

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

**2016
ANNUAL REPORT**

Dear Shareholder:

The Puerto Rico Short Term Investment Fund, Inc. (the "Fund") is pleased to present its Annual Report to Shareholders for the fiscal year ended June 30, 2016.

Description of the Fund

The Fund is an open-end management investment company registered under the Puerto Rico Investment Companies Act of 1954. The main objective of the Fund is to provide Puerto Rico resident investors with current income, consistent with liquidity and preservation of capital, and it seeks to maintain a stable price of \$1.00 per share. As required by law, at least 67% of the Fund's assets are invested in securities issued by Puerto Rico issuers (subject to the temporary waiver discussed below). Currently, the Fund invests exclusively in tax-exempt obligations and is the only short term Puerto Rico investment company to do so.

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 prior years. In view of these volatile market conditions, the Puerto Rico Office of the Commissioner of Financial Institutions (the "OCFI") has granted to the Fund a temporary waiver through January 31, 2017, from the requirement that the Fund invest at least 67% of its assets in Puerto Rico securities. The effectiveness of such waiver may be extended at the OCFI's discretion. It is the Fund's intention to maintain compliance therewith as market conditions permit, though there is no assurance the Fund will be able to do so.

Performance of the Fund during the Fiscal Year

During the fiscal year ended June 30, 2016, the Fed raised the federal fund rate from a range of 0% to ¼% to a range of ¼% to ½%. In addition, they will implement additional rate hikes depending on future economic conditions. The Fed will assess progress toward its objectives of maximum employment and 2% inflation. This assessment will take into consideration a wide range of information, including measures of labor market conditions, indications of inflation pressures and inflation expectations, and readings on financial and international developments. No additional rate hikes were implemented as of June 30, 2016.

The Fund's annualized total return was 0.01%, based on the net asset value of \$1.00 per share. In this historically low interest-rate environment, the investment adviser selected assets that seek to maximize risk/return relationships, while adhering to the Fund's strict credit quality and asset class constraints and maintaining liquidity and a stable net asset value. The net asset value of the Fund remained stable at \$1.00

At the end of the fiscal year, the tax-exempt net yield to investors was 0.01%, and the weighted-average maturity of the Fund's investment portfolio was 13.06 days.

UBS Asset Managers of Puerto Rico remains committed to providing professional asset management services to the Fund in its selection of investment assets while maximizing current income for the benefit of the Fund's shareholders.

UBS Asset Managers of Puerto Rico,
a division of UBS Trust Company of
Puerto Rico, as Investment Adviser

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

FINANCIAL HIGHLIGHTS

		For the fiscal year ended June 30, 2016	For the fiscal year ended June 30, 2015	For the fiscal year ended June 30, 2014	For the fiscal year ended June 30, 2013	For the fiscal year ended June 30, 2012
Increase in Net Asset Value:						
Per Share Operating Performance:	Net asset value, beginning of period	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
	Net investment income (a)	0.00 **	0.00 **	0.00 **	0.00 **	0.00 **
	Total from investment operations	0.00	0.00	0.00	0.00	0.00
	Less: Distributions from net investment income	(0.00) **	(0.00) **	(0.00) **	(0.00) **	(0.00) **
	Net asset value, end of period	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Total Investment						
Return:	(b) Based on net asset value per share	0.01%	0.01%	0.01%	0.02%	0.05%
Ratios:	(c) (d) Expenses to average net assets - net of reimbursed expenses	0.19%	0.10%	0.59%	0.74%	0.66%
	(c) (d) Net investment income to average net assets - net of waived and/or reimbursed expenses	0.01%	0.01%	0.01%	0.03%	0.05%
	Net assets, end of period (in thousands)	\$ 340,452	\$ 376,689	\$ 357,935	\$ 396,824	\$ 370,540

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Net investment income and distributions from net investment income for the fiscal years ended June 30, 2016; June 30, 2015; June 30, 2014; June 30, 2013; and June 30, 2012 were \$0.0001; \$0.0001; \$0.0007; and \$0.0005 per share, respectively.

(a) Based on average outstanding common shares of 372,488,470; 417,436,242; 372,084,694; 413,266,244; and 388,570,290 for the fiscal years ended June 30, 2016; June 30, 2015; June 30, 2014; June 30, 2013; and June 30, 2012, respectively.

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

(c) Based on average net assets applicable to common shareholders of \$372,488,470; \$417,436,242; \$372,084,694; \$413,266,244; and \$388,570,290 for the fiscal years ended June 30, 2016; June 30, 2015; June 30, 2014; June 30, 2013; and June 30, 2012, respectively.

(d) The effect of the expenses waived and reimbursed for the fiscal year ended June 30, 2016; June 30, 2015; June 30, 2014; June 30, 2013; and June 30, 2012, respectively, was to decrease the expense ratios, thus increasing the net investment income ratio to average net assets by 0.62%; 0.68%; 0.18%; 0.003%; and 0.10%, respectively.

The accompanying notes are an integral part of these financial statements.

SCHEDULE OF INVESTMENTS

June 30, 2016

Face Amount	Issuer	Coupon	Yield to Maturity	Maturity Date	Value
Securities purchased under agreements to re-sell with Affiliates - 1.09% of net assets					
\$ 810,000	Puerto Rico Investors Tax-Free Fund IV, Inc. (Collateralized by mortgage-backed securities with a fair value of approximately \$927,007; 7.00%-7.50%, with maturity dates from April 15, 2025 to February 15, 2027)	0.85%		07/14/16	\$ 810,000
2,905,000	Puerto Rico Tax-Free Target Maturity Fund II, Inc. (Collateralized by mortgage-backed securities with a fair value of approximately \$4,890,280; zero coupons, with maturity dates from January 1, 2020 to January 1, 2021)	0.85%		07/21/16	2,905,000
<u>\$ 3,715,000</u>					<u>\$ 3,715,000</u>

Tax-Free Secured Obligations with Affiliates - 33.18% of net assets					
\$ 22,300,000	Puerto Rico AAA Portfolio Bond Fund II, Inc.	0.40%	0.40%	07/12/16	\$ 22,300,000
900,000	Puerto Rico AAA Portfolio Bond Fund, Inc.	0.40%	0.40%	07/12/16	900,000
25,500,000	Puerto Rico AAA Portfolio Bond Fund, Inc.	0.40%	0.40%	07/19/16	25,500,000
32,000,000	Puerto Rico AAA Portfolio Target Maturity Fund, Inc.	0.40%	0.40%	07/05/16	32,000,000
1,300,000	Puerto Rico AAA Portfolio Target Maturity Fund, Inc.	0.40%	0.40%	07/12/16	1,300,000
28,850,000	Puerto Rico GNMA & US Government Target Maturity Fund, Inc.	0.40%	0.40%	07/12/16	28,850,000
<u>\$ 2,100,000</u>					<u>\$ 2,100,000</u>
<u>\$ 112,950,000</u>					<u>\$ 112,950,000</u>

US Government, Agency and Instrumentalities - 65.61% of net assets					
\$ 4,998,625	Federal Home Loan Bank Discount Note	0.00%	0.30%	08/03/16	\$ 4,998,625
2,899,154	Federal Home Loan Bank Discount Note	0.00%	0.30%	08/05/16	2,899,154
1,399,545	Federal Home Loan Bank Discount Note	0.00%	0.30%	08/09/16	1,399,545
1,199,600	Federal Home Loan Bank Discount Note	0.00%	0.30%	08/10/16	1,199,600
45,900,000	Federal Home Loan Bank Discount Note	0.00%	0.15%	07/01/16	45,900,000
1,800,000	Federal Home Loan Bank Discount Note	0.00%	0.22%	07/01/16	1,800,000
6,700,000	Federal Home Loan Bank Discount Note	0.00%	0.23%	07/01/16	6,700,000
34,998,833	Federal Home Loan Bank Discount Note	0.00%	0.24%	07/06/16	34,998,833
2,999,896	Federal Home Loan Bank Discount Note	0.00%	0.25%	07/06/16	2,999,896
6,999,732	Federal Home Loan Bank Discount Note	0.00%	0.23%	07/07/16	6,999,732
145,992	Federal Home Loan Bank Discount Note	0.00%	0.32%	07/07/16	145,992
9,999,333	Federal Home Loan Bank Discount Note	0.00%	0.24%	07/11/16	9,999,333
3,699,733	Federal Home Loan Bank Discount Note	0.00%	0.26%	07/11/16	3,699,733
99,992	Federal Home Loan Bank Discount Note	0.00%	0.26%	07/12/16	99,992
9,999,200	Federal Home Loan Bank Discount Note	0.00%	0.24%	07/13/16	9,999,200
1,998,827	Federal Home Loan Bank Discount Note	0.00%	0.26%	07/13/16	1,998,827
1,799,831	Federal Home Loan Bank Discount Note	0.00%	0.26%	07/14/16	1,799,831
3,055,691	Federal Home Loan Bank Discount Note	0.00%	0.26%	07/15/16	3,055,691
1,299,864	Federal Home Loan Bank Discount Note	0.00%	0.27%	07/15/16	1,299,864
8,398,969	Federal Home Loan Bank Discount Note	0.00%	0.26%	07/18/16	8,398,969
1,599,784	Federal Home Loan Bank Discount Note	0.00%	0.27%	07/19/16	1,599,784
3,999,451	Federal Home Loan Bank Discount Note	0.00%	0.26%	07/20/16	3,999,451
1,899,727	Federal Home Loan Bank Discount Note	0.00%	0.27%	07/20/16	1,899,727
14,997,704	Federal Home Loan Bank Discount Note	0.00%	0.29%	07/20/16	14,997,704
899,865	Federal Home Loan Bank Discount Note	0.00%	0.27%	07/21/16	899,865
399,937	Federal Home Loan Bank Discount Note	0.00%	0.27%	07/22/16	399,937
14,998,299	Federal Home Loan Bank Discount Note	0.00%	0.17%	07/25/16	14,998,299
19,996,244	Federal Home Loan Bank Discount Note	0.00%	0.26%	07/27/16	19,996,244
9,997,978	Federal Home Loan Bank Discount Note	0.00%	0.28%	07/27/16	9,997,978
4,199,106	Federal Home Loan Bank Discount Note	0.00%	0.32%	07/29/16	4,199,106
<u>\$ 223,380,912</u>					<u>\$ 223,380,912</u>

Total investments (99.88% of net assets)
 Liabilities and net assets minus other assets (0.12% of net assets)
 Net assets - 100%

\$ 340,045,912
 406,613
 \$ 340,452,525

The accompanying notes are an integral part of these financial statements.

Statement of Assets and Liabilities

Assets:	Investment securities, at value (at cost \$340,045,912) with:		
	Affiliates	\$	116,665,000
	Unaffiliates		223,380,912
	Cash		298,295
	Interest receivable		8,165
	Receivable for waived fees		124,605
	Prepaid insurance expense		137,835
	Total assets		<u>340,614,812</u>

Liabilities:	Payables:		
	Dividends	718	
	Administration fees	14,157	
	Distribution fees	39,931	
	Transfer agent fees	<u>16,489</u>	71,295
	Accrued expenses and other liabilities		<u>90,992</u>
	Total liabilities		<u>162,287</u>

Net Assets:	<u>\$ 340,452,525</u>
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Net Assets**consist of:**

Common shares, \$0.001 par value, 1,000,000,000 shares authorized, 340,452,525 issued and outstanding	\$	340,452
Paid-in capital		<u>340,112,073</u>
Net assets	\$	<u>340,452,525</u>
Net asset value per share; 340,452,525 shares outstanding	\$	<u>1.00</u>

The accompanying notes are an integral part of these financial statements.

Puerto Rico Short Term Investment Fund, Inc.**Statement of Operations****For the fiscal
year ended
June 30, 2016**

Investment income:	Interest from affiliated issuers	\$	406,528
	Interest from unaffiliated issuers		<u>354,657</u>
	Total interest		<u>761,185</u>

Expenses:	Investment advisory fees		1,862,442
	Administration fees		186,244
	Distribution fees		465,611
	Transfer Agent fees		62,077
	Custodian fees		53,615
	Professional fees		86,426
	Directors' fees and expenses		44,476
	Insurance expense		214,395
	Other		<u>48,340</u>
	Total expenses		3,023,626
	Waived fees and reimbursable expenses		<u>(2,299,830)</u>
	Net expenses after waived fees and reimbursable expenses		<u>723,796</u>

Net investment income:	<u>37,389</u>
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Net increase in net assets resulting from operations:	<u>\$ 37,389</u>
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The accompanying notes are an integral part of these financial statements.

Puerto Rico Short Term Investment Fund, Inc.

Statement of Changes in Net Assets

		For the fiscal year ended June 30, 2016	For the fiscal year ended June 30, 2015
(Decrease) Increase in Net Assets:			
	Net investment income	<u>\$ 37,389</u>	<u>\$ 41,786</u>
	Net increase in net assets resulting from operations	<u>37,389</u>	<u>41,786</u>
Dividends to Shareholders from:			
	Net investment income	<u>(37,389)</u>	<u>(41,786)</u>
Capital Shares Transactions (at \$1.00 per share):			
	Increase in net assets derived from sale of shares	1,555,120,290	2,505,733,752
	Increase in net assets derived from reinvestment of dividends	35,733	39,904
	Decrease in net assets derived from the redemption of shares	<u>(1,591,392,666)</u>	<u>(2,487,019,053)</u>
		<u>(36,236,643)</u>	<u>18,754,603</u>
Net Assets:			
	Net (decrease) increase in net assets	(36,236,643)	18,754,603
	Balance at the beginning of the year	<u>376,689,168</u>	<u>357,934,565</u>
	Balance at the end of the year	<u>\$ 340,452,525</u>	<u>\$ 376,689,168</u>

The accompanying notes are an integral part of these financial statements.

Puerto Rico Short Term Investment Fund, Inc.

Notes to Financial Statements

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1. Reporting Entity and Significant Accounting Policies

Puerto Rico Short Term Investment Fund, Inc. (the "Fund") is a non-diversified, open-end management investment company. The Fund is a corporation organized under the laws of the Commonwealth of Puerto Rico and is registered as an investment company under the Puerto Rico Investment Companies Act of 1954, as amended (the "Puerto Rico Investment Companies Act"). The Fund was incorporated on July 26, 2002 and started operations on December 8, 2006. UBS Asset Managers of Puerto Rico, a division of UBS Trust Company of Puerto Rico ("UBSTC"), is the Fund's Investment Adviser. UBSTC is also the Fund Administrator ("Administrator"). UBSTC has engaged State Street Bank and Trust Company to provide certain information and services including price quotations and calculations of the Fund's net asset value per share.

The Fund's investment objective is to provide current income, consistent with liquidity and the conservation of capital.

The Fund is considered an investment company under the accounting principles generally accepted in the United States of America ("GAAP") and follows the accounting and reporting guidance applicable to investment companies in the Financial Accounting Standard Board ("FASB") Accounting Standards Codification 946, Financial Services-Investment Companies ("ASC 946").

The following is a summary of the Fund's significant accounting policies:

Use of Estimates in Financial Statements Preparation

The accompanying financial statements of the Fund have been prepared on the basis of GAAP. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Net Asset Value Per Share

The net asset value per share of the Fund is determined by the Administrator daily. The Fund typically calculates net asset value per share once each business day. The net asset value per share is the total value of the Fund divided by the total number of shares outstanding.

Valuation of Investments

All securities are valued at amortized cost, which approximates market value, due to their short term maturities, which does not take into account unrealized gains or losses. This involves valuing an instrument at cost and thereafter assuming a constant accretion or amortization to maturity of any discount or premium, respectively, regardless of the impact of fluctuation of interest rates on the market value of the instrument.

GAAP provides a framework for measuring fair value and expands disclosures about fair value measurements and requires disclosure surrounding the various inputs that are used in determining the fair value of the Fund's investments. These inputs are summarized in three broad levels listed below.

- Level 1 - Quoted prices in active markets for identical assets and liabilities at the measurement date. An active market is one in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Puerto Rico Short Term Investment Fund, Inc.

Notes to Financial Statements

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- Level 2 - Are significant inputs other than quoted prices included in Level 1 that are observable (including quoted prices for similar securities, interest rates, prepayments speeds, credit risk, etc.), either directly or indirectly.
- Level 3 - Significant unobservable inputs, for example, inputs derived through extrapolation that cannot be corroborated by observable market data. These will be developed based on the best information available in the circumstances, which might include UBSTC's own data. Level 3 inputs will consider the assumptions that market participants would use in pricing the asset, including assumptions about risk (e.g., credit risk, model risk, etc.).

Following is a description of the Fund's valuation methodologies used for assets measured at amortized cost which approximates fair value:

Tax-Free Secured Obligations ("TSO's"): Tax-free secured obligations are valued at cost which approximates market value and are classified as Level 2. They are rated F-1+ by Fitch Rating Agency.

Securities Purchased Under Agreements to Re-Sell: Securities purchased under agreements to re-sell are valued at cost which approximates market value and are classified as Level 2.

US Government, Agency and Instrumentalities: These securities are valued at cost which approximates market value and are classified as Level 2.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the portfolio by inputs used as of June 30, 2016 in valuing the Fund's assets carried at amortized cost which approximates fair value:

	Investments in Securities			Balance
	Level 1	Level 2	Level 3	June 30, 2016
Securities purchased under agreements to re-sell	\$ -	\$ 3,715,000	\$ -	\$ 3,715,000
Tax-Free Secured Obligations	-	112,950,000	-	112,950,000
US Government, Agency and Instrumentalities	-	223,380,912	-	223,380,912
	<u>\$ -</u>	<u>\$ 340,045,912</u>	<u>\$ -</u>	<u>\$ 340,045,912</u>

At June 30, 2016, there were no securities classified as Level 3.

Taxation

As a registered investment company under the Puerto Rico Investment Companies Act, the Fund will not be subject to Puerto Rico income tax for any taxable year if it distributes at least 90% of its net income for such year, as determined for these purposes. Accordingly, as the Fund met this distribution requirement for the year ended June 30, 2016, the income earned by the Fund for such year is not subject to Puerto Rico income tax at the Fund level.

The Fund can invest in taxable and tax-exempt securities. In general, distributions of "taxable dividends", if any, to Puerto Rico individuals, estates, and trusts are subject to a withholding tax of 15%, if certain requirements are met. Moreover, distribution of "capital gains dividends", if any, to Puerto Rico individuals, estates, and trusts are subject to a tax of 15%, and Puerto Rico corporations are subject to a tax of 20%. Tax withholdings are effected at the time of payment of the corresponding dividend. Otherwise, taxable distributions will be subject to regular income tax.

Puerto Rico Short Term Investment Fund, Inc.
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Individual shareholders may be subject to alternate basic tax on certain fund distributions. Certain Puerto Rico entities receiving "taxable dividends" are entitled to claim an 85% dividends received deduction. Fund shareholders are advised to consult their own tax advisers.

GAAP requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Fund's tax return to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the "more-likely-than-not" threshold are recorded as a tax benefit or expense in the current year. Management has analyzed the Fund's tax positions taken on its Puerto Rico income tax returns for all open tax years (the current and prior three (3) tax years) and has concluded that there are no uncertain tax positions. On an ongoing basis, management will monitor the Fund's tax position to determine if adjustments to this conclusion are necessary.

Dividends and Distributions to Shareholders

Dividends from net investment income are declared daily and paid monthly. Such dividends will automatically be reinvested unless the shareholder elects to receive them in cash. Dividends that are reinvested are subject to Puerto Rico income tax under the same rules that apply to cash dividends. The Fund may also distribute any net capital gains to maintain the share price at \$1.00 per share. Shares earn dividends on the day they are purchased but not on the day they are sold.

Investments in Tax-Free Secured Obligations (TSOs) Issued by Investment Companies

The Fund shall purchase only TSOs that are collateralized fully by a pledge of certain securities, as required by the rating agency to maintain the highest short term rating. The Fund shall purchase only TSOs in which the Fund maintains a perfected security interest.

Securities Purchased Under Agreements to Re-Sell

Under these agreements, the Fund purchases securities and simultaneously commits to resell the securities to the original seller (a broker-dealer or other financial institution) at an agreed upon date and price reflecting a market rate of interest unrelated to the coupon rate or maturity of the purchased securities. When entering into repurchase agreements, it is the Fund's policy that a custodian takes possession of the underlying collateral, the value of which at least equals the principal amount of the repurchase transaction, including accrued interest. If the seller defaults and the value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited.

The securities purchased underlying the agreements to resell were delivered to and are held by the custodian. The counterparties to such agreements maintain ownership of such securities through the agreement that requires the resale and return of such collateral. The Fund is permitted by contract to sell or repledge the securities, and has agreed to resell to the counterparties the same or substantially similar securities at the maturity of the agreements.

Other

Security transactions are accounted for on the trade date (the date the order to buy or sell is executed). Realized gains and losses on security transactions are determined on the identified cost method. Premiums and discounts on securities purchased are amortized using the interest method over the life or the expected life of the respective securities. Interest income is accrued on a daily basis, except when collection is not expected.

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2. Investment Advisory, Administrative, Custodian, Distribution, Shareholder Servicing, Transfer Agency Agreements and Other Transactions With Affiliates

Advisory Fees:

Pursuant to an investment advisory contract (the "Advisory Agreement") with UBS Asset Managers of Puerto Rico, the Fund receives investment advisory services in exchange for a fee. The investment advisory fees will not exceed 0.50% of the Fund's average monthly net assets. For the fiscal year ended June 30, 2016, the investment advisory fees amounted to \$1,862,442 equivalent to 0.50% of the Fund's average monthly net assets. The Investment Adviser voluntarily waived investment advisory fees in the amount of \$1,862,442.

Administration, Custodian and Transfer Agent Fees:

UBSTC also provides administrative, custody and transfer agency services pursuant to Administration, Custodian and Transfer Agency, Registrar, and Shareholder Servicing Agreements. UBSTC as transfer agent has engaged Bank of New York Mellon Investment Servicing to act as recordkeeping and shareholder servicing agent for the Fund's shares. The compensation paid by the Fund to the Transfer Agent under the Transfer Agent Agreement is equal to the compensation that the Transfer Agent is required to pay to Bank of New York Mellon Investment Servicing, for services to the Fund, from time to time.

Administration fees payable to UBSTC will not exceed 0.05% of the Fund's average monthly net assets. For the fiscal year ended June 30, 2016, the administration fees amounted to \$186,244 equivalent to 0.05% of the Fund's average monthly net assets.

UBSTC, as custodian, has engaged State Street Bank and Trust Company to maintain sub-custody of Fund's assets, calculate the daily net asset value, and maintain the Fund's accounting records. The custodian fee is 0.014% of the Fund's average monthly net assets. The total custodian fee for the year ended June 30, 2016 amounted to \$53,615, which is equivalent to 0.014% of the Fund's average monthly net assets.

Distribution Fees:

UBS Financial Services Incorporated of Puerto Rico ("UBS-FS") serves as distributor ("Distributor") of the shares of common stock of the Fund. Pursuant to a distribution plan, the Fund makes payments to the Distributor for the distribution of the Fund's shares. The distribution fee will not exceed 0.125% of the Fund's average monthly net assets. For the fiscal year ended June 30, 2016 the distribution fees amounted to \$465,611 equivalent to 0.125% of the Fund's average monthly net assets.

Investment Adviser and Reimbursable Expenses Agreement:

The Investment Adviser entered into an agreement with the Fund effective April 19, 2010, whereby the Investment Adviser agreed to waive all or a portion of its investment advisory fee and/or to reimburse certain operating expenses of the Fund to the extent necessary to ensure that the Fund maintains the NAV at \$1.00 per share. These waivers increase income to the Fund and result in a higher return to investors. The Investment Adviser shall be entitled to recoup from the Fund any waived and/or reimbursed amounts pursuant to the agreement for a period of up to three (3) years from the date of the waiver and/or reimbursement. This recoupment could negatively affect the Fund's future yield. The Investment Adviser may terminate the agreement upon thirty (30) days

Puerto Rico Short Term Investment Fund, Inc.
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written notice to the Fund. During the year, \$2,299,830 were waived in expenses by UBSTC. The fees potentially reimbursable to the Investment Adviser at June 30, 2016 amounted to \$5,794,445, of which \$676,622 expires during the fiscal year ending on June 30, 2017, \$2,817,993 expires during the fiscal year ending on June 30, 2018 and \$2,299,830 expires during the fiscal year June 30, 2019. There were no reimbursements of investment advisory fees during the fiscal year ended June 30, 2016.

Expense Limitation and Reimbursement Agreement:

UBSTC and the Fund have entered into an agreement whereby UBSTC will pay certain of the Fund's shareholder services, custodian and transfer agency fees, legal, regulatory, and accounting fees, printing costs and registration fees ("Other Expenses"), subject to future reimbursement by the Fund, in order to ensure that total annual Fund operating expenses do not exceed 1.00% of the Fund's net assets, as set forth in the Prospectus. The Fund will reimburse UBSTC for Other Expenses paid by UBSTC when total annual operating expenses fall below 1.00%; provided that such reimbursement is made within three years after UBSTC paid the expense. The agreement is effective through January 31, 2017 and may be renewed for successive one-year periods. There were no reimbursements of expenses during the fiscal year ended June 30, 2016.

The Fund is not registered under the U.S. Investment Company Act of 1940, as amended (The "1940 Act"), and therefore is not subject to the restrictions contained therein regarding, among other things, transactions between the Fund and UBS-FS or its affiliates ("Affiliated Transactions"). In that regard, the Fund's Board of Directors has adopted certain procedures for Affiliated Transactions ("Procedures"), in an effort to address potential conflicts of interest that may arise.

It is anticipated that Affiliated Transactions will continue to take place in the future and that any Affiliated Transactions will be subject to the Procedures.

Certain officers and directors of the Fund are also officers and directors of UBSTC. The eight (8) independent directors of the Fund's Board of Directors are paid based upon an agreed fee of \$1,000 per board meeting plus expenses and \$500 for each meeting plus expenses of the Fund's Audit Committee. For the fiscal year ended June 30, 2016, the eight (8) independent directors of the Fund were paid an aggregate compensation of approximately \$44,000.

Fund affiliates may have lending, banking, brokerage, underwriting, or other business relationships with the issuers of the securities in which the Fund invests.

The total amount (in thousands) of other affiliated and unaffiliated purchases of investment securities (including certificates of deposit, if any), originations of securities purchased under agreements to re-sell, and tax-free secured obligations, listed by broker, during the fiscal year were as follows:

Puerto Rico Short Term Investment Fund, Inc.
Notes to Financial Statements
June 30, 2016

	Purchases	%
Between affiliated funds	\$ 2,261,701	8 %
UBS	6,548,041	25 %
Other affiliates	600	0 %
Unaffiliated	17,626,412	67 %
	<u>\$ 26,436,754</u>	<u>100 %</u>

	Securities Purchased Under Agreement to Re-Sell	%
Affiliated	<u>\$ 44,389</u>	<u>100 %</u>

No sales of investment securities occurred during the year.

As of June 30, 2016, \$112,950,000 of TSOs issued by affiliated Funds, and \$3,715,000 of securities purchased under agreements to re-sell with affiliates, were held by the Fund.

3. Investment Transactions

The cost of securities purchased and maturities (in thousands) for the fiscal year ended June 30, 2016 were as follows:

	Purchases	Maturities
Puerto Rico Obligations	\$ 2,306,690	\$ 2,282,230
US Government Agencies	24,174,453	24,234,806
	<u>\$ 26,481,143</u>	<u>\$ 26,517,036</u>

4. Concentration of Credit Risk

Concentration of credit risk that arises from financial instruments exists for groups of customers or counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The major concentration of credit risk arises from the location of the issuers of the investment securities purchased by the Fund. For calculating concentration, all securities guaranteed by the U.S. Government or any of its subdivisions are excluded. At June 30, 2016, the Fund has investments with an aggregate market value of approximately \$116,665,000 which were issued by entities located in the Commonwealth of Puerto Rico and are not guaranteed by the U.S. government or any of its subdivisions.

As stated in the Prospectus, the Fund will ordinarily invest at least 67% of its total assets in short-term Puerto Rico obligations, such as Puerto Rico municipal obligations, Puerto Rico mortgage-backed and asset-backed securities, obligations of Puerto Rico investment companies (the majority of which will be obligations issued principally or solely by affiliates of the Fund's Investment Adviser), reverse

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repurchase agreements and commercial paper (the “Puerto Rico Securities”). Therefore, the Fund is more susceptible to factors affecting issuers of Puerto Rico Securities than an investment company that is not concentrated in Puerto Rico Securities to such degree.

5. Investment and Other Requirements and Limitations

The Fund is subject to certain requirements and limitations related to investments and leverage. Some of these requirements and limitations are imposed by statute or by regulation while others are imposed by procedures established by the Board of Directors. The most significant requirements and limitations are discussed below.

The Fund must invest at least 67% of its total assets in Puerto Rico Securities (the “67% Investment Requirement”). Up to 33% of its total assets may be invested in U.S. high quality short-term instruments, including securities issued or guaranteed by the U.S. government, its agencies and instrumentalities, municipal securities of issuers of the United States, non-Puerto Rico mortgage-backed and asset-backed securities and other securities. From time to time, the Fund may not comply with the 67% Investment Requirement due to a lack of availability of acceptable Puerto Rico Securities.

The Fund has obtained temporary waivers through January 31, 2017 from the Puerto Rico Office of the Commissioner of Financial Institutions with respect to its Puerto Rico asset investment requirements. Although these waivers provide temporary relief to the Fund from having to limit or otherwise change the strategy of its investments or leverage transactions, there is no guarantee that the Fund will receive further relief beyond January 31, 2017. If further relief is not granted, the Fund will have to use proceeds derived from the sale, exchange, prepayment, maturity, or any voluntary or involuntary disposition of an asset to re-achieve compliance with the 67% Investment Requirement.

The Fund may invest up to 10% of its total assets in illiquid securities, including reverse repurchase agreements with maturities in excess of seven days. The Fund may borrow up to 5% of its total assets, and then only from banks as a temporary measure for extraordinary or emergency purposes, such as meeting redemption requests which might otherwise require untimely dispositions of portfolio securities.

The Fund is not registered under the 1940 Act. As such, it does not need to comply with all the investment requirements applicable to U.S. regulated money market funds.

6. Risks and Uncertainties

The Fund is exposed to various types of risks, such as credit, interest rate, geographic and industry concentration, non-diversification, and illiquid securities risks, among others. This list is qualified in its entirety by reference to the more detailed information provided in the offering documentation for the securities issued by the Fund.

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The Fund is subject to the credit risk that issuers may fail, or become less able, to make payments when due. It is also subject to higher credit risk than a registered U.S. money market fund because, among other things, the Fund may invest up to 30% of its total assets in securities rated in the second-highest short term rating category ("Second Tier Securities") while a U.S. money market fund may invest significantly less of its total assets in such securities. The Fund may also invest more of its total assets in any single issuer of Second Tier Securities (with no per issuer limit for Puerto Rico issuers) than a U.S. money market fund. The Fund is also subject to the interest rate risk that interest rates will rise, in which case, the value of the Fund's investments may fall. Also, the Fund's yield will tend to lag behind changes in prevailing short term interest rates, inasmuch as the Fund's income will tend to rise more slowly than increases in short term interest rates.

The Fund's assets are invested primarily in securities of Puerto Rico issuers, resulting in the Fund being subject to geographic and industry diversification risks. The Fund may also be substantially invested in the Puerto Rico investment company industry, specifically in obligations of a limited number of issuers. Consequently, the Fund's performance may be more severely affected by economic, political, regulatory, or other factors adversely affecting issuers in Puerto Rico than a fund that is not concentrated in Puerto Rico issuers, and its net asset value and its yield may fluctuate to a greater extent than that of a more diversified investment company, as a result of changes in the market's view of the financial condition and prospects of such issuers.

The Fund may invest in illiquid securities. Illiquid securities are securities that cannot be sold within a reasonable period of time, not to exceed seven days, in the ordinary course of business at approximately the amount that the Fund has valued the securities. Illiquid securities include, among other things, securities subject to legal or contractual restrictions on resale that hinder the marketability of the securities. In addition, for most of the securities that the Fund may invest in, the issuers of such securities depend on their respective affiliates for liquidity; there may be no or few independent sources of liquidity. To the extent the Fund owns illiquid securities or other illiquid assets, the Fund may not be able to sell them easily, particularly at a time when it is advisable to do so to avoid losses, and investors might be delayed in receiving funds needed for securities purchases or other matters, which could have other adverse consequences.

7. Indemnifications

In the normal course of business, the Fund enters into contracts that contain a variety of indemnification clauses. The Fund's maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses for indemnification and expects the risk of loss to be remote.

8. Subsequent Events

Events and transactions from July 1, 2016 through September 20, 2016, (the date the financial statements were available to be issued) have been evaluated by management for subsequent events. Management has determined that there were no material events that would require adjustment to or disclosure in the Fund's financial statements through this date.



Independent Auditor's Report

To the Board of Directors and Stockholders of
Puerto Rico Short Term Investment Fund, Inc.

We have audited the accompanying financial statements of the Puerto Rico Short Term Investment Fund, Inc. (the "Fund"), which comprise the statement of assets and liabilities, including the schedule of investments, as of June 30, 2016 and the related statements of operations for the year then ended, of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are hereafter collectively referred to as "financial statements."

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Puerto Rico Short Term Investment Fund, Inc. as of June 30, 2016, and the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

San Juan, Puerto Rico
September 20, 2016

CERTIFIED PUBLIC ACCOUNTANTS
(OF PUERTO RICO)
License No. LLP-216 Expires Dec. 1, 2016
Stamp E246503 of the P.R. Society of
Certified Public Accountants has been
affixed to the file copy of this report

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Director

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Director

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Director

José J. Villamil

Director

Leslie Highley, Jr.

Senior Vice President and Treasurer

Javier Rodríguez

Assistant Vice President, Assistant Treasurer and Assistant Secretary

Liana Loyola, Esq.

Secretary

Remember that:

- Mutual Fund's units are not bank deposits or FDIC insured.
- Mutual Fund's units are not obligations of or guaranteed by UBS Financial Services Incorporated of Puerto Rico or any of its affiliates.
- Mutual Fund's units are subject to investment risks, including possible loss of the principal amount invested.

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