UBS

UBS Asset Managers of Puerto Rico Funds Quarterly Review

First Quarter 2016

UBS Financial Services Incorporated of Puerto Rico

***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 él 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 mas volatilidad, mas 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 sujeto 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 sujeto 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 a leyes contributivas de Puerto Rico: Las enmiendas que modificaron las reglas relacionadas el impuesto sobre valor y uso ("IVU") aún se mantienen en vigor y son relevantes al Fondo en la medida que proveen para la imposición de un nuevo IVU de 4% sobre servicios profesionales y de otros tipos (con ciertas excepciones limitadas) prestados al Fondo después del 30 de septiembre de 2015 y hasta el 1ero de abril de 2016. Las enmiendas a las leyes contributivas que proveen para la imposición de una impuesto sobre valor añadido ("IVA") de 10.5% en la adquisición de bienes y servicios fueron derogadas.

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 puede 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)[1]
- at least 95% of total assets in investment-grade securities[1, 2]
- return initial investment of $10, per share by or before December 31, 2031; (distributions of principal have commenced[A, 2])
- may issue leverage representing up to 50% of total assets[1]

Pricing and Distribution History[2, 3, A, B]

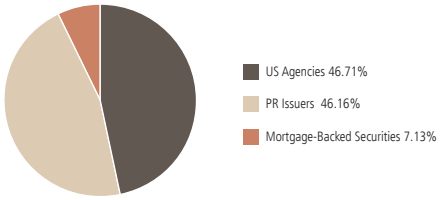
Initial Public Offering (IPO)	$10.00
Distribution to Date	$2.35
Remaining Capital	$7.65
IPO Yield[5]	3.75%
Current Yield[5]	18.63%
Last Dividend Paid	$0.0239
Last 12-Month Dividend	$0.3485

Portfolio Statistics and Characteristics[2]

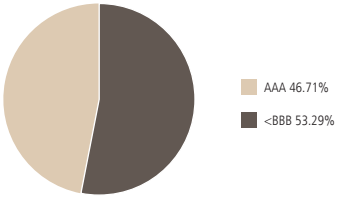
Commencement	Aug-01	Average Duration (yrs)	5.38
Shares Outstanding (mm)	23.90	Leverage Adjusted	7.93
Bid Price	$1.54	Effective Duration	
Net Asset Value (NAV)	$1.91	Fiscal Year	Jun-30
Net Assets (mm)	$45.73	Leverage %	42.95%[1]
Leverage (mm)	$35.03	Leverage Cost	0.48%
Expense Ratio	2.63%	Hedge Notional (mm)	13.85
Average Maturity (yrs)	14.43	Hedge Ratio	40%

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

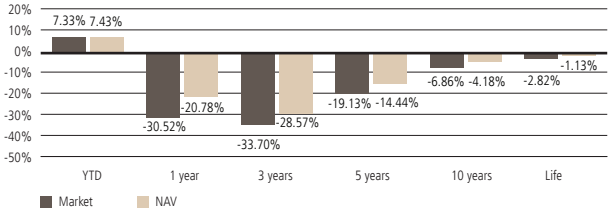
Portfolio Summary[2, 6]



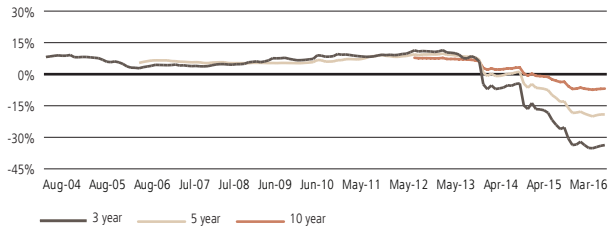
Credit Quality[1, 2, 6]



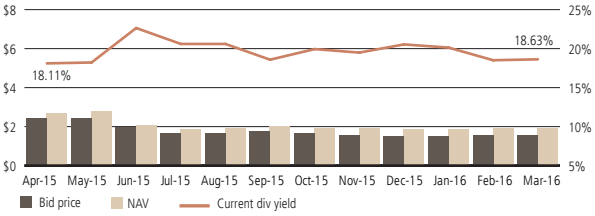
Average Annual Total Return[3]



Rolling Period Annual Returns[3]



Share Price, NAV and Current Dividend Yield – Prior 12 months[5]



Portfolio Holdings[2, 6]

PR Obligations		**PR Obligations**	**53.29%**
Mortgage-Backed Securities Participation Certificate	7.13%	**U.S. Obligations**	
AFICA		Federal Home Loan Bank	10.91%
Palmas del Mar	0.04%	Federal Farm Credit Bank	35.80%
Employees Retirement System	20.85%	**U.S. Obligations**	**46.71%**
PR Sales Tax Financing	25.27%		

Pro-Forma[B]	Actual	Capital distributed to date	Adjusted Amount
Bid Price	$1.54	$2.35	$3.89
NAV	$1.91	$2.35	$4.26

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 increased volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past three (3) 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 the Puerto Rico tax law: Amendments that change the sales and use tax rules are currently in effect and relevant to the Fund because they provide for the imposition of a new 4% SUT on professional and other services (with limited exceptions) rendered after September 30, 2015 and before April 1, 2016. Amendments providing for the imposition of a new "value added tax" of 10.5% on the purchase of goods and services have been repealed.

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 *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 increased 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, 2016. Based on the representations and opinion of the Fund's investment adviser and consistent with the Fund's investment objective, the PROCFI has also granted no-objection relief with respect to the Fund's investment-grade credit rating requirement for Puerto Rico securities, which permit the Fund to continue to invest in Puerto Rico municipal securities that do not have an investment grade credit rating, under certain conditions, at the discretion of the Fund's investment adviser. These temporary waivers and no-objection relief 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-comply with these requirements as soon as market conditions permit, but there is no assurance as to whether and when the Fund will be able to do so.**

[2] Credit quality is as of March 31, 2016. 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. Fitch, Moody's, and S&P have downgraded the general obligation bonds ("GOs") of the Commonwealth of Puerto Rico, as well as the obligations of certain Commonwealth agencies and public corporations, including COFINA, on numerous occasions. On June 29, 2015, Fitch and S&P further downgraded the GOs and related debt ratings from "B" to "CC" and from "CCC+" to "CCC-," respectively. Moody's followed suit on July 1, 2015, downgrading the GOs and COFINA's senior bonds to "Caa3." After the default by the Government Development Bank for Puerto Rico ("GDB") on a principal payment that was due on May 2, 2016, S&P further lowered its credit rating on the senior unsecured debt of the GDB to "D" from "CC". All such ratings carry a negative outlook. **Currently, none of the bonds issued by the Commonwealth and its instrumentalities without credit enhancement carry an investment-grade credit rating.**

On June 29, 2015, the Government of Puerto Rico presented the report "Puerto Rico- A Way Forward," which identified a deteriorating cash flow position and very large out-year central government budget gaps that approach the size of current full year general fund revenues. Subsequently, the newly created Working Group for the Fiscal and Economic Recovery of Puerto Rico (the "Working Group") released the Puerto Rico Fiscal and Economic Growth Plan, which among other things, recommended the restructuring of all tax-backed debt, including general obligation bonds ("GOs") and sales tax debt issued by the Puerto Rico Sales Tax Financing Corporation ("COFINA"). In furtherance of its intention to defer and/or restructure such $72 billion debt load, the Government of Puerto Rico enacted the Puerto Rico Public Corporations Debt Enforcement and Recovery Act (the "Recovery Act") and, more recently, the Puerto Rico Emergency Moratorium and Financial Rehabilitation Act, as well as lobbied the U.S. Congress to amend the provisions of Chapter 9 of the U.S. Bankruptcy Code to cover the central government and its instrumentalities. To date, the Government of Puerto Rico has been unsuccessful in its lobbying efforts, and the U.S. Supreme Court has declared the Recovery Act unconstitutional.

On February 16, 2016, the Department of the Treasury of Puerto Rico issued a draft of the Commonwealth's unaudited Basic Financial Statements (the "Draft") for the fiscal year ending June 30, 2014. Although they are still subject to completion and audit, the Draft's preliminary results for fiscal year 2014 reflect that the Commonwealth's "Primary Government" reported an increase in its net deficit position of approximately $2.5 billion, from $46.7 billion as of June 30, 2013 to $49.2 billion as of June 30, 2014 and stated that there is substantial doubt as to the ability of the Commonwealth and most of its public corporations and retirement systems to continue as going concerns. In light of deteriorating government revenues and liquidity, the Puerto Rico Public Finance Corporation ("PFC") failed to make the required $58 million payment on its debt, representing the first default on Puerto Rico agency debt on August 3, 2015. Thereafter, on November 30, 2015, the Puerto Rico Governor redirected available revenues from certain government instrumentalities to make principal and interest payments on GOs, and on May 2, 2016, GDB defaulted on a $370 million principal payment that was due. Since March 2016, certain members of the U.S. Congress announced that they were in the process of preparing legislation to create a new fiscal oversight board with broad powers that would help the Commonwealth reign in its finances titled "Puerto Rico Oversight, Management, and Economic Stability Act" (PROMESA). A new draft of such legislation was released on May 18, 2016 and was later amended and approved in the U.S. House of Representatives on June 9, 2016. Moreover, on June 16, 2016, the House Committee on Financial Services approved legislation to extend the provisions of the U.S. Investment Company Act of 1940, as amended, to Puerto Rico investment companies such as the Fund. There is no assurance as to whether this proposed legislation will be approved and signed into law, whether it will be modified prior thereto, or its impact on the Fund or its operations. **In this context, one could expect to see additional interruptions in cash flow on debt payments, in addition to more price volatility, across Puerto Rico securities.** The Fund has commenced pro-rata distributions to its holders of common stock of the principal payments received on its portfolio securities. Currently, the Fund's percentage investment in securities rated below investment-grade (below "BBB" rating) or which are unrated, amounted to 53.29% 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. See Footnote 1 with respect to PROCFI no-objection relief.

On August 2015, the Board of Directors approved an extension of the Fund's existing share repurchase program for the acquisition of up to 50% of the Fund's issued Shares. The Repurchase Program is intended to enhance shareholder value by providing additional liquidity to Fund shareholders. For the quarter ended March 31, 2016, the Fund has not repurchased Shares in the open market. Since the program's inception, the Fund has repurchased 7,727,080 Shares of common stock in the open market with an NAV of $31,309,286, at a cost of $29,190,749, and which represent 24.43% 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 March 31, 2016. **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. "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 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.

[6] Percentages may not total 100% due to rounding.

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