

STATEMENT OF ADDITIONAL INFORMATION

U.S. MONTHLY INCOME FUND FOR PUERTO RICO RESIDENTS, INC.

250 Munoz Rivera Avenue, Tenth Floor, San Juan, Puerto Rico 00918 • (787) 250-3600

This Statement of Additional Information (“SAI”) of U.S. Monthly Income Fund for Puerto Rico Residents, Inc. (the “Fund”) is not a prospectus and should be read in conjunction with the Prospectus of the Fund dated April 29, 2024, as it may be amended or supplemented from time to time (the “Prospectus”), which has been filed with the U.S. Securities and Exchange Commission (the “Commission” or the “SEC”) and can be obtained, without charge, by writing or calling the Fund at the address or telephone number printed above, or on the Fund’s website at www.ubs.com/prfunds. The Prospectus is incorporated by reference into this SAI, and this SAI has been incorporated by reference into the Fund’s Prospectus. Only Puerto Rico Residents will receive the tax benefits of an investment in the Fund. See the section “Puerto Rico Taxation” for a description of such tax benefits. In addition, the Fund does not intend to qualify as a Regulated Investment Company (“RIC”) under Subchapter M of the U.S. Internal Revenue Code of 1986, as amended, and consequently an investor that is not a Puerto Rico Resident will not receive the tax benefits (such as RIC tax treatment) of an investment in typical U.S. mutual fund registered under the Investment Company Act of 1940, as amended (the “1940 Act”) and may have adverse tax consequences for US federal income tax purposes. This SAI does not include all information that a prospective investor should consider before investing in the Fund. Investors should obtain and read the Prospectus prior to purchasing shares of the Fund. In addition, the Fund’s audited financial statements and the auditor’s report included in the Fund’s annual report for the fiscal year ended December 31, 2023, are incorporated by reference herein. Such reports include presentations and disclosures in accordance with guidance set forth by Regulation S-X. You may also obtain a copy of the Prospectus on the SEC’s website (<http://www.sec.gov>). Capitalized terms used but not defined in this SAI have the meanings ascribed to them in the Prospectus.

References to the 1940 Act or other applicable law will include any rules promulgated thereunder and any guidance, interpretations, or modifications by the Commission, Commission staff or other authority with appropriate jurisdiction, including court interpretations and exemptive, no-action, or other relief or permission from the Commission, Commission staff, or other authority.

Share Class	Ticker Symbol
Class A Shares	PRAJX
Class P Shares	PRAKX

UBS Asset Managers of Puerto Rico — Investment Adviser
Nuveen Asset Management, LLC — Sub-adviser
UBS Financial Services Inc. — Distributor

The date of this Statement of Additional Information is April 29, 2024.

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History of the Fund

The Fund is registered as an open-end management investment company under the 1940 Act. The Fund was incorporated in the Commonwealth of Puerto Rico on September 27, 2012. Prior to May 19, 2021, the Fund was registered as an investment company under the Puerto Rico Investment Companies Act of 1954, as amended and operated as such under the laws of Puerto Rico. In 2018, the Economic Growth, Regulatory Relief, and Consumer Protection Act was signed into law in the United States and effectively requires investment companies organized under the laws of Puerto Rico to register as investment companies under the 1940 Act. As a result, the Fund has been registered under the 1940 Act since May 19, 2021.

As of the date of this SAI, the Fund is authorized to issue 88,000,000 shares of beneficial interest (“Shares”) with a par value of \$0.01 per Share, which may be divided into different series and classes.

Investment Objectives, Policies and Restrictions

Please see the Prospectus for more information about the Fund’s investment objective and policies. Additional information regarding the Fund’s investment objective and policies is included below.

The investment objective of the Fund may be changed by the Board of Directors (each a “Director” and collectively the “Board”) without shareholder approval. Shareholders will be notified a minimum of 60 days in advance of any change in investment objective.

The Fund is classified as non-diversified under the 1940 Act.

The Fund has adopted restrictions and policies relating to the investment of its assets and activities. Certain of the investment restrictions are fundamental policies of the Fund and may not be changed without the approval of the holders of a majority of the Fund’s outstanding voting securities (which for this purpose and under the 1940 Act means the lesser of (i) 67% of the shares represented at a meeting at which more than 50% of the outstanding shares are represented or (ii) more than 50% of the outstanding shares) and in some cases, supermajority of the Fund’s outstanding voting securities (it being understood that, with respect to these voting requirements or standards, the Fund will take no action that is at that time inconsistent with the 1940 Act). The Fund has also adopted certain non-fundamental investment restrictions, which may be changed by the Board without shareholder approval.

Investment Policies and Restrictions

The Fund is subject to the following investment restrictions, all of which are fundamental policies. The Fund may not:

- (a) borrow money, except as permitted under the 1940 Act; or
- (b) issue senior securities to the extent such issuance would violate the 1940 Act.

Notations Regarding the Funds’ Fundamental Investment Restrictions

The following notations are not considered to be part of the Fund’s fundamental investment restrictions and are subject to change without shareholder approval.

With respect to the fundamental policy relating to borrowing money set forth in (a) above, the 1940 Act permits a fund to borrow money in amounts of up to one-third of the fund’s total assets from banks for any purpose, and to borrow up to 5% of the fund’s total assets from banks or other lenders for temporary purposes,

including to finance redemptions. (A fund's total assets for purposes of these calculations include the amounts being borrowed.) To limit the risks attendant to borrowing, the 1940 Act requires a fund to maintain at all times an "asset coverage" of at least 300% of the amount of its borrowings. Asset coverage means the ratio that the value of a fund's total assets (including amounts borrowed), minus liabilities other than borrowings, bears to the aggregate amount of all borrowings. Borrowing money to increase portfolio holdings is known as "leveraging." Certain trading practices and investments, such as derivatives transactions, may be treated as senior securities. Prior to the adoption and implementation of Rule 18f-4 under the 1940 Act, when the Fund engaged in a derivatives transaction that created future payment obligations, consistent with the SEC's staff guidance and interpretations, the Fund was permitted to segregate or earmark liquid assets, or enter into an offsetting position in an amount at least equal to the Fund's exposure on a mark-to-market basis to the transaction, instead of meeting the asset coverage requirement with respect to senior securities prescribed by the 1940 Act. The SEC staff guidance and interpretations were rescinded in connection with the adoption of Rule 18f-4, and the Fund now complies with Rule 18f-4 with respect to its derivatives transactions. Thus, the fundamental policy relating to issuing senior securities above will not restrict the Fund from entering into derivatives transactions that are treated as senior securities so long as the Fund complies with Rule 18f-4 with respect to such derivatives transactions.

The policy in (a) above will be interpreted to permit the Fund to engage in trading practices and investments that may be considered to be borrowing or to involve leverage to the extent permitted by the 1940 Act and to permit the Fund to segregate or earmark liquid assets or enter into offsetting positions in accordance with the 1940 Act. Short-term credits necessary for the settlement of securities transactions and arrangements with respect to securities lending will not be considered to be borrowings under the policy. Practices and investments that may involve leverage but are not considered to be borrowings (*e.g.*, collateral arrangements with respect to options, forward currency and futures transactions and other derivative instruments, as well as delays in the settlement of securities transactions) are not subject to the policy.

Additional Restrictions

In addition, the Fund may not change (i) the restrictions in (e), (g), (h) and (i) below without the approval of a majority of the shareholders (as defined in the 1940 Act and as described above), and (ii) any other restriction described below without the approval of a majority of the Board and prior written notice to shareholders of the Fund:

The Fund may not:

(a) purchase the securities of any one issuer, if after such purchase it would own more than 25% of the voting securities of such issuer;

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

(c) make an investment in any one issuer if, at the time of purchase, the investment would cause the aggregate value of all the Fund's investments in such issuer to equal 25% or more of the Fund's total assets; provided that this limitation shall not apply to investments in securities issued or guaranteed

by the Commonwealth of Puerto Rico, U.S. government or any of their agencies or instrumentalities (including GNMA, FNMA and FHLMC mortgage-based securities);

(d) purchase securities on margin, except for short term credits necessary for clearance of portfolio transactions, and except that the Fund may make margin deposits in connection with its use of options or future contracts;

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

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

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

(h) purchase or sell commodities or commodity contracts, except that the Fund may enter into swap agreements, options, and futures contracts;

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

(j) purchase securities of other investment companies, unless immediately thereafter not more than (i) 3% of the total outstanding voting stock of such investment company is owned by the Fund, (ii) 5% of the Fund’s total assets, valued at market value, would be invested in any one such investment company, (iii) 10% of the Fund’s total assets, valued at market value, would be invested in such securities, and (iv) the Fund, together with other investment companies having the same investment adviser and companies controlled by such companies, owns not more than 10% of the total outstanding stock of any one closed-end investment company;

(k) make investments for the purpose of effecting control of management; or

(l) lend portfolio securities, except to the extent that such loans, if and when made, do not exceed 33¹/₃% of the total assets of the Fund valued at market value.

Regulation Regarding Derivatives

The Commodity Futures Trading Commission (“CFTC”) subjects advisers to registered investment companies to regulation by the CFTC if a fund that is advised by the investment adviser either (i) invests, directly or indirectly, more than a prescribed level of its liquidation value in CFTC-regulated futures, options, and swaps (“CFTC Derivatives”) or (ii) markets itself as providing investment exposure to such instruments. To the extent the Fund uses CFTC Derivatives, it intends to do so below such prescribed levels and will not market itself as a “commodity pool” or a vehicle for trading such instruments. Accordingly, the Investment Adviser has claimed an exclusion from the definition of the term “commodity pool operator” under the Commodity Exchange Act (“CEA”) pursuant to Rule 4.5 under the CEA. The Investment Adviser is not, therefore, subject to registration or regulation as a “commodity pool operator” under the CEA in respect of the Fund.

Description of Certain Investments, Investment Techniques and Investment Risks

Set forth below are descriptions of some of the types of investments and investment techniques that the Fund may utilize, as well as certain risks and other considerations associated with such investments and investment techniques. The information below supplements the information contained in the Fund's Prospectus under "More Information About the Fund—Principal Investment Strategies of the Fund", "More Information About the Fund—Other Investments", "More Information About the Fund—Principal Risks" and "More Information About the Fund—Additional Risks".

Hedging, Related Income Strategies and Associated Risks

General Description of Hedging and Related Income Strategies. As discussed in the Prospectus, the Fund may use a variety of financial instruments ("Derivative Instruments"), including securities options, financial futures contracts ("futures contracts"), options on futures contracts, and other interest rate protection transactions such as swap agreements to attempt to hedge its portfolio of assets. The use of these instruments for income enhancement purposes subjects the Fund to substantial risk of losses which would not be offset by gains on other portfolio assets or acquisitions. The Fund may invest up to 5% of its assets in Derivative Instruments. Such limit may be exceeded only for the purpose of hedging and subject to the approval of the Board. However, the Fund will not enter into futures contracts or options thereon unless an exclusion or exemption or comparable relief from applicable registration requirements contained in the regulations administered by the CFTC is obtained by the Investment Adviser or Sub-adviser. There can be no assurance that such relief will be granted or that the strategies discussed in this section can be implemented.

Hedging strategies can be broadly categorized as "short hedges" and "long hedges." A short hedge is a purchase or sale of a Derivative Instrument intended to partially or fully offset potential declines in the value of one or more investments held by the Fund. Thus, in a short hedge the Fund takes a position in a Derivative Instrument whose price is expected to move in the opposite direction of the price of the investment being hedged. For example, the Fund might purchase a put option on a security to hedge against a potential decline in the value of that security. If the price of the security declines below the exercise price of the put, the Fund could exercise the put and thus limit its loss below the exercise price to the premium paid plus transaction costs. In the alternative, because the value of the put option can be expected to increase as the value of the underlying security declines, the Fund might be able to close out the put option and realize a gain to offset the decline in the value of the security.

Conversely, a long hedge is a purchase or sale of a Derivative Instrument intended to partially or fully offset potential increases in the cost of one or more investments that the Fund intends to acquire. Thus, in a long hedge the Fund takes a position in the Derivative Instrument whose price is expected to move in the same direction as the price of the prospective investment being hedged. For example, the Fund might purchase a call option on a security it intends to purchase in order to hedge against an increase in the cost of the security. If the price of the security increases above the exercise price of the call, the Fund could exercise the call and thus limit its acquisition cost to the exercise price plus the premium paid and transaction costs. Alternatively, the Fund might be able to offset the price increase by closing out an appreciated call option and realizing a gain.

Derivative Instruments on securities generally are used to hedge against both price movements in one or more particular securities positions that the Fund owns or intends to acquire or fluctuations in interest rates. Derivative Instruments on bond indices, in contrast, generally are used to hedge against price movements in broad fixed income market sectors in which the Fund has invested or expects to invest.

In addition to the products, strategies and risks described below and in the Prospectus, the Investment Adviser or Sub-adviser expects to seek additional opportunities in connection with securities options, futures

contracts, and other hedging techniques. These new opportunities may become available as regulatory authorities broaden the range of permitted transactions and as new options, futures contracts, or other techniques are developed. The Investment Adviser or Sub-adviser may utilize these opportunities to the extent that they are consistent with the Fund's investment objective and permitted by the Fund's investment limitations and applicable regulatory authorities. For example, the Investment Adviser may use these techniques to achieve a risk/return profile for the Taxable PR Securities Portion consistent with the U.S. municipal market.

Special Risks of Hedging Strategies. The use of Derivative Instruments involves special considerations and risks, as described below. Risks pertaining to particular Derivative Instruments are described in the sections that follow:

(1) Successful use of most Derivative Instruments depends upon the Investment Adviser's or Sub-adviser's ability to predict movements of the overall securities and interest rate markets, which requires different skills than predicting changes in the prices of individual securities. While the Investment Adviser and Sub-adviser are experienced in the use of Derivative Instruments, there can be no assurance that any particular hedging strategy adopted will succeed.

(2) There might be imperfect correlation, or even no correlation, between price movements of a Derivative Instrument and price movements of the investments being hedged. For example, if the value of a Derivative Instrument used in a short hedge increased by less than the decline in value of the hedged investment, the hedge would not be fully successful. Such a lack of correlation might occur due to factors unrelated to the value of the investments being hedged, such as speculative or other pressures on the markets in which Derivative Instruments are traded. The effectiveness of hedges using Derivative Instruments on indices will depend on the degree of correlation between price movements in the index and price movements in the securities being hedged.

(3) Hedging strategies, if successful, can reduce risk of loss by wholly or partially offsetting the negative effect of unfavorable price movements in the investments being hedged. However, hedging strategies can also reduce opportunity for gain by offsetting the positive effect of favorable price movements in the hedged investments. For example, if the Fund entered into a short hedge because the Investment Adviser or Sub-adviser projected a decline in the price of a security in the Fund, and the price of that security increased instead, the gain from that increase might be wholly or partially offset by a decline in the price of the Derivative Instrument. Moreover, if the price of the Derivative Instrument declined by more than the increase in the price of the security, the Fund could suffer a loss. Depending on the degree of correlation between a Derivative Instrument and the security or interest rate being hedged, it is possible that the Fund could sustain losses on both positions. Similarly, transaction costs incurred in connection with a Derivative Instrument can exceed the amount of the benefits received. In any such case, the Fund would have been in a better position had it not hedged at all.

(4) The Fund's ability to close out a position in a Derivative Instrument prior to expiration or maturity depends on the existence of a liquid secondary market or, in the absence of such a market, the ability and willingness of a counterparty to enter into a transaction closing out the position. Therefore, there is no assurance that any hedging position can be closed out at a time and price that is favorable to the Fund.

(5) Although the Fund intends to purchase or sell futures contracts only if there is an active market for such contracts, no assurance can be given that a liquid market will exist for the contracts at any particular time. Most futures exchanges limit the amount of fluctuation permitted in futures contract prices during a single trading day. Once the daily limit has been reached in a particular contract, no trades may be made that day at a price beyond that limit. Futures contract prices could move beyond the daily limit for several consecutive trading days with little or no trading, thereby preventing prompt liquidation of futures positions and subjecting some futures traders to substantial losses. In such event and in the event of adverse price movements, the Fund will be required to make daily cash payments of variation margin. In such circumstances, an increase in the value of the portion of the portfolio assets being hedged, if any, may offset, partially or completely, losses on the futures contract.

(6) If the Fund has hedged against the possibility of an increase in interest rates adversely affecting the value of securities held in its portfolio and rates decrease instead, the Fund will lose part or all of the benefit of the increased value of the securities which it has hedged because it will have offsetting losses in its futures positions. In addition, in such situations, if the Fund has insufficient cash, it may have to sell securities to meet daily variation margin requirements at a time when it may be disadvantageous to do so. These sales of securities may, but will not necessarily be, at increased prices which reflect the decline in interest rates.

(7) Because of the low margin deposits normally required in futures contract trading (typically between 2% and 5% of the value of the contract purchased or sold), an extremely high degree of leverage is typical of a futures contract trading account. As a result, a relatively small price movement in a futures interest contract may result in immediate and substantial losses to the investor. For example, if at the time of purchase 5% of the price of a contract is deposited as margin, a 5% decrease in the value of the contract would, if the contract is then closed out, result in a total loss of the margin deposit before any deduction for brokerage commissions. A decrease of more than 5% would result in a loss of more than the total margin deposit. Thus, like other leveraged investments, any purchase or sale of a futures interest contract may result in losses in excess of the amount invested.

(8) Most U.S. commodity exchanges limit fluctuations in certain futures interest contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” Pursuant to such regulations, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular commodity has increased or decreased by an amount equal to the daily limit, positions in the commodity can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Prices in various contracts have occasionally moved beyond the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Fund from promptly liquidating unfavorable positions and subject the Fund to substantial losses. While daily limits may reduce or effectively eliminate the liquidity of a particular market, they do not limit ultimate losses, and may in fact substantially increase losses because they may prevent the liquidation of unfavorable positions.

In addition, the Fund may not be able to execute trades at favorable prices if little trading in the contracts involved is taking place. Under some circumstances, the Fund may be required to accept or make delivery of the underlying financial instrument if the position cannot be liquidated prior to its expiration date. It also is possible that an exchange or the CFTC may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only.

(9) The CFTC and the U.S. commodity exchanges have established limits referred to as “speculative position limits” or “position limits” on the maximum net long or net short position which any person or group of persons may own, hold, or control in particular futures contracts. Under currently applicable regulations, the Fund as a whole will be required to comply with position limits as if it were a single trader. Position limits may prevent the Fund from acquiring positions which might otherwise have been highly profitable. Any violation of speculative position limits would lead to mandatory liquidation of positions, possibly on unfavorable terms.

Cover. Transactions using Derivative Instruments which are not transacted on or subject to the rules of a regulated futures contract exchange or securities exchange, other than purchased options, will expose the Fund to an obligation to another party. The Fund will not enter into any such transactions unless it owns either (1) an offsetting (“covered”) position in securities or other options or futures contracts, or (2) cash, receivables, and/or short-term debt securities with a value sufficient at all times to cover its potential obligations to the extent not covered as provided in (1) above.

Assets used as cover cannot be sold while the position in the corresponding Derivative Instrument is open unless they are replaced with similar assets. As a result, the commitment of a large portion of the Fund’s assets to cover could impede portfolio management or the Fund’s ability to meet other current obligations.

Covered Straddles. The Fund may purchase and write (sell) covered straddles on securities or bond indices. A long straddle is a combination of a call and a put option purchased on the same security or on the same futures contract, where the exercise price of the put is less than or equal to the exercise price of the call. The Fund would enter into a long straddle when the Investment Adviser or Sub-adviser believes that it is likely that interest rates will be more volatile during the term of the option than the option pricing implies. A short straddle is a combination of a call and a put written on the same security where the exercise price of the put is less than or equal to the exercise price of the call. The Fund would enter into a short straddle when the Investment Adviser or sub-adviser believes that it is unlikely that interest rates will be as volatile during the term of the options as the option pricing implies.

Options. The Fund may purchase put and call options, and write covered put and call options, on debt securities and bond indices. The purchase of call options serves as a long hedge and the purchase of put options serves as a short hedge. Writing covered put options can enable the Fund to enhance income by reason of the premiums paid by the purchasers of such options. However, if the market price of the underlying security declines to less than the exercise price on the option, minus the premium received, the Fund would expect to suffer a loss. Writing covered call options serves as a limited short hedge because declines in the value of the hedged investment would be offset to the extent of the premium received for writing the option. However, if the security appreciates to a price higher than the exercise price of the call option, it can be expected that the option will be exercised and the Fund will be obligated to sell the security at less than its market value.

The value of an option position will reflect, among other things, the current market value of the underlying investment, the time remaining until expiration, the relationship of the exercise price to the market price of the underlying investment, the historical price volatility of the underlying investment and general market conditions. Options normally have expiration dates of up to nine months. Options that expire unexercised have no value.

The Fund may effectively terminate its right or obligation under an option by entering into a closing transaction. For example, the Fund may terminate its obligations under a call option that it has written by purchasing an identical call option. This is known as a closing purchase transaction. Conversely, the Fund may terminate a position in a put or call option it has purchased by writing an identical put or call option. This is known as a closing sale transaction. Closing transactions permit the Fund to realize profits or limit losses on an option position prior to its exercise or expiration.

The Fund may purchase or write both exchange-traded and over the counter (“OTC”) options. Exchange markets for options on debt securities exist but are relatively new, and these instruments are primarily traded on the OTC market. Exchange-traded options in the U.S. are issued by a clearing organization affiliated with the exchange on which the option is listed which, in effect, guarantees completion of every exchange-traded option transaction. In contrast, OTC options are contracts between the Fund and a counterparty (usually a securities dealer or a bank) with no clearing organization guarantee. Thus, when the Fund purchases or writes an OTC option, it relies on the party from whom it purchased the option or to whom it has written the option (the “counterparty”) to make or take delivery of the underlying investment upon exercise of the option. Failure by the counterparty to do so would result in the loss of any premium paid by the Fund as well as the loss of any expected benefit of the transaction.

Generally, the OTC debt options used by the Fund will be European-style options. This means that the option is only exercisable immediately prior to its expiration. This is in contrast to American style options, which are exercisable at any time prior to the expiration date of the option.

The Fund’s ability to establish and close out positions in exchange-listed options depends on the existence of a liquid market. The Fund intends to purchase or write only those exchange-traded options for which there appears to be a liquid secondary market. However, there can be no assurance that such a market will exist at any particular time. Closing transactions can be made for OTC options only by negotiating directly with the

counterparty, or by a transaction in the secondary market if any such market exists. Although the Fund will enter into OTC options only with counterparties that are expected to be capable of entering into closing transactions with the Fund, there is no assurance that the Fund will in fact be able to close out an OTC option position at a favorable price prior to expiration. In the event of insolvency of the counterparty, the Fund might be unable to close out an OTC option position at any time prior to its expiration.

If the Fund were unable to effect a closing transaction for an option it had purchased, it would have to exercise the option to realize any profit. The inability to enter into a closing purchase transaction for a covered call option written by the Fund could cause material losses because the Fund would be unable to sell the investment used as cover for the written option until the option expires or is exercised.

Guideline for Options on Securities. In view of the risks involved in using the options strategies described above, the Board has determined that the Fund may purchase a put or call option, including any straddles or spreads, only if the premium paid when aggregated with the premiums on all other options held by the Fund does not exceed 5% of the Fund's total assets. This guideline may be modified by the Board without Shareholder vote. Adoption of this guideline does not limit the percentage of the Fund's assets at risk to 5%.

Futures. The Fund may purchase and sell interest rate futures contracts and bond index futures contracts. The Fund may also purchase put and call options, and write covered put and call options, on futures in which it invests. The purchase of futures or call options thereon can serve as a long hedge, and the sale of futures or the purchase of put options thereon can serve as a short hedge. Writing covered call options on futures contracts can serve as a limited short hedge, using a strategy similar to that used for writing covered call options on securities or indices. Similarly, writing covered put options on futures contracts can serve as a limited long hedge.

The Fund may also write put options on interest rate futures contracts while at the same time purchasing call options on the same futures contracts in order to synthetically create a long futures contract position. Such options would have the same strike prices and expiration dates. The Fund will engage in this strategy only when it is more advantageous to the Fund than is purchasing the futures contract.

No price is paid upon entering into a futures contract. Instead, at the inception of a futures contract the Fund is required to deposit in a segregated account with its Custodian, in the name of the futures broker through whom the transaction was effected, "initial margin" consisting of cash, U.S. Government securities or other liquid, high-grade debt securities in an amount generally equal to 2% to 5% or less of the contract, in accordance with applicable exchange rules. Unlike margin in securities transactions, initial margin on futures contracts does not represent a borrowing, but rather is in the nature of a performance bond or good-faith deposit that is returned to the Fund at the termination of the transaction if all contractual obligations have been satisfied. Under certain circumstances, such as periods of high volatility, the Fund may be required by an exchange to increase the level of its initial margin payment and initial margin requirements might be increased generally in the future by regulatory actions.

Subsequent "variation margin" payments are made to and from the futures broker daily as the value of the futures position varies, a process known as "marking to market." Variation margin does not involve borrowing, but rather represents a daily settlement of the Fund's obligations to or from a futures broker. When the Fund purchases an option on a futures contract, the premium paid plus transaction costs is all that is at risk. In contrast, when the Fund purchases or sells a futures contract or writes a put or call option thereon, it is subject to daily variation margin calls that could be substantial in the event of adverse price movements. If the Fund has insufficient cash to meet daily variation margin requirements, it might need to sell securities at a time when such sales are disadvantageous.

Holders and writers of futures positions and options on futures can enter into offsetting closing transactions, similar to closing transactions on options, by selling or purchasing, respectively, an instrument

identical to the instrument held or written. Positions in futures and options on futures may be closed only on an exchange or board of trade that provides a secondary market. The Fund intends to enter into futures transactions only on exchanges or boards of trade where there appears to be a liquid secondary market. However, there can be no assurance that such a market will exist for a particular contract at a particular time. Secondary markets for options on futures are currently in the development stage, and the Fund will not trade options on futures on any exchange or board of trade unless, in the Investment Adviser's or sub-adviser's opinion, the markets for such options have developed sufficiently that the liquidity risks for such options are not greater than the corresponding risks for futures.

Under certain circumstances, futures exchanges may establish daily limits on the amount that the price of a future or related option can vary from the previous day's settlement price; once that limit is reached, no trades may be made that day at a price beyond the limit. Daily price limits do not limit potential losses because prices could move to the daily limit for several consecutive days with little or no trading, thereby preventing liquidation of unfavorable positions.

If the Fund was unable to liquidate a futures or related options position due to the absence of a liquid secondary market or the imposition of price limits, it could incur substantial losses. The Fund would continue to be subject to market risk with respect to the position. In addition, except in the case of purchased options, the Fund would continue to be required to make daily variation margin payments and might be required to maintain the position being hedged by the future or option.

Certain characteristics of the futures market might increase the risk that movements in the prices of futures contracts or related options might not correlate perfectly with movements in the prices of the investments being hedged. For example, all participants in the futures and related options markets are subject to daily variation margin calls and might be compelled to liquidate futures or related options positions whose prices are moving unfavorably to avoid being subject to further calls. These liquidations could increase price volatility of the instruments and distort the normal price relationship between the futures or options and the investments being hedged. Also, because initial margin deposit requirements in the futures market are less onerous than margin requirements in the securities markets, there might be increased participation by speculators in the futures markets. This participation also might cause temporary price distortions. In addition, activities of large traders in both the futures and securities markets involving arbitrage, "program trading" and other investment strategies might result in temporary price distortions.

Guideline for Futures and Related Options. In view of the risks involved in using the futures and options strategies that are described above, the Board has determined that the Fund will not purchase or sell futures contracts or related options if, immediately thereafter, the sum of the amount of initial margin deposits on existing futures positions and initial margin deposits and premiums paid for related options would exceed 5% of the Fund's total assets. This guideline may be modified by the Board without Shareholder vote. For purposes of this guideline, options on futures contracts traded on a commodities exchange are considered "related options." Adoption of this guideline will not limit the percentage of the Fund's assets at risk to 5%.

The Fund may use the following Derivative Instruments:

Options on Debt Securities. A call option is a short-term contract pursuant to which the purchaser of the option, in return for a premium, has the right to buy the security underlying the option at a specified price at any time during the term of the option. The writer of the call option who receives the premium has the obligation, upon exercise of the option during the option term, to deliver the underlying security against payment of the exercise price. A put option is a similar contract that gives its purchaser, in return for a premium, the right to sell the underlying security at a specified price during the option term. The writer of the put option who receives the premium has the obligation, upon exercise of the option during the option term, to buy the underlying security at the exercise price.

Options on Bond Indices. A bond index assigns relative values to the debt securities included in the index and fluctuates with changes in the market values of those debt securities. A bond index option operates in the same way as a more traditional option on a debt security, except that exercise of a bond index option is effective with cash payment and does not involve delivery of securities. Thus, upon exercise of a bond index option, the purchaser will realize, and the writer will pay, an amount based on the difference between the exercise price and the closing price of the bond index.

Interest Rate Futures Contracts. Interest rate futures contracts are bilateral agreements pursuant to which one party agrees to make, and the other party agrees to accept, delivery of a specified type of debt security or other interest rate instrument at a specified future time and at a specified price or its equivalent cash-settled value. Although such futures contracts by their terms call for actual delivery or acceptance of debt securities or other interest rate instruments, in most cases the contracts are closed out before the settlement date without the making or taking of delivery of the debt security or other interest rate instrument.

Options on Futures Contracts. Options on futures contracts are similar to options on securities, except that an option on a futures contract gives the purchaser the right, in return for the premium, to assume a position in a futures contract (a long position if the option is a call and a short position if the option is a put), rather than to purchase or sell a security at a specified price at any time during the option term. Upon exercise of the option, the delivery of the futures position to the holder of the option will be accompanied by delivery of the accumulated balance that represents the amount by which the market price of the futures contract exceeds, in the case of a call, or is less than, in the case of a put, the exercise price of the option on the future. The writer of an option, upon exercise, will assume a short position in the case of a call and a long position in the case of a put.

Bond Index Futures. A bond index futures contract is a bilateral agreement pursuant to which one party agrees to accept, and the other party agrees to make, delivery of an amount of cash equal to a specified dollar amount times the difference between the bond index value at the close of trading of the contract and the price at which the futures contract is originally struck. No physical delivery of the debt securities comprising the index is made. Generally, contracts are closed out prior to the expiration date of the contract.

Swaps and Interest Rate Protection Transactions. The Fund may enter into interest rate and other swaps, including interest rate protection transactions, interest rate caps, collars, and floors. Swap transactions involve an agreement between two parties to exchange payments that are based, respectively, on indices or specific securities or other assets such as variable and fixed rates of interest that are calculated on the basis of a specified amount of principal (the notional principal amount) for a specified period of time. Interest rate cap and floor transactions involve an agreement between two parties in which the first party agrees to make payments to the counterparty when a designated market interest rate goes above (in the case of a cap) or below (in the case of a floor) a designated level on predetermined dates or during a specified time period. Interest rate collar transactions involve an agreement between two parties in which the first party makes payments to the counterparty when a designated market interest rate goes above a designated level of predetermined dates or during a specified time period, and the counterparty makes payments to the first party when a designated market interest rate goes below a designated level on predetermined dates or during a specified time period.

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

The Fund expects to enter into interest rate protection transactions to preserve a return or spread on a particular investment or portion of its portfolio to protect against any increase in the price of securities the Fund anticipates purchasing at a later date or to effectively fix the rate of interest that it pays on one or more borrowings or series of borrowings. The Fund intends to use these transactions as a hedge and not as a speculative investment.

The Fund may enter into swaps, caps, collars, and floors on either an asset-based or liability-based basis, depending on whether it is hedging its assets or its liabilities, and will usually enter into interest rate swaps on a net basis, i.e., the two payment streams are netted out, with the Fund receiving or paying, as the case may be, only the net amount of the two payments. Inasmuch as these transactions are entered into for good faith hedging purposes, the Investment Adviser and the Fund believe such obligations do not constitute debt securities and accordingly, will not treat them as being subject to its borrowing restrictions.

The Fund will enter into such transactions only with banks and recognized securities dealers believed by the Investment Adviser or Sub-adviser to present minimal credit risks in accordance with guidelines established by the Board. If there is a default by the other party to such a transaction, the Fund will have to rely on its contractual remedies (which may be limited by bankruptcy, insolvency, or similar laws) pursuant to the agreements related to the transaction.

The swap market has grown substantially in recent years, with a large number of banks and investment banking firms acting both as principals and as agents utilizing standardized swap documentation. Caps, collars, and floors are more recent innovations for which documentation is less standardized, and accordingly, they are less liquid than swaps.

Types of Municipal Obligations and Associated Risks

The Fund may invest in the following types of municipal obligations, subject to their availability, and in other types of municipal obligations that become available on the market from time to time (including Build America Bonds (BABs)). Not all of the described municipal obligations are presently available.

Municipal Bonds, Industrial Development Bonds, and Private Activity Bonds

Municipal bonds are debt obligations issued to obtain funds for various public purposes. The two principal classifications of municipal bonds are “general obligation” and “revenue” bonds. “General obligation” bonds are secured by the issuer’s pledge of its full faith, credit, and taxing power for the payment of principal and interest. “Revenue” bonds are payable only from the revenues derived from a particular facility or class of facilities or, in some cases, from the proceeds of a special excise tax or from another specific source, such as the user of the facility being financed. Certain municipal bonds are “moral obligation” issues, which normally are issued by special purpose public authorities. In the case of such issues, an express or implied “moral obligation” of a related government unit is pledged to the payment of the debt service but is usually subject to annual budget appropriations.

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

The Fund may not presently concentrate its investments, i.e., invest a relatively high percentage of its assets, in municipal obligations that are revenue bonds issued by entities which pay their debt service obligations from the revenues derived from similar projects such as hospitals, multifamily housing, nursing homes, continuing care facilities, commercial facilities (including hotels), electric utility systems, or industrial

companies. This limitation may be changed by a majority of the Fund's outstanding voting securities. Any determination to allow concentration of the Fund's investments in municipal obligations issued by entities that pay their debt service obligations from revenues derived from similar projects may make the Fund more susceptible to economic, political, or regulatory occurrences affecting that type of project. It is anticipated that a significant percentage of the municipal obligations in the Fund's portfolio may be revenue bonds issued by entities or secured by facilities with a relatively short operating history.

Health Care Revenue Bonds. These securities include municipal obligations that are revenue bonds issued to finance hospitals, nursing homes, and continuing care facilities and which are generally secured by the revenues of particular facilities. The ability of the issuers of such securities to meet their obligations is dependent upon, among other things, the revenues, costs, and occupancy levels of the subject facilities and the competitive nature of these industries. In addition, a major portion of hospital and nursing home revenues typically is derived from Federal or state programs such as Medicare and Medicaid and from various insurers. Changes in such programs or in the rates paid by insurers may reduce revenues available for the payment of principal of, or interest on, such bonds. New governmental legislation or regulations and other factors such as the inability to obtain sufficient malpractice insurance may also adversely affect the revenues or costs of these issuers. Moreover, in the case of life care facilities, since a portion of the services provided may be financed by an initial lump-sum deposit paid by occupants of the facility, there may be risk if the facility does not maintain adequate financial resources to secure estimated actuarial liabilities.

A number of legislative proposals concerning health care have been introduced in U.S. Congress in recent years or have been reported to be under consideration. These proposals include or may lead to a wide range of topics, including cost controls, national health insurance, incentives for competition in the provision of health care services, tax incentives and penalties related to health care insurance premiums and promotion of prepaid health care plans. The Fund is unable to predict the effect of any of these proposals, if enacted.

Single Family Housing Bonds and Multifamily Housing Bonds. Single family housing bonds and multifamily housing bonds are obligations of state and local housing authorities that have been issued in connection with a variety of single and multifamily housing projects. Economic developments, including fluctuations in interest rates, increasing construction and operating costs, increasing real estate taxes and declining occupancy rates, and real estate investment risks may have an adverse effect upon the revenues of such projects and such housing authorities. Multifamily housing bonds may be subject to mandatory redemption prior to maturity, including redemption upon a non-completion of the project or upon receipt of Federal Housing Administration or certain other insurance proceeds. Housing bonds may also be subject to changes in creditworthiness due to potential weaknesses of mortgage insurance companies providing various policies; fluctuations in the valuation of invested funds and the strengths of banks and other entities which may provide investment agreements; and smaller than expected mortgage portfolios due to the inability to originate mortgages.

Public Power Revenue Bonds. Risks that may arise with respect to the electric utility industry include difficulty in financing large construction programs during an inflationary period; restrictions on operations and increased costs attributable to environmental considerations; the difficulty of the capital markets in absorbing utility securities; the availability of fuel for electric generation at reasonable prices, including among other considerations the potential rise in fuel costs and the costs associated with conversion to alternate fuel sources; technical cost factors and other problems associated with construction, licensing, regulation, and operation of nuclear facilities for electric generation, including, among other considerations, the problems associated with the use of radioactive materials and the disposal of radioactive waste; and the effects of energy conservation. Certain of the issuers of these bonds may own or operate nuclear generating facilities. Federal, state, and municipal governmental authorities may from time to time review and revise existing requirements and impose additional requirements on such facilities. Problems of the type referred to above could adversely affect the ability of the issuer of public power revenue bonds to make payments of principal and interest on such bonds. Certain municipal utilities or agencies may have entered into contractual arrangements with investor-owned utilities and

large industrial users and consequently may be dependent to varying degrees on the performance of such contracts for payment of bond debt service. Also, the enforceability against municipalities of “take-and-pay” and “take-or-pay” contracts which secure bonds issued by other municipal issuers has been successfully challenged in recent years.

Transportation Revenue Bonds. Bonds in this category include bonds issued for airport facilities, bridges, turnpikes, port facilities, railroad systems, or mass transit systems. Generally, airport facility revenue bonds are payable from and secured by the revenues derived from the ownership and operation of a particular airport. Payment on other transportation bonds is often dependent primarily or solely on revenues from financed facilities, including user fees, charges, tolls, and rents. Such revenues may be adversely affected by increased construction and maintenance costs or taxes, decreased use, competition from alternative facilities, scarcity of fuel, reduction or loss of rents, or the impact of environmental considerations. Other transportation bonds may be dependent primarily or solely on Federal, state, or local assistance including motor fuel and motor vehicle taxes, fees, and licenses and therefore, may be subject to fluctuation in such assistance.

Water and Sewage Revenue Bonds. Bonds in this category include securities issued to finance public water supply treatment, and distribution facilities, and sewage collection, treatment, and disposal facilities. Repayment of these bonds is dependent primarily on revenues derived from the billing of customers for water and sewer services, as well as, in some instances, connection fees and hook-up charges. Such revenue bonds may be adversely affected by the lack of availability of Federal and state grants and by decisions of Federal and state regulatory bodies and courts.

Solid Waste and Resource Recovery Revenue Bonds. Bonds in this category include securities issued to finance facilities for removal and disposal of solid waste. Repayment of these bonds is dependent on factors that may include revenues from appropriations from a governmental entity, the financial condition of the private project corporation, and revenues derived from the collection of charges for disposal of solid waste. In addition, construction and operation of such facilities may be subject to cost overruns. Repayment of resource recovery bonds may also be dependent to various degrees on revenues from the sale of electric energy or steam. Bonds in this category may be subject to mandatory redemption in the event of project non-completion, if the project is rendered uneconomical, if the project fails to meet certain performance criteria or if it is considered an environmental hazard.

Pollution Control Facility Revenue Bonds. Bonds in the pollution control facilities category include securities issued on behalf of private corporations, including utilities, to provide facilities for the treatment of air, water, and solid waste pollution. Repayment of these bonds is dependent upon income from, and the financial condition of, the project corporation. In addition, governmental entities may from time to time impose additional restrictions or regulations that could adversely affect the cost or operation of the facility.

Educational Facility Revenue Bonds. Educational facility revenue bonds include debt of state and private colleges and universities and parental and student loan obligations. The ability of universities and colleges to meet their obligations is dependent on various factors, including the revenues, costs, and enrollment levels of the institutions. In addition, their ability may be affected by declines in Federal, state and alumni financial support, fluctuations in interest rates and construction costs, increased maintenance and energy costs, failure or inability to raise tuition or room charges, and adverse results of endowment fund investments.

Tax Increment Bonds. Tax increment bonds are issued to finance various public improvements and redevelopment projects in blighted areas. Interest on such bonds is payable from increases in real property taxes attributable to increases in assessed value resulting from the redevelopment of the blighted project area. Repayment risks include, among other things, a reduction in taxable value in the project areas, reduction in tax rates, delinquencies in tax payments or a general shortfall in forecasted tax revenues.

Commercial Facility Revenue Bonds. The Fund may also invest in bonds for other commercial facilities (including hotels) and industrial enterprises. The viability of such facilities depends on, among other

things, general economic factors affecting those industries and affecting those geographic areas in which such facilities are situated, as well as the ability of the individual management of those facilities to maximize earnings and to remain competitive within its service area.

Municipal Lease Obligations

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

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

Zero Coupon Obligations

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

Floating and Variable Rate Obligations

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

Participation Interests

The Fund may invest in participation interests in municipal bonds, including IDBs, PABs, and floating and variable rate securities. A participation interest gives the Fund an undivided interest in a municipal bond owned by a bank. The Fund has the right to sell the instrument back to the bank. Such right is generally backed by the bank's irrevocable letter of credit or guarantee and permits the Fund to draw on the letter of credit on demand, after specified notice, for all or any part of the principal amount of the Fund's participation interest plus accrued interest. Generally, the Fund intends to exercise the demand under the letters of credit or other guarantees only upon a default under the terms of the underlying bond, or to maintain compliance with the investment objective and policies of the Fund. The ability of a bank to fulfill its obligations under a letter of credit or guarantee might be affected by possible financial difficulties of its borrowers, adverse interest rate or economic conditions, regulatory limitations, or other factors. The Administrator will be responsible for the Fund being provided the services of monitoring the pricing, quality, and liquidity of the participation interests held by the Fund, and the credit standing of banks issuing letters of credit or guarantees supporting such participation interests on the basis of published financial information reports of rating services and bank analytical services.

Put Bonds

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

Tender Option Bonds

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

Mortgage-Backed Securities and Associated Risks

General

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

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

Government National Mortgage Association (“GNMA”) Securities

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

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

Federal National Mortgage Association (“FNMA”) Securities

FNMA is a federally chartered and privately owned corporation established under the Federal National Association Charter Act. FNMA was originally organized in 1938 as a U.S. government agency to add greater liquidity to the mortgage market. FNMA was transformed into a private sector corporation by legislation enacted in 1968. FNMA provides funds to the mortgage market primarily by purchasing home mortgage loans from local lenders, thereby providing them with funds for additional lending. FNMA acquires funds to purchase such loans from investors that may not ordinarily invest in mortgage loans directly, thereby expanding the total amount of funds available for housing.

Each FNMA pass-through mortgage-backed security represents a *pro rata* interest in one or more pool of FHA Loans, VA Loans, or conventional mortgage loans (i.e., mortgage loans that are not insured or guaranteed by any governmental agency). The loans contained in those pools consist of: (i) fixed rate level payment mortgage loans; (ii) fixed rate growing equity mortgage loans; (iii) fixed rate graduated payment mortgage loans; (iv) variable rate mortgage loans; (v) other adjustable rate mortgage loans; and (vi) fixed rate mortgage loans secured by multifamily projects. FNMA guarantees timely payment of principal and interest on FNMA mortgage-backed securities. However, the obligations of FNMA are not backed by the full faith and credit of the U.S. Instead, these obligations are supported only by the discretionary authority of the U.S. government to purchase the agency’s obligations.

Federal Home Loan Mortgage Corporation (“FHLMC”) Securities

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

The mortgage loans underlying the FHLMC mortgage-backed securities typically consist of fixed rate or adjustable rate mortgage loans with original terms to maturity of between ten and 30 years, substantially all of

which are secured by first liens on one-to-four-family residential properties or multifamily projects. Each mortgage loan must meet the applicable standards set forth in the FHLMC Act. Mortgage loans underlying FHLMC mortgage-backed securities may include whole loans, participation interests in whole loans and undivided interests in whole loans, and participations in another FHLMC mortgage-backed securities.

FHLMC guarantees: (i) the timely payment of interest on all FHLMC mortgage-backed securities; (ii) the ultimate collection of principal with respect to some FHLMC mortgage-backed securities; and (iii) the timely payment of principal with respect to other FHLMC mortgage-backed securities. However, the obligations of FHLMC are not backed by the full faith and credit of the U.S.

Adjustable-Rate Mortgage (“ARM”) and Floating Rate Mortgage-Backed Securities

Because the interest rates on adjustable-rate mortgage-backed securities (“ARM Mortgage-Backed Securities”) and floating rate mortgage-backed securities reset directly in response to changes in a specified market index, the values of such securities tend to be less sensitive to interest rate fluctuations than the values of fixed-rate securities. ARM Mortgage-Backed Securities represent a right to receive interest payments at a rate that is adjusted to reflect the interest earned on a pool of ARMs. ARMs generally provide that the borrower’s mortgage interest rate may not be adjusted above a specified lifetime maximum rate or, in some cases, below a minimum lifetime rate. In addition, certain ARMs provide for limitations on the maximum amount by which the mortgage interest rate may adjust for any single adjustment period. ARMs may also provide for limitations on changes in the maximum amount by which the borrower’s monthly payment may adjust for any single adjustment period. In the event that a monthly payment is not sufficient to pay the interest accruing on the ARM, any such excess interest is added to the mortgage loan (“negative amortization”), which is repaid through future monthly payments. If the monthly payment exceeds the sum of the interest accrued at the applicable mortgage interest rate and the principal payment that would have been necessary to amortize the outstanding principal balance over the remaining term of the loan, the excess reduces the principal balance of the ARM. Borrowers under ARMs experiencing negative amortization may take longer to build up their equity in the underlying property and may be more likely to default.

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

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

Specified Mortgage-Backed Securities

The Fund may invest in mortgage-backed securities constituting derivative instruments such as interest-only obligations (“IOs”), principal-only obligations (“POs”) (other than IOs and POs that are “planned amortization class” or “PAC” bonds), or inverse floating rate obligations or other types of Puerto Rico mortgage-backed securities that may be developed in the future and that are determined by the Investment Adviser to

present types and levels of risk that are comparable to such IOs, POs and inverse floating rate obligations (collectively, “Specified Mortgage-Backed Securities”). The Fund will invest in Specified Mortgage-Backed Securities only when the Investment Adviser believes that such securities, when combined with the Fund’s other investments, would enable the Fund to achieve its investment objective and policies.

Stripped mortgage-backed securities (“SMBSs”) are classes of mortgage-backed securities that receive different proportions of the interest and principal distributions from the underlying pool of mortgage assets. SMBSs may be issued by agencies or instrumentalities of the U.S. government or by private mortgage lenders. A common type of SMBS will have one class that receives some of the interest and most of the principal from the mortgage assets, while the other class will receive most of the interest and the remainder of the principal.

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

Mortgage-backed securities that constitute inverse floating rate obligations are mortgage-backed securities on which the interest rates adjust or vary inversely to changes in market interest rates. Typically, an inverse floating rate mortgage-backed security is one of two components created from a pool of fixed rate mortgage loans. The other component is a variable rate mortgage-backed security, on which the amount of interest payable is adjusted directly in accordance with market interest rates. The inverse floating rate obligation receives the portion of the interest on the underlying fixed-rate mortgages that is allocable to the two components and that remains after subtracting the amount of interest payable on the variable rate component. The market value of an inverse floating rate obligation will be more volatile than that of a fixed-rate obligation and like most debt obligations, will vary inversely with changes in interest rates. Certain of such inverse floating rate obligations have coupon rates that adjust to changes in market interest rates to a greater degree than the change in the market rate and accordingly have investment characteristics similar to investment leverage. As a result, the market value of such inverse floating rate obligations are subject to greater risk of fluctuation than other mortgage-backed securities, and such fluctuations could adversely affect the ability of the Fund to achieve its investment objective and policies. Inverse floating rate mortgage-backed securities often can get 0% interest if interest rates hit caps.

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

Certain Other Types of Investments and Associated Risks

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

Certificates of Deposit. The Fund may invest in bank certificates of deposit (“CDs”). The Federal Deposit Insurance Corporation is an agency of the U.S. government that insures the deposits of certain banks and savings and loan associations up to \$250,000 per deposit. To remain fully insured, these investments currently must be limited to \$250,000 per insured bank or savings and loan association. The interest on such deposits may not be insured if this limit is exceeded. Current federal regulations also permit such institutions to issue insured negotiable CDs in amounts of \$250,000 or more. Investments in CDs are made only with domestic institutions with assets in excess of \$1 billion.

Commercial Paper. The Fund may invest in commercial paper that is limited to obligations rated Prime-1 or Prime-2 by Moody’s, or A-1 or A-2 by S&P and F-1 or F-2 by Fitch. Commercial paper includes notes, drafts, or similar instruments payable on demand or having a maturity at the time of issuance not exceeding nine months, exclusive of days of grace or any renewal thereof. See “TYPES OF MUNICIPAL OBLIGATIONS” for a description of commercial paper ratings.

Convertible Securities. The Fund may invest in convertible securities that are rated as investment grade or, if not so rated, are deemed to be of comparable quality by the Investment Adviser. While no securities investment is without some risk, investments in convertible securities generally entail less risk than the issuer’s common stock, although the extent to which such risk is reduced depends in large measure upon the degree to which the convertible security sells above its value as a fixed income security. The Investment Adviser will decide to invest in convertible securities based upon a fundamental analysis of the long-term attractiveness of the issuer and the underlying common stock, the evaluation of the relative attractiveness of the current price of the underlying common stock, and the judgment of the value of the convertible security relative to the common stock at current prices. Convertible securities in which the Fund may invest include corporate bonds, notes, and preferred stock that can be converted into common stock. Convertible securities combine the fixed-income characteristics of bonds and preferred stock with the potential for capital appreciation. As with all debt securities, the market value of convertible securities tends to decline as interest rates increase and, conversely, to increase as interest rates decline. While convertible securities generally offer lower interest or dividend yields than nonconvertible debt securities of similar quality, they do enable the investor to benefit from increases in the market price of the underlying common stock.

Debt Securities. The Fund may invest in debt securities. The market value of debt securities is influenced primarily by changes in the level of interest rates. Generally, as interest rates rise, the market value of debt securities decreases. Conversely, as interest rates fall, the market value of debt securities increases. Factors that could result in a rise in interest rates and a decrease in the market value of debt securities include an increase in inflation or inflation expectations, an increase in the rate of Puerto Rico or U.S. economic growth, an increase in the Federal budget deficit, or an increase in the price of commodities such as oil.

Floating and Variable Rate Obligations. The Fund may also purchase certain types of floating and variable rate securities. The interest payable on a variable rate obligation is adjusted at predesignated periodic intervals. The interest rate payable on floating rate obligations is adjusted whenever there is a change in the market rate of interest on which the interest rate payable is based. There is a risk that the current interest rate on such obligations may not accurately reflect existing market interest rates. These obligations frequently permit the holder to demand payment of principal at any time, or at specified intervals, and permit the issuer to prepay, at its discretion, principal plus accrued interest, in each case after a specified notice period. The issuer’s obligations under the demand feature of such notes and bonds generally are secured by bank letters of credit or other credit support arrangements.

Money Market Funds. The Fund may invest in money market funds. These funds attempt to provide the highest current income possible through investment in a portfolio of short-term money market securities, consistent with the preservation of capital. While these funds typically invest in high quality investments, the value of an investment in these funds, among other things, remains subject to credit risk on the underlying instruments and volatility due to interest rate changes.

Securities of Foreign Issuers. There are certain risks connected with investing in foreign securities. These include risks of adverse political and economic developments (including possible governmental seizure or nationalization of assets), the possible imposition of exchange controls or other governmental restrictions, less uniformity in accounting and reporting requirements, the possibility that there will be less information on such securities and their issuers available to the public, the difficulty of obtaining or enforcing court judgments abroad, restrictions on foreign investments in other jurisdictions, difficulties in affecting repatriation of capital invested abroad, and difficulties in transaction settlements and the effect of delay on shareholder equity. Foreign securities may be subject to foreign taxes and may be less marketable than comparable U.S. securities.

Preferred Stock. The Fund may invest in preferred stock. A preferred stock has a blend of the characteristics of a bond and common stock. It can offer the higher yield of a bond and have priority over common stock in equity ownership but does not have the seniority of a bond and its participation in the issuer's growth may be limited. Preferred stock generally has preference over common stock in the receipt of dividends and in any residual assets after payment to creditors should the issuer be dissolved. Although the dividend is usually set at a fixed annual rate, in some circumstances it can be changed or omitted by the issuer.

Trust Preferred Securities. Trust preferred securities are securities issued by banks or bank holding companies through a special purpose trust organized by the bank or bank holding company. The trust issues the trust preferred securities and invests the proceeds in a subordinated debenture of the bank or bank holding company that has identical terms. The trust preferred securities are payable solely from payments made by the bank or bank holding company with respect to the subordinated debentures.

Real Estate Investment Trusts ("REITs"). REITs are entities that invest primarily in commercial real estate or real estate-related loans. A REIT is not subject to federal income tax on income distributed to its shareholders if it complies with regulatory requirements relating to its organization, ownership, assets, and income, and with the regulatory requirement that it distribute to its shareholders at least 90% of its taxable income for each taxable year. Generally, REITs can be classified as equity REITs, mortgage REITs, and hybrid REITs. Equity REITs invest the majority of their assets in real property and derive their income primarily from rents and capital gains from appreciation realized through property sales. Mortgage REITs invest the majority of their assets in real estate mortgages and derive their income primarily for interest payments.

Reverse Repurchase Agreements. The Fund may invest in reverse repurchase agreements. A reverse repurchase agreement is a transaction in which the Fund purchases securities and simultaneously commits to resell the securities to the original seller (a member bank of the Federal Reserve System or a securities dealer who is a member of a national securities exchange or is a market maker in U.S. government securities) at an agreed upon date and price reflecting a market rate of interest unrelated to the coupon rate or maturity of the purchased securities. Reverse repurchase agreements carry certain risks not associated with direct investments in securities including possible decline in the market value of the underlying securities and costs to the Fund if the other party to the repurchase agreement becomes bankrupt, so that the Fund is delayed or prevented from exercising its rights to dispose of the collateral securities. The value of the underlying securities (or collateral) will be at least equal at all times to the total amount of the repurchase obligation, including the interest factor.

Dollar Rolls and Reverse Repurchase Agreements

The Fund may enter into dollar rolls, in which the Fund sells mortgage-backed or other securities for delivery in the current month and simultaneously contracts to purchase substantially similar securities on a specified future date. In the case of dollar rolls involving mortgage-backed securities, the mortgage-backed securities that are purchased will be of the same type and will have the same interest rate as those sold, but will be supported by different pools of mortgages. The Fund forgoes principal and interest paid during the roll period on the securities sold in a dollar roll, but the Fund is compensated by the difference between the current sales price and the lower price for the future purchase as well as by any interest earned on the proceeds of the securities sold. The Fund could also be compensated through the receipt of fee income equivalent to a lower

forward price. The Fund may also enter into reverse repurchase agreements in which a member bank of the Federal Reserve System or a securities dealer who is a member of a national securities exchange or is a market-maker in U.S. government securities purchases portfolio securities from the Fund, coupled with an agreement to resell them to the Fund at a specific date and price (a “Reverse Repurchase Agreement”).

Dollar rolls and Reverse Repurchase Agreements will generally be considered to be leverage and accordingly, will be subject to the Fund’s limitations on leverage, which will restrict the aggregate of such transactions, together with the issuance of preferred stock, debt securities, and other forms of leverage, to 33¹/₃% of the Fund’s total assets. In addition, certain of the dollar rolls and Reverse Repurchase Agreements entered into by the Fund will be arbitrage transactions in which the Fund will maintain an offsetting position in securities or Reverse Repurchase Agreements (as defined herein) that mature on or before the settlement date on the related dollar roll or Reverse Repurchase Agreement. The Investment Adviser believes that such arbitrage transactions do not present the risks to the Fund that are associated with other types of leverage.

The market value of securities sold under Reverse Repurchase Agreements typically is greater than the proceeds of the sale, and accordingly, the market value of the securities sold is likely to be greater than the value of the securities in which the Fund invests those proceeds. Reverse Repurchase Agreements involve the risk that the buyer of the securities sold by the Fund might be unable to deliver them when the Fund seeks to repurchase such securities. In the event the buyer of securities under a Reverse Repurchase Agreement files for bankruptcy or becomes insolvent, such buyer or its trustee or receiver may receive an extension of time to determine whether to enforce the Fund’s obligation to repurchase the securities and the Fund’s use of the proceeds of the Reverse Repurchase Agreement may effectively be restricted pending such decision.

U.S. Government Securities. The Fund may invest in U.S. government securities, including a variety of securities that are issued or guaranteed by the U.S. government, its agencies or instrumentalities and reverse repurchase agreements secured thereby. These securities include securities issued and guaranteed by the U.S. government, such as Treasury bills, Treasury notes, and Treasury bonds; obligations supported by the right of the issuer to borrow from the U.S. Treasury, such as those of the Federal Home Loan Bank; and obligations supported only by the credit of the issuer, such as those of the Federal Intermediate Credit Bank.

When-Issued and Delayed Delivery Transactions. The Fund may enter into agreements with banks or broker-dealers for the purchase or sale of securities at an agreed-upon price on a specified future date. Such agreements might be entered into, for example, when the Investment Adviser anticipates a decline in interest rates and is able to obtain a more advantageous yield by committing currently to purchase securities to be issued later. When the Fund purchases securities on a when-issued or delayed delivery basis, it is required either (1) to create a segregated account with the Custodian and to maintain in that account cash, U.S. government securities, or other high grade debt obligations in an amount equal on a weekly basis to the amount of the Fund’s when-issued or delayed delivery commitments, or (2) to enter into an offsetting forward sale of securities it owns which are equal in value to those purchased. The Fund will only make commitments to purchase securities on a when-issued or delayed delivery basis with the intention of actually acquiring the securities. However, the Fund may sell these securities before the settlement date if it is deemed advisable as a matter of investment strategy. When the time comes to pay for when-issued or delayed delivery securities, the Fund will meet its obligations from then available cash flow or the sale of securities or, although it would not normally expect to do so, from the sale of the when-issued or delayed delivery securities themselves (which may have a value greater or less than the Fund’s payment obligation).

Information on Directors and Executive Officers

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

Rico, in its capacity as Administrator, subject to the Fund's investment objective and policies and to general supervision by the Board.

The Board

The Board consists of seven Directors. Six of the Directors are not "interested persons," as defined in Section 2(a)(19) of the 1940 Act (the "Independent Directors"), and one of the Directors is considered an "interested person" of the Fund as a result of his employment as an officer of the Fund, the Fund's Investment Adviser, or an affiliate thereof (the "Interested Director"). The number of members of the Fund's Board may be changed by resolution of the Board.

Committees of the Board

The Board has three standing committees: the Audit Committee, the Dividend Committee and the Nominating Committee.

Audit Committee. The Board has adopted a written Audit Committee Charter and the role of the Audit Committee is to oversee the Fund's accounting and financial reporting policies and practices and to recommend to the Board any action to ensure that the Fund's accounting and financial reporting are consistent with accepted accounting standards applicable to the mutual fund industry. The Audit Committee has three members, Messrs. Cabrer, León and Pelot, all Independent Directors. The Independent Directors who are Audit Committee members are represented by independent legal counsel in connection with their duties. Mr. León serves as Chairman of the Audit Committee and audit committee financial expert. The Audit Committee met four (4) times during the year ended December 31, 2023.

Dividend Committee. The role of the Dividend Committee is to determine the amount, form, and record date of any dividends to be declared and paid by the Fund. The Dividend Committee has three members, two of whom are Independent Directors (Messrs. Cabrer and Pelot) and one who is an Interested Director (Mr. Ubiñas). The Dividend Committee did not meet during the year ended December 31, 2023. The Dividend Committee sets dividends by Unanimous Consent.

Nominating Committee. Pursuant to the adoption of a written charter, the Fund has created a Nominating Committee. The principal responsibilities of the Nominating Committee are to identify individuals qualified to serve as Independent Directors and to recommend its nominees for consideration by the full Board. The Nominating Committee has three members, all of whom are Independent Directors (currently, Messrs. Cabrer, Nido and Pelot). The Independent Directors who are Nominating Committee members are represented by independent legal counsel in connection with their duties. While the Nominating Committee is solely responsible for the selection and nomination of the Independent Directors, the Nominating Committee may consider nominations for the office of Director made by Fund shareholders as it deems appropriate. Shareholders who wish to recommend a nominee should send nominations to the Fund's Secretary that include biographical information and set forth the qualifications of the proposed nominee. The Nominating Committee evaluates nominees from whatever source using the same standard. The Nominating Committee met once during the year ended December 31, 2023.

Independent Directors

Certain biographical and other information relating to the Independent Directors is set forth below, including their ages and their principal occupations for at least five (5) years. Messrs. Nido and Pellot and Mrs. Pérez are members of the boards of directors of all funds that have engaged the Investment Adviser as their investment adviser (the “UBS Advised Funds”) or as their co-investment adviser (the “UBS Co-Advised Funds” and, together with the UBS Advised Funds, the “Affiliated Funds” or the “Fund Complex”). Messrs. Cabrer, Leon and Villamil are members solely of the board of directors of each of the UBS Advised Funds.

Name (Year of Birth) and Address*	Term of Office and Length of Time Served**	Principal Occupation(s) During Past Five Years	Number of Affiliated Funds Overseen	Public Directorships (other than the Affiliated Funds)
Agustin Cabrer (1948)	Director since 2005; term expires in 2026	President of Antonio Roig Sucesores (land holding enterprise with commercial properties) since 1995; President of Libra Government Building, Inc. (administration of court house building) since 1997; President of Cabrer Consulting (financial services business); President of CC Development, LLC (construction supervision and management consulting) for the last five years; President of CC Development, LLC (construction supervision and management consulting) since 2021; and Director of V. Suarez & Co. (food and beverage distribution company) since 2002.	17 funds	None
Vicente J. León (1939)	Director since 2021; term expires in 2024	Independent business consultant since 1999.	17 funds	None
Carlos Nido (1964)	Director since 2007; term expires in 2025	President of Green Isle Capital LLC, a Puerto Rico Venture Capital Fund under law 185 investing primarily in feature films and healthcare since 2016.	24 funds	None
Luis M. Pellot (1948)	Director since 2005; term expires in 2026	President of Pellot-González, Tax Attorneys & Counselors at Law, PSC (legal services business), since 1989.	24 funds	None
Clotilde Pérez (1951)	Director since 2009; term expires in 2025	Consultant for Corporate Development of V. Suarez & Co., Inc. since 2022; Vice President Corporate Development Officer of V. Suarez & Co., Inc. (food and beverage wholesale distribution business) from 1999 until 2022.	24 funds	None
José J. Villamil (1939)	Director since 2021; term expires in 2025	Chairman of the Board and Chief Executive Officer of Estudios Técnicos, Inc. (consulting business) since 2005.	17 funds	None

* The address of the Independent Directors is c/o UBS Trust Company of Puerto Rico — 250 Muñoz Rivera Avenue, Tenth Floor, San Juan, Puerto Rico 00918.

** Each Independent Director serves until his successor is elected and qualified, or until his death or resignation, or removal as provided in the Fund’s By-Laws or charter or by statute, or until December 31 of the year in which he or she turns 85.

Interested Directors and Officers

Certain biographical and other information relating to the Interested Director(s) and to the officers of the Fund, is set forth below, including their ages, their principal occupations for at least the last five years, the length of time served, and the total number of Affiliated Funds overseen by them. These persons also serve as Directors and/or officers of the UBS Advised Funds and, in some cases, of certain of the UBS Co-Advised Funds.

Name (Year of Birth) and Address*	Position(s) Held with the Fund	Term of Office and Length of Time Served**	Principal Occupation(s) During Past Five Years	Number of Affiliated Funds Overseen	Public Directorships (other than the Affiliated Funds)
Carlos V. Ubiñas (1954)	Chairman of the Board and President	President since 2015; Director and Chairman of the Board since 2012; term expires in 2024	Managing Director, Vice Chairman of Wealth Management and President of UBS Trust Company of Puerto Rico; Chief Executive Officer of UBS Financial Services Inc of Puerto Rico from 2009 to 2021; President of UBS Financial Services Inc. of Puerto Rico since 2005; Managing Director, Head of Asset Management and Investment Banking of UBS Financial Services Inc of Puerto Rico. since 2014.	18 funds	None
Leslie Highley, Jr. (1946)	Senior Vice President	Senior Vice President since 2005	Managing Director of UBS Trust PR; Senior Vice-President of UBS Financial Services Inc.; Senior Vice President of the Puerto Rico Residents Tax-Free Family of Funds; President of Dean Witter Puerto Rico, Inc. since 1989 and Executive Vice President of the Government Development Bank for Puerto Rico.	N/A	None
William Rivera (1958)	First Vice President and Treasurer	Treasurer since 2015 and First Vice President since 2005	Executive Director of UBS Asset Managers since 2011; Director of UBS Asset Managers from 2006 to 2010; Assistant Portfolio Manager for UBS Asset Managers; First Vice President of Trading of UBS Trust PR since January 2002 and of UBS Financial Services Puerto Rico since 1987. UBS Asset Managers, UBS Trust PR and UBS Financial Services Inc. are affiliates of the Fund.	N/A	None
Javier Rodriguez (1973)	Assistant Vice President and Assistant Treasurer	Assistant Vice President and Assistant Treasurer since 2005	Divisional Assistant Vice President, trader, and portfolio manager of UBS Trust PR since 2003; financial analyst with UBS Trust PR from 2002 to 2003; financial analyst with Popular Asset Management from 1998 to 2002. Management from 1998 to 2002. UBS Trust PR is an affiliate of the Fund.	N/A	None
Liana Loyola (1961)	Secretary	Secretary since 2014	Attorney in private practice since 2009.	N/A	None

Name (Year of Birth) and Address*	Position(s) Held with the Fund	Term of Office and Length of Time Served**	Principal Occupation(s) During Past Five Years	Number of Affiliated Funds Overseen	Public Directorships (other than the Affiliated Funds)
Luz Nereida Colon (1974)	Chief Compliance Officer	Chief Compliance Officer since 2013	Executive Director and Chief Compliance Officer of UBS Asset Managers of Puerto Rico and the Funds; CCO for UBS Fund Advisor (RIA for private equity funds) from 2019 to 2022; Co-CCO for the Puerto Rico Investors Family of Funds, which is co-managed by UBS Asset Managers of Puerto Rico and Banco Popular of Puerto Rico, from 2013 to 2021.	N/A	None
Heydi Cuadrado (1980)	Assistant Vice President	Assistant Vice President since 2019	Director of UBS Trust Company since March 2012. Trader and Assistant Portfolio Manager for UBS Asset Managers of Puerto Rico since 2008.	N/A	None
Gustavo Romañach (1974)	Assistant Vice President	Assistant Vice President since 2019	Director of UBS Asset Managers of Puerto Rico since 2013; Associate Director Portfolio analyst & trader of UBS Asset Managers of Puerto Rico since 2009; Assistant Vice- President of UBS Asset Managers of PR since 2003.	N/A	None

* The address of the Interested Director(s) and Officers of the Fund is c/o UBS Trust Company of Puerto Rico, 250 Muñoz Rivera Avenue, Tenth Floor, San Juan, Puerto Rico 00918.

** Each Interested Director serves until his successor is elected and qualified, or until his death or resignation, or removal as provided in the Fund's By-Laws or charter or by statute, or until December 31 of the year in which he or she turns 85. Each officer is elected by and serves at the pleasure of the Board.

Board Diversification and Director Qualifications.

In determining that a particular Director was qualified to serve on the Board, the Board has considered each Director's background, skills, experience, and other attributes in light of the composition of the Board with no particular factor controlling. The Board believes that Directors need to have the ability to critically review, evaluate, question, and discuss information provided to them, and to interact effectively with Fund management, service providers, and counsel, in order to exercise effective business judgment in the performance of their duties, and the Board believes each Director satisfies this standard. An effective Director may achieve this ability through his or her educational background; business, professional training or practice; public service or academic positions; experience from service as a board member or executive of investment funds, public companies, or significant private or not-for-profit entities or other organizations; and/or other life experiences. Accordingly, set forth below is a summary of the experiences, qualifications, attributes, and skills that led to the conclusion, as of the date of this document, that each Director should continue to serve in that capacity. References to the experiences, qualifications, attributes, and skills of Directors are pursuant to requirements of the SEC, do not constitute holding out of the Board or any Director as having any special expertise or experience and shall not impose any greater responsibility or liability on any such person or on the Board by reason thereof.

Luis M. Pellot. Mr. Pellot has been the President of Pellot-González, Tax Attorneys & Counselors at Law, PSC since 1989. He is also a member of the Puerto Rico Bar Association, Puerto Rico Manufacturers Association, Puerto Rico Chamber of Commerce, Puerto Rico General Contractors Association, Puerto Rico Hotel & Tourism Association and Hispanic National Bar Association and President of Tax Committee, Puerto Rico Chamber of Commerce from 1996 to 1997. He has been an Independent Director and member of the Audit Committee of the UBS Family of Funds since 2002.

Agustin Cabrer. Mr. Cabrer was the President of Starlight Development Group, Inc., a real estate development company, from 1995 to 2014. He is also the President of Antonio Roig Sucesores since 1995 (real

estate development), a Partner of Desarrollos Roig since 1995, Desarrollos Agricolas del Este S.E. since 1995, and El Ejemplo, S.E. since 1995 (real estate development). He is also a Partner, Pennock Growers, Inc. since 1998, Partner and Managing Director of RERBAC Holdings, LLP since 2004 (real estate development), Director of V. Suarez & Co. since 2002, V. Suarez Investment Corporation since 2002, V. Suarez International Banking Entity, Inc. since 2002, Villa Pedres, Inc. since 2002, and Caparra Motor Service since 1998, Director of TC Management from 2002 to 2013, Officer of Candelero Holdings & Management, Inc. from 2001 to 2013, 100% owner, President and Registered Principal (Agent) of Starlight Securities Inc. since 1995 (registered broker-dealer), former Member of the Board of Trustees of the University of Puerto Rico, Partner and Officer of Grupo Enersol, LLC since 2013 (solar photovoltaic developer), President of Libra Government Building, Inc. since 1997, Partner of Cometa 74, LLC since 1998, Vice-President of Candelario Point Partners, Inc. since 1998 and Officer of Marbella Development, Corp. from 2001 to 2014.

Carlos Nido. Mr. Nido has been the President of Green Isle Capital LLC, a Puerto Rico Venture Capital Fund under law 185 investing primarily in feature films and healthcare, since 2015. He is also President and Executive Producer of Piñolywood Studios LLC. He also serves as a member of the Board of Grupo Ferré Rangel, GFR Media, LLC, the UBS Puerto Rico family of Mutual Funds, B. Fernández & Hnos. Inc., Puerto Rico Ambulatory Surgery Center, and the San Jorge Children's Foundation; Member of the Advisory Board of Advent Morro Private Equity Funds. Former Senior Vice President of Sales of El Nuevo Día, President of Del Mar Events. He is the former President and founder of Virtual, Inc. and Zona Networks and General Manager of Editorial Primera Hora from 1997 until 1999.

Clotilde Pérez. Ms. Perez has been a corporate development consultant since 2022; Vice President Corporate Development Officer of V. Suárez & Co., Inc. from 1999 to 2022; former Member of the Board of Trustees of the University of the Sacred Heart from 2005 to 2019; Member of the Board of Directors of Campofresco Corp. since 2012; Partner of Infogerencia, Inc. since 1985; former Member of the Board of Directors of Grupo Guayacan, Inc., EnterPrize, Inc., and Puerto Rico Venture Forum from 1999 to 2013; Vice President Venture Capital, PR Economic Development Bank from 1993-1996; and Associate Professor of Finance, University of Puerto Rico, Rio Piedras Campus from 1987-1992.

Carlos V. Ubiñas. Mr. Ubiñas has been the Chief Executive Officer of UBS Financial Services, Inc. since 2009. He has also been the President of UBS Financial Services, Inc. since 2005 and the Managing Director, Head Asset Management and Investment Banking of UBS Financial Services, Inc. since 2014. He is the former Chief Operating Officer and Executive Vice President of UBS Financial Services, Inc. from 1989 to 2005.

Vicente J. León. Mr. León has been an Independent Director of the Funds from 2008 to 2019 and since 2021, he oversees 18 funds consisting of 29 portfolios. For the past five years, Mr. León is an independent business consultant and in 2020 and 2021 was a consultant to the Audit Committee of the Funds. He is a former Member and Vice Chairman of the Board of Directors and Chairman and Financial Expert of the Audit Committee of Triple S Management Corp. (a Public Company) from 2000 to 2012, past president of the Puerto Rico Society of Certified Public Accountants and a former Partner at KPMG LLP.

José J. Villamil. Mr. Villamil is Chairman of the Board and Chief Executive Officer of Estudios Técnicos, Inc.; Member of the Board of Governors of United Way of Puerto Rico; Chairman of the Puerto Rico Manufacturer's Association's Committee on Competitiveness; Chairman of the Board of BBVA-PR from 1998 to 2012; founding Director of the Puerto Rico Community Foundation and the Aspen Institute's Non-Profit Sector Research Fund; former Member of the New York Federal Reserve Bank's Community Affairs Roundtable; former President of the Puerto Rico Chamber of Commerce, as well as former Chairman of its Economic Advisory Council; former President of the Inter-American Planning Society; former President of the Puerto Rico Economics Association; former Chairman of the Puerto Rico-2025 Commission (formerly, Alianza para el Desarrollo); former Chairman of the Commission on the Economic Future of Puerto Rico; former professor of the Economics Department of the University of Pennsylvania's Wharton School and Graduate School of Arts and Sciences and former Professor of Planning at the University of Puerto Rico. Mr. Villamil has

served on numerous Boards such as, the Boards of the Ponce School of Medicine, St. John's School and the Ana G. Méndez University System, the Board of the National Puerto Rican Coalition in Washington, and on the Board of Economists of Hispanic Business. In 2009, Mr. Villamil was appointed as a Member of the Economic Advisory Council as well as Chairman of the Strategic Planning Committee of the State Human Resources and Occupational Development Council; Director of UBS Family of Funds from 2013-2019.

Leadership Structure and Oversight Responsibilities of the Board

The Board is responsible for overseeing the Adviser's management and operations of the Fund pursuant to the Advisory Agreement. Directors also have significant responsibilities under the federal securities laws. Among other things, they

- oversee the performance of the Fund;
- monitor the quality of the advisory and shareholder services provided by the Investment Adviser;
- review annually the fees paid to the Investment Adviser for its services;
- monitor potential conflicts of interest between the Fund and the Investment Adviser;
- monitor distribution activities, custody of assets, and the valuation of securities; and
- oversee the Fund's compliance program.

In performing their duties, Directors receive detailed information about the Fund and the Investment Adviser on a regular basis and meet at least quarterly with management of the Investment Adviser to review reports relating to the Fund's operations. The Directors' role is to provide oversight and not to provide day-to-day management.

The Chairman of the Board is an interested person of the Fund as that term is defined under Section 2(a)(19) of the 1940 Act because of his affiliation with the Investment Adviser. The remaining Directors and their immediate family members have no affiliation or business connection with the Investment Adviser, the Fund's principal underwriter, or any of their affiliated persons and do not own any stock or other securities issued by the Investment Adviser or the Fund's principal underwriter.

Mr. Ubiñas, the Chairman of the Board, is an Interested Director because of his affiliation with the Investment Adviser. The Independent Directors have designated Augustin Cabrer as lead Independent Director who generally acts as chairman of meetings or executive sessions of the Independent Directors and, when appropriate, represents the views of the Independent Directors to management. The Board has determined that its leadership structure is appropriate for the Fund because it enables the Board to exercise informed and independent judgment over matters under its purview, allocates responsibility among committees in a manner that fosters effective oversight, and allows the Board to devote appropriate resources to specific issues in a flexible manner as they arise. The Board periodically reviews its leadership structure as well as its overall structure, composition, and functioning and may make changes in its discretion at any time.

Risk Oversight by the Board

As mentioned above, the Board oversees the management of the Fund and meets at least quarterly with management of the Investment Adviser to review reports and receive information regarding the Fund's operations. Risk oversight relating to the Fund is one component of the Board's oversight and is undertaken in connection with the duties of the Board. As described above, the Board's committees assist the Board in overseeing various types of risks relating to the Fund. The Board receives reports from the standing committees regarding their areas of responsibility and, through those reports and its interactions with management of the Investment Adviser during and between meetings, analyzes, evaluates, and provides feedback on the Investment Adviser's risk management process. In addition, the Board receives information regarding, and has discussions with senior management of the Investment Adviser about, the Investment Adviser's risk management systems and strategies. The Fund's Chief Compliance Officer ("CCO") reports to the Board at least quarterly regarding

compliance and legal risk concerns. In addition to quarterly reports, the CCO provides an annual report to the Board in accordance with the Fund's compliance policies and procedures. The CCO regularly discusses relevant compliance and legal risk issues affecting the Fund during meetings with the Independent Directors. The CCO updates the Board on the application of the Fund's compliance policies and procedures and discusses how they mitigate risk. The CCO also is in charge of reporting to the Board regarding any problems associated with the Fund's compliance policies and procedures that could expose the Funds to risk. There can be no assurance that all elements of risk, or even all elements of material risk, will be disclosed to or identified by the Board.

Compensation of Directors

Each Independent Director receives a stipend from the Fund of up to \$1,000 plus expenses for attendance at each meeting of the Board, and \$500 plus expenses, for attendance at each meeting of a committee of the Board. The Independent Directors do not receive retirement or other benefits as part of their compensation. The following table sets forth the compensation earned by the Independent Directors from the Fund and the total compensation paid to them by the Affiliated Funds for the calendar year ended December 31, 2023.

Name of Independent Director	Aggregate Compensation from Fund	Retirement Benefits Accrued	Annual Benefits Upon Retirement	Total Compensation from Affiliated Funds Paid to Independent Directors ⁽¹⁾
Luis M. Pellot ⁽²⁾⁽³⁾	\$ 6,058.82	N/A	N/A	\$ 152,500
Agustin Cabrer ⁽³⁾⁽⁴⁾	\$ 6,058.82	N/A	N/A	\$ 104,500
Carlos Nido ⁽²⁾	\$ 4,058.82	N/A	N/A	\$ 108,500
Clotilde Pérez ⁽²⁾⁽³⁾	\$ 4,558.82	N/A	N/A	\$ 126,000
Vicente J. León ⁽⁴⁾	\$ 4,529.41	N/A	N/A	\$ 103,000
José J. Villamil ⁽⁴⁾	\$ 3,029.41	N/A	N/A	\$ 69,500

(1) For Messrs. Cabrer, León, and Villamil, the Affiliated Funds consist of the UBS Family of Funds. For Messrs. Nido and Pellot and Ms. Pérez, the Affiliated Funds consist of the UBS Family of Funds and the Co-Advised Family of Funds.

(2) Independent Director who also serves on the boards of the twenty-four Affiliated Funds.

(3) Ms. Perez is an Independent Director who serves on the Audit Committee of the UBS Co-Advised Funds. Messrs. Pellot and Cabrer are Independent Directors who serve on the Audit Committee of each of the UBS Advised Funds.

(4) Independent Director who also serves on the boards of the seventeen UBS Advised Funds.

Beneficial Ownership of Equity Securities in the Fund and Affiliated Funds by Each Director

The following table sets forth the dollar range of equity securities beneficially owned by each Director as of December 31, 2023:

Name of Director	Dollar Range of Equity Securities in the Fund	Aggregate Dollar Range of Equity Securities in All Registered Investment Companies Overseen by Director in Affiliated Funds (including funds in the Fund Complex) ⁽¹⁾
Luis M. Pellot	None	None
Agustin Cabrer	None	None
Clotilde Pérez	None	None
Carlos Nido	\$1–\$10,000	\$10,001–\$50,000
Carlos V. Ubiñas	\$50,001–\$100,000	\$500,001–\$1,000,000
Vicente J. León	None	None
José J. Villamil	None	None

(1) For Messrs. Cabrer, León, and Villamil, the Affiliated Funds consist of the UBS Family of Funds. For Messrs. Nido and Pellot and Ms. Pérez, the Affiliated Funds consist of the UBS Family of Funds and the Co-Advised Family of Funds.

As of March 31, 2024, the Directors of the Fund as a group beneficially owned an aggregate of less than 1% of the Fund's outstanding Shares. As of December 31, 2023, based on information provided by each of

the Independent Directors, none of the Independent Directors or their immediate family members owned beneficially or of record any securities of the Investment Adviser, the Fund’s principal underwriter or any person (other than a registered investment company) directly or indirectly controlling, controlled by or under common control with such entities.

As of December 31, 2023, none of the other Directors and officers of the Fund have entered into any material transactions with the Fund; provided, however, that certain of the Directors and officers of the Fund are employees of entities which have entered into material agreements with the Fund, as described herein.

Directors and Officers Insurance

The Fund has obtained directors’ and officers’ liability insurance for its Directors and officers. The Fund has also agreed to indemnify its Directors and officers for certain liabilities to the fullest extent permitted by Puerto Rico law. Pursuant to Section 17(h) of the 1940 Act, such indemnification of the Directors would not protect a Director from liability to the Fund or its shareholders from liability that the Director would otherwise be subject to by reason of such Director’s own bad faith, willful misfeasance, gross negligence, or reckless disregard of his or her duties as a Director.

Management, Advisory and Other Service Arrangements

Investment Advisory Arrangements

Subject to the oversight of the Board, investment advisory services are provided to the Fund by the Investment Adviser, UBS Asset Managers of Puerto Rico, a division of UBS Trust Company of Puerto Rico, pursuant to an investment advisory contract (the “Advisory Agreement”).

As of February 29, 2024, the Investment Adviser serves as investment adviser or co-investment adviser to funds with combined portfolio assets of approximately \$1.8 billion. UBS Trust Company of Puerto Rico, an affiliate of the Fund and UBS Financial Services Inc., is a trust company organized and validly existing under the laws of Puerto Rico.

The following table sets forth the management fee paid by the Fund for the last three fiscal years:

Fee Paid to the Investment Adviser for the Fiscal Year Ended December 31,			Fee Waived by the Investment Adviser for the Fiscal Year Ended December 31,			Fee Reimbursed by the Investment Adviser for the Fiscal Year Ended December 31,		
2023	2022	2021	2023	2022	2021	2023	2022	2021
\$681,107	\$534,513	\$631,056	\$227,036	\$267,361	\$317,154	\$ 0	\$ 0	\$ 0

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

Unless earlier terminated as described below, the Advisory Agreement is initially in effect for a period of two years from the date of execution and will remain in effect from year to year thereafter if approved annually by a vote of a majority of the Independent Directors. The Advisory Agreement provides that it will

terminate automatically if assigned (as defined in the 1940 Act). The Advisory Agreement also provides that it may be terminated without penalty (i) at any time by a unanimous vote of the Independent Directors, (ii) on 60 days' written notice by the Investment Adviser or (iii) on 60 days' written notice to the Investment Adviser by the vote of a majority of the outstanding voting securities of the Fund.

Sub-Advisory Agreement

The Advisory Agreement authorizes the Investment Adviser to retain one or more sub-advisers for the management of the Fund and the Investment Adviser has entered into a sub-advisory agreement (the "Sub-advisory Agreement") with Nuveen Asset Management, LLC ("NAM") with respect to the Fund. The Sub-advisory Agreement was approved by the Board. Subject to the supervision of the Board, the Investment Adviser oversees the investment advisory services provided by the Sub-adviser. Pursuant to the Sub-advisory Agreement, and under the supervision of the Investment Adviser and the Board, the Sub-adviser is responsible for the day-to-day investment management of the portion of the Fund's assets invested in U.S. municipal securities (the "US Portion"). The Investment Adviser monitors and evaluates the Sub-adviser's performance and oversees the Sub-adviser's compliance with the Fund's investment objective, policies, and restrictions. The Investment Adviser (not the Fund) pays the Sub-adviser a fee up to 0.25% of the average daily gross assets of the US Portion.

NAM is a subsidiary of Nuveen, LLC, the investment management arm of Teachers Insurance and Annuity Association of America ("TIAA"). TIAA is the ultimate control person of NAM.

UBS Trust Company of Puerto Rico ("UBS TCPR" or the "Administrator") and the Fund have entered into an Expense Limitation and Reimbursement Agreement (the "Expense Limitation Agreement") whereby the UBS TCPR will pay a portion of the Fund's other expenses and the Investment Adviser will waive a portion of its advisory fee in order to ensure that net total operating expenses (excluding taxes, leverage, interest, brokerage commissions, dividends or interest expenses on short positions, acquired fund fees and expenses, and extraordinary expenses) after Fee Waivers and/or Expense Reimbursements do not exceed 1.00% of average daily gross assets per annum. The Fund may have to repay some of these waivers and/or reimbursements during the following three years. Any such repayment period is limited to three years from the date of the waiver/reimbursement. Any repayment by the Fund to the Administrator will not cause the Fund's expenses to exceed (i) the expense limitation at the time the fees are waived and (ii) the expense limitation in effect at the time of such reimbursement. The Expense Limitation Agreement is effective through June 30, 2025.

Information Regarding the Portfolio Managers

Leslie Highley, Jr. and Javier Rodriguez are the portfolio managers of the Investment Adviser for the Fund and are primarily responsible for the day-to-day management of the Fund's portfolio. Daniel J. Close, CFA and Kristen M. DeJong, CFA serve as the NAM portfolio managers and are primarily responsible for the day-to-day management of the US Portion of the Fund.

Other Funds and Accounts Managed

The following table sets forth information about the funds and accounts other than the Fund for which the Fund’s portfolio managers (the “Portfolio Managers” and in each case, a “Portfolio Manager”) are primarily responsible for the day-to-day portfolio management as of December 31, 2023.

Portfolio Manager	Number of Other Accounts Managed and Assets by Account Type			Number of Other Accounts and Assets for Which Advisory Fee is Performance-Based		
	Other Registered Investment Companies	Other Pooled Investment Vehicles	Other Accounts	Other Registered Investment Companies	Other Pooled Investment Vehicles	Other Accounts
Leslie Highley, Jr.	23 \$1.7 billion	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0
Javier Rodriguez	2 \$112 million	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0
Daniel J. Close	16 \$27.03 billion	2 \$509.64 million	48 \$14.65 billion	0 \$0	0 \$0	0 \$0
Kristen M. DeJong	20 \$19.54 billion	0 \$0	30 \$7.03 billion	0 \$0	0 \$0	0 \$0

Portfolio Manager Compensation Overview

The discussion below describes the Portfolio Managers’ compensation as of December 31, 2023.

Portfolio Manager Compensation at the Investment Adviser – Leslie Highley, Jr. and Javier Rodriguez

Portfolio manager compensation consists primarily of base pay, an annual cash bonus, and long-term incentive payments.

Salary. Base pay is determined based upon an analysis of the Portfolio Managers’ general performance, experience, and market levels of base pay for such position.

Bonus. The Portfolio Managers are eligible for discretionary incentive compensation which is determined considering a number of factors including without limitation, individual performance relative to expectations and/or objectives as agreed with the respective manager, the achievement of financial and non-financial objectives by the business area and UBS (and its parents, subsidiaries, and affiliates, including without limitation UBS Group AG), and legal and/or regulatory obligations.

Deferred Compensation. UBS retains the right to pay any part of such incentive compensation as deferred compensation in accordance with the terms and conditions of the UBS deferred compensation plans and award programs and the restrictions imposed by Section 409A of the U.S. Internal Revenue Code of 1986, as amended (Section 409A). Certain key employees of the Investment Adviser, including certain portfolio managers, have received profits interests as deferred compensation, which entitle their holders to participate in the firm’s growth over time.

Retirement Plans and arrangements. Employees of the Investment Adviser, including the Portfolio Managers, are eligible to participate in the Puerto Rico Savings Plus Plan. The employees can choose to contribute a percentage of their eligible compensation, from 1% to 85%. The employees can elect to contribute before-tax, after-tax, to a Roth 401(k), or to a combination of the three. UBS will match a percentage of an employee’s eligible contribution. UBS will make additional retirement contributions on behalf of the employee, regardless of the employee contributions into the 401(k).

Portfolio Manager Compensation at the Sub-adviser – Daniel J. Close and Kristen M. DeJong

Portfolio Managers are compensated through a combination of base salary and variable components consisting of (i) a cash bonus; (ii) a long-term performance award; and (iii) participation in a profits interest plan.

Salary. Base salary is determined based upon an analysis of the Portfolio Managers' general performance, experience, and market levels of base pay for such position.

Bonus. The Portfolio Managers are eligible to receive an annual cash bonus that is based on three variables: risk-adjusted investment performance relative to benchmark, generally measured over the most recent one, three, and five year periods (unless the Portfolio Manager's tenure is shorter), ranking versus peer funds generally measured over the most recent one, three, and five year periods (unless the Portfolio Manager's tenure is shorter), and management and peer reviews.

Long-Term Performance Award. The Portfolio Managers are eligible to receive a long-term performance award that vests after three years. The amount of the award when granted is based on the same factors used in determining the cash bonus. The value of the award at the completion of the three-year vesting period is adjusted based on the risk-adjusted investment performance of Fund(s) managed by the Portfolio Manager during the vesting period and the performance of the TIAA organization as a whole.

Profits Interest Plan. The Portfolio Managers are eligible to receive profits interests in NAM and certain affiliates, which vest over time and entitle their holders to a percentage of the firms' annual profits. Profits interests are allocated to the Portfolio Managers based on the person's overall contribution to the firm.

There are generally no differences between the methods used to determine compensation with respect to the Funds and the Other Accounts.

Portfolio Manager Beneficial Holdings

The following table shows the dollar range of securities owned beneficially and of record by the Portfolio Managers in the Fund and in all affiliated funds, including investments by their immediate family members and amounts invested through retirement and deferred compensation plans. This information is provided as of December 31, 2023.

Name of Portfolio Manager	Dollar Range of Shares of the Fund	Dollar Range of Equity Securities in the Affiliated Investment Companies
Leslie Highley, Jr.	\$100,001-\$500,000	\$500,001-\$1,000,000
Javier Rodriguez	None	None
Daniel J. Close	None	None
Kristen M. DeJong	None	None

Portfolio Manager Potential Material Conflicts of Interest

The Portfolio Managers' management of the Fund and other accounts could result in conflicts of interest if the Fund and other accounts have different objectives, benchmarks, and fees. In addition, the Portfolio Managers allocate their time and investment expertise across multiple accounts, including the Fund. The Investment Adviser and Sub-adviser manage such competing interests for the time and attention of portfolio managers by having a portfolio manager focus on a particular investment discipline.

With respect to Portfolio Managers for both the Investment Adviser and the Sub-adviser, if a Portfolio Manager identifies a limited investment opportunity that may be suitable for more than one account or portfolio,

the Fund may not be able to take full advantage of that opportunity due to an allocation of filled purchase or sale orders across all eligible portfolios and accounts. To deal with these situations, the Investment Adviser and Sub-adviser employ allocation methods intended to provide fair and equitable treatment to all accounts over time. The Investment Adviser and Sub-adviser may execute orders for the same security for both the Fund and other accounts. With respect to such orders, the Investment Adviser and Sub-adviser determine which broker to use to execute each order, consistent with their duty to seek best execution for the transaction. The Investment Adviser and Sub-adviser may aggregate trades of several accounts to obtain more favorable execution and lower brokerage commissions.

Certain investments may be appropriate for the Fund and also for other clients advised by the Investment Adviser and/or the Sub-adviser and their affiliates, including other client accounts managed by the Portfolio Managers. Investment decisions for the Fund and other clients are made with a view to achieving their respective investment objectives and after consideration of such factors as their current holdings, availability of cash for investment, and the size of their investments generally. Frequently, a particular security may be bought or sold for only one client or in different amounts and at different times for more than one but less than all clients. Likewise, because clients of the Investment Adviser and/or Sub-adviser and their affiliates may have differing investment strategies, a particular security may be bought for one or more clients when one or more other clients are selling the security. In such event, such transactions will be allocated among the clients of the Investment Adviser and/or Sub-adviser in a manner believed by the Investment Adviser and/or Sub-adviser to be equitable to each client. The investment results for the Fund may differ from the results achieved by other clients of the Investment Adviser and/or the Sub-adviser and their affiliates and results among clients may differ. In some cases, the allocation procedure could have an adverse effect on the price or amount of the securities purchased or sold by the Fund. Purchase and sale orders for the Fund may be combined with those of other clients of the Investment Adviser and/or Sub-adviser and their affiliates in the interest of achieving the most favorable net results to the Fund. The Investment Adviser and/or Sub-adviser will not determine allocations based on whether they receive a performance-based fee from a particular client.

In some cases, a conflict may also arise where a Portfolio Manager owns an interest in one fund or account he or she manages and not another.

Administrator

UBS Trust Company of Puerto Rico serves as Administrator of the Fund. The Administrator is located at American International Plaza - Tenth Floor, 250 Muñoz Rivera Avenue, San Juan, Puerto Rico 00918. The Administrator is a trust company organized and validly existing under the laws of Puerto Rico. The Administrator may retain one or more sub-administrators for the Fund.

Pursuant to an Administration Agreement with the Fund, the Administrator, subject to the overall supervision of the Board, provides facilities and personnel to the Fund in the performance of certain services including the determination of the Fund's net asset value and net income. The Administrator may enter into agreements with third parties to perform some or all of these tasks, subject to the oversight and ultimate responsibility of the Administrator. As compensation for its administration services to the Fund, the Administrator receives an administration fee equal to 0.15% of the Fund's average daily gross assets, payable monthly. The fee paid to the Administrator by the Fund for the fiscal year ended December 31, 2023, was \$136,222.

The Administrator has entered into a Service Agreement with State Street Bank and Trust Company ("State Street") to provide support services with respect to the Fund. State Street is a Massachusetts trust company located at One Lincoln Street, Boston, MA 02111.

Independent Registered Public Accounting Firm

Ernst & Young LLP, with offices located at One Manhattan West, New York, New York 10001, serves as the Fund's independent registered public accounting firm.

Custodian

The Fund's securities and cash are held under a Custody Agreement between the Fund and UBS Trust Company of Puerto Rico, pursuant to which UBS Trust Company of Puerto Rico serves as custodian for the Fund's assets (in such capacity, the "Custodian"). As compensation for its custody services, the Custodian receives a fee as agreed from time to time with the Fund; such fee is at a rate customarily paid to other custodians for the provision of similar services. The Custodian may retain the services of a sub-custodian, which may be its affiliate. The Fund has retained JPMorgan Chase Bank, N.A. to perform certain custody functions for the Fund. The fee paid to the Custodian for the fiscal year ended December 31, 2023, was \$16,246.

Transfer Agent and Registrar

Pursuant to the terms of the Transfer Agency, Registrar, and Shareholder Servicing Agreement between the Fund and UBS Trust Company of Puerto Rico, the latter is responsible for maintaining a register of the Shares for holders of record and opening and maintaining Shareholder accounts (in such capacity, the "Transfer Agent"). As compensation for its transfer agency, registrar, dividend disbursing and shareholder services, the Transfer Agent receives a fee as agreed from time to time with the Fund. Such fee is at a rate customarily paid to other transfer agents for the provision of similar services. The Transfer Agent may retain the services of a sub-transfer agent, which may be its affiliate. The fee paid to the Transfer Agent by the Fund for the fiscal year ended December 31, 2023, was \$17,450.

Distributor

UBS Financial Services Inc. (the "Distributor") serves as the distributor of the Shares under a distribution agreement with the Fund ("Distribution Agreement") which requires the Distributor to use its best efforts, consistent with its other business, in selling Shares. Shares are continuously offered. The Distributor has adopted a Code of Ethics.

Effective May 11, 2022, the Fund's Rule 12b-1 Plan was terminated.

Information on Sales Charges and Distribution Related Expenses

The Distributor acts as the Fund's sole distributor. Set forth below is information on sales charges received by the Fund, including the amounts paid to affiliates of the Investment Adviser ("affiliates") for the periods shown.

<u>For the Fiscal Year Ended December 31,</u>	<u>Gross Sales Charges Collected</u>	<u>Sales Charges Retained by the Distributor</u>	<u>Sales Charges Paid To Affiliates</u>
2023	\$0	\$0	\$0
2022	\$3,300	\$3,300	\$3,300
2021	\$88,594	\$88,594	\$88,594

Pricing of Shares

Computation of Offering Price Per Share

An illustration of the computation of the offering price of Class A Shares of the Fund based on the value of the Fund's Class A Shares' net assets and the number of Class A Shares outstanding on December 31, 2023, is set forth below.

Computation of Offering Price Per Share:	The Fund
Net Assets	\$55,133,029
Number of Shares Outstanding	5,741,342
Net Asset Value Per Share (net assets divided by number of shares outstanding)	\$9.60
Sales Charge (3.75% of offering price; 3.90% of net asset value per share)	\$0.37
Offering Price	\$9.98

For more information about the valuation of the Fund's Shares, see "Valuation" in the Prospectus.

Portfolio Transactions and Brokerage

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

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

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

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

order, in other cases it is believed that simultaneous transactions and the ability to participate in volume transactions will benefit the Fund.

The following table sets forth the aggregate amount of brokerage commissions paid by the Fund for the last three fiscal years:

	Brokerage Commissions Paid	Brokerage Commissions Paid to Affiliates and Affiliates of Affiliates
Fiscal year ended December 31, 2023	\$536	\$0
Fiscal year ended December 31, 2022	\$1,779	\$0
Fiscal year ended December 31, 2021	\$3,811	\$0

Tax Information

See “Dividends and Taxes” in the Fund’s Prospectus.

Beneficial Owners

Principal Shareholders

To the knowledge of the Fund, the following entities owned of record or beneficially 5% or more of a class of the Fund’s shares as of April 1, 2024.

Class	Stockholder Name and Address*	Percentage Owned
Class A Shares	UBS FINANCIAL SERVICES INC. FBO UBS TRUST COMPANY OF PR	14.00%
Class P Shares	UBS FINANCIAL SERVICES INC. FBO UBS TRUST COMPANY OF PR	79.52%

* The address of each shareholder listed in the table is c/o UBS Financial Services Inc., 250 Munoz Rivera Ave, PH-FL, San Juan, PR 00918-1808.

Proxy Voting Policies

The Board has delegated to the Investment Adviser or along with the Investment Adviser the Sub-adviser the responsibility to vote proxies for the Fund’s securities pursuant to the Investment Adviser’s proxy voting guidelines and procedures (the “Proxy Voting Policy”) and to the Sub-adviser (with respect to the US Portion) pursuant to the Sub-adviser’s Proxy Voting Policy.

The Investment Adviser and the Sub-adviser shall submit to the Board for its review such adviser’s Proxy Voting Policy. The Board shall review and determine that such Proxy Voting Policy and related procedures are reasonably designed to address conflicts of interest and to ensure that the Investment Adviser or the Sub-adviser, as applicable, will vote all proxies in the best interests of the Fund’s shareholders.

A Proxy Voting Committee, comprised of representatives of the Investment Adviser and the Administrator, will oversee and review the Investment Adviser’s and the Sub-adviser’s Proxy Voting Policy as well as receive any summary reports and updates regarding proxies voted by the Investment Adviser and the Sub-adviser.

The Fund believes that voting proxies in accordance with the respective Proxy Voting Policy of the Investment Adviser and the Sub-adviser helps to ensure that voting decisions in situations where there may be a material conflict of interest between the interests of the Fund or any of its affiliates and those of a shareholder are made in the best interest of the Fund’s shareholders. In addition, because of the broad and diverse nature of the business of the Fund and its affiliated companies, it is not practical for the Fund to seek to identify all actual,

potential, or material conflicts of interest with respect to every proxy voting matter. To ensure that the Investment Adviser does not make a voting decision for clients where a material conflict is present, the Investment Adviser may seek voting instructions from the majority of Independent Directors of the Board, vote securities in proportion to the votes cast by all other shareholders, retain an independent third party to make the voting decisions, or take such other steps as may be appropriate to resolve the conflict as determined by the Proxy Voting Committee in consultation with the Fund's legal counsel.

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

The US Portion consists primarily of municipal bonds and other securities that do not issue proxies in the ordinary course. In the rare event that a municipal issuer were to issue a proxy or that the Sub-adviser were to receive a proxy issued by a fixed income security, the Sub-adviser would vote such proxy in the best interest of the Fund based on the Sub-adviser's policies and procedures or vote the proxy with the consent, or based on the instructions, of the Fund or its representative. The Sub-adviser would then oversee the administration of the voting, ensure that records were maintained and provide the results to the Fund.

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

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

The Fund will provide to shareholders the Proxy Voting Policy and a record of how the Fund voted proxies, promptly on request.

Information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30, 2023, is available without charge, upon request, by calling 1-787-250-3600 or from the Fund's website at www.ubs.com/prfunds and on the SEC's website at <http://www.sec.gov>.

Portfolio Holdings Disclosure Policies and Procedures

The Investment Adviser has adopted policies and procedures with respect to the disclosure of the Fund's portfolio securities. These policies and procedures are designed to ensure that such disclosure is in the best interests of the Fund's shareholders. As a general matter, the Fund will not disclose (or authorize its adviser,

transfer agent, fund accountant, administrator, custodian, or distributor) portfolio holdings information to any person or entity except as follows:

- To persons providing services to the Fund who have a need to know such information in order to fulfill their obligations to the Fund, such as portfolio managers, administrators, custodians, pricing services, proxy voting services, accounting and auditing services, research and trading services, and the Board;
- In connection with periodic reports that are available to shareholders and the public;
- Pursuant to a regulatory request or as otherwise required by law;
- To persons approved in writing by the CCO; or
- On the Fund's website. A complete listing of the Fund's holdings may be posted on the Fund's website on a periodic basis. Holdings will be posted with an "as-of date."

The Fund will disclose its portfolio holdings by mailing its annual and semi-annual reports to shareholders approximately two months after the end of the fiscal year and semi-annual period and in Form N-PORT, which is filed monthly with the SEC.

The Fund may choose to make available to rating agencies such as Lipper, Morningstar, or Bloomberg earlier and more frequently on a confidential basis.

Under limited circumstances, as described below, the Fund's portfolio holdings may be disclosed to, or known by, certain third parties in advance of their filing with the SEC on Form N-CSR or Form N-PORT. In each case, a determination has been made that such advance disclosure is supported by a legitimate business purpose and that the recipient is subject to a duty to keep the information confidential.

The Adviser. Personnel of the Investment Adviser, including personnel responsible for managing the Fund's portfolio, may have full daily access to Fund portfolio holdings because that information is necessary in order for the Investment Adviser to provide its management, administrative, and investment services to the Fund. As required for purposes of analyzing the impact of existing and future market changes on the prices, availability, demand, and liquidity of such securities, as well as for the assistance of the Portfolio Manager in the trading of such securities, Investment Adviser personnel may also release and discuss certain portfolio holdings with various broker-dealers.

Transfer Agent, Accountant and Administrator. The Transfer Agent, accountant, and Administrator for the Fund have full daily access to the Fund's portfolio holdings because that information is necessary in order for them to provide the agreed-upon services for the Fund.

Custodians. Personnel of the Fund's Custodians have full daily access to the Fund's portfolio holdings because that information is necessary in order for them to provide the agreed-upon services for the Fund.

Independent Auditor. The Fund's Independent Auditor and its personnel have access to the Fund's portfolio holdings in connection with auditing of the Fund's annual financial statements and providing assistance and consultation in connection with SEC filings.

Counsel. The Fund's counsels and counsel to the Fund's Independent Directors have access to the Fund's portfolio holdings in connection with the review of the Fund's annual and semi-annual shareholder reports and SEC filings.

Additions to List of Approved Recipients. The Fund's CCO is the person responsible, and whose prior approval is required, for any disclosure of the Fund's portfolio securities at any time or to any persons other than those described above. In such cases, the recipient must have a legitimate business need for the information and must be subject to a duty to keep the information confidential. There are no ongoing arrangements in place with

respect to the disclosure of portfolio holdings. In no event shall the Fund, the Investment Adviser, or any other party receive any direct or indirect compensation in connection with the disclosure of information about the Fund's portfolio holdings.

Compliance with Portfolio Holdings Disclosure Procedures. The Fund's CCO will report periodically to the Board with respect to compliance with the Fund's portfolio holdings disclosure procedures and from time to time will provide the Board any updates to the portfolio holdings disclosure policies and procedures.

Financial Statements

The audited financial statements, financial highlights and notes thereto, and the auditor's report thereon, appearing in the Fund's [Annual Report](#) for the fiscal year ended December 31, 2023 (the "Annual Report"), are incorporated by reference herein. The Annual Report includes presentation and disclosures set forth by Regulation S-X. The Fund's shareholder reports may be obtained without charge by calling (787) 250-3600 or on the Fund's website at www.ubs.com/prfunds. The information contained in, or that can be accessed through, the Fund's website is not part of this SAI.

Additional Information

Common Stock

The Shares have no preemptive or conversion rights. Each Share has equal voting, dividend, distribution, and liquidation rights. Shareholders of the Fund are entitled to one vote for each full share held and fractional votes for fractional shares held. All voting rights for the election of directors are noncumulative, which means that the holders of more than 50% of the Shares can elect 100% of the directors then nominated for election if they choose to do so, and in such event, the holders of the remaining Shares will not be able to elect any directors.

Code of Ethics

The Board, on behalf of the Fund, the Investment Adviser, and the Sub-adviser have each adopted a code of ethics in compliance with Rule 17j-1 of the 1940 Act (each a "Code of Ethics"). The Distributor also has adopted a Code of Ethics. Each Code of Ethics is designed to ensure, among other things, that all "Access Persons" conduct their personal securities transactions in a manner where shareholders' interests are placed first and foremost, and consistent with the law. Access Persons generally include all Directors and officers of the Fund, the Investment Adviser, and Sub-adviser, as well as certain employees and control persons of the Fund, Investment Adviser, Sub-adviser, Distributor, or principal underwriter (or any company in a controlled relationship to the Fund, Investment Adviser, or Sub-adviser) who have access to information regarding the purchase or sale of securities by the Fund.

Each Code of Ethics requires Access Persons to comply with various requirements in connection with the securities transactions by Access Persons, including obtaining prior written approval before purchasing, selling, or transferring any security, subject to certain exceptions listed in the Code of Ethics. Each Code of Ethics identifies specific transaction which Access Persons are prohibited from executing. Each Code of Ethics also imposes on Access Persons certain confidentiality obligations, reporting obligations, limitations on outside business activities, and certain other obligations. Each Code of Ethics requires all Access Persons (other than Access Persons who are Independent Directors) to submit: (1) an initial and subsequently an annual holdings report disclosing all reportable securities owned by the Access Person and any reportable securities accounts maintained by the Access Person (initial holdings reports must be filed within ten days of becoming a Access Person, Independent Directors are not required to file this report); (2) quarterly reports of security investment transactions and new securities accounts; and (3) an annual certification that they have read and understand the

Code of Ethics, that they have complied with its requirements during the preceding year, and that they have disclosed or reported all personal transactions/holdings required to be disclosed or reported. Interested Directors of the Fund have additional reporting requirements.

The Code of Ethics can be viewed online or downloaded from the EDGAR Database on the SEC's internet web site at www.sec.gov.

Counsel

The law firm of DLA Piper (Puerto Rico) LLC, located at Ochoa Building Suite 401, 500 de la Tanca Street, San Juan, Puerto Rico, serves as counsel to the Fund.

Shareholder Communication to the Board

The Board has established a process for shareholders to communicate with the Board. Shareholders may contact the Board by mail. Correspondence should be addressed to UBS Puerto Rico Funds c/o Luz Colon, 1000 Harbor Boulevard, Weehawken, NJ 07086 or electronically at: PuertoRicoFundsAC@ubs.com. Shareholder communication to the Board should include the following information: (a) the name and address of the shareholder; (b) the number of shares owned by the shareholder, and (c) if these shares are owned indirectly through a broker, financial intermediary, or other record owner, the name of the broker, financial intermediary, or other record owner. All correspondence received as set forth above shall be reviewed by the Secretary of the Fund and reported to the Board.

RATINGS OF SECURITIES

Description of Moody's Investors Service, Inc.'s ("Moody's")**Ratings: Moody's Global Rating Scales**

Ratings assigned on Moody's global long-term and short-term rating scales are forward-looking opinions of the relative credit risks of financial obligations issued by non-financial corporates, financial institutions, structured finance vehicles, project finance vehicles, and public sector entities. Long-term ratings are assigned to issuers or obligations with an original maturity of one year or more and reflect both on the likelihood of a default on contractually promised payments and the expected financial loss suffered in the event of default.¹ Short-term ratings are assigned to obligations with an original maturity of thirteen months or less and reflect both on the likelihood of a default on contractually promised payments and the expected financial loss suffered in the event of default.²

Moody's differentiates structured finance ratings from fundamental ratings (i.e., ratings on nonfinancial corporate, financial institution, and public sector entities) on the global long-term scale by adding (sf) to all structured finance ratings. The (sf) indicator was introduced on August 11, 2010 and explained in a special comment entitled, "Moody's Structured Finance Rating Scale." The addition of (sf) to structured finance ratings should eliminate any presumption that such ratings and fundamental ratings at the same letter grade level will behave the same. The (sf) indicator for structured finance security ratings indicates that otherwise similarly rated structured finance and fundamental securities may have different risk characteristics. Through its current methodologies, however, Moody's aspire to achieve broad expected equivalence in structured finance and fundamental rating performance when measured over a long period of time.

Global Long-Term Rating Scale**Aaa**

Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.

Aa

Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

A

Obligations rated A are judged to be upper-medium grade and are subject to low credit risk.

Baa

Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.

Ba

Obligations rated Ba are judged to be speculative and are subject to substantial credit risk.

B

Obligations rated B are considered speculative and are subject to high credit risk.

¹ For certain structured finance, preferred stock and hybrid securities in which payment default events are either not defined or do not match investors' expectations for timely payment, the ratings reflect the likelihood of impairment and the expected financial loss in the event of impairment.

² For certain structured finance, preferred stock and hybrid securities in which payment default events are either not defined or do not match investors' expectations for timely payment, the ratings reflect the likelihood of impairment.

Caa

Obligations rated Caa are judged to be speculative of poor standing and are subject to very high credit risk.

Ca

Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.

C

Obligations rated C are the lowest rated and are typically in default, with little prospect for recovery of principal or interest.

Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. Additionally, a "(hyb)" indicator is appended to all ratings of hybrid securities issued by banks, insurers, finance companies, and securities firms.* Note: For more information on long-term ratings assigned to obligations in default, please see the definition "Long-Term Credit Ratings for Defaulted or Impaired Securities" in the Other Definitions section of this publication. * *By their terms, hybrid securities allow for the omission of scheduled dividends, interest, or principal payments, which can potentially result in impairment if such an omission occurs. Hybrid securities may also be subject to contractually allowable write-downs of principal that could result in impairment. Together with the hybrid indicator, the long-term obligation rating assigned to a hybrid security is an expression of the relative credit risk associated with that security.*

Global Short-Term Rating Scale**P-1**

Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.

P-2

Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.

P-3

Issuers (or supporting institutions) rated Prime-3 have an acceptable ability to repay short-term obligations.

NP

Issuers (or supporting institutions) rated Not Prime do not fall within any of the Prime rating categories.

Description of Issue Credit Rating Definitions of Standard & Poor's, a Division of the McGraw-Hill Companies, Inc. ("S&P")

An S&P issue credit rating is a forward-looking opinion about the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program (including ratings on medium-term note programs and commercial paper programs). It takes into consideration the creditworthiness of guarantors, insurers, or other forms of credit enhancement on the obligation and takes into account the currency in which the obligation is denominated. The opinion reflects S&P's view of the obligor's capacity and willingness to meet its financial commitments as they come due, and may assess terms, such as collateral security and subordination, which could affect ultimate payment in the event of default.

Issue credit ratings can be either long-term or short-term. Short-term ratings are generally assigned to those obligations considered short-term in the relevant market. In the U.S., for example, that means obligations with an original maturity of no more than 365 days—including commercial paper. Short-term ratings are also

used to indicate the creditworthiness of an obligor with respect to put features on long-term obligations. Medium-term notes are assigned long-term ratings.

Long-Term Issue Credit Ratings

Issue credit ratings are based, in varying degrees, on S&P's analysis of the following considerations:

- Likelihood of payment—capacity and willingness of the obligor to meet its financial commitment on an obligation in accordance with the terms of the obligation;
- Nature of and provisions of the obligation, and the promise S&P imputes; and
- Protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

Issue ratings are an assessment of default risk, but may incorporate an assessment of relative seniority or ultimate recovery in the event of default. Junior obligations are typically rated lower than senior obligations, to reflect the lower priority in bankruptcy, as noted above. (Such differentiation may apply when an entity has both senior and subordinated obligations, secured and unsecured obligations, or operating company and holding company obligations.)

AAA

An obligation rated 'AAA' has the highest rating assigned by S&P. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

AA

An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.

A

An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

BBB

An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

BB; B; CCC; CC; and C

Obligations rated 'BB', 'CCC', 'CC', and 'C' are regarded as having significant speculative characteristics. 'BB' indicates the least degree of speculation and 'C' the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

BB

An obligation rated 'BB' is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

B

An obligation rated 'B' is more vulnerable to nonpayment than obligations rated 'BB', but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or

economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation.

CCC

An obligation rated 'CCC' is currently vulnerable to nonpayment, and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation.

CC

An obligation rated 'CC' is currently highly vulnerable to nonpayment. The 'CC' rating is used when a default has not yet occurred, but S&P expects default to be a virtual certainty, regardless of the anticipated time to default.

C

An obligation rated 'C' is currently highly vulnerable to nonpayment, and the obligation is expected to have lower relative seniority or lower ultimate recovery compared to obligations that are rated higher.

D

An obligation rated 'D' is in default or in breach of an imputed promise. For non-hybrid capital instruments, the 'D' rating category is used when payments on an obligation are not made on the date due, unless S&P believes that such payments will be made within five business days in the absence of a stated grace period or within the earlier of the stated grace period or 30 calendar days. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions. An obligation's rating is lowered to 'D' if it is subject to a distressed exchange offer.

NR

This indicates that no rating has been requested, or that there is insufficient information on which to base a rating, or that S&P does not rate a particular obligation as a matter of policy.

*The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

Short-Term Issue Credit Ratings

A-1

A short-term obligation rated 'A-1' is rated in the highest category by S&P. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.

A-2

A short-term obligation rated 'A-2' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory.

A-3

A short-term obligation rated 'A-3' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

B

A short-term obligation rated 'B' is regarded as vulnerable and has significant speculative characteristics. The obligor currently has the capacity to meet its financial commitments; however, it faces major ongoing uncertainties which could lead to the obligor's inadequate capacity to meet its financial commitments.

C

A short-term obligation rated 'C' is currently vulnerable to nonpayment and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation.

D

A short-term obligation rated 'D' is in default or in breach of an imputed promise. For non-hybrid capital instruments, the 'D' rating category is used when payments on an obligation are not made on the date due, unless S&P believes that such payments will be made within any stated grace period. However, any stated grace period longer than five business days will be treated as five business days. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions. An obligation's rating is lowered to 'D' if it is subject to a distressed exchange offer.

Description of Fitch Ratings' ("Fitch") Credit Ratings

Fitch credit ratings provide an opinion on the relative ability of an entity to meet financial commitments, such as interest, preferred dividends, repayment of principal, insurance claims or counterparty obligations. Credit ratings are used by investors as indications of the likelihood of receiving the money owed to them in accordance with the terms on which they invested. The agency's credit ratings cover the global spectrum of corporate, sovereign (including supranational and sub-national), financial, bank, insurance, municipal and other public finance entities and the securities or other obligations they issue, as well as structured finance securities backed by receivables or other financial assets.

The terms "investment grade" and "speculative grade" have established themselves over time as shorthand to describe the categories 'AAA' to 'BBB' (investment grade) and 'BB' to 'D' (speculative grade). The terms "investment grade" and "speculative grade" are market conventions, and do not imply any recommendation or endorsement of a specific security for investment purposes. "Investment grade" categories indicate relatively low to moderate credit risk, while ratings in the "speculative" categories either signal a higher level of credit risk or that a default has already occurred.

A designation of "Not Rated" or "NR" is used to denote securities not rated by Fitch where Fitch has rated some, but not all, securities comprising an issuance capital structure.

Credit ratings express risk in relative rank order, which is to say they are ordinal measures of credit risk and are not predictive of a specific frequency of default or loss. For information about the historical performance of ratings please refer to Fitch's Ratings Transition and Default studies which detail the historical default rates and their meaning. The European Securities and Markets Authority also maintains a central repository of rating default rates.

Fitch credit ratings do not directly address any risk other than credit risk. In particular, ratings do not deal with the risk of a market value loss on a rated security due to changes in interest rates, liquidity and other market considerations. However, in terms of payment obligation on the rated liability, market risk may be considered to the extent that it influences the ability of an issuer to pay upon a commitment. Ratings nonetheless do not reflect market risk to the extent that they influence the size or other conditionality of the obligation to pay upon a commitment (for example, in the case of index-linked bonds).

In the default components of ratings assigned to individual obligations or instruments, the agency typically rates to the likelihood of non-payment or default in accordance with the terms of that instrument's documentation. In limited cases, Fitch may include additional considerations (i.e. rate to a higher or lower standard than that implied in the obligation's documentation). In such cases, the agency will make clear the assumptions underlying the agency's opinion in the accompanying rating commentary.

Corporate Finance Obligations — Long-Term Rating Scales

Ratings of individual securities or financial obligations of a corporate issuer address relative vulnerability to default on an ordinal scale. In addition, for financial obligations in corporate finance, a measure of recovery given default on that liability is also included in the rating assessment. This notably applies to covered bonds ratings, which incorporate both an indication of the probability of default and of the recovery given a default of this debt instrument.

The relationship between issuer scale and obligation scale assumes an historical average recovery of between 30%-50% on the senior, unsecured obligations of an issuer. As a result, individual obligations of entities, such as corporations, are assigned ratings higher, lower, or the same as that entity's issuer rating or IDR. At the lower end of the ratings scale, Fitch now additionally publishes explicit Recovery Ratings in many cases to complement issuer and obligation ratings.

AAA: Highest credit quality.

'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA: Very high credit quality.

'AA' ratings denote expectations of very low credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A: High credit quality.

'A' ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

BBB: Good credit quality.

'BBB' ratings indicate that expectations of credit risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.

BB: Speculative.

'BB' ratings indicate an elevated vulnerability to credit risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial alternatives may be available to allow financial commitments to be met.

B: Highly speculative.

'B' ratings indicate that material credit risk is present.

CCC: Substantial credit risk.

'CCC' ratings indicate that substantial credit risk is present.

CC: Very high levels of credit risk.

'CC': ratings indicate very high levels of credit risk.

C: Exceptionally high levels of credit risk.

'C' indicates exceptionally high levels of credit risk.

Defaulted obligations typically are not assigned 'RD' or 'D' ratings, but are instead rated in the 'B' to 'C' rating categories, depending upon their recovery prospects and other relevant characteristics. This approach better aligns obligations that have comparable overall expected loss but varying vulnerability to default and loss.

Note: The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories. Such suffixes are not added to the 'AAA' obligation rating category, or to corporate finance obligation ratings in the categories below 'CCC'.

The subscript 'emr' is appended to a rating to denote embedded market risk which is beyond the scope of the rating. The designation is intended to make clear that the rating solely addresses the counterparty risk of the issuing bank. It is not meant to indicate any limitation in the analysis of the counterparty risk, which in all other respects follows published Fitch criteria for analyzing the issuing financial institution. Fitch does not rate these instruments where the principal is to any degree subject to market risk.

Short-Term Ratings

A short-term issuer or obligation rating is based in all cases on the short-term vulnerability to default of the rated entity or security stream and relates to the capacity to meet financial obligations in accordance with the documentation governing the relevant obligation. Short-Term Ratings are assigned to obligations whose initial maturity is viewed as "short term" based on market convention. Typically, this means up to 13 months for corporate, sovereign, and structured obligations, and up to 36 months for obligations in U.S. public finance markets.

F1: Highest short-term credit quality.

Indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.

F2: Good short-term credit quality.

Good intrinsic capacity for timely payment of financial commitments.

F3: Fair short-term credit quality.

The intrinsic capacity for timely payment of financial commitments is adequate.

B: Speculative short-term credit quality.

Minimal capacity for timely payment of financial commitments, plus heightened vulnerability to near term adverse changes in financial and economic conditions.

C: High short-term default risk.

Default is a real possibility.

RD: Restricted default.

Indicates an entity that has defaulted on one or more of its financial commitments, although it continues to meet other financial obligations. Typically applicable to entity ratings only.

D: Default.

Indicates a broad-based default event for an entity, or the default of a short-term obligation.

PART C — OTHER INFORMATION

OTHER INFORMATION

Item 28. Exhibits

EXHIBIT

- (a)(1) — [Certificate of Incorporation of the Registrant \(f/k/a Municipal Income Fund, Inc.\), dated September 27, 2012 is incorporated herein by reference to Exhibit \(a\)\(1\) of the Registrant’s Registration Statement on Form N-1A, filed on August 30, 2021 \(the “Registration Statement”\).](#)
- (a)(2) — [Certificate of Amendment of the Certificate of Incorporation of the Registrant, dated December 14, 2012 is incorporated herein by reference to Exhibit \(a\)\(2\) of the Registration Statement.](#)
- (b) — [By-laws of the Registrant is filed herewith.](#)
- (c) — Relevant portions of the Certificate of Incorporation and By-laws.
- (d)(1) — [Form of Investment Advisory Contract between the Registrant and UBS Asset Managers of Puerto Rico \(“UBS AMPR”\), dated May 12, 2021, is incorporated herein by reference to Exhibit \(d\)\(1\) of the Registrant’s Registration Statement on Form N-1A, filed on March 21, 2021 \(the “Amendment”\).](#)
- (d)(2) — [Form of Investment Sub-Advisory Contract between the Registrant, UBS AMPR and Nuveen Asset Management, LLC, dated May 12, 2021, is incorporated herein by reference to Exhibit \(d\)\(2\) of the Amendment.](#)
- (e) — Distribution Agreement between the Registrant and UBS Financial Services Inc., dated February 24, 2023 is filed herewith.
- (f) — Not applicable.
- (g)(1) — [Form of Amended and Restated Custody Agreement between the Registrant and UBS Trust Company of Puerto Rico \(“UBSTCPR”\), dated May 12, 2021, is incorporated herein by reference to Exhibit \(g\)\(1\) of the Amendment.](#)
- (g)(2) — [Amended and Restated Sub-Custodian Agreement between the Registrant and JPMorgan Chase Bank, N.A., dated September 14, 2010 is incorporated herein by reference to Exhibit \(g\)\(2\) of the Registrant’s Registration Statement on Form N-1A, filed on March 30, 2022.](#)
- (g)(3) — [Form of Transfer Agency, Registrar, and Shareholder Service Agreement between the Registrant and UBSTCPR \(the “Transfer Agency Agreement”\) is incorporated herein by reference to Exhibit \(g\)\(3\) of the Registrant’s Registration Statement on Form N-1A, filed on March 30, 2022.](#)
- (h)(1) — [Form of Amended and Restated Administration Agreement \(the “Administration Agreement”\) between Registrant and UBSTCPR is incorporated herein by reference to Exhibit \(h\)\(1\) of the Registrant’s Registration Statement on Form N-1A, filed on March 30, 2022.](#)
- (h)(2) — [Expense Limitation and Reimbursement Agreement between Registrant and UBSTCPR, dated February 23, 2024, is filed herewith.](#)
- (i) — [None](#)
- (j) — [Consent of Ernst & Young LLP.](#)
- (k) — Not applicable.
- (l) — Not applicable.
- (m) — Not applicable.
- (n) — [Rule 18f-3 Plan is filed herewith.](#)
- (o) — Reserved.
- (p)(1) — [Code of Ethics of the Registrant is incorporated herein by reference to Exhibit \(p\)\(1\) of the Registrant’s Registration Statement on Form N-1A, filed on March 30, 2022.](#)
- (p)(2) — [Code of Ethics of UBS Financial Services Inc. \(the “Distributor”\) is incorporated herein by reference to Exhibit \(p\)\(2\) of the Amendment.](#)

- (p)(3) — [Code of Ethics of UBSAMPR is incorporated herein by reference to the STIF Registration Statement.](#)
- (q) — [Power of Attorney, dated November 12, 2021, is incorporated herein by reference to Exhibit \(q\) of the Amendment.](#)

Item 29. Person Controlled or Under Common Control With Registrant

The Registrant does not control and is not under common control with any other person.

Item 30. Directors and Officers Insurance

The Fund has obtained directors' and officers' liability insurance for its Directors and officers. The Fund has also agreed to indemnify its Directors and officers for certain liabilities to the fullest extent permitted by Puerto Rico law. Pursuant to Section 17(h) of the 1940 Act, such indemnification of the Directors would not protect a Director from liability to the Fund or its shareholders from liability that the Director would otherwise be subject to by reason of such Director's own bad faith, willful misfeasance, gross negligence or reckless disregard of his or her duties as a Director.

Item 31. Business and Other Connections of Investment Adviser

UBS AMPR, a division of UBSTCPR, acts as investment adviser to the Registrant. UBS AMPR serves as investment adviser or co-investment adviser to other open-end and closed-end management investment companies. The description of UBS AMPR provided in the body of this Registration Statement on Form N-1A under the heading "Management, Advisory and Other Service Arrangements" is incorporated by reference herein.

Information as to the directors and officers of UBS AMPR, together with information as to any other business, profession, vocation or employment of a substantial nature engaged in by the directors and officers of UBS AMPR in the last two years, is included in UBS AMPR's application for registration as an investment adviser on Form ADV (File No. 801-120846) filed under the Investment Advisers Act of 1940, as amended, and is incorporated herein by reference.

Item 32. Principal Underwriters

(a) UBS Financial Services Inc. acts as the principal underwriter or placement agent, as applicable, for each of the following open-end and closed-end registered investment companies, including the Registrant:

- Puerto Rico Short Term Investment Fund for Puerto Rico Residents, Inc.,
- U.S. Monthly Income Fund for Puerto Rico Residents, Inc.,
- Tax Free Fund for Puerto Rico Residents, Inc.,
- Tax Free Fund II for Puerto Rico Residents, Inc.,
- Tax Free Target Maturity Fund for Puerto Rico Residents, Inc.,
- Tax-Free High Grade Portfolio Target Maturity Fund for Puerto Rico Residents, Inc.,
- Tax-Free High Grade Portfolio Bond Fund for Puerto Rico Residents, Inc.,
- Tax-Free High Grade Portfolio Bond Fund II for Puerto Rico Residents, Inc.,
- GNMA & US Government Target Maturity Fund for Puerto Rico Residents, Inc.,
- Tax-Free Fixed Income Fund for Puerto Rico Residents, Inc.,
- Tax-Free Fixed Income Fund II for Puerto Rico Residents, Inc.,
- Tax-Free Fixed Income Fund III for Puerto Rico Residents, Inc.,
- Tax-Free Fixed Income Fund IV for Puerto Rico Residents, Inc.,
- Tax-Free Fixed Income Fund V for Puerto Rico Residents, Inc.
- Tax-Free Fixed Income Fund VI for Puerto Rico Residents, Inc.
- Multi-Select Securities Fund for Puerto Rico Residents
- US Mortgage Backed & Income Fund for Puerto Rico Residents, Inc.
- Puerto Rico Residents Bond Fund I
- Puerto Rico Residents Tax-Free Fund, Inc.
- Puerto Rico Residents Tax-Free Fund II, Inc.
- Puerto Rico Residents Tax-Free Fund III, Inc.
- Puerto Rico Residents Tax-Free Fund IV, Inc.
- Puerto Rico Residents Tax-Free Fund V, Inc.
- Puerto Rico Residents Tax-Free Fund VI, Inc.

(b) Set forth below is information concerning each director and officer of UBS Financial Services Inc. The principal business address of each such person is 1200 Harbor Boulevard, Weehawken, NJ 07086.

Name	Positions and Offices with Underwriter	Position and Offices with Fund
Hassan, Naureen	Chairman of the Board	None
Chandler, Jason	Director	None
Mattone, Ralph	Director	None
Sanborn Mark	Director	None
Chandler, Jason	President	None
Hession, Mina	Secretary	None
Boylan, Paul	Treasurer	None
Munfa, Lauren	Chief Compliance Officer	None
Francomano, Lisa	Chief Compliance Officer (Registered Investment Advisor)	None
Mattone, Ralph	Chief Financial Officer	None
Zerrusen, Kevin	Chief Information Security Officer	None
Sakai, Kiye	General Counsel	None
Pinero, George	BSA/AML Officer	None
Buist, Eileen	Assistant Secretary	None
Milgraum, Sheryl	Assistant Secretary	None
Collins, Chip	Assistant Treasurer	None
Forschino, Brian	Assistant Treasurer	None
Hunter, Sarah	Assistant Treasurer	None
McKibben, Charles	Assistant Treasurer	None
Salva, Laurence	Assistant Treasurer	None
Torres, Sara	Assistant Treasurer	None

Item 33. Location of Accounts and Records

Omitted pursuant to Instruction 3 of Item 33 of Form N-1A.

Item 34. Management Services

Not applicable.

Item 35. Undertakings

Not applicable.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 and the Investment Company Act of 1940, the Registrant certifies that it meets all the requirements for the effectiveness of this Post-Effective Amendment to its Registration Statement pursuant to Rule 485(b) under the Securities Act of 1933 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in this City of San Juan, and Commonwealth of Puerto Rico, on the 29th day of April, 2024.

U.S. MONTHLY INCOME FUND FOR PUERTO
RICO RESIDENTS, INC.

/s/ Carlos V. Ubiñas

Carlos V. Ubiñas,
President

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the date indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ CARLOS V. UBIÑAS</u> Carlos V. Ubiñas	Director, Chairman of the Board and President (Principal Executive Officer)	April 29, 2024
<u>/s/ WILLIAM RIVERA</u> William Rivera	First Vice President and Treasurer (Principal Financial and Accounting Officer)	April 29, 2024
<u>/s/ AGUSTIN CABRER*</u> Agustin Cabrer	Director	
<u>/s/ VICENTE J. LEÓN*</u> Vicente J. León	Director	
<u>/s/ CARLOS NIDO*</u> Carlos Nido	Director	
<u>/s/ LUIS M. PELLÓT*</u> Luis M. Pellot	Director	
<u>/s/ CLOTILDE PÉREZ*</u> Clotilde Pérez	Director	
<u>/s/ JOSÉ J. VILLAMIL*</u> José J. Villamil	Director	

By*: /s/ Liana Loyola
Liana Loyola
Attorney-in-Fact
April 29, 2024

EXHIBIT INDEX

<u>Exhibit</u>	<u>Name</u>
(b)	<u>Bylaws of the Registrant.</u>
(h)(2)	<u>Expense Limitation and Reimbursement Agreement.</u>
(j)	<u>Consent of Ernst & Young LLP.</u>
(n)	<u>Rule 18f-3 Plan.</u>

BY-LAWS
OF
U.S. MONTHLY INCOME FUND FOR PUERTO RICO RESIDENTS, INC.¹ⁱ

ARTICLE I
OFFICES

The principal office of the Corporation in the Commonwealth of Puerto Rico shall be located at 250 Muñoz Rivera Avenue, 10th Floor, San Juan, Puerto Rico 00918, and its telephone number is (787) 773-3888. The Corporation may have such other offices within the Commonwealth of Puerto Rico as the Board of Directors may designate or as the business of the Corporation may require from time to time.

ARTICLE II
STOCKHOLDERS

1. Annual Meeting

Beginning with the year 2012, the annual meeting of the stockholders shall be held at least sixty (60) days after the end of the fiscal year of the Corporation, but never more than one hundred and twenty (120) days after such date and at such time as may be designated by the Board of Directors, for the purpose of electing Directors and for the transaction of such other business as may come before the meeting (an “Election Meeting”). If the day fixed for the annual meeting shall be a legal holiday, such meeting shall be held on the next succeeding business day.

2. Special Meetings

Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by law, may be called only by the President or by the majority of the Directors.

3. Place of Meeting

The Directors may designate any place within the Commonwealth of Puerto Rico as the place of meeting for any annual meeting or for any special meeting called by the Directors. A waiver of notice signed by all stockholders entitled to vote at a meeting may designate any place within the Commonwealth, as the place for holding such meeting. If no designation is made, or if a special meeting is otherwise called, the place of meeting shall be the principal office of the Corporation.

4. Notice of Meeting

Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting the purpose or purposes for which the meeting is called shall be delivered not less than twenty (20) nor more than fifty (50) days before the date of the meeting, either personally or by mail, by or at the direction of the President, or the Secretary, or the Director or Directors calling the meeting, to each stockholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be

¹ The original name of the Fund was the “MUNICIPAL INCOME FUND, INC.” Pursuant to an amendment to its Certificate of Incorporation, on December 14th, 2012, the Fund’s name was amended to the “U.S. MUNICIPAL & INCOME FUND, INC.” Subsequently, on May 6th, 2021, pursuant to another amendment to its Certificate of Incorporation the Fund’s name was amended to its current name, the “U.S. MONTHLY INCOME FUND FOR PUERTO RICO RESIDENTS, INC.”

delivered when deposited in the United States mail, addressed to the stockholder at his address as it appears on the stock transfer books of the Corporation, with postage thereon prepaid.

Notice of any meeting of stockholders shall be deemed waived by any stockholder who shall attend such meeting in person or by proxy, or who shall, either before or after the meeting, submit a signed waiver of notice which is filed with the records of the meeting. When a meeting is adjourned to another time and place, unless the Board of Directors after the adjournment shall fix a new record date for an adjourned meeting, or the adjournment is for more than one hundred and twenty (120) days after the original record date, notice of such adjourned meeting need not be given if the time and place to which the meeting shall be adjourned were announced at the meeting at which the adjournment is taken.

5. Advance Notice of Stockholder Proposals and Nominations

At any annual or special meeting of stockholders, proposals by stockholders and persons nominated for election as Directors by stockholders shall be considered only if advance notice thereof has been timely given as provided herein and such proposals or nominations are otherwise proper for consideration under applicable law, the Certificate of Incorporation and the By-Laws of the Corporation. Notice of any proposal to be presented by any stockholder in the name of any person to be nominated by any stockholder for election as a Director of the Corporation at any meeting of stockholders shall be delivered to the Secretary of the Corporation at its principal executive office not less than thirty (30) nor more than fifty (50) days prior to the date of the meeting; provided, however, that if the date of meeting is first publicly announced or disclosed (in a public filing or otherwise) less than forty (40) days prior to the date of the meeting, such notice shall be given not more than ten (10) days after such date is first so announced or disclosed. Public notice shall be deemed to have been given more than forty (40) days in advance of the annual meeting if the Corporation shall have previously disclosed, in these by-laws or otherwise, that the annual meeting in each year is to be held on a determinable date, unless and until the Board determines to hold the meeting on a different date. Any stockholder who gives notice of any such proposal shall deliver therewith the text of the proposal to be presented and a brief written statement of the reasons why such stockholder favors the proposal and setting forth such stockholder's name and address, the number and class of all shares of each class of stock of the Corporation beneficially owned by such stockholder and any material interest of such stockholder in the proposal (other than as a stockholder). Any stockholder desiring to nominate any person for election as a Director of the Corporation shall deliver with such notice a statement in writing setting forth the name of the person to be nominated, the number and class of all shares of each class of stock of the Corporation beneficially owned by such person, the information regarding such person as would be required by paragraphs (a), (e) and (f) of Item 401 of Regulation S-K adopted by the Securities and Exchange Commission (or the corresponding provisions of any regulation subsequently adopted by the Securities and Exchange Commission substituting such provisions or applicable to the Corporation), such person's signed consent to serve as a Director of the Corporation if elected, such stockholder's name and address and the number and class of all shares of each class of stock of the Corporation beneficially owned by such stockholder (collectively, the "Qualifying Information"). As used herein, shares "beneficially owned" shall mean all shares as to which such person, together with such person's affiliates and associates (as defined in Rule 12b-2 under the Securities Exchange Act of 1934), may be deemed to beneficially own pursuant to Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, as well as all shares as to which such person, together with such person's affiliates and associates has the right to become the beneficial owner pursuant to any agreement or understanding, or upon the exercise of warrants, options or rights to convert or exchange (whether such rights are immediately or only after the passage of time or the occurrence of conditions). The Chairman or person presiding at the meeting in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall determine whether such notice has been duly given and shall direct that proposals and nominees not be considered if such notice has not been given.

6. Closing of Transfer Books or Fixing of Record Date

For the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or stockholders entitled to receive payment of any dividend, or in order to make a determination of stockholders for any other proper purpose, the Directors of the Corporation may provide that the stock transfer books shall be closed for a stated period not to exceed, in any case, fifty (50) days. If the stock transfer books shall be closed for the purpose of determining stockholders entitled to notice of or to vote at a meeting of stockholders, such books shall be closed for at least twenty (20) days immediately preceding such meeting. In lieu of closing the stock transfer books, the Directors may fix in advance a date as the record date for any such determination of stockholders, such (date in any case to be not more than fifty (50) days and, in case of a meeting of stockholders, not less than twenty (20) days prior to the date on which the particular action requiring such determination of stockholders is to be taken. If the stock transfer books are not closed and no record date is fixed for the determination of stockholders entitled to notice of or to vote at a meeting of stockholders, or stockholders entitled to receive payment of a dividend, the date on which notice of the meeting is mailed or the date on which the Resolution of the Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of stockholders.

When a determination of stockholders entitled to vote at any meeting of stockholders has been made as provided in this section, such determination shall apply to any adjournment thereof.

7. Voting Lists

The Officer or agent having charge of the stock transfer books for shares of the Corporation shall make, at least twenty (20) days before each meeting of stockholders, a complete list of the stockholders entitled to vote at such meeting, or at any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each, which list, for a period of ten (10) days prior to such meeting, shall be kept on file at the principal office of the Corporation and shall be subject to inspection by any stockholder at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any stockholder during the whole time of the meeting. The original stock transfer book shall be prima facie evidence as to who are the stockholders entitled to examine such list or transfer books or to vote at the meeting of stockholders.

8. Quorum

At any meeting of stockholders more than one-half of the outstanding shares of the Corporation entitled to vote, represented in person or by proxy, shall constitute a quorum. If less than said number of the outstanding shares are represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. The stockholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

9. Proxies

At all meetings of stockholders, a stockholder may vote by proxy executed in writing by the stockholder or by his duly authorized attorney-in-fact. Such proxy shall be filed with the Secretary of the Corporation before or at the time of the meeting. No proxy shall be valid after the expiration of one year from the date thereof, unless otherwise provided in the proxy.

10. Voting

Each stockholder entitled to vote in accordance with the terms and provisions of the Certificate of Incorporation and these By-Laws shall be entitled to one vote (or fraction thereof), in person or by proxy, for each share of stock (or fraction thereof) entitled to vote held by such stockholder. Upon the demand of any stockholder, the vote for Directors and upon any question before the meeting shall be by ballot. All elections for Directors shall be decided by plurality vote (i.e. by the candidate who receives the greatest number of votes if two or more candidates compete for the same directorship): all other questions shall be decided by majority vote of those stockholders present in person or by proxy except as otherwise provided by the Certificate of Incorporation or the laws of this Commonwealth.

11. Order of Business

The order of business at all Election Meetings of the stockholders, shall be as follows:

- (i) Roll Call.
- (ii) Proof of Notice of Meeting or Waiver of Notice.
- (iii) Reading of minutes of preceding meeting.
- (iv) Reports of Officers.
- (v) Reports of Committees.
- (vi) Election of Directors.
- (vii) Unfinished Business.
- (viii) New Business.

12. Consent of Stockholders in Lieu of Meeting

Unless otherwise provided by law any action required to be taken at a meeting of the stockholders, or any other action which may be taken at a meeting of the stockholders, maybe taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the stockholders entitled to vote with respect to the subject matter thereof.

ARTICLE III **BOARD OF DIRECTORS**

1. General Powers

Except as otherwise provided in the Certificate of Incorporation, the business and affairs of the Corporation shall be managed under the direction of the Board of Directors. All powers of the Corporation may be exercised by or under authority of the Board of Directors except as conferred on or reserved to the stockholders by law or by the Certificate of Incorporation or these By-Laws. The Directors shall in all cases act as a Board.

2. Number, Tenure and Qualifications

The number of Directors shall be fixed from time to time by resolution of the Board of Directors adopted by a majority of the entire Board of Directors; provided, however, that the number of Directors shall in no event be less than three (3) nor more than fifteen (15). Any vacancy created by an increase in Directors may be filled in accordance with Section 6 of this Article III. No reduction in the number of Directors shall have the effect of removing any Director from office prior to the expiration of his term unless such Director is specifically removed pursuant to Section 5 of this Article III at the time of such decrease. Directors need not be stockholders. A majority of the Board of Directors (and of any committee of the Board of Directors) shall be residents of Puerto Rico.

3. Election and Term of Directors

The Directors shall be divided into three classes. Each class shall consist, as nearly as may be possible, of one-third of the total number of Directors constituting the entire Board of Directors. The initial Class I director will be Carlos V. Ubiñas, the initial Class II directors will be Carlos Nido and Clotilde Pérez, and the initial Class III directors will be Agustín Cabrer and Luis M. Pellot. The term of office of the initial Class I directors will expire at the first Election Meeting of stockholders following the initial classification of the directors; the term of office of the initial Class II directors will expire at the second Election Meeting of stockholders following the initial classification of the directors; and the term of office of the initial Class III directors will expire at the third Election Meeting of stockholders following the initial classification of the directors. At each Election Meeting of stockholders, successors to the class of Directors whose term expires at that Election Meeting shall be elected for a three year term.

The Board of Directors may nominate any person for election as a Director not less than thirty (30) nor more than fifty (50) days before the Election Meeting, after obtaining Qualifying Information. In addition, each “Independent Director” (as such term is defined in the Code of Ethics to be adopted by the Board of Directors) may only be replaced with another Independent Director. The Independent Directors, collectively, shall at all times represent a majority of the Board.

The term of office of each Director shall be from the time of his election and qualification until the Election Meeting for the year in which his term expires and until his successor shall have been elected and shall have qualified or until his death, or until he shall have resigned or until December 31 of the year in which he shall have reached eighty-five (85) years of age, or until he shall have been removed as hereinafter provided in these By-Laws, or as otherwise provided by statute or the Certificate of Incorporation. If the number of Directors is changed, any increase or decrease shall be apportioned among the classes, as of the Election Meeting next succeeding any such change, so as to maintain a number of Directors in each class as nearly equal as possible. In no case shall a decrease in the number of Directors shorten the term of any incumbent Director.

4. Resignation

A Director may resign at any time by giving written notice to the Board, the President or the Secretary of the Corporation. Unless otherwise specified in the notice, the resignation shall take effect upon receipt thereof by the Board or such Officer, and the acceptance of the resignation shall not be necessary to make it effective.

5. Removal of Directors

Any Director of the Corporation maybe removed only by the stockholders by a vote of seventy-five percent (75%) of the votes entitled to be cast for the election of Directors. Such vote may be effected through a declaration in writing or by proxy at a meeting called for such purpose. A meeting will be called

by the Board of Directors at the written request of shareholders of record representing not less than twenty-five percent (25%) of the outstanding shares of the Fund.

6. Vacancies

Any vacancies in the Board, whether arising from death, resignation, removal, an increase in the number of Directors or any other cause, may be filled by a vote of a majority of the Directors then in office, although less than a quorum exists, or by a sole remaining Director. A Director elected to fill a vacancy caused by resignation, death or removal shall be elected to hold office for the unexpired term of his predecessor.

7. Place of Meetings

Meetings of the Board may be held at any place as the Board may from time to time determine or as shall be specified in the notice of such meeting; provided, however, that no such meeting shall be held in the United States of America.

8. Regular Meetings

A regular meeting of the Directors shall be held without other notice than these By-Laws immediately after, and at the same place as, the annual meeting of stockholders. The Directors may provide, by Resolution, the time and place for the holding of additional regular meetings without other notice than such resolution.

9. Special Meetings

Special meetings of the Directors may be called by or at the request of the President or any two Directors. The person or persons authorized to call special meetings of the Directors may fix the place for holding any special meeting of the Directors called by them.

10. Notice of Special Meetings

Notice of each special meeting of the Board shall be given by the Secretary as hereinafter provided, in which notice shall be stated the time and place of the meeting. Notice of each such meeting shall be delivered to each Director, either personally or by telephone or any standard form of telecommunication at least forty-eight (48) hours before the time at which such meeting is to be held, or by first-class mail, postage prepaid, addressed to him at his residence or usual place of business, at least five (5) days before the day on which such meeting is to be held.

11. Waiver of Notice of Meetings

Notice of any special meeting need not be given to any Director who shall, either before or after the meeting, sign a written waiver of notice which is filed with the records of the meeting. Except as otherwise specifically required by the By-Laws, a notice or waiver of notice of any meeting need not state the purposes of such meeting. The attendance of the Director at a meeting shall constitute a Waiver of Notice of such meeting, except when a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

12. Quorum and Voting

One-third, but not less than two, of the members of the entire Board shall be present in person at any meeting of the Board in order to constitute a quorum for the transaction of business at such meeting, and except as otherwise expressly required by the Certificate of Incorporation, these By-Laws, or other applicable statute, the act of a majority of the Directors present at any meeting at which a quorum is present shall be the act of the Board. In the absence of a quorum at any meeting of the Board, a majority of the Directors present thereat may adjourn such meeting to another time and place until a quorum shall be present thereat. Notice of the time and place of any such adjourned meeting shall be given to the Directors who were not present at the time of the adjournment and, unless such time and place were announced at the meeting at which the adjournment was taken, to the other Directors. At any adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called.

13. Organization

The Board may, by resolution adopted by a majority of the entire Board, designate a Chairman of the Board, who shall preside at each meeting of the Board. In the absence or inability of the Chairman of the Board to preside at a meeting, the President or, in his absence or inability to act, another Director chosen by a majority of the Directors present, shall act as chairman of the meeting and preside thereat. The Secretary (or, in his absence or inability to act, any person appointed by the Chairman) shall act as secretary of the meeting and keep the minutes thereof.

14. Written Consent of Directors in Lieu of a Meeting

Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all members of the Board or committee, as the case maybe, consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of the Board or committee.

15. Compensation

No compensation shall be paid to Directors, as such, for their services, but by resolution of the Board a fixed sum and expenses for attendance at each regular or special meeting of the Board maybe authorized. Nothing herein contained shall be construed to preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

16. Investment Policies

The Board may delegate the duty of management of the assets and administration of its day to day operations to a corporate management company and/or investment adviser that is organized and whose principal place of business is in Puerto Rico, pursuant to a written contract or contracts. It shall be the duty of the Board of Directors to ensure that the purchase, sale, retention and disposal of portfolio securities and the other investment practices of the Corporation, as implemented by any management company and/or investment adviser to the Corporation, are at all times consistent with the investment objective, policies and restrictions recited in the Prospectus of the Corporation used in connection with the initial public offering of the Corporation's common stock.

17. Presumption of Assent

A Director of the Corporation who is present at a meeting of the Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the

person acting as the Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

ARTICLE IV **COMMITTEES**

1. Executive Committee

The Board may, by resolution adopted by a majority of the entire Board, designate an Executive Committee consisting of two or more of the Directors of the Corporation, which committee shall have and may exercise all the powers and authority of the Board with respect to all matters other than:

- (i) the submission to stockholders of any action requiring authorization of stockholders pursuant to statute or the Certificate of Incorporation;
- (ii) the filling of vacancies on the Board of Directors;
- (iii) the approval or termination of any contract with an investment adviser or principal underwriter or distributor;
- (iv) the amendment or repeal of these By-Laws or the adoption of new By-Laws;
- (v) the amendment or repeal of any resolution of the Board which by its terms may be amended or repealed only by the Board;
- (vi) the declaration of dividends and the issuance of capital stock of the Corporation;
- (vii) the approval of any merger or share exchange which does not require stockholder approval; and
- (viii) the election or removal of Officers of the Corporation.

The Executive Committee shall keep written minutes of its proceedings and shall report such minutes to the Board. All such proceedings shall be subject to revision or alteration by the Board; provided, however, that third parties shall not be prejudiced by such revision or alteration.

2. Other Committee of the Board

The Board of Directors may from time to time, by resolution adopted by a majority of the whole Board, designate one or more other committees of the Board, each such committee to consist of two or more Directors and to have such powers and duties as the Board of Directors may, by resolution, prescribe.

3. General

One-third, but not less than two, of the members of any committee shall be present in person at any meeting of such committee in order to constitute a quorum for the transaction of business at such meeting, and the act of a majority present shall be the act of such committee. The Board may designate a chairman of any committee and such chairman or any two members of any committee may fix the time and place of its meetings unless the Board shall otherwise provide. In the absence or disqualification of any member of any committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of

the Board of Directors to act at the meeting in the place of any such absent or disqualified member. The Board shall have the power at any time to change the membership of any committee to fill all vacancies, to designate alternate members to replace any absent or disqualified member or to dissolve any such committee. Nothing herein shall be deemed to prevent the Board from appointing one or more committees consisting in whole or in part of persons who are not Directors of the Corporation, provided however, that no such committee shall have or may exercise any authority or power the Board to the management of the business or affairs of the Corporation.

ARTICLE V **OFFICERS**

1. Number

The Officers of the Corporation shall be a President, the Vice Presidents, a Secretary and a Treasurer, each of whom shall be elected by the Directors. Such other Officers and Assistant Officers as may be deemed necessary may be elected or appointed by the Directors.

2. Election and Term of Office

The Officers of the Corporation to be elected by the Directors shall be elected annually at the first meeting of the Directors. Each Officer shall hold office until his successor shall have been duly elected and shall have qualified or until his death or until he shall resign or shall have been removed in the manner hereinafter provided.

3. Removal

Any Officer or agent elected or appointed by the Directors may be removed by the Directors whenever in their judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

4. Vacancies

A vacancy in any Officer because of death, resignation, removal, disqualification or otherwise, may be filled by the Directors for the unexpired portion of the term.

5. President

The President shall be the principal executive Officer of the Corporation and, subject to the control of the Directors, shall in general supervise and control all of the business and affairs of the Corporation. The President shall, when present, preside at all meetings of the stockholders and of the Directors. He may sign, with the Secretary or any other Officer of the Corporation thereunto authorized by the Directors, certificates for shares of the Corporation, any deeds, mortgages, bonds, contracts, or other instruments which the Directors have authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Directors or by these By Laws to some other Officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of the President and such other duties as may be prescribed by the Directors from time to time.

6. Vice President

A Vice President shall perform such other duties as from time to time maybe assigned to him by the President or by the Directors. The Board of Directors may appoint any number of Vice Presidents.

7. Secretary

The Secretary shall keep the minutes of the stockholders' and of the Directors' meetings in one or more books provided for that purpose, see that all notices are duly given in accordance with the provisions of these By-Laws or as required, be a custodian of the corporate records and of the seal of the Corporation and keep a register of the office address of each stockholder which shall be furnished to the Secretary by such stockholder, have general charge of the stock transfer books of the Corporation and in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President or by the Directors.

8. Assistant Secretary

The Assistant Secretary shall substitute the Secretary in his absence in which he shall keep the minutes of the stockholders and of the Directors' meetings in one or more books provided for that purpose, see that all notices are duly given in accordance with the provisions of these By-Laws or as required, be custodian of the corporate records and of the seal of the Corporation and keep a register of the post office address of each stockholder which shall be furnished to the Secretary by such stockholder, have general charge of the stock transfer books of the Corporation and in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President or by the Directors.

9. Treasurer

If required by the Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Directors shall determine. He shall have charge and custody of and be responsible for all funds and securities of the Corporation; receive and give receipts for moneys due and payable to the Corporation from any source whatsoever, and deposit all such moneys in the name of the Corporation in such banks, trust companies or other depositories as shall be selected in accordance with these By-Laws and in general perform all of the duties incident to the office of Treasurer and such other duties as from time to time maybe assigned to him by the President or by the Directors.

10. Salaries

The salaries of the Officers shall be fixed from time to time by the Directors and no Officer shall be prevented from receiving such salary by reason of the fact that he is also a Director of the Corporation.

ARTICLE VI
INDEMNIFICATION

Each Officer and each Director of the Corporation shall be indemnified by the Fund to the fullest extent permitted under the laws of the Commonwealth of Puerto Rico and the United States. No amendment to these By-Laws or repeal of any provision hereof shall limit or eliminate the benefits provided to Directors under this provision in connection with any act or omission that occurred prior to such amendment or repeal.

Each Officer and Director of the Corporation claiming indemnification within the scope of this Article VI shall be entitled to advances from the Corporation for payment of the reasonable expenses incurred by him in connection with proceedings to which he is a party in the manner and to the fullest

extent permitted under applicable law without a preliminary determination as to his ultimate entitlement to indemnification (except as set forth below); provided, however, that the person seeking indemnification shall provide to the Corporation a written affirmation of his good faith belief that the standard of conduct necessary for indemnification by the Corporation has been met and a written undertaking to repay any such advance, if it should ultimately be determined that the standard of conduct has not been met, and provided further that at least one of the following additional conditions is met: (a) the person seeking indemnification shall provide a security in form and amount acceptable to the Corporation for his undertaking; (b) the Corporation is insured against losses arising by reason of the advance; (c) a majority of a quorum of non-party independent Directors, or independent legal counsel in a written opinion, shall determine, based on a review of facts readily available to the Corporation at the time the advance is proposed to be made, that there is reason to believe that the person seeking indemnification will ultimately be found to be entitled to indemnification.

The Corporation may purchase insurance on behalf of an Officer or Director protecting such person to the fullest extent permitted under the Laws of the Commonwealth of Puerto Rico, from liability arising from his activities as Officer or Director of the Corporation. The Corporation, however, may not purchase insurance on behalf of any Officer or Director of the Corporation that protects or purports to protect such person from liability to the Corporation or to its stockholders to which such Officer or Director would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of his office.

The Corporation may indemnify, make advances or purchase insurance to the extent provided in this Article VI on behalf of an employee who is not an Officer or Director of the Corporation.

ARTICLE VII

CONTRACTS, LOANS, CHECKS AND DEPOSITS

1. Contracts

The Directors may authorize any Officer or Officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

2. Loans

No loans shall be contracted on behalf of the Corporation and no evidences of indebtedness shall be issued in its name unless authorized by a Resolution of the Directors. Such authority may be general or confined to specific instances.

3. Checks, Drafts. Etc.

All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such Officer or Officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by Resolution of the Directors.

4. Deposits

All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Directors may select.

ARTICLE VIII
CERTIFICATES FOR SHARES AND THEIR TRANSFER

1. Certificates for Shares

Certificates representing shares of the Corporation shall be in such form as shall be determined by the Directors. Such certificates be signed by the President and by the Secretary or by such other Officers authorized by law and by the Directors. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the stockholders, the number of shares and date of issue shall be entered on the stock transfer books of the Corporation. All certificates surrendered to the Corporation for transfer shall be canceled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled, except that in case of a lost, destroyed or mutilated certificate a new one may be issued therefor upon such terms and indemnity to the Corporation as the Directors may prescribe. If such certificate is manually signed by one Officer or manually countersigned by a Transfer Agent, any other signature on the certificate may be a facsimile. In case any Officer or Transfer Agent who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such Officer or Transfer Agent before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such Officer or Transfer Agent at the date of the issue.

2. Transfer of Shares

- (i) Upon surrender to either the Corporation or the Transfer Agent of the Corporation of a Certificate of Shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, and cancel the old certificate; every such transfer shall be entered on the transfer books of the Corporation which shall be kept at the Transfer Agent's principal office.
- (ii) The Corporation shall be entitled to treat the holder of record of any share as the holder in fact thereof, and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person whether or not it shall have express or other notice thereof, except as expressly provided by the laws of this Commonwealth.

ARTICLE IX
FISCAL YEAR

The fiscal year of the Corporation shall be fixed by the Board of Directors.

ARTICLE X
DIVIDENDS

The Directors may from time to time declare, and the Corporation may pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by law.

ARTICLE XI

SEAL

The Directors shall provide a corporate seal which shall be circular in form and shall have inscribed thereon the name of the Corporation, the year of incorporation and the words "Corporate Seal" and "Puerto Rico."

ARTICLE XII

DEPOSITORIES AND CUSTODIANS

1. Depositories

The funds of the Corporation shall be deposited with such banks or other companies as the Board of Directors of the Corporation may time to time determine.

2. Custodians

All securities and other investments shall be deposited in the safekeeping of such banks or other companies as the Board of Directors of the Corporation may from time to time determine.

ARTICLE XIII

INDEPENDENT PUBLIC ACCOUNTANTS

The firm of independent certified public accountants which shall audit the financial statements of the Corporation which are filed with the Commissioner of Financial Institutions shall be selected annually by the Board of Directors.

ARTICLE XIV

ANNUAL STATEMENT

The financial statements of the Corporation shall be audited by an independent firm of certified public accountants at the close of each annual period of the Corporation or at such other times as may be directed by the Board. A report to the stockholders based upon each such examination shall be mailed to each stockholder of the Corporation of record on such date with respect to each report as may be determined by the Board, at his address as the same appears on the books of the Corporation. Such annual statement shall also be available at the annual meeting of stockholders, if any, and within twenty (20) days after the meeting (or, in the absence of an annual meeting, within twenty (20) days after the end of the month of October following the end of the fiscal year), be placed on file at the Corporation's principal office. Each such report shall show the assets and liabilities of the Corporation as of the close of the annual or quarterly period covered by the report and the securities in which the funds of the Corporation were then invested. Such report shall also show the Corporation's income and expenses for the period from the end of the Corporation's preceding fiscal year to the close of the annual or quarterly period covered by the report, and shall set forth such other matters as the Board shall determine.

These By-Laws are in effect as of July 7th, 2023.

/s/ Liana Loyola

Name: Liana Loyola

Title: Secretary of the U.S. Monthly Income Fund for Puerto Rico Residents, Inc.

ⁱ These By-Laws reflect certain amendments approved by the Shareholders of the Fund in a duly convened and held meeting on July 7th, 2023 (see sec.gov/Archives/edgar/data/1843749/000121390023053623/ea157288_defr14a.htm.)

EXPENSE LIMITATION AND REIMBURSEMENT AGREEMENT

THIS EXPENSE LIMITATION AND REIMBURSEMENT AGREEMENT (the “Agreement”) made as of February 23rd, 2024 by and between U.S. Monthly Income Fund for Puerto Rico Residents, Inc., (the “Fund”), a corporation created under the laws of the Commonwealth of Puerto Rico (“Puerto Rico”), and UBS Trust Company of Puerto Rico (“UBS TCPR”), a trust company duly organized and having its principal office and principal place of business in Puerto Rico, in its capacity as investment adviser and administrator of the Fund.

WHEREAS, UBS Asset Managers of Puerto Rico, a division of UBS TCPR, has entered into an investment advisory agreement with the Fund whereby UBS TCPR provides certain investment advisory services to the Fund;

WHEREAS, UBS TCPR, has entered into an administration agreement with the Fund whereby UBS TCPR provides certain administrative services to the Fund;

WHEREAS, UBS TCPR desires to waive a portion of its advisory fee or reimburse the Fund’s operating expenses to ensure that the Fund’s total operating expenses do not exceed the levels described below.

WHEREAS, UBS TCPR understands and intends that the Fund may rely on this Agreement in preparing a supplement or update to its Prospectus and in accruing the expenses of the Fund for purposes of calculating net asset value and for other purposes, and expressly permits the Fund to do so; and

NOW, THEREFORE, UBS TCPR agrees to reduce its compensation as set forth in the Investment Advisory Agreement between the Fund and UBS TCPR and to assume all or a portion of the ordinary operating expenses of the Fund, including but not limited to shareholder services, custodial and transfer agency fees, legal, regulatory and accounting fees, printing costs, and registration fees, but excluding distribution and service (12b-1) fees, taxes, leverage, interest, brokerage commissions, dividends or interest expenses on short positions, acquired fund fees and expenses and extraordinary expenses (collectively, the “Other Expenses”) to the extent necessary to maintain the Fund’s total annual fund operating expenses less distribution and service (12b-1) fees, taxes, leverage, interest, brokerage commissions, dividends or interest expenses on short positions, acquired fund fees and expenses and extraordinary expenses (“Net Total Expenses”) at a level which is no greater than 1.00% of the daily gross assets attributable to the Class A Shares of the Fund and 1.00% of the of the daily gross assets attributable to the Class P Shares of the Fund, subject to future reimbursement by the Fund.

UBS TCPR shall be entitled to recoup such amounts at such time as the Net Total Expenses for the Fund fall below the amounts set forth above for the annual period; provided that (i) such recoupment does not cause the Fund’s Net Total Expenses to exceed (A) the expense limitation at the time the fees are waived or (B) the expense limitation in effect at the time of such reimbursement and (ii) the recoupment is made within three (3) years of the date as of which UBS TCPR reduced its compensation and/or assumed the expense.

This Agreement shall be effective through June 30, 2025, and may be renewed for successive one year periods, provided such continuance is approved by a majority of the Directors of the Fund who (i) are not “interested persons” of the Fund or any other party to this Agreement, as defined in the Investment Company Act of 1940, as amended, and (ii) have no direct or indirect financial interest in the operation of this Agreement (“Non-Interested Directors”).

Upon termination or expiration of this Agreement, for the avoidance of doubt, UBS TCPR shall be entitled to recoup the amounts set forth above, provided, that, (i) such recoupment does not cause the Fund’s Net Total Expenses to exceed (A) the expense limitation at the time the fees are waived or (B) the expense limitation in effect at the time of such reimbursement and (ii) the recoupment is made within three (3) years of the date as of which UBS TCPR reduced its compensation and/or assumed the expense.

This agreement substitutes and replaces any other agreements relating to advisory fee waivers or reimbursement of the Fund’s operating expenses that may have previously been entered into by the parties, and any such agreements shall herein.

IN WITNESS WHEREOF, the UBS TCPR and the Fund have agreed to this Agreement as of the day and year first above written.

UBS TRUST COMPANY OF PUERTO RICO

By: /s/ Leslie Highley
Name: Leslie Highley
Title: Managing Director

By: /s/ Claudio D. Ballester
Name: Claudio D. Ballester
Title: Executive Director

U.S. MONTHLY INCOME FUND FOR
PUERTO RICO RESIDENTS, INC.

By: /s/ William Rivera
Name: William Rivera
Title: First Vice President

By: /s/ Javier Rodriguez
Name: Javier Rodríguez
Title: Assistant Vice President

Multi-Class and Expense Allocation Policy
UBS Puerto Rico Family of Funds

SECTION 1. BACKGROUND

The Board of Directors of the UBS Puerto Rico Family of Funds (the Funds) has adopted the following policy regarding the share classes and expense allocations for each Fund. Each Fund may from time to time issue Shares of one or more of the types of Classes described in this Policy. This Policy is qualified by and subject to the terms of the then-current registration statement for the applicable Class; provided, however, that those terms are not inconsistent per se with the terms of this Plan. This Policy describes matters related to the operation of multi-class Funds and contains the Funds' policies on expense allocations and related matters for all Funds regardless of the number of Classes offered.

SECTION 2. CLASS DESIGNATIONS

(A) A Shares:

- are generally offered and sold to retail investors;
- are generally offered and sold with the imposition of a front-end sales charge or a CDSC¹ of between 1.50% and 5.00%;
- are subject to a Rule 12b-1 Fee of up to 0.25% and may pay a Shareholder Service Fee;
- do not pay exchange fees; however, Shares sold by an investor within 60 days of purchase may be subject to a deferred sales charge of up to 1.00%; and
- generally require an investment minimum of \$5,000.

L Shares:

- are generally offered and sold to retail investors;
- are generally offered and sold without the imposition of a front-end sales charge or a CDSC;
- are subject to a Rule 12b-1 Fee of up to 0.75% and may pay a Shareholder Service Fee;
- do not pay exchange fees; however, Shares sold by an investor within eighteen months of purchase may be subject to a deferred sales charge of between 0.50% and 1.25%; and
- generally require an investment minimum of \$1,000,000.

P Shares:

- are generally offered and sold to retail investors;
- are generally offered and sold without the imposition of a front-end sales charge or a CDSC;
- are not subject to a Rule 12b-1 Fee or Shareholder Services Fee;
- do not pay exchange fees or redemption fees; and
- generally require an investment minimum of \$[2,500 – to be determined].

(B) For all Classes, any investment minimum may be waived or reduced and any investment minimum may be waived or reduced for investments through traditional or Roth Individual Retirement Accounts, qualified retirement plans or accounts that participate in a systematic investment plan (to the extent such plan is offered). Registered investment advisers and financial planners that maintain multiple client accounts may be permitted to aggregate the value of such accounts to meet any investment minimum.

¹ CDSC is a contingent deferred sales charge

(C) All Classes may be offered and sold to investors directly through the Fund, through certain employee directed benefit plans, through a financial intermediary, such as a broker, or through a fund supermarket or other investment platform. For all Classes, the exchange program features exist only to the extent exchanges are available.

SECTION 3. VOTING

Each Class shall have exclusive voting rights on any matter submitted to a shareholder vote that relates solely to the Class's arrangement for shareholder services or distribution and each Class shall have separate voting rights with respect to any matter submitted to a shareholder vote in which the interests of one Class differ from the interests of another Class.

SECTION 4. CLASS EXPENSE ALLOCATIONS

(A) Allocation of Class Expenses. Certain expenses may be attributable to a particular Class ("Class Expenses"). Class Expenses are charged directly to the net assets of the particular Class.

(B) Class Expenses. In addition to the Rule 12b-1 Fee and Shareholder Service Fee, each Class also may pay a different amount of the following expenses:

- (1) Legal, printing and postage expenses related to preparing and distributing materials such as shareholder reports, prospectuses, and proxies to current shareholders of a specific Class;
- (2) Blue Sky fees incurred by a specific Class of Shares;
- (3) Administration, fund accounting and transfer agent fees and expenses identified as being attributable to a specific Class;
- (4) Litigation, legal and audit fees related to a specific Class;
- (5) Directors' fees and expenses incurred as a result of issues relating to a specific Class;
- (6) Expenses incurred in connection with shareholder meetings related to a specific Class;
- (7) Subject to approval by the Board, such other fees and expenses as the Administrator deems to be allocable to specified Classes; and
- (8) Such other expenses actually incurred in a different amount by a Class or related to a Class's receipt of services of a different kind or to a different degree than another Class.

SECTION 5. OTHER ALLOCATIONS AND WAIVERS/REIMBURSEMENTS

(A) Expenses Applicable to More than One Fund. Expenses (other than Class Expenses) incurred by or on behalf of a Fund shall be allocated to that Fund, and expenses (other than Class Expenses) incurred by or on behalf of more than one Fund shall be allocated among all of the Funds that incurred the expenses based on the NAVs of each Fund in relation to the NAVs of all Funds to which the expense relates, except:

- (1) State registration expenses covering all Funds shall be divided equally among separate Classes of the covered Funds; and

(2) Legal expenses covering all Funds, Directors' fees and insurance expenses shall be allocated to each Fund as follows: (i) 50% proportionally based on the NAV of each Fund in relation to the NAVs of all Funds to which the expense relates; and, (ii) 50% proportionately based on the total number of Funds.

Notwithstanding the above, if the Principal Financial Officer (PFO), in this case the Fund Administrator for each Fund determines that a more equitable method is appropriate, that method shall be used; provided that such method is ratified by the Board at its next regularly scheduled meeting.

Insurance expenses incurred by the Funds as a result of any joint insurance arrangement entered into among the Funds and any one or more additional trusts shall first be allocated in accordance with a Joint Insurance Agreement prior to allocating expenses among the underlying series of the Funds in accordance with the above methodology.

(B) Other Allocations. Income, realized and unrealized capital gain and loss and expenses (other than Class Expenses) related to a Fund shall be allocated to each Class based on the NAV of the Class in relation to the NAV of the Fund.

(C) Waivers and Reimbursements. Any Service Provider or their Affiliated Persons may agree to waive any fees or reimburse any expense to be paid by a Fund or a Class if the waiver or reimbursement is approved on behalf of the Funds by the President and reported to the Board.

SECTION 6. EXCHANGE PRIVILEGES

Shares of each Class generally will be permitted to be exchanged for Shares of the same Class (or a Class with similar characteristics) of another Fund that is advised by UBS Asset Managers of Puerto Rico. Shareholders of a Fund may exchange their Shares for Shares of another Fund as described in the applicable Funds' registration statements, in accordance with Section 11(a) of the 1940 Act, the rules thereunder and the requirements. The exchange privileges set forth in this Section 6 may be modified or terminated by a Fund at any time.

SECTION 7. AMENDMENTS AND BOARD REVIEW

Material amendments to this Policy shall be approved by a majority of the Board, including a majority of the Independent members of the Board, upon a finding that the amendment, including any proposed related expense allocation, is in the best interests of the Classes and Funds affected by the amendment.

Approval History

Action
BoD adopted the procedures

Date
5/11/2021



SIDLEY AUSTIN LLP
787 SEVENTH AVENUE
NEW YORK, NY 10019
+1 212 839 5300
+1 212 839 5599
AMERICA • ASIA PACIFIC • EUROPE

April 29, 2024

VIA EDGAR

U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Attention: Division of Investment Management

Re: U.S. Monthly Income Fund for Puerto Rico Residents, Inc.
Post-Effective Amendment No. 5 under the Securities Act of 1933 and
Amendment No. 5 under the Investment Company Act of 1940 to the Registration
Statement on Form N-1A
File Nos. 333-259184 and 811-23687

Ladies and Gentlemen:

U.S. Monthly Income Fund for Puerto Rico Residents, Inc. (the “Fund”), hereby files via EDGAR one electronically signed copy of Post-Effective Amendment No. 5 under the Securities Act of 1933, as amended (the “Securities Act”), and Amendment No. 5 under the Investment Company Act of 1940, as amended, to its registration statement on Form N-1A (the “Post-Effective Amendment”) to update the Fund’s financial statements under Section 10(a)(3) of the Securities Act and to make certain other non-material changes which the Fund deemed appropriate.

This Post-Effective Amendment also includes interactive data format risk/return summary information in Inline XBRL that mirrors the risk/return summary information in the Post-Effective Amendment.

We have assisted the Fund in the preparation of the Post-Effective Amendment. Pursuant to Rule 485(b)(4) under the Securities Act, we hereby represent to the Securities and Exchange Commission that, to our knowledge, such Post-Effective Amendment does not contain disclosure that would render it ineligible to become effective pursuant to paragraph (b) of Rule 485.

Very truly yours,

/s/ Andrew M. Friedman

Andrew M. Friedman

cc: Carla G. Teodoro
Jesse C. Kean

Sidley Austin (NY) LLP is a Delaware limited liability partnership doing business as Sidley Austin LLP and practicing in affiliation with other Sidley Austin partnerships.