UBS Asset Managers of Puerto Rico
Closed-End Funds Quarterly Report

Second Quarter 2019
*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 emisoras de Puerto Rico emitidas 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 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 principalmente 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, los bonos o títulos emitidos por el Gobierno 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 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, el 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 más 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 con una asociación con Bank 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.

Dilución de Mercado Secundario: Dado 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 inversor 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 inversor para vender sus Acciones dependerá del interés de otros inversionistas que estén comprando Acciones o la disponibilidad de UBSFSPR para designar capital adicional para mantener Acciones en su inventario. A pesar de que el Fondo puede comprar Acciones a un precio más bajo, su costo se deducirá de los fondos disponibles para invertir en la cartera en la proporción de la cantidad de Acciones compradas. En consecuencia, un inversor debe tener cuidado al comprar Acciones, ya que la compra de acciones en un Fondo con una asociación con Bank Popular de Puerto Rico puede ser una inversión a largo plazo y no deben ser consideradas como un vehículo para fines de negociación. Estas inversiones pueden que no sean adecuadas para cualquier inversor, ya que la proporción de las inversiones en un Fondo está diseñada principalmente para individuos y familias de Puerto Rico que sirvieron a la comunidad sin importar el grado de participación en el Fondo. Por lo tanto, la inversión en un Fondo de inversiones no deben ser consideradas como una inversión para todos los inversores.
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 su familia de fondos UBS Puerto Rico o Puerto Rico Investors al 787-773-3888 o 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 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 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 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

– **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 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, markdows, 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 S&P Global Ratings (“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, 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 US 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 securities
- may issue leverage representing up to 50% of total assets

Portfolio Summary

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Agencies</td>
<td>50.60%</td>
</tr>
<tr>
<td>PR Issuers</td>
<td>28.34%</td>
</tr>
<tr>
<td>Mortgage-Backed Securities</td>
<td>12.42%</td>
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<tr>
<td>US Issuers</td>
<td>8.64%</td>
</tr>
</tbody>
</table>

Average Annual Total Return

<table>
<thead>
<tr>
<th>Period</th>
<th>Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>YTD</td>
<td>21.74%</td>
</tr>
<tr>
<td>1 year</td>
<td>14.16%</td>
</tr>
<tr>
<td>3 years</td>
<td>14.59%</td>
</tr>
<tr>
<td>5 years</td>
<td>7.32%</td>
</tr>
<tr>
<td>10 years</td>
<td>4.81%</td>
</tr>
<tr>
<td>NAV</td>
<td>3.81%</td>
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</tbody>
</table>

Credit Quality

- AAA-62.67%
- AA-8.64%
- <BAA 20.69%

Growth of a $10,000 Investment as of June 30, 2019

<table>
<thead>
<tr>
<th>Date</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan-99</td>
<td>$6,483</td>
</tr>
<tr>
<td>Jul-99</td>
<td>$7,683</td>
</tr>
<tr>
<td>Oct-99</td>
<td>$8,163</td>
</tr>
<tr>
<td>Dec-99</td>
<td>$10,000</td>
</tr>
</tbody>
</table>

Portfolio Managers

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

Javier Rubio
Portfolio Manager since inception
Popular Asset Management

Portfolio Holdings

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>PR Obligations</td>
<td>40.76%</td>
</tr>
<tr>
<td>Mortgage-Backed Securities</td>
<td>39.76%</td>
</tr>
<tr>
<td>Federal Home Loan Bank</td>
<td>39.76%</td>
</tr>
<tr>
<td>Federal Farm Credit Bank</td>
<td>10.84%</td>
</tr>
<tr>
<td>Build America Bonds</td>
<td>8.64%</td>
</tr>
<tr>
<td>US Obligations</td>
<td>59.24%</td>
</tr>
</tbody>
</table>

Pricing and Distribution History

- Initial Public Offering (IPO) | $10.00 |
- 52-week Bid Low/High | $2.12/$2.50 |
- YTD NAV Change | $0.56 |
- YTD Bid Price Change | $0.36 |
- IPO Yield | 1.35% |
- Current Yield | 5.40% |
- Last Dividend Paid | $0.0113 |
- Last 12 Month Dividend | $0.2106 |

See Portfolio Holdings, Portfolio Managers, Special Considerations, Disclaimers, Glossary of Fund Terms, and Footnotes on reverse.
a period of increased volatility, with Puerto Rico bonds 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 UBSSPR, 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 UBSSPR 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 UBSSPR 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 UBSSPR’s willingness to commit additional capital to holding Shares in inventory. UBSSPR 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 UBSSPR purchases Shares and holds them in its inventory, quoted prices may remain at the previously quoted levels or increase. Conversely, when UBSSPR sells Shares from its inventory, the quoted prices may decrease. In situations where UBSSPR 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. Done deals (UBSSPR 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 or 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 sale 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 as 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 capital gains treatment 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 dividend holders of the Shares which 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 risks, including the risk of 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 non-leveraged investment companies.

Preparing a legal opinion of the Fund’s Investment Advisers and consistent with the Fund’s investment objective, 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 June 30, 2020. Based on the representations and opinion of the Fund’s Investment Advisers 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 requirements for Puerto Rico securities. This temporary waiver may be renewed by the PROCFI for additional periods of time, should market conditions warrant, and upon written request from the Fund. It is the Fund’s intention to renew this temporary waiver.
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.

Credit quality is as of June 30, 2019. 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 S&P’s equivalent ratings scale.

Currently, the Fund’s percentage investment in securities rated below investment-grade (below “BBB” rating) or which are unrated, amounted to 28.69%, 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 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 June 30, 2019, the Fund has not repurchased Shares in the open market. Since the program’s inception, the Fund has repurchased 12,258,866 shares of common stock in the open market with an NAV of $53,626,317, at a cost of $47,492,474, and which represent 22.13% of the total assets of the Fund (net of Shares acquired for dividend reinvestment purposes and which remain outstanding).

As of June 30, 2019, 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.

As outlined in the Fund’s Notice to Shareholders dated March 28, 2019, the bonds issued by the Puerto Rico Sales Tax Financing Corporation (“COFINA”) were restructured pursuant to a Plan of Adjustment approved on February 12, 2019, which resulted, in certain instances, in the receipt of a non-recurring cash payment to the Fund. A special dividend was declared by the Fund’s Board of Directors from the proceeds of this cash payment and is reflected in the dividend yield.

Please refer to ubs.com/prfunds for Important Notices to all Shareholders of the Funds, and Commonwealth and PROMESA Update.

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