fund's Board of Directors in an effort to address potential conflicts of interest.

Secondary Market Disclosure: Given UBSFSPR is currently the dominant, and may be the sole source of secondary market liquidity for the Shares, an investor may not be able to sell its Shares or may only be able to sell them at a loss, if UBSFSPR were to cease to facilitate such secondary market for the Shares. Accordingly, an investor's ability to sell its Shares will depend on the interest of other investors buying Shares, or UBSFSPR's willingness to commit additional capital to holding Shares in inventory. UBSFSPR may, in its sole discretion, commit additional capital to hold Shares in inventory when it deems it appropriate to do so, given market conditions or other considerations, and similarly may reduce the amount of capital committed to fund such inventory of Shares at other times. For example, when UBSFSPR purchases Shares and holds them in its inventory, quoted prices may remain at the previously quoted levels or increase. Conversely, when UBSFSPR sells Shares from its inventory, the quoted prices may decrease. In situations where UBSFSPR is selling Shares from its inventory, it may offer to sell its Shares at prices that are lower than pending sell orders that were placed by investors in the Shares. Decisions by UBSFSPR to increase or decrease inventory are made at its sole discretion and are not generally disclosed.

Repurchase Agreement Tax Disclosure: While there is authority generally supporting the treatment of repurchase and reverse repurchase agreements as collateralized loans for Puerto Rico income tax purposes, that authority does not specifically address the tax treatment of the repurchase agreements that the Fund typically enters into, which contain provisions that grant the buyer the right to sell, transfer, pledge, or hypothecate the securities that are the object of such agreements. Although the Puerto Rico Treasury Department ("PR Treasury") has never pronounced itself as to whether this type of arrangement should be viewed as a transfer of ownership of the underlying securities, it is possible that the PR Treasury could take that position in the future and that Puerto Rico

courts would agree with that view. In such event, the tax exempt interest paid on such underlying securities could be deemed not to constitute tax exempt income for the seller of such securities; to the extent that the Fund was such seller, the dividends distributed on its Shares from such income could be treated either as taxable dividends or capital gain dividends. If such dividends were treated as taxable dividends, holders of the Shares who are individuals or Puerto Rico trusts could be subject to a 15% income tax (or 10% income for dividends distributed before July 15, 2014) on the dividend (or the applicable alternate basic tax), and those which are corporate investors would be subject to a maximum effective income tax rate of 5.85% (or 4.5% for dividends distributed before July 15, 2014), (due to the 85% dividend received deduction of the Puerto Rico Internal Revenue Code, 15% of the dividend multiplied by a 39% maximum corporate income tax rate for dividends distributed on or after July 1, 2014 and 30% for dividends distributed before July 1, 2014). On the other hand, if such dividends were treated as capital gains dividends, holders of the Shares who are individuals or Puerto Rico trusts would be subject to a 15% income tax (or 10% income tax for capital dividends distributed before July 1, 2014) (or the applicable alternate basic tax), and holders of the Shares which are taxed as corporations would be subject to a 20% income tax (15% income tax for capital dividends distributed before July 1, 2014).

Recent Changes in Puerto Rico tax law: On July 1, 2014, the Governor of Puerto Rico signed into law Act 77-2014 which amended the Puerto Rico Internal Revenue Code of 2011 to provide, among other things, (i) the 10% withholding tax that is imposed on dividends distributed by Puerto Rico corporations to individuals will apply to dividends distributed before July 1, 2014, and that a 15% rate will apply for dividends distributed after June 30, 2014, and (ii) the long-term capital gains rate for sales and exchanges effected after June 30, 2014, is increased from 10% to 15%, in the case of individuals, estates, and trusts; and from 15% to 20%, in the case of corporations. Accordingly, if the Fund distributes "Taxable Dividends" after June 30, 2014, the applicable tax and withholding rate will be 15%. Similarly, if the Fund distributes Capital Gain Dividends after June 30, 2014, the applicable tax rate for individuals, estates and trusts will be 15%, and 20% in the case of corporations. Investors are encouraged to contact their lawyer or tax consultant. Neither the Fund nor UBS Financial Services Incorporated of Puerto Rico provides legal or tax advice.

On February 11, 2015, two (2) bills (P.C. 2329 and P.S. 1304) were introduced into the Puerto Rico Legislature and which propose the

adoption of a "New Puerto Rico Internal Revenue Code of 2015" ("New Code"). In general, the New Code would be effective for taxable years beginning after December 31, 2014 and, if approved, the New Code would, amongst other changes: (a) eliminate the preferential tax rates that currently apply to long-term capital gains derived after December 31, 2014, (b) eliminate the preferential 10% rate that currently applies to interest on certain obligations, such as Taxable Interest, (c) reduce the maximum marginal tax rate of individuals to 30%, (d) eliminate the alternate basic tax for individuals, (e) provide for a fixed 30% regular income tax rate for corporations, (f) eliminate the exemption for interest on obligations issued by States and their political sub-divisions, and (g) eliminate the preferential tax rates that currently exist for certain dividends and other interest income items. The Puerto Rico Legislature is currently reviewing the proposed bills and, therefore, their final outcome is not currently determinable.

Legal Disclaimer

Past performance does not guarantee future results. Current performance may be lower or higher than the performance quoted. Securities issued by the Fund are subject to market risk, including the loss of principal amounts invested. This document is not an offer to sell, or the solicitation of an offer to buy any investment in the Fund, and is for informational purposes only. Fund investments are designed primarily and suitable for long-term investors and not viewed as a vehicle for trading purposes. They may not be suitable to all investors. Fund investments are not equivalent to investments in its underlying securities. The Fund's utilization of leverage poses certain risks to investors, and in some cases, interest rate fluctuations may increase the volatility of its return and affect the Fund to a significantly greater extent than a non-leveraged investment company. **More detailed information about the Fund, including applicable fees, costs, penalties, investment objectives and policies, risk factors, and the effects of leverage, is further described in the Share's prospectus, which you should read carefully prior to making an investment.** To obtain additional information related to the Fund (including investment returns calculated in accordance with Regulation 5766 of March 11, 1998, as amended) or a copy of the Shares' prospectus or Fund's annual report, please contact the UBS Puerto Rico Family of Funds at 787-773-3888. To obtain the Fund's month-end performance or more up-to-date information, please contact your UBS Financial Advisor or see "press releases" at <http://www.ubs.com/pr/funds>.

Footnotes:

¹ Generally, the Fund must invest at least 67% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage) and cash, including cash equivalents, but excluding non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), in Puerto Rico securities. Additionally, the Fund may issue preferred stock, debt securities, or other forms of leverage, representing not more than 50% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage), cash (including cash equivalents), and non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), immediately after the issuance of any such preferred stock, or other debt securities. Moreover, the Fund may not issue preferred stock, debt securities, or other forms of leverage unless the value of its total assets less all its liabilities and indebtedness, other than the preferred stock, debt securities, or other forms of leverage being issued or already outstanding, is at least equal to 200% of the total aggregate liquidation preference/principal amount of all its outstanding preferred stock (not including any accumulated dividends or other distributions), debt securities, and other forms of leverage. **Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years. In view of these volatile market conditions, the Puerto Rico Office of the Commissioner of Financial Institutions (the "PROCFI") has granted to the Fund a temporary regulatory waiver from the Fund's investment requirement in Puerto Rico securities of at least 67% of the Fund's total assets and leverage limitation of 50% of its total assets and 200% asset coverage requirement described above, through July 31, 2015. These temporary waivers may be renewed by PROCFI for additional periods of time, should market conditions warrant, and upon written request by the Fund. It is the**

Fund's intention to re-achieve compliance therewith as soon as market conditions permit, though there is no assurance the Fund will be able to do so.

² The "Expense Ratio" calculation may reflect a partial waiver of the investment advisory and administration fees payable to UBS Trust Company of Puerto Rico, implemented on October 1, 2013. For more up-to-date information with respect to such partial fee waivers, if any, please see "Press Releases" at <http://www.ubs.com/pr/funds>. Credit quality is as of December 31, 2014. The Fund's investment portfolio is actively managed, and its composition (including the portfolio statistics and characteristics) will vary over time. Credit quality percentages include only fixed income securities and vary over time, as new investment securities are acquired and the credit rating of any investment held by the Fund is reassessed. For purposes of determining compliance with the Fund's investment requirements, ratings are as of the time of purchase, using a Standard & Poor's equivalent ratings scale. On February 12, 2015, S&P further downgraded the credit rating on the GOs from "BB" to "B", as well as the credit ratings of other Commonwealth agencies and public corporations, including its credit ratings on senior and subordinate-lien bonds issued by COFINA, which were lowered from "BBB" and "BBB-", respectively to "B". On such date, the long-term issuer credit rating on the GDB was also lowered, from "BB-" to "B-". On February 19, 2015, Moody's followed suit and downgraded its credit ratings on various Government of Puerto Rico entities and issuances, including GOs, from "B2" to "Ca1", and COFINA's senior and subordinate-lien bonds, which were lowered from "Ba3" and "B1", to "B3" and "Ca1", respectively. Lastly, on March 26, 2015, Fitch also downgraded the credit rating on the GOs from "BB-" to "B", as well as the credit ratings of PRASA senior lien revenue bonds from "B+" to "B" and COFINA's senior and subordinate-lien bonds from "BB-" to "B". All of the before-mentioned ratings carry a negative outlook. **As a result of the foregoing, none of the bonds issued by the Government of Puerto Rico and its instrumentalities currently carry an investment-grade credit rating.** Inasmuch as the Fund invests a substantial portion of its assets in securities issued by the Commonwealth of Puerto Rico, these

recent rating downgrades will negatively impact the Fund's ability to maintain compliance with its maximum/minimum investment threshold(s) in securities of a specific credit quality. To the extent that such investment threshold(s) in securities of a specific credit quality are exceeded, Fund management may determine to continue to hold such lower-rated securities, provided any new investment proceeds are directed to acquire investment securities which satisfy the Fund's minimum credit rating requirements. **In view of the fact that the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years and the subsequent credit rating downgrade of certain Puerto Rico bonds, current or more up-to-date information regarding the Fund's portfolio holdings is available at <http://www.ubs.com/pr/funds>.** Currently, the Fund's percentage investment in securities rated below investment-grade (below "BBB" rating) or which are unrated, amounted to 28.05% of the Fund's total portfolio, which exceeds the Fund's maximum investment threshold of 5% of its total assets invested in securities rated below investment-grade or which are unrated.

On July 2014, the Board of Directors approved an extension of the Fund's existing share repurchase program for the acquisition of up to 45% of each Fund's issued Shares. The Repurchase Program is intended to enhance shareholder value by providing additional liquidity to Fund shareholders. For the quarter ended December 31, 2014, the Fund had repurchased 216,397 Shares in the open market with an NAV of \$867,103, at a cost of \$776,812. Since the program's inception, the Fund has repurchased 7,121,039 Shares of common stock in the open market with an NAV of \$31,365,536, at a cost of \$29,592,947, and which represent 26.47% of the aggregate number of Shares issued by the Fund (net of Shares acquired for dividend reinvestment purposes and which remain outstanding).

³ As of December 31, 2014. **Return figures were not calculated in accordance with Regulation 5766 of March 11, 1998, as amended, which requires that investment returns for an individual retirement account ("IRA") be calculated in the manner provided**

therein. To the extent that an individual invests in the Fund through an IRA, his or her investment return figures will be less than those reported herein, when computed in accordance with Regulation 5766 and inasmuch as actual sales charges applicable to such IRA investments are taken into consideration. "Average Annual Total Return" figures reflect the percentage change in the market value, determined by calculating the average between the bid and ask prices, plus any income and capital gain dividends, and return of capital distributions, all such dividends and distributions reinvested as of the corresponding record date thereof, at the month-end NAV as of that date. In the case of "NAV Total Return," the Fund's NAV per Share is used, rather than the average between the bid and ask prices, to determine such total return, as applicable. "Rolling Period Annual Returns" measure the monthly movement in the average of the Annualized Average Market Return figures over a one-year, three-year, five-year, and ten-year period (as applicable), as it moves over a consecutive time series that begins on the Fund's inception date. Additionally, in the case of the Average Annual Total Return and Rolling Period Annual Return figures, commissions or sales charges payable in connection with a purchase or sale of Shares may vary with each brokerage institution. Total return figures are not representative of the performance of any individual investment, and taxes on capital gain distributions or income dividends, if any, have not been deducted. All calculations were performed by Thomson Reuters, based on certain financial data provided by this Fund and are annualized with the exception of year-to-date figures.

⁴ A \$10,000 investment is hypothetical and is shown for illustrative purposes only.

⁵ "IPO Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the initial public offering price. "Current Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the month-end bid price.



UBS Asset Managers of Puerto Rico Funds Quarterly Review Fourth Quarter 2014

*Consideraciones Especiales

Cada Fondo es una compañía de inversión no diversificada de fin cerrado inscrita bajo la Ley Número 6 de 19 de octubre de 1954, según enmendada. Los valores emitidos por un Fondo pueden solamente ser adquiridos por, o transferidos a, individuos que sean residentes de Puerto Rico y a entidades cuya oficina y localización de negocios principal estén localizados en Puerto Rico. El rendimiento, el valor neto de los activos de un Fondo y el precio en el mercado de las acciones de capital común del Fondo (en adelante, las "Acciones"), podrán fluctuar y se determinarán por factores como la demanda y oferta en el mercado de las Acciones y las condiciones económicas, políticas y del mercado en general, al igual que otros factores que están fuera del control de un Fondo. Las Acciones son negociadas al precio del mercado, el cual puede reflejar una prima o descuento del valor neto de los activos de un Fondo y no se puede dar representación alguna sobre su liquidez o el mercado para disponer de las mismas. A pesar de que es la intención de UBS Financial Services Incorporated of Puerto Rico (en adelante, "UBSFSPR") de continuar manteniendo un mercado secundario para las Acciones, no está obligada a continuar haciéndolo. De otra parte, puede que no exista otra fuente de información de precios para las Acciones u otros compradores para las Acciones que no sea UBSFSPR.

Riesgo de concentración geográfica: El Fondo está expuesto a ciertos riesgos debido a la diversificación geográfica reducida de su cartera de inversiones. Los activos del fondo están invertidos primariamente en valores de emisores de Puerto Rico. A consecuencia, el Fondo generalmente es más susceptible a factores económicos, políticos, regulatorios y otros que podrían afectar adversamente a emisores de Puerto Rico que otra compañía de inversión la cual no esté tan concentrada en emisores de Puerto Rico. En adición, valores emitidos por el Gobierno de Puerto Rico o sus instrumentalidades se afectan por las finanzas del gobierno central. Eso incluye, pero no se limita a, las obligaciones generales de Puerto Rico y los bonos de ingresos, contribuciones especiales o de agencias. El efecto en cada deuda específica podría no ser el mismo y depende de que parte del dinero del gobierno o sus ingresos se supone pague el interés de dicha deuda. En la medida que un porcentaje relativamente alto de los activos del Fondo pueden ser invertidos en obligaciones de un número limitado de emisores de Puerto Rico, el valor neto de activos y su rendimiento puede aumentar o disminuir más que el de una compañía de inversión más diversificada, como resultado de cambios en cuanto a la evaluación de la condición financiera o prospectos de dichos emisores de Puerto Rico. El Fondo también puede ser más susceptible a cualquier ocurrencia individual económica, política o regulatoria en Puerto Rico que una compañía de inversión más diversificada. En los pasados años, los bonos principales del Gobierno de Puerto Rico, al igual que valores emitidos por ciertas instituciones financieras de Puerto Rico han sido degradados por varios factores, incluyendo sin limitación, al empeoramiento experimentado por la economía de Puerto Rico y la condición financiera pobre del Gobierno de Puerto Rico. Al presente, el mercado de bonos de Puerto Rico está experimentando un periodo de volatilidad, con los

bonos de Puerto Rico traficando a precios más bajos y rendimientos más altos a los puntos de referencia de los pasados dos (2) años, y así afectando el valor neto de activos del Fondo.

Transacciones de cartera entre un Fondo y UBSFSPR, Popular Securities (en el caso de un Fondo co-manejado con Banco Popular de Puerto Rico) y otras afiliadas son efectuadas conforme a ciertos procedimientos adoptados por la Junta de Directores de un Fondo con miras a atender posibles conflictos de interés.

Divulgación de Mercado Secundario: Dado a que actualmente UBSFSPR es la fuente dominante, y podría ser la única fuente, de liquidez para la negociación de las Acciones en el mercado secundario, cabe la posibilidad que un inversionista no pueda vender sus Acciones en el mercado secundario o que solamente pueda venderlas a pérdida, si UBSFSPR cesara de facilitar un mercado secundario para la negociación de las Acciones. Por lo tanto, la habilidad de un inversionista para vender sus Acciones dependerá del interés de otros inversionistas que estén comprando Acciones o la disponibilidad de UBSFSPR de designar capital adicional para mantener Acciones en su inventario. UBSFSPR podrá, a su única discreción, comprometer capital adicional para mantener Acciones en inventario cuando así lo estime apropiado, dependiendo de las condiciones del mercado y otras consideraciones, e igualmente en otras ocasiones, podrá reducir la cantidad de capital comprometida para financiar dicho inventario de las Acciones. Por ejemplo, cuando UBSFSPR compra Acciones para su inventario, los precios cotizados por éste podrán permanecer a los niveles previamente cotizados o aumentar. Por otro lado, cuando UBSFSPR vende Acciones de su inventario, los precios cotizados por éste podrían reducirse. En situaciones en que UBSFSPR está vendiendo Acciones de su inventario, podría ofrecer vender dichas Acciones a precios más bajos que cualquier orden de venta pendiente que fue puesta sobre sus Acciones por cualquier inversionista. Cualquier decisión de UBSFSPR de aumentar o reducir su inventario será tomada a su única discreción y no son divulgadas al público.

Divulgación Contributiva sobre Acuerdos de Recompra: A pesar de que existe precedente contable que apoya el concepto que los acuerdos de recompra y recompra a la inversa sean considerados como préstamos con garantía colateral para propósitos contributivos en Puerto Rico, dicho precedente no es determinante en cuanto a las disposiciones contributivas aplicables a los acuerdos de recompra que normalmente el Fondo suscribe, que contienen disposiciones que conceden al comprador de los valores subyacentes a dichos acuerdos el derecho a vender, transferir, pignorar o hipotecar dichos valores. A pesar de que el Departamento de Hacienda de Puerto Rico (en adelante, "Hacienda") nunca se ha expresado sobre si estos tipos de acuerdos deben ser considerados como una transferencia de titularidad sobre los valores subyacentes, Hacienda podría adoptar dicha posición y que los tribunales de Puerto Rico estén de acuerdo con dicha posición. En dicho caso, el interés exento pagado sobre los valores subyacentes a dichos acuerdos podría considerarse

como ingreso no exento del pago de contribución para el vendedor de tales valores subyacentes. En la medida que el Fondo sea considerado el vendedor bajo el acuerdo de recompra correspondiente, los dividendos distribuidos sobre las Acciones que a su vez son derivados del ingreso del acuerdo de recompra correspondiente podría ser considerado como un dividendo sujeto a tributación o ganancias de capital. Si tal dividendo fuera considerado como dividendo sujeto a tributación, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico podrían estar sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos distribuidos antes del 15 de julio de 2014) sobre el dividendo (o la contribución básica alterna aplicable), y aquellos que sean inversionistas corporativos estarían sujetos a una máxima tasa efectiva de 5.85% (o 4.5% para dividendos distribuidos antes del 15 de julio de 2014), debido a la deducción de 85% sobre dividendos recibidos, según dispuesto por el Código de Rentas Internas de Puerto Rico, multiplicando el 15% del dividendo por una tasa contributiva corporativa máxima de 39% para los dividendos distribuidos en o después del 1 de julio de 2014 y 30% para los dividendos distribuidos antes del 1 de julio de 2014). Por otro lado, si tales dividendos fueran considerados como dividendos de ganancias de capital, los tenedores de las Acciones que sean individuos o fideicomisos de Puerto Rico estarían sujetos a una tasa contributiva de 15% (o a una tasa contributiva de 10% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014 o la contribución básica alterna aplicable), y los tenedores de las Acciones que tributa como corporaciones, estarían sujetos a una tasa contributiva de 20% (tasa contributiva de 15% para dividendos de ganancias de capital distribuidos antes del 1 de julio de 2014).

Cambios Recientes al Derecho Tributario de Puerto Rico: El 1 de julio de 2014, el Gobernador de Puerto Rico firmó como ley la Ley 77-2014, la cual enmendó el Código de Rentas Internas de Puerto Rico del 2011 para proveer, entre otras cosas, (i) que el 10% de retención de impuesto que se le impone a los dividendos distribuidos por corporaciones de Puerto Rico a individuos, aplicará a los dividendos distribuidos antes del 1 de julio de 2014, y que la tasa de 15% aplicará a los dividendos distribuidos después del 30 de junio de 2014, y (ii) que las tasas de ganancias de capital a largo plazo para ventas e intercambios realizadas después del 30 de junio de 2014, ha sido aumentada de 10% a 15% para individuos, sucesiones y fideicomisos; y de 15% a 20% para las corporaciones. Consecuentemente, si el Fondo distribuye "Dividendos Tributables" después del 30 de junio de 2014, el interés aplicable y la tasa de retención será 15%. Del mismo modo, si el Fondo distribuye Dividendos de Ganancias de Capital después del 30 de junio de 2014, la tasa de interés aplicable para individuos, sucesiones y fideicomisos será un 15%, y 20% para las corporaciones. Se exhorta a los inversionistas a que contacten a su abogado o asesor contributivo. Ni UBS Financial Services Incorporated of Puerto Rico ni el Fondo proveen asesoría legal o contributiva.

El 11 de febrero de 2015 la Legislatura de Puerto Rico presentó dos proyectos de ley (P.C. 2329 y P.S.

1304) que proponen una reforma contributiva con la aprobación del "Nuevo Código de Rentas Internas de 2015" (el "Código Nuevo"). En términos generales, el Código Nuevo sería efectivo para años contributivos comenzados después del 31 de diciembre de 2014 y, de aprobarse, incluiría los siguientes cambios: (a) eliminar las tasas preferenciales que actualmente aplican a las ganancias de capital a largo plazo generadas después del 31 de diciembre de 2014; (b) eliminar la tasa preferencial de 10% que actualmente aplica a los ingresos de intereses de ciertas obligaciones, incluyendo los Intereses Tributables; (c) reducir el máximo de la tasa de contribuciones de individuos a 30%; (d) eliminar la contribución básica alterna de individuos; (e) establecer una tasa fija de contribuciones sobre ingresos de las corporaciones a 30%; (f) eliminar la exención de los intereses de ciertas obligaciones de los Estados Unidos y sus subdivisiones políticas; y (g) eliminar las tasas preferenciales aplicables a ciertos dividendos y otros ingresos de intereses. La Legislatura de Puerto Rico está en el proceso de revisión de los proyectos de ley, por lo que, actualmente, el resultado final no se puede determinar.

Aviso Legal

Rendimientos anteriores no son garantía de resultados futuros similares. Los rendimientos actuales podrían ser más bajos o más altos que el rendimiento aquí citado. Los valores emitidos por un Fondo están sujetos a riesgo de mercado, incluyendo la pérdida del principal invertido. Este documento no es una oferta de compra ni una solicitud de una oferta de compra para cualquier inversión en un Fondo y es para propósitos informativos solamente. Las inversiones en un Fondo están diseñadas principalmente y son adecuadas para inversionistas a largo plazo y no deben ser consideradas como un vehículo para fines de negociación. Estas inversiones pueden que no sean adecuadas para cualquier inversionista. Una inversión en un Fondo no es equivalente a una inversión en los valores subyacentes en los cuales un Fondo invierte. El uso de apalancamiento por un Fondo representa ciertos riesgos a los inversionistas en éste, y en ciertos casos, las fluctuaciones en las tasas de intereses podrían aumentar la volatilidad en su rendimiento y afectar a un Fondo a mayor grado que a una compañía de inversión no apalancada. **Información más detallada en cuanto a un Fondo, incluyendo los cargos, gastos y penalidades aplicables, objetivo(s) y políticas de inversión, factores de riesgo y el efecto de apalancamiento, se incluye en la documentación de oferta del Fondo, el cual usted debe leer cuidadosamente antes de hacer una inversión.** Para obtener más información en cuanto a un Fondo (incluyendo los rendimientos de inversión calculados conforme el Reglamento 5766 de 11 de marzo de 1998, según enmendado) o una copia del prospecto para la oferta de las Acciones o los informes anuales del Fondo, favor de contactar a la familia de fondos UBS Puerto Rico o Puerto Rico Investors al 787-773-3888 ó 787-751-5452, respectivamente. Para obtener más información en cuanto a los rendimientos del Fondo de fin de mes o información más actualizada, por favor contactar a su Asesor Financiero en UBSFSPR o verifique los comunicados de prensa ("press releases") en <http://www.ubs.com/prfunds>.

Glossary of fund terms

- **Ask Price:** generally refers to the lowest price at which a seller will sell a specified number of units of a given security at a particular time. The ask price may incorporate a markup, which may vary by transaction and may include commissions and other charges. The ask prices quoted by UBSFSPR represent its judgment of the market price for Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price and age of pending customer orders.
- **Average Duration:** a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flow accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flow consist of coupon payments and repayment of capital.) A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, for which maturity and duration are equal.
- **Bid Price:** generally refers to the highest price a buyer is willing to pay at a particular time for a unit of a given security. UBSFSPR publishes two types of bid prices for the Shares: firm or indicative. A firm bid is provided when UBSFSPR has the risk capacity and/or appetite at the particular time to purchase a specified number of Shares. An investor can sell to UBSFSPR at the firm bid price up to the specified number of Shares at a particular time. On the other hand, an indicative bid is provided for informational purposes only when UBSFSPR does not have the risk capacity and/or appetite at a particular time to purchase Shares. The prices quoted by UBSFSPR represent its judgment of the market price for the Shares. The price quotes take into account market factors, including, but not limited to, recent transactions, supply and demand, the yield of similar types of products, the size and age of UBSFSPR's inventory, and the size, price, and age of pending customer orders, and may be higher (in which case the price is at a premium) or lower (in which case the price is at a discount) than the NAV of the Fund.

The prices quoted by UBSFSPR may also be affected by its willingness to hold additional inventory of the Shares or by its need to sell its inventory of Shares. Depending on market liquidity conditions, orders to buy or sell at the quoted price may not receive immediate execution, and an investor may not be able to sell its Shares at the price quoted by UBSFSPR. Moreover, the proceeds an investor receives on a sale of Shares may be lower than the bid price due to discounts, markdowns, and other charges. Since inception, the Shares have historically traded at prices which reflect a premium to their respective NAV per Share, though on certain limited instances, they have traded at prices which reflect a discount to their respective NAV per Share. However, there is no assurance that the Shares will continue to trade at prices which reflect such a premium. The Fund is presently experiencing liquidity issues. As a result, the bid price is for a limited number of shares, and it may not be possible for sellers to obtain the current bid price.

- **Credit Quality:** a measure of the likelihood that a financial obligation will not be honored provided by one or more of the rating agencies. Rating agencies assign classifications to their ratings, with "AAA" being the highest and "D" being the lowest for Standard & Poor's Ratings Services ("S&P"). The Fund may use other ratings and adjust them for use in this scale.
- **Effective Duration:** a calculation of duration that takes into account the embedded options in the securities of a portfolio and their expected changes in the cash flow of a portfolio caused by those options.
- **Expense Ratio:** The percentage of the Fund's average net assets attributable to holders of the Shares and which is used to pay operating expenses and takes into account investment management fees, administration fees, and other operating expenses such as legal, audit, insurance, and shareholder communications.
- **Hedge Notional:** refers to the total net face value, reflecting any offsetting positions, of derivative instruments employed in hedging strategies of the Fund.
- **Hedge Ratio:** ratio of the Fund's hedge notional amount to its total dollar amount of leverage as of the end of a calendar quarter, assuming the Fund is fully invested at quarter-end. The Fund's investment adviser may, at its discretion, use a variety of derivative instruments including securities options, financial futures contracts, options on futures contracts, and other interest rate protection transactions such as swap agreements, to attempt to hedge its portfolio of assets and seek to enhance its return. There can be no assurance that any particular hedging strategy used will succeed.
- **Leverage:** the Fund may issue preferred stock or debt, enter into repurchase agreements, or borrow money, in order to increase the amounts available for investment ("leverage"). This gives the Fund's investment adviser, in the fixed income area in particular, the opportunity to enhance yield. The use of leverage increases the likelihood of price volatility and market risk for the Shares. There is also the risk that the cost of funding leverage will exceed the earnings on the related investments, which will have the likely effect of reducing the Fund's yield and the value of its investments.
- **Leverage Adjusted Effective Duration:** effective duration adjusted for the impact of the Fund's utilization of leverage. A Fund that utilizes leverage will have a leverage-adjusted effective duration that is longer than its effective duration.
- **Maturity:** date on which the face value of a security/bond must be repaid. It measures the average length to maturity in years of all the bonds in the Fund's portfolio. For mortgage-backed securities, the maturity takes into account the prepayment of the underlying mortgages.
- **NAV:** Net Asset Value. On a per-Share basis, it is determined by calculating the Fund's total assets less its total liabilities and dividing such result by the Shares outstanding. On an aggregate, Fund basis, it is determined by calculating the Fund's total assets less its total liabilities.

- **Undistributed Income:** the Fund's net income that has not been distributed to holders of its Shares as of the latest available audited financial statements. In the case of a target maturity-type investment company (which is liquidated on or by a specific date), it also includes the amounts to be distributed on or by the liquidation date as the return of the initial investment.

For a definition of other terms, please see the Shares' prospectus.



Tax-Free Puerto Rico Target Maturity Fund, Inc.

Investment Objectives and Policies

Seeks current income that for Puerto Rico residents is exempt from both U.S. Federal and Puerto Rico income taxes, consistent with the preservation of capital, and the distribution to shareholders of common stock, of an amount equal to \$10 per share, by investing:

- up to 33% of its total assets in, among other things, securities issued or guaranteed by the U.S. Government, its agencies, and instrumentalities

- at least 67% of its total assets in Puerto Rico obligations (as described in the Prospectus)
- at least 95% of total assets in investment-grade securities²
- return initial investment of \$10, per share by or before December 31, 2031; (distributions of principal may occur as of January 1, 2012^{A,2})
- may issue leverage representing up to 50% of total assets¹

Pricing and Distribution History^{2,3,A,B}

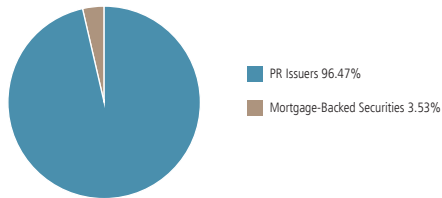
Initial Public Offering (IPO)	\$10.00
Distribution to Date	\$2.35
Remaining Capital	\$7.65
IPO Yield ⁵	4.44%
Current Yield ⁵	13.29%
Last Dividend Paid	\$0.0370
Last 12-Month Dividend	\$0.4438

Portfolio Statistics and Characteristics²

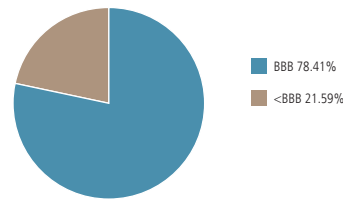
Commencement	Aug-01	Average Duration (yrs)	8.84
Shares Outstanding (mm)	26.23	Leverage Adjusted	16.29
Bid Price	\$3.34	Effective Duration	
Net Asset Value (NAV)	\$3.63	Fiscal Year	30-Jun
Net Assets (mm)	\$95.24	Leverage %	49.26% ¹
Leverage (mm)	\$93.58	Leverage Cost	0.89%
Expense Ratio	1.25%	Hedge Notional (mm)	31.30
Average Maturity (yrs)	14.02	Hedge Ratio	33%

See Portfolio Holdings, Portfolio Manager, Special Considerations, Disclaimers, Glossary of Fund Terms, and Footnotes on reverse.

Portfolio Summary²



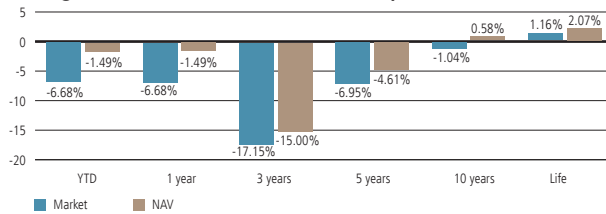
Credit Quality²



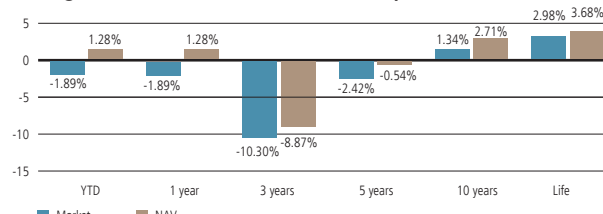
Portfolio Holdings²

PR Obligations	Employees Retirement System	14.97%
Mortgage-Backed Securities	Participation Certificate - Doral	3.53%
AFICA	PR Highway & Transportation	1.58%
Palmas del Mar	PR Sales Tax Financing	75.35%
PR Conservation Trust	PREPA	3.65%
Doral	PR Obligations	100.00%

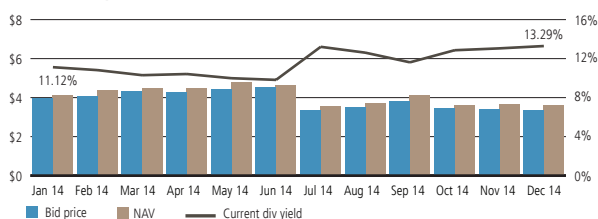
Average Annual Total Return - Return of Capital Reinvested³



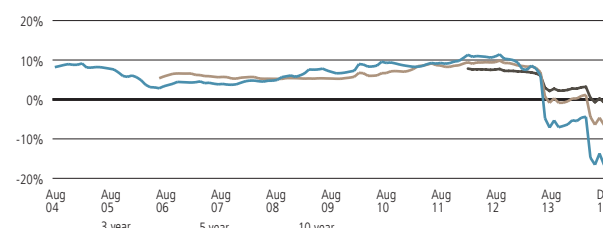
Average Annual Total Return - Return of Capital Not Reinvested³



Share Price, NAV and Current Dividend Yield - Prior 12 months⁵



Rolling Period Annual Returns³



	Pro-Forma ^B	Actual	Capital distributed to date	Adjusted Amount
Bid Price	\$3.34	\$2.35		\$5.69
NAV	\$3.63	\$2.35		\$5.98

Portfolio Manager

Leslie Highley, Jr., Portfolio Manager since inception
UBS Asset Managers of Puerto Rico

^A During the principal distribution period, the Fund will distribute pro-rata to holders of common stock the principal payments received by the Fund on its portfolio securities, in addition to the regular monthly distributions of net investment income and annual distributions of net capital gains.

^B In order to compute the Pro-Forma values, the total aggregate amount of all return of capital distributions per Share made to date (i.e. since commencement of capital distributions on December 2007) is added back to (i) the bid price for the Shares and (ii) the NAV. The Pro-Forma value is intended to reflect the value of a Share on the basis of the original \$10.00 initial public offering (IPO) price per Share. An investor purchasing Shares at current market prices can expect to receive return of capital distributions of up to the amount labeled "Remaining Capital" in the "Pricing and Distribution History" table, although there can be no assurance that they will ultimately receive such amounts.

*Special Considerations

The Fund is a non-diversified, closed-end management investment company registered under the Puerto Rico Investment Companies Act of 1954, as amended. Securities issued by the Fund may be purchased or otherwise transferred only to individuals who are residents of Puerto Rico and to entities whose principal office and principal place of business are located in Puerto Rico. The Fund's yield and net asset value and the market price of the Fund's shares of Common Stock (the "Shares") may fluctuate and will be determined by such factors as relative demand for and supply of the Shares in the market, as well as general market, political, and economic conditions and other factors beyond the control of the Fund. The Shares trade at market price, which may be at a discount or premium to NAV, and no assurance can be given as to their liquidity or trading market. While it is the intention of UBS Financial Services Incorporated of Puerto Rico ("UBSFSPR") to continue to maintain a secondary market for the Shares, it is not obligated to continue to do so. Moreover, there may be no other source of price information for the Shares or other purchasers of the Shares other than UBSFSPR.

Geographic Concentration Risk. The Fund is exposed to certain risks resulting from the reduced geographic diversification of its portfolio. The Fund's assets are invested primarily in securities of Puerto Rico issuers. Consequently, the Fund in general is more susceptible to economic, political, regulatory or other factors adversely affecting issuers in Puerto Rico than an investment company that is not so concentrated in Puerto Rico issuers. In addition, securities issued by the Government of Puerto Rico or its instrumentalities are affected by the central government's finances. That includes, but is not limited to, general obligations of Puerto Rico and revenue bonds, special tax bonds, or agency bonds. The effect on each specific debt may not be the same; it depends on exactly what part of the government's money or revenue is supposed to pay the interest thereon. Inasmuch as a relatively high percentage of the Fund's assets may be invested in obligations of a limited number of Puerto Rico issuers, the Fund's net asset value and its yield may increase or decrease more than that of a more diversified investment company as a result of changes in the market's assessment of the financial condition and prospects of such Puerto Rico issuers. The Fund may also be more susceptible to any single economic, political, or regulatory occurrence in Puerto Rico than a more widely diversified investment company. Over the past years, the principal Puerto Rico Government bonds as well as the securities issued by several Puerto Rico financial institutions have been downgraded as a result of several factors, including without limitation, the downturn experienced

by the Puerto Rico economy and the strained financial condition of the Government of Puerto Rico. Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years, thereby affecting the Fund's net asset value.

Portfolio transactions between the Fund and UBSFSPR, Popular Securities (in the case of a co-managed Fund with Banco Popular de Puerto Rico), and other affiliates, are conducted in accordance with procedures adopted by the Fund's Board of Directors in an effort to address potential conflicts of interest.

Secondary Market Disclosure: Given UBSFSPR is currently the dominant, and may be the sole source of secondary market liquidity for the Shares, an investor may not be able to sell its Shares or may only be able to sell them at a loss, if UBSFSPR were to cease to facilitate such secondary market for the Shares. Accordingly, an investor's ability to sell its Shares will depend on the interest of other investors buying Shares, or UBSFSPR's willingness to commit additional capital to holding Shares in inventory. UBSFSPR may, in its sole discretion, commit additional capital to hold Shares in inventory when it deems it appropriate to do so, given market conditions or other considerations, and similarly may reduce the amount of capital committed to fund such inventory of Shares at other times. For example, when UBSFSPR purchases Shares and holds them in its inventory, quoted prices may remain at the previously quoted levels or increase. Conversely, when UBSFSPR sells Shares from its inventory, the quoted prices may decrease. In situations where UBSFSPR is selling Shares from its inventory, it may offer to sell its Shares at prices that are lower than pending sell orders that were placed by investors in the Shares. Decisions by UBSFSPR to increase or decrease inventory are made at its sole discretion and are not generally disclosed.

Repurchase Agreement Tax Disclosure: While there is authority generally supporting the treatment of repurchase and reverse repurchase agreements as collateralized loans for Puerto Rico income tax purposes, that authority does not specifically address the tax treatment of the repurchase agreements that the Fund typically enters into, which contain provisions that grant the buyer the right to sell, transfer, pledge, or hypothecate the securities that are the object of such agreements. Although the Puerto Rico Treasury Department ("PR Treasury") has never pronounced itself as to whether this type of arrangement should be viewed as a transfer of ownership of the underlying securities, it is possible that the PR Treasury could take that position in the future and that Puerto Rico

courts would agree with that view. In such event, the tax exempt interest paid on such underlying securities could be deemed not to constitute tax exempt income for the seller of such securities; to the extent that the Fund was such seller, the dividends distributed on its Shares from such income could be treated either as taxable dividends or capital gain dividends. If such dividends were treated as taxable dividends, holders of the Shares who are individuals or Puerto Rico trusts could be subject to a 15% income tax (or 10% income for dividends distributed before July 15, 2014) on the dividend (or the applicable alternate basic tax), and those which are corporate investors would be subject to a maximum effective income tax rate of 5.85% (or 4.5% for dividends distributed before July 15, 2014), (due to the 85% dividend received deduction of the Puerto Rico Internal Revenue Code, 15% of the dividend multiplied by a 39% maximum corporate income tax rate for dividends distributed on or after July 1, 2014 and 30% for dividends distributed before July 1, 2014). On the other hand, if such dividends were treated as capital gains dividends, holders of the Shares who are individuals or Puerto Rico trusts would be subject to a 15% income tax (or 10% income tax for capital dividends distributed before July 1, 2014) (or the applicable alternate basic tax), and holders of the Shares which are taxed as corporations would be subject to a 20% income tax (15% income tax for capital dividends distributed before July 1, 2014).

Recent Changes in Puerto Rico tax law: On July 1, 2014, the Governor of Puerto Rico signed into law Act 77-2014 which amended the Puerto Rico Internal Revenue Code of 2011 to provide, among other things, (i) the 10% withholding tax that is imposed on dividends distributed by Puerto Rico corporations to individuals will apply to dividends distributed before July 1, 2014, and that a 15% rate will apply for dividends distributed after June 30, 2014, and (ii) the long-term capital gains rate for sales and exchanges effected after June 30, 2014, is increased from 10% to 15%, in the case of individuals, estates, and trusts; and from 15% to 20%, in the case of corporations. Accordingly, if the Fund distributes "Taxable Dividends" after June 30, 2014, the applicable tax and withholding rate will be 15%. Similarly, if the Fund distributes Capital Gain Dividends after June 30, 2014, the applicable tax rate for individuals, estates and trusts will be 15%, and 20% in the case of corporations. Investors are encouraged to contact their lawyer or tax consultant. Neither the Fund nor UBS Financial Services Incorporated of Puerto Rico provides legal or tax advice.

On February 11, 2015, two (2) bills (P.C. 2329 and P.S. 1304) were introduced into the Puerto Rico Legislature and which propose the

adoption of a "New Puerto Rico Internal Revenue Code of 2015" ("New Code"). In general, the New Code would be effective for taxable years beginning after December 31, 2014 and, if approved, the New Code would, amongst other changes: (a) eliminate the preferential tax rates that currently apply to long-term capital gains derived after December 31, 2014, (b) eliminate the preferential 10% rate that currently applies to interest on certain obligations, such as Taxable Interest, (c) reduce the maximum marginal tax rate of individuals to 30%, (d) eliminate the alternate basic tax for individuals, (e) provide for a fixed 30% regular income tax rate for corporations, (f) eliminate the exemption for interest on obligations issued by States and their political sub-divisions, and (g) eliminate the preferential tax rates that currently exist for certain dividends and other interest income items. The Puerto Rico Legislature is currently reviewing the proposed bills and, therefore, their final outcome is not currently determinable.

Legal Disclaimer

Past performance does not guarantee future results. Current performance may be lower or higher than the performance quoted. Securities issued by the Fund are subject to market risk, including the loss of principal amounts invested. This document is not an offer to sell, or the solicitation of an offer to buy any investment in the Fund, and is for informational purposes only. Fund investments are designed primarily and suitable for long-term investors and not viewed as a vehicle for trading purposes. They may not be suitable to all investors. Fund investments are not equivalent to investments in its underlying securities. The Fund's utilization of leverage poses certain risks to investors, and in some cases, interest rate fluctuations may increase the volatility of its return and affect the Fund to a significantly greater extent than a non-leveraged investment company. **More detailed information about the Fund, including applicable fees, costs, penalties, investment objectives and policies, risk factors, and the effects of leverage, is further described in the Share's prospectus, which you should read carefully prior to making an investment.** To obtain additional information related to the Fund (including investment returns calculated in accordance with Regulation 5766 of March 11, 1998, as amended) or a copy of the Shares' prospectus or Fund's annual report, please contact the Puerto Rico Investors Family of Funds at 787-751-5452. To obtain the Fund's month-end performance or more up-to-date information, please contact your UBS Financial Advisor or see "press releases" at <http://www.ubs.com/prfunds>.

Footnotes:

¹ Generally, the Fund must invest at least 67% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage) and cash, including cash equivalents, but excluding non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), in Puerto Rico securities. Additionally, the Fund may issue preferred stock, debt securities, or other forms of leverage, representing not more than 50% of the total market value of the Fund's portfolio securities (including, but not limited to, portfolio securities purchased with the proceeds of leverage), cash (including cash equivalents), and non-cash, non-portfolio securities items (including, but not limited to, prepaid items, receivables, and swap marked-to-market), immediately after the issuance of any such preferred stock, or other debt securities. Moreover, the Fund may not issue preferred stock, debt securities, or other forms of leverage unless the value of its total assets less all its liabilities and indebtedness, other than the preferred stock, debt securities, or other forms of leverage being issued or already outstanding, is at least equal to 200% of the total aggregate liquidation preference/principal amount of all its outstanding preferred stock (not including any accumulated dividends or other distributions), debt securities, and other forms of leverage. **Currently, the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years. In view of these volatile market conditions, the Puerto Rico Office of the Commissioner of Financial Institutions (the "PROCFI") has granted to the Fund a temporary regulatory waiver from the Fund's investment requirement in Puerto Rico securities of at least 67% of the Fund's total assets and leverage limitation of 50% of its total assets and 200% asset coverage requirement described above, through July 31, 2015. These temporary waivers may be renewed by the PROCFI for additional periods of time, should market conditions warrant, and upon written request by the Fund. It is the Fund's intention to re-achieve compliance**

therewith as soon as market conditions permit, though there is no assurance the Fund will be able to do so.

² The "Expense Ratio" calculation may reflect a partial waiver of the investment advisory and administration fees payable to UBS Trust Company of Puerto Rico, implemented on October 1, 2013. For more up-to-date information with respect to such partial fee waivers, if any, please see "Press Releases" at <http://www.ubs.com/prfunds>.

Credit quality is as of December 31, 2014. The Fund's investment portfolio is actively managed, and its composition (including the portfolio statistics and characteristics) will vary over time. Credit quality percentages include only fixed income securities and vary over time, as new investment securities are acquired and the credit rating of any investment held by the Fund is reassessed. For purposes of determining compliance with the Fund's investment requirements, ratings are as of the time of purchase, using a Standard & Poor's equivalent ratings scale. On February 12, 2015, S&P further downgraded the credit rating on the GOs from "BB" to "B", as well as the credit ratings of other Commonwealth agencies and public corporations, including its credit ratings on senior and subordinate-lien bonds issued by COFINA, which were lowered from "BBB" and "BBB-", respectively to "B". On such date, the long-term issuer credit rating on the GDB was also lowered, from "BB-" to "B-". On February 19, 2015, Moody's followed suit and downgraded its credit ratings on various Government of Puerto Rico entities and issuances, including GOs, from "B2" to "Caa1", and COFINA's senior and subordinate-lien bonds, which were lowered from "Ba3" and "B1", to "B3" and "Caa1", respectively. Lastly, on March 26, 2015, Fitch also downgraded the credit rating on the GOs from "BB-" to "B", as well as the credit ratings of PRASA senior lien revenue bonds from "B+" to "B" and COFINA's senior and subordinate-lien bonds from "BB-" to "B-". All of the before-mentioned ratings carry a negative outlook. **As a result of the foregoing, none of the bonds issued by the Government of Puerto Rico and its instrumentalities currently carry an investment-grade credit rating. In view of the fact that the Puerto Rico bond market is experiencing a period of volatility, with Puerto Rico**

bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years and the subsequent credit rating downgrade of certain Puerto Rico bonds, current or more up-to-date information regarding the Fund's portfolio holdings is available at <http://www.ubs.com/prfunds>. The Fund has commenced pro-rata distributions to its holders of common stock of the principal payments received on its portfolio securities.

On July 2014, the Board of Directors approved an extension of the Fund's existing share repurchase program for the acquisition of up to 45% of each Fund's issued Shares. The Repurchase Program is intended to enhance shareholder value by providing additional liquidity to Fund shareholders. For the quarter ended December 31, 2014, the Fund had repurchased 315,668 Shares in the open market with an NAV of \$1,142,402, at a cost of \$1,027,411. Since the program's inception, the Fund has repurchased 5,398,739 Shares of common stock in the open market with an NAV of \$25,870,203, at a cost of \$24,562,495, and which represent 17.07% of the aggregate number of Shares issued by the Fund (net of Shares acquired for dividend reinvestment purposes and which remain outstanding).

³ As of December 31, 2014, **return figures were not calculated in accordance with Regulation 5766 of March 11, 1998, as amended, which requires that investment returns for an individual retirement account ("IRA") be calculated in the manner provided therein.** To the extent that an individual invests in the Fund through an IRA, his or her investment return figures will be less than those reported herein, when computed in accordance with Regulation 5766 and inasmuch as actual sales charges applicable to such IRA investments are taken into consideration. This Fund has commenced return of capital distributions to its shareholders of Common Stock. This Fund has never offered a dividend reinvestment plan for the Shares. Solely for purposes of providing investors with (a) the ability to compare the performance of the Fund to that of other similar closed-end investment companies, and (b) performance information which does not take into account any reinvestment of return of capital distributions, two (2) separate sets of "Average Annual Total Return" figures are set out above.

The first set of "Market Total Return" figures reflect the percentage change in the market value, determined by calculating the average between the bid and ask prices, plus any income and capital gain dividends, and return of capital distributions, all such dividends and distributions reinvested as of the corresponding record date thereof, at the month-end NAV as of that date. The second set of "Market Total Return" figures reflect the percentage change in the market value, determined by calculating the average between the bid and ask prices, including in each case the aggregate amounts of all return of capital distributions to date, plus any income and capital gain dividends, all such dividends reinvested as of the corresponding record date thereof, at the month-end Pro Forma NAV as of that date. In the case of "NAV Total Return," the Fund's NAV per Share is used, rather than the average between the bid and ask prices or the sum of (i) the average between the bid and ask prices and (ii) the aggregate amount of return of capital distributions to date, to determine such total return, as applicable. "Rolling Period Annual Returns" measure the monthly movement in the average of the Annualized Average Market Return figures over a one-year, three-year, five-year, and ten-year period (as applicable), as it moves over a consecutive time series that begins on the Fund's inception date. Additionally, in the case of the Average Annual Total Return and Rolling Period Annual Return figures, commissions or sales charges payable in connection with a purchase or sale of Shares may vary with each brokerage institution. Total return figures are not representative of the performance of any individual investment, and taxes on capital gain distributions or income dividends, if any, have not been deducted. All calculations were performed by Thomson Reuters, based on certain financial data provided by this Fund and are annualized with the exception of year-to-date figures.

⁴ A \$10,000 investment is hypothetical and is shown for illustrative purposes only.

⁵ "IPO Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the remaining capital. "Current Dividend Yield" is calculated by multiplying the current month's distribution by twelve (12) and dividing the result by the month-end bid price.