

PUERTO RICO SHORT TERM INVESTMENT FUND, INC.

PROSPECTUS

December 2, 2008

The Fund is NOT a money market fund as defined in the rules under the Investment Company Act of 1940 ("the Act"), and, among other things, is not subject to the diversification and credit quality requirements of a money market fund registered and regulated under the Act. See "Investment Objectives, Strategies and Risks--Principal Risks" on p. 3 and "More About Risks and Investment Strategies" on p. 6 for more information.

This prospectus offers shares of common stock in the Puerto Rico Short Term Investment Fund, Inc. (the "Fund") exclusively to residents of Puerto Rico (as described below), including eligible participants in the UBS Financial Services Inc.SM Resource Management Account[®] (RMA[®]) Program, the UBS Business Services Account[®] (BSA[®]) Program, or advisory programs that may be offered by UBS Financial Services Incorporated of Puerto Rico and those investing through other securities dealers or directly from the Fund.

THE SECURITIES DESCRIBED IN THIS PROSPECTUS ARE OFFERED FOR SALE ONLY IN THE COMMONWEALTH OF PUERTO RICO THROUGH REGISTRATION OF THE FUND WITH THE OFFICE OF THE COMMISSIONER OF FINANCIAL INSTITUTIONS OF PUERTO RICO AS AN INVESTMENT COMPANY UNDER THE PUERTO RICO INVESTMENT COMPANIES ACT. THE SECURITIES HAVE NOT BEEN REGISTERED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933 OR WITH THE OFFICE OF THE COMMISSIONER OF FINANCIAL INSTITUTIONS OF PUERTO RICO AND THE FUND HAS NOT BEEN REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940. NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION NOR THE OFFICE OF THE COMMISSIONER OF FINANCIAL INSTITUTIONS OF PUERTO RICO HAS PASSED IN ANY WAY UPON THE MERITS OF OR RECOMMENDED OR GIVEN APPROVAL TO THE SECURITIES. ANY REPRESENTATION TO THE CONTRARY IS A CRIME.

THE SHARES ARE OFFERED EXCLUSIVELY TO INDIVIDUALS HAVING THEIR PRINCIPAL RESIDENCE WITHIN THE COMMONWEALTH OF PUERTO RICO AND TO PERSONS, OTHER THAN INDIVIDUALS, ORGANIZED UNDER THE LAWS OF PUERTO RICO AND WHOSE PRINCIPAL OFFICE AND PRINCIPAL PLACE OF BUSINESS ARE LOCATED WITHIN PUERTO RICO, PROVIDED THAT IF THE ENTITY IS A NON-BUSINESS TRUST, THE TRUSTEE AND ALL TRUST BENEFICIARIES ARE PUERTO RICO RESIDENTS.

THE FUND IS NOT A MONEY MARKET FUND REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, DOES NOT COMPLY WITH THE RULES APPLICABLE TO THOSE FUNDS AND MAY PRESENT A HIGHER DEGREE OF RISK THAN THOSE FUNDS. UBS ASSET MANAGERS OF PUERTO RICO, INVESTMENT ADVISER TO THE FUND, AND ITS AFFILIATES MAY HAVE INTERESTS THAT COMPETE WITH THOSE OF THE FUND, AMONG OTHER THINGS, BECAUSE THE INVESTMENT ADVISER AND ITS AFFILIATES WILL ACT IN NUMEROUS CAPACITIES IN CONNECTION WITH THE FUND AND THE PUERTO RICO INVESTMENT COMPANIES IN WHICH THE FUND INVESTS, AND WILL ENGAGE IN TRANSACTIONS DIRECTLY WITH THE FUND. FOR A DETAILED DISCUSSION OF THESE RISKS AND OTHER RISKS APPLICABLE TO AN INVESTMENT IN THE FUND, SEE "INVESTMENT OBJECTIVES, STRATEGIES AND RISKS--PRINCIPAL RISKS" AND "MORE ABOUT RISKS AND INVESTMENT STRATEGIES" IN THIS PROSPECTUS.

INVESTMENT IN THE FUND IS NOT INSURED OR GUARANTEED BY THE U.S. GOVERNMENT OR BY THE GOVERNMENT OF THE COMMONWEALTH OF PUERTO RICO. YOU SHOULD BE AWARE THAT THE SECURITIES ARE NOT AN OBLIGATION OF OR GUARANTEED BY UBS TRUST COMPANY OF PUERTO RICO OR ANY OF ITS AFFILIATES. IN ADDITION, YOUR INVESTMENTS IN THE FUND ARE NOT DEPOSITS AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER AGENCY OF THE U.S. GOVERNMENT OR THE GOVERNMENT OF THE COMMONWEALTH OF PUERTO RICO.

THE FUND IS A NON-DIVERSIFIED INVESTMENT COMPANY. THIS MEANS THAT THE FUND MAY INVEST A GREATER PERCENTAGE OF ITS ASSETS IN A LIMITED NUMBER OF ISSUERS, PARTICULARLY PUERTO RICO INVESTMENT COMPANIES, THAN A DIVERSIFIED INVESTMENT COMPANY. CONSEQUENTLY, THE FUND'S NET ASSET VALUE AND ITS YIELD MAY FLUCTUATE TO A GREATER EXTENT THAN THAT OF A MORE DIVERSIFIED INVESTMENT COMPANY AS A RESULT OF CHANGES IN THE MARKET'S VIEW OF THE FINANCIAL CONDITION AND PROSPECTS OF SUCH ISSUERS. THE FUND WILL BE MORE SUSCEPTIBLE TO ANY SINGLE ECONOMIC, POLITICAL OR REGULATORY OCCURRENCE THAN A MORE WIDELY DIVERSIFIED INVESTMENT COMPANY.

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Back Cover

The Fund is not a complete or balanced investment program.

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Puerto Rico Short Term Investment Fund, Inc.

INVESTMENT OBJECTIVE, STRATEGIES AND RISKS

Fund Objective

Current income, consistent with liquidity and conservation of capital.

No assurance can be given that the Fund will achieve its investment objective.

Principal Investment Strategies

The Fund is an open-end management investment company registered under the Puerto Rico Investment Companies Act. The Fund seeks to maintain a stable price of \$1.00 per share. **The Fund is not a money market fund registered under the U.S. Investment Company Act of 1940 and does not comply with the rules that apply to those funds.** As a result, among other things, the Fund may present a higher degree of risk than those funds and the Fund may be less able than those funds to maintain a stable price of \$1 per share. In particular, the Fund will not be subject to the requirements of Rule 2a-7 under the U.S. Investment Company Act, which, among other things, contains strict issuer diversification, maturity and credit quality requirements. The Fund, for example, may invest to a greater degree than a U.S. Investment Company Act-registered money market fund in securities rated in the second highest short term rating category (Second Tier Securities) and the Fund is less diversified than such a fund. Further, the Fund will not have available the more general regulatory protections afforded to U.S. registered investment companies, including money market funds. **You may have a greater risk of losing money than if you invested in a U.S. registered money market fund or in one of the other sweep options offered in the UBS Financial Services Inc. RMA[®] or BSA[®] programs.**

Only residents of Puerto Rico, including such residents that are participants in the UBS Financial Services Inc. RMA[®] or BSA[®] programs that may select the Fund as their primary brokerage account sweep option, may invest in the Fund. The RMA[®] and BSA[®] programs are more fully described in separate materials your Financial Advisor can provide you. See “Managing Your Fund Account—Buying Shares.”

The Fund invests generally in a portfolio of high quality short term instruments of governmental and private issuers, including, to a large degree, instruments issued by other Puerto Rico investment companies advised by or co-advised by the Investment Adviser. “High quality” generally means

instruments that at the time of investment are rated within the two highest short term rating categories by one or more nationally recognized statistical rating organizations, without regard to any subcategory, or that are unrated but deemed to be of comparable quality by the Fund’s Investment Adviser. The Fund may continue to hold these instruments even if their rating is downgraded.

The Fund seeks to achieve its objective by investing in a portfolio of taxable (subject to the conditions described below) and tax-exempt instruments, including short term debt obligations, as well as longer-term bonds with only a short time remaining to maturity or that have variable interest rates or other special features that give them the financial characteristics of short term debt. Currently, the Fund invests 100% in tax-exempt securities. The Fund may also, but is not required to, invest in taxable securities with the same investment characteristics as tax-exempt securities. “Short term” means instruments that mature in 397 calendar days or less from the date when the Fund acquires the instrument. The maturity of Second Tier Securities may not exceed 180 days. The Fund invests only in U.S. dollar-denominated instruments.

The Fund may invest in taxable securities if it successfully implements certain systems enhancements to allow it to satisfy its tax withholding obligations to the Puerto Rico Treasury Department. Alternatively, the fund may seek to obtain a ruling from the Puerto Rico Treasury Department pursuant to which all dividends distributed out of the Fund’s taxable income will be treated by investors receiving such distributions as exempt for purposes of the Puerto Rico Internal Revenue Code, provided the Fund pays to the Puerto Rico Treasury Department 10% and 5.85% of the aggregate amount of taxable dividends paid to resident individuals or trusts all of the beneficiaries of which are residents of Puerto Rico and corporations and other entities with their principal place of business in Puerto Rico, respectively, on or before the 15th day of the month succeeding the distribution of a taxable dividend. In certain limited cases, the ruling may potentially disadvantage certain shareholders. Prior to investing in taxable securities pursuant to a ruling, the Fund will notify shareholders of the ruling and its intent to invest in taxable securities, providing shareholders with a sufficiently

reasonable amount of time within which to consider whether to remain invested in the Fund.

Shareholders should consider, among other things, their potential tax consequences in making that determination and seek appropriate guidance from their tax advisers. **Prior to the Fund's receipt of the ruling, the Fund may not be able to achieve the level of return it would otherwise achieve by investing in a portfolio of taxable and tax-exempt securities.** See "Dividends and Taxes".

In order to comply with the legal requirements of the Puerto Rico Investment Companies Act, the Fund generally must invest at least 67% of its total assets in securities issued by Puerto Rico issuers. To achieve its objective, except for temporary purposes, the Fund will normally invest at least 67% of its total assets in short term Puerto Rico obligations, such as Puerto Rico municipal obligations, Puerto Rico mortgage-backed and asset-backed securities, obligations of Puerto Rico investment companies (the majority of which will be obligations issued principally or solely by investment companies having the same Investment Adviser as the Fund), repurchase agreements and commercial paper. In order to meet these requirements, the Fund may invest to a large extent in securities issued by the Commonwealth of Puerto Rico, which are currently Second Tier Securities.

The Fund may hold up to 33% of its total assets in U.S. high quality short term instruments, including securities issued or guaranteed by the U.S. government, its agencies and instrumentalities, municipal securities of issuers in the United States, non-Puerto Rico mortgage-backed and asset-backed securities and other securities. The Fund will seek to maintain a dollar-weighted average portfolio maturity of 90 days or less.

UBS Asset Managers of Puerto Rico, a division of UBS Trust Company of Puerto Rico (UBS TCPR), serves as the Fund's Investment Adviser. UBS Asset Managers of Puerto Rico selects investments for the Fund based on its assessment of relative values and changes in market and economic conditions.

The following are brief descriptions of the major categories of securities in which the Fund may invest:

Municipal Obligations. Municipal obligations are debt obligations or similar securities issued by or on behalf of Puerto Rico, a state of the United States, or any of their respective subdivisions, organizations, agencies or instrumentalities, or by multi-state agencies or authorities.

Puerto Rico Investment Company Obligations. The Fund expects to invest a substantial portion of its assets (including possibly all of its Puerto Rico investments) in obligations of investment companies organized and registered under the laws of Puerto Rico and advised or co-advised by the Investment

Adviser. These obligations will be issued principally or solely by investment companies having the same Investment Adviser as the Fund and collateralized by a pledge of certain securities constituting the assets of those investment companies. To the extent that the Fund invests in obligations issued by investment companies affiliated with the Investment Adviser or UBS TCPR such investments present certain conflicts of interest and other related issues. See "More About Risks and Investment Strategies—Conflicts of Interest Risk."

Repurchase Agreements. Repurchase agreements are transactions in which the Fund purchases securities from a broker-dealer or other financial institution, and at the same time commits to resell the securities to that entity at a price reflecting a market rate of interest unrelated to the coupon rate or maturity of the purchased securities.

Commercial Paper. Commercial paper consists of short term, unsecured promissory notes issued by banks, municipalities, corporations and other entities to finance their short term credit needs. The commercial paper purchased by the Fund will include obligations issued by Puerto Rico governmental agencies, corporations located in Puerto Rico or the Puerto Rico subsidiaries of foreign entities, as well as obligations of U.S. issuers.

Mortgage-Backed Securities. Mortgage-backed securities are participations in, or are secured by and are payable from, mortgage loans secured by real property. Investors in mortgage-backed securities typically receive interest and principal on the underlying mortgage loans (and/or any related credit support). In the case of Puerto Rico mortgage-backed securities, the underlying real property is located in Puerto Rico. Investments in mortgage-backed securities may also include those issued or guaranteed by a U.S. government agency, as well as mortgage-backed securities that are not guaranteed or issued by a government agency, and in either case may include collateralized mortgage obligations.

Bank Instruments. 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. Although maturities for acceptances can be as long as 270 days, most acceptances have maturities of six months or less. The Fund may also invest in bank certificates of deposit or other time deposits, including deposits with affiliates of the Fund and the Investment Adviser, or of other companies in which the Fund invests. Investments in bank deposits are made only with U.S. or Puerto Rico institutions with assets in excess of \$1 billion.

Asset-Backed Securities. Asset-backed securities are securities generally backed by a pool of obligations (other than mortgage loans) of a number of different obligors. There is not expected generally to be a governmental guarantee on asset-backed securities (or the underlying obligations) purchased by the Fund.

Principal Risks

An investment in the Fund is not a bank deposit and is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The value of an investment in the Fund may be more or less than the original amount invested. While the Fund seeks to maintain the value of your investment at \$1.00 per share, it may not be able to do so because of the following or other risks, you may lose money by investing in the Fund. There can be no guarantee that the Fund will meet its investment objective or that the Fund's performance will be positive for any period of time.

The principal risks presented by an investment in the Fund are:

- *Credit Risk* – Credit Risk is the risk that issuers may fail, or become less able, to make payments when due. The Fund is subject to higher credit risk than a registered U.S. money market fund because, among other things, the Fund may invest up to 30% of its total assets in Second Tier Securities while a U.S. money market fund is limited to 5%. Generally, in addition, the Fund may invest more than 1% of its total assets in any single issuer of Second Tier Securities (with no per issuer limit for Puerto Rico issuers) while a U.S. money market fund is limited to 1% per issuer of Second Tier Securities.
- *Interest Rate Risk* – Interest Rate Risk is the risk that interest rates will rise, so that the value of the Fund's investments will fall. The value of the Fund's investments generally will fall when short term interest rates rise and its yield will tend to lag behind prevailing rates.
- *Geographic Concentration Risk* – Geographic Concentration Risks are risks resulting from reduced

geographic diversification. Because the Fund will invest a substantial portion of its assets in Puerto Rico securities, its performance will be more severely affected by unfavorable economic, political, regulatory or other factors in Puerto Rico than investments that are not concentrated in this way.

- *Industry Concentration Risk* – Industry Concentration Risk is the risk that concentrating investments in a particular industry or business segment will increase costs or fluctuations in the value of an investment portfolio.
- *Non-Diversification Risk* – Non-Diversification Risk is the risk that large positions in a small number of issuers may cause greater fluctuations in net asset value and yield as a result of changes in the market's assessment of the financial condition of those issuers.
- *Illiquid Securities Risk* – Illiquid Securities Risk is the risk that securities held cannot be readily sold, particularly at a time when it is advisable to do so to avoid losses. Holdings of illiquid securities may also harm the Fund's continued use as a "sweep" option for management of daily securities account cash balances since it needs to be able to make daily redemptions.
- *Conflicts of Interest Risk* – Conflicts of Interest Risk is the risk that UBS Financial Services Incorporated of Puerto Rico (UBS FSPR) and its affiliates, including the Investment Adviser, may have interests that compete with those of the Fund, among other things, because they will engage in transactions directly with the Fund. UBS FSPR and its affiliates will also act in numerous capacities in connection with the Fund and the Puerto Rico investment companies in which the Fund invests. These relationships also make the Fund very dependent upon UBS FSPR and its affiliates. To the extent that the Fund invests in obligations issued by investment companies affiliated with the Investment Adviser or UBS TCPR, such investments present certain conflict of interest and other related issues.

More information about these and other risks of an investment in the Fund is provided on p. 6 in "More About Risks and Investment Strategies."

PERFORMANCE

Risk/Return Bar Chart and Table

There are no Risk/Return Bar Charts for the Fund because, as of the date of this Prospectus, the Fund has not completed one full calendar year of operations.

EXPENSES AND FEE TABLES

Fees and Expenses These tables describe the fees and expenses that you may pay if you buy and hold shares of the Fund.

Shareholder Transaction Expenses (fees paid directly from your investment)

Maximum Sales Charge (Load) Imposed on Purchases (as a % of offering price)	None
Maximum Contingent Deferred Sales Charge (Load) (as a % of offering price)	None
Maximum Account Fee*	
UBS Financial Services Inc. RMA [®] Program.....	\$ 150
UBS Financial Services Inc. BSA [®] Program	\$ 150

* Additional fees may apply for optional RMA[®]/BSA[®] services, please refer to the Account Information Booklet or contact your Financial Adviser. Purchases of shares of the Fund from other securities dealers may also involve additional fees.

Annual Fund Operating Expenses (expenses that are deducted from Fund assets)

Management Fees	0.50%
Distribution and/or Service (12b-1) Fees.....	0.125% ¹
Other Expenses.....	0.159%*†
Total Annual Fund Operating Expenses (before Reimbursed Expenses).....	0.784%
Reimbursed Expenses.....	(0.055%)
Net Total Annual Fund Operating Expenses (showing the effect of applicable reimbursement agreement)	<u>0.839%*†</u>

¹ A portion of this fee may be paid to Financial Advisors in connection with their sale of Fund shares.

* The Investment Adviser has contractually agreed to reimburse the Fund for fees and expenses to the extent that the Fund's annual operating expenses exceed 1.00% of the Fund's average monthly net assets through June 30, 2009, subject to reimbursement by the Fund within the subsequent three years if annual operating expenses do not exceed the percentage limitation. The Investment Adviser may choose to continue the Expense Limitation and Reimbursement Agreement for one-year periods following its termination, but is not required to do so.

† Other expenses include, among others, fees for certain shareholder services, administration, custodial and transfer agency fees, legal, regulatory and accounting fees, printing costs and registration fees. This expense information is estimated and does not include offering and organizational expenses.

Example

This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds. **This example does not reflect the effect of RMA program fees.** Investors that are not participants in the RMA program do not pay such fees and are not entitled to the services offered through the RMA program.

This example assumes that you invest \$10,000 in the Fund for the time periods indicated and then sell all of your shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund's total annual operating expenses is 0.784% annually. This assumption is not meant to indicate you will receive a 5% annual rate of return. Your annual return may be more or less than the 5% used in this example. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

<u>1 year</u>	<u>3 years</u>
\$80	\$250

MORE ABOUT RISKS AND INVESTMENT STRATEGIES

Principal Risks

The main risks of investing in the Fund are described below. Any of these or other risks may cause the Fund's price per share to deviate from \$1.00 and may cause you to lose money.

An investment in the Fund is not a bank deposit and is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The value of an investment in the Fund may be more or less than the original amount invested. While the Fund seeks to maintain the value of your investment at \$1.00 per share, it may not be able to do so because of the following or other risks and it is possible to lose money by investing in the Fund.

The following is a summary discussion of the principal risks of investing in the Fund. There can be no guarantee that the Fund will meet its investment objective or that the Fund's performance will be positive for any period of time.

Credit Risk – Credit Risk is the risk that issuers may fail, or become less able, to make payments when due. The Fund is subject to higher credit risk than a registered U.S. money market fund because, among other things, the Fund may invest up to 30% of its total assets in Second Tier Securities while a U.S. money market fund is limited to 5%. Generally, in addition, the Fund may invest more than 1% of its total assets in any single issuer of Second Tier Securities (with no per issuer limit for Puerto Rico issuers) while a U.S. money market fund is limited to 1% per issuer of Second Tier Securities.

Interest Rate Risk. The value of a high quality short term instrument generally can be expected to fall when short term interest rates rise and to rise when short term interest rates fall. Interest rate risk is the risk that interest rates will rise, so that the value of the Fund's investments will fall. Also, the Fund's yield will tend to lag behind changes in prevailing short term interest rates. This means that the Fund's income will tend to rise more slowly than increases in short term interest rates. Similarly, when short term interest rates are falling, the Fund's income will tend to fall more slowly.

Geographic Concentration Risk. The Fund has certain risks resulting from reduced geographic diversification. The Fund's assets are invested primarily in securities of Puerto Rico issuers. Consequently, the Fund's performance may be more

severely affected by economic, political, regulatory or other factors adversely affecting issuers in Puerto Rico than a fund that is not concentrated in Puerto Rico issuers. Also, the Fund's ability to achieve its investment objective and to comply with applicable law depends on the availability of Puerto Rico obligations. If those obligations are unavailable or are only available at a price unreasonably above their market value or at unattractive interest rates, it may harm the Fund's performance or affect its continued use as an available sweep option.

Industry Concentration Risk. The Fund may substantially invest in the Puerto Rico investment company industry. The Fund's timely receipt of interest and, ultimately, principal can be affected by the ability of those companies to invest successfully, and may result in certain additional costs directly or indirectly to the Fund. To help reduce these risks, the Fund will invest only in investment company obligations that are secured exclusively by securities issued or guaranteed by the U.S. government. However, the Fund still can lose money if the value of the collateral is less than the amount owed to the Fund. There can also be time delays and expenses in selling the collateral.

Non-Diversification Risk. A relatively high percentage of the Fund's assets will be invested in obligations of a limited number of issuers, particularly Puerto Rico investment companies. In addition, most or all of the Puerto Rico investment companies may be affiliated with the Fund, the Investment Adviser and UBS T CPR and their obligations may be secured by the same or similar assets. Consequently, the Fund's net asset value and its yield may fluctuate to a greater extent than that of a more diversified investment company as a result of changes in the market's view of the financial condition and prospects of such issuers. The Fund also will be more susceptible to any single economic, political or regulatory occurrence than a more widely diversified fund.

Conflicts of Interest Risk. The Fund is not registered under the U.S. Investment Company Act of 1940 and therefore is not subject to the restrictions regarding, among other things, transactions between the Fund and UBS FSPR or its affiliates, including the Investment Adviser, or investment in or deposits with those or other affiliates of the Fund. The Fund will invest to a substantial degree, including, at times, a majority of its assets, in obligations issued by other

Puerto Rico investment companies having the same Investment Adviser. That may create divided interests for the Investment Adviser. As a result, the establishment by the Investment Adviser of interest rates and the timing and nature of securities issuances by those companies may adversely affect the Fund. For example, the Investment Adviser may have an incentive to cause the Fund to purchase securities at a lower interest rate or in greater quantities than the Fund might otherwise desire in order to benefit those other companies, and itself, possibly resulting in a lower yield or greater risk to the Fund. Those companies also pay a higher advisory fee than does the Fund. Conversely, it may be in the best interests of those other companies from time to time to cease to issue those securities, reducing their supply for the Fund and possibly its yield. In that regard, among other things, those companies have limits on the extent to which they may issue debt.

It is anticipated that the Fund will engage in transactions directly with UBS FSPR, an affiliate of the Investment Adviser, and possibly other of its affiliates (or with the Investment Adviser itself), such as securities purchase and sale transactions and repurchase agreement transactions. For most securities purchased by the Fund, including Puerto Rico investment company obligations, one of those entities may be the only dealer, or one of only a few dealers, in or underwriter for the securities being purchased or sold by the Fund. In that event, independent sources for valuation or liquidity of a security may be limited or nonexistent. The Fund is expected to invest a substantial portion of its assets in those securities.

The Fund may invest in securities issued by investment companies having the same Investment Adviser as the Fund, or make deposits with those investment companies. The Investment Adviser and its affiliates (particularly UBS FSPR) serve in multiple roles with respect to investment companies in which the Fund invests. In addition to the Investment Adviser acting as investment adviser or co-investment adviser to those companies, affiliates of the Investment Adviser may also act as underwriter or dealer for those investment companies, and as the underwriter for or dealer in portfolio securities purchased or sold by those investment companies. As a result of the above transactions and relationships, the interests of the Investment Adviser (which manages the Fund's investments) may conflict with those of the Fund as to the price and other terms of transactions and cause the operations of the Fund to be more dependent upon the Investment Adviser and its affiliates than is the case with U.S. registered investment companies,

which are not permitted to engage in many of the transactions in which the Fund participates.

Municipal Obligations Risk. Certain of the municipal obligations in which the Fund may invest present their own distinct risks. These risks may depend, among other things, on the financial situation of the government issuer, or, in the case of industrial development bonds and similar securities (including certain bonds offered by the Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority), on that of the entity supplying the revenues that are intended to repay the obligations. It is also possible that, as a result of litigation or other conditions, the power or ability of issuers or those other entities to meet their obligations for the repayment of principal and payment of interest may be materially and adversely affected.

Illiquid Securities. Illiquid securities are securities that cannot be sold within a reasonable period of time, not to exceed seven days, in the ordinary course of business at approximately the amount that the Fund has valued the securities. Illiquid securities include, among other things, securities subject to legal or contractual restrictions on resale that hinder the marketability of the securities. There presently are a limited number of participants in the market for most Puerto Rico securities or other securities or assets that the Fund may own. In addition, as described above under "Conflicts of Interest Risk", for most of those securities the Fund may have to depend on its affiliates for liquidity; there may be no or few independent sources of liquidity. That is particularly true of the investment company obligations that will likely become the primary investments of the Fund. That and other factors may cause securities to become illiquid, which could hinder the Fund's ability to redeem your investment or continue as an available sweep option.

The Fund may invest up to 10% of its total assets in illiquid securities, including repurchase agreements with maturities in excess of seven days. However, the Fund may continue to hold, without limitation, securities or other assets that become illiquid after the Fund's investment in them. To the extent the Fund owns illiquid securities or other illiquid assets, the Fund may not be able to sell them easily, particularly at a time when it is advisable to do so to avoid losses. Since the Fund is intended primarily for use in certain sweep accounts, the possible lack of liquidity also might raise particular difficulties. As a result, among other things, investors might be delayed in receiving funds needed for securities purchases or other matters, which could have other adverse

consequences. For investors that are participants in the RMA or BSA programs, if the Investment Adviser or its affiliates, in their sole discretion, determine that due to a lack of liquidity the Fund can no longer continue as an available sweep option, the Fund may transfer your investment to another available investment option designated and agreed to by shareholders in their RMA[®] or BSA[®] Master Account Agreement or any other relevant document. By investing in the Fund you are deemed to consent to such action.

U.S. Government Securities Risk. There are different types of U.S. government securities with different levels of credit risk. Some U.S. government securities are issued or guaranteed by the U.S. Treasury and are supported by the full faith and credit of the United States. Other types of U.S. government securities are supported by the full faith and credit of the United States (but not issued by the U.S. Treasury). Securities backed by the full faith and credit of the U.S. have the lowest credit risk. Still other types of U.S. government securities are: (1) supported by the ability of the issuer to borrow from the U.S. Treasury; (2) supported only by the credit of the issuing agency, instrumentality or government-sponsored corporation; (3) supported by pools of assets (e.g., mortgage-backed securities); or (4) supported by the United States in some other way. Certain U.S. government securities are riskier than others. The relative level of risk depends on the nature of the particular security. A U.S. government-sponsored entity, although chartered or sponsored by an Act of Congress, may issue securities that are neither insured nor guaranteed by the U.S. Treasury and are riskier than those that are.

Repurchase Agreement Risk. If a repurchase agreement counter-party defaults, the Fund may suffer time delays and incur costs or possible losses in connection with the disposition of the securities underlying the repurchase agreement. In the event of default, instead of the contractual fixed rate of return, the rate of return to the Fund will depend on intervening fluctuations of the market values of the underlying securities and the accrued interest on the underlying securities. In such an event, the Fund would have rights against the counter-party for breach of contract with respect to any losses resulting from those market fluctuations. However, it is not certain that the Fund would prevail on its claims against the counter-party. It is likely that any such claims would not be resolved expeditiously and that the Fund would incur certain costs and expenses in pursuing such claims.

Mortgage-Backed Securities Risk. Mortgage-backed securities in general differ from investments in traditional debt securities in that, among other things, principal may be prepaid at any time due to prepayments by the obligors on the underlying obligations. Prepayments might result in reinvestment of the proceeds of such prepayments at interest rates that are lower than the prepaid obligations. Prepayments are influenced by a variety of economic, geographic, demographic and other factors. Generally, however, prepayments will increase during periods of declining interest rates and decrease during periods of rising interest rates. Since a substantial portion of the Puerto Rico or other securities available to the Fund may be mortgage-backed securities, the potential for increasing the Fund's exposure to these and other risks related to such securities might cause the market value of the Fund's investments to fluctuate more than otherwise would be the case.

Extension Risk. Certain types of mortgage-backed securities are structured so that principal distributions will be made at a particular planned time or times, assuming that prepayments on the mortgage loans occur each month at a targeted level. There can be no assurance, however, that funds will be available for distribution of principal for any given distribution date. To the extent that prepayments occur at a level below the targeted range, the funds available for principal distributions may be insufficient to make one or more planned principal payments, and the life of the mortgage-backed securities may be extended, resulting in a decrease in the value of the security. This may happen, for example, in periods of rising interest rates.

Asset-Backed Securities Risk. Asset-backed securities present risks similar to those of mortgage-backed securities. However, in the case of many asset-backed securities, the prepayment rates on the underlying assets have historically been less influenced by market interest rate fluctuations and therefore have been more stable. The frequent absence of a government guarantee creates greater exposure to the credit risk on the underlying obligations and, depending on the structure, credit risk regarding the sponsor of such obligations.

Conduit Management Risk

Impact of federal "conduit arrangement" rules on source of income of dividends. Recently final regulations issued under Section 937(b) of the United States Internal Revenue Code addressing "conduit arrangements" may impact the source of income for U.S. tax purposes of dividends distributed by an investment company that invests in securities that

generate income from sources within the United States. Under the rules set forth in these final regulations, income that is otherwise treated as income from sources within Puerto Rico under the general source of income rules is treated as income from sources outside Puerto Rico and not excludable from gross income under Section 933 of the U.S. Code if it consists of income derived in a “conduit arrangement”. Based on the current language of the final regulations and the guidance offered therein, in the opinion of Adsuar Muñoz Goyco Seda & Pérez-Ochoa, P.S.C., counsel to the Fund, it is more likely than not that an investment in the Shares will not be considered the type of transaction intended to be covered by these rules. Consequently, in the opinion of Adsuar Muñoz Goyco Seda & Pérez-Ochoa, P.S.C., counsel to the Fund, it is more likely than not that dividends on the Shares will be treated as income from sources within Puerto Rico. Puerto Rico Individuals should note that the United States Internal Revenue Service may reach a different conclusion as to the applicability of the “conduit arrangement” rules to the Fund. Accordingly, Puerto Rico Individuals may want to seek the advice of their own tax advisors.

Additional Risks

Regulatory Risk and Transfer Restrictions. Shares of the Fund have not been registered with the U.S. Securities and Exchange Commission under the U.S. Securities Act of 1933, and the Fund has not been registered under the U.S. Investment Company Act of 1940. Under the applicable exemptions from those statutes, Fund shares may be offered, sold or otherwise transferred exclusively to individuals whose principal residence is in Puerto Rico, or to corporations and other business organizations whose principal office and place of business are in Puerto Rico, provided that if the entity is a non-business trust, the trustee and all trust beneficiaries are Puerto Rico residents. A failure to comply with those exemptions will likely jeopardize the continued viability of the Fund and could cause you to lose money. Consequently, prior to the initial sale of Fund shares and use of the Fund as an available sweep option, each purchaser and shareholder will be required to represent in writing that the above conditions to purchase are satisfied. Appendix A to this Prospectus contains in letter form the substance of representations that must be made. The Fund, the Administrator, Distributor or other securities dealers may use such procedures, in addition to the written representations stated above, as they deem appropriate to determine on an ongoing basis that a shareholder is a Puerto Rico resident. Failure by a shareholder to cooperate fully with all such parties in

compliance with those procedures may result in a mandatory redemption of shares, an inability to purchase additional shares, and/or a mandatory exchange of shares for another available investment option. In addition, transfers of Fund shares are not permitted except by operation of law and with the express written permission of the Administrator, and the transferee must first submit a letter in substantially the form attached as Appendix A in the manner referred to above. There is no assurance that any of these measures will preserve the Fund’s exemption.

Shareholders of the Fund who cease to be residents of Puerto Rico (as described above) will no longer be able to invest in Fund shares, whether automatically under a sweep option or otherwise, except for dividend reinvestment. In addition, those investors will no longer have available the tax benefits that make the Fund an attractive investment, and those shareholders have an obligation to redeem their shares as soon as it becomes economically feasible to do so. Their shares may also be redeemed involuntarily by the Fund or its Administrator in its sole discretion or may be mandatory exchanged for shares of another available investment option. By investing in the Fund you are deemed to consent to such action.

Termination of the Fund. If the Investment Adviser, in its sole discretion, determines that due to a lack of appropriate investment opportunities in securities of Puerto Rico issuers or for other reasons, the Fund is no longer a manageable investment and/or may have insufficient assets available for the conduct of its business, the Fund may, without obtaining shareholder approval, distribute cash to its shareholders to liquidate their investment or may transfer shareholder investments to another available investment option designated and agreed to by shareholders in their RMA[®] or BSA[®] Master Account Agreement or any other relevant document. By investing in the Fund you are deemed to consent to such action.

Valuation Risk. There may be few or no dealers making a market in certain securities owned by the Fund, particularly with respect to securities of Puerto Rico issuers including, but not limited to, investment companies. Dealers making a market in those securities may not be willing to provide quotations on a regular basis to the Fund’s Investment Adviser or, in the case of affiliated investment companies, may have a conflict of interests as to such valuation. It may therefore be particularly difficult to value those securities. The Fund’s ability, among other things, to

maintain a stable price per share may be adversely affected by an inaccurate valuation.

If an investor in the Fund were to receive a distribution from, or transfer out of, the Fund at a time when the Fund was overvalued, the investor would be overpaid (based on market price) and the value of the investments of remaining investors would be diluted. Conversely, if an investor were to receive a distribution from, or transfer out of, the Fund at a time when the Fund was undervalued, the investor would be underpaid (based on market price) and the value of the investments of remaining investors would be increased.

Political and Other Risk. Political, legal or regulatory developments in Puerto Rico and in the United States or changes in the applicability of existing laws to the Fund could adversely affect the tax-exempt status of interest paid on securities or the tax-exempt status of that portion of the Fund's dividends that are tax-exempt. These developments could also cause the value of the Fund's investments and therefore, the Fund's shares, to fall or jeopardize the continued viability of the Fund, resulting, in either case, in a possible loss to shareholders.

Additional Information About Investment Strategies

The Investment Adviser may use a number of professional money management techniques to respond to changing conditions in the economy and high quality short term instruments and to shifts in fiscal and monetary policies. These techniques include varying the Fund's composition and weighted average maturity based upon its assessment of the relative values of various high quality short term instruments and future interest rate patterns. The Investment Adviser also may buy or sell high quality short term instruments to take advantage of yield differences.

Defensive Positions for the Fund. During adverse market conditions or when the Investment Adviser believes there is an insufficient supply of Puerto Rico securities, the Fund may temporarily invest in other

types of non-Puerto Rico securities. These investments may not be consistent with achieving the Fund's investment objective during the relatively short periods that they are held. In addition, to the extent that they are held for more than 60 days, these investments may require the approval of the Commissioner of Financial Institutions of Puerto Rico which, if not obtained, may harm Fund performance.

Portfolio Transactions. The Investment Adviser is responsible for the execution of the Fund's portfolio transactions. In executing portfolio transactions, the Investment Adviser seeks to obtain the best net results for the Fund, taking into account such factors as the price (including the applicable dealer spread or brokerage commission), size of order, difficulty of execution, and operational facilities of the firm involved. While the Investment Adviser generally seeks the best price in placing orders, the Fund may not necessarily be paying the lowest price available. Securities in which the Fund invests generally are traded on a "net" basis without a stated commission through dealers acting for their own account and not as brokers. Prices paid to dealers in principal transactions of such securities 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 that time. The Investment Adviser may allocate among advisory clients, including the Fund and other investment companies for which it acts as investment adviser, the opportunity to purchase or sell a security or investment that may be both desirable and suitable for them. There can be no assurance of equality of treatment among the advisory clients according to any particular or predetermined standards or criteria.

Borrowing. The Fund may borrow up to 5% of its total assets (including the amount borrowed), and then only from banks as a temporary measure for extraordinary or emergency purposes, such as meeting redemption requests which might otherwise require untimely dispositions of portfolio securities. Interest paid on such borrowings will reduce the Fund's net income.

MANAGING YOUR FUND ACCOUNT

Buying Shares

You must be a Puerto Rico resident (i.e., an individual or entity described above) to purchase Fund shares. Shares of the Fund may be purchased

directly by investors through the Distributor, selected securities dealers or the Fund's Transfer Agent.

Automatic Deposit Account Sweep Program

Shares of the Fund also are available through the UBS Financial Services Inc. Resource Management Account[®] (RMA[®]) Program, the Business Services Account (BSA[®]) Program and advisory programs offered by UBS Financial Services Incorporated of Puerto Rico. The RMA[®], BSA[®] and advisory programs are more fully described in separate materials your Financial Advisor can provide you.

Participants in the RMA[®] and BSA[®] programs may select as their primary sweep option the UBS Bank or one of the UBS Financial Services Inc. money market funds. Residents of Puerto Rico also have the Fund as an available sweep option, even though it differs from a U.S. registered money market fund. If you cease to be a Puerto Rico resident your investment in the Fund will be automatically redeemed and the proceeds will be invested in the default option based on whether you have an RMA[®] or BSA[®] account. By investing in the Fund you are deemed to consent to such action. You may have only one primary sweep option at any time, but you may change your primary sweep option or purchase shares of another fund by contacting your Financial Advisor.

Your order to purchase the Fund's shares will be effective on the business day on which federal funds become available to the Fund. Federal funds are funds deposited by a commercial bank in an account at a Federal Reserve Bank that can be transferred to a similar account of another bank in one day and thus can be made immediately available to the Fund. A business day is any day that the Puerto Rico offices for the Fund's custodian and sub-custodian and the New York City offices of UBS Financial Services Inc. and its bank are open for business.

The Fund and UBS Financial Services Inc. and its affiliates (including the Distributor) reserve the right to reject a purchase order or suspend the offering of Fund shares.

If you would like to place a limit on the amount of available cash that defaults to the Deposit Account Sweep Program, contact your Financial Advisor.

Buying Shares Automatically

All free cash credit balances (that is, immediately available funds) of over \$1.00 in your UBS Financial Services Inc. RMA[®] or BSA[®] brokerage account (including proceeds from securities you have sold) are automatically invested in your primary sweep option, including the Fund, on a daily basis for settlement the next business day, when federal funds normally are available. For cash balances arising

from the sale of securities in your brokerage account, federal funds availability can sometimes take longer.

Shares in your sweep option will be purchased only after all debits and charges to your RMA[®] or BSA[®] brokerage account are satisfied. See "Selling Shares Automatically" below.

Buying Shares by Check or Electronic Funds Transfer Credit

RMA[®] and BSA[®] participants may purchase shares of their primary sweep option or another fund by placing an order with their Financial Advisor and providing a check from a U.S. bank. You should include your UBS Financial Services Inc. account number on the check. In the case of investments in the Fund, such orders must be placed through a Financial Advisor employed by UBS FSPR.

Shares of the Fund may also be purchased through other selected securities dealers in Puerto Rico in accordance with their procedures or directly through the Fund's Transfer Agent. To purchase directly from the Transfer Agent, you should call the Transfer Agent and request a purchase application. Mail the completed purchase application to the Transfer Agent at the address listed in "Management — Administrator and Transfer Agent" in this Prospectus.

Federal funds are deemed available to a fund, including the Fund, two business days after the deposit of a personal check or an Electronic Funds Transfer credit initiated by UBS Financial Services Inc. (including the Distributor) and one business day after deposit of a cashier's or certified check. UBS Financial Services Inc. may benefit from the temporary use of the proceeds of personal checks and Electronic Funds Transfer credits if they are converted to federal funds in less than two business days.

Buying Shares by Wire

You may purchase Fund shares by placing an order through your Financial Advisor and instructing your bank to transfer federal funds by wire to:

UBS AG
ABA 026007993
UBS Financial Services Inc. – RMA
A/C 101WA258640000
[Account Name]/[Brokerage Account Number]

The wire must include your name and RMA[®] or BSA[®] brokerage account number. In the case of investments in the Fund, such orders must be placed

through a Financial Advisor employed by UBS FSPR.

If UBS Financial Services Inc. receives a notice from your bank of wire transfer of federal funds for a purchase of Fund shares by 12:00 noon, Eastern time, UBS Financial Services Inc. will execute the purchase on that day. Otherwise, UBS Financial Services Inc. will execute the order on the next business day. UBS Financial Services Inc. and/or your bank may impose a service charge for wire transfers.

Minimum Investments

The Fund has no minimum for initial investments or to add to an account for UBS brokerage accounts, but reserves the right to establish minimum investment requirements for such accounts at any time. For accounts at other dealers, the Fund applies a \$10,000 account minimum for initial and subsequent investments in the Fund for an account. The Fund reserves the right to liquidate such accounts that have current values below the \$10,000 minimum.

Selling Shares

You may sell your shares by contacting your UBS Financial Advisor or other selected dealer in person or by telephone or mail. You may also use the checkwriting service, if available, to sell your shares. Your Fund shares will be sold automatically to settle any outstanding securities purchases, charges or debits to your UBS brokerage account, unless you instruct your Financial Advisor otherwise.

If you sell all your shares in the Fund, you will receive cash credits to your RMA[®] or BSA[®] brokerage account for dividends earned on those shares prior to the sale date. Other investors in the Fund will have the cash proceeds of the sale mailed to them within seven days.

The Fund reserves the right to temporarily delay or suspend the sale of your Fund shares when (i) banking in Puerto Rico or New York City is closed, (ii) the New York Stock Exchange is closed or trading on the New York Stock Exchange is restricted or (iii) an emergency exists that makes it not reasonably practicable for the Fund to dispose of securities owned by it or to determine fairly the market value of its net assets.

Shares sold through selected securities dealers may be subject to additional fees.

Selling Shares Automatically

Under the RMA[®] and BSA[®] programs, UBS FSPR sells Fund shares automatically to satisfy outstanding debits and charges in your brokerage account.

- Debits include amounts due UBS FSPR on settlement date for securities purchases, margin loans, UBS FSPR checks, federal funds wires arranged by UBS FSPR and related fees.
- Charges include RMA[®] and BSA[®] checks, MasterCard[®] purchases, cash advances, Bill Payment Service payments and Automated Clearing House transfers, including Electronic Funds Transfer Debits.

Shares are sold to cover debits on the day the debit is generated. Shares are sold automatically to cover RMA[®] and BSA[®] checks and MasterCard[®] cash advances on the day they are paid.

Shares are sold automatically to cover MasterCard[®] purchases at the end of the MasterCard[®] monthly billing period. Shares are sold to pay for securities purchases on settlement date.

Selling by Mail

If you send an order to sell your shares by mail to UBS FSPR, your request must include:

- Your name and address;
- The Fund's name;
- Your account number;
- The dollar amount or number of shares you want to sell; and
- A guarantee of each registered owner's signature. A signature guarantee may be obtained from a financial institution, broker, dealer or clearing agency that is a participant in one of the medallion programs recognized by the Securities Transfer Agents Association. These are: Securities Transfer Agents Medallion Program (STAMP), Stock Exchanges Medallion Program (SEMP) and the New York Stock Exchange Medallion Signature Program (MSP). The Fund and its transfer agent will not accept signature guarantees that are not a part of these programs.

Sales by mail may also need to include additional supporting documents for sales by estates, trusts, guardianships, custodianships, partnerships and corporations.

Additional Information

It costs the Fund money to maintain shareholder accounts. Therefore, the Fund reserves the right to repurchase all shares in any account that has a net asset value of less than \$500. If the Fund elects to do this with your account, it will notify you that you can increase the amount invested to \$500 or more within

60 days. This notice may appear on your account statement.

The Fund also has the right, at the sole discretion of it or the Administrator, to repurchase any shares held by an investor that either of them reasonably believes has ceased to be a resident of Puerto Rico.

If you want to sell shares that you purchased recently, the Fund may delay payment to assure that it has received good payment. If you purchased shares by check, this can take up to 15 days.

UBS Financial Services Inc. has the right to terminate your RMA[®] or BSA[®] brokerage account or cease the availability of the Fund to RMA[®] or BSA[®] account holders, and/or the Fund may cease operations, for any reason. In any of those cases, UBS Financial Services Inc. will sell all of the Fund shares held in the RMA[®] or BSA[®] brokerage account and will send you the proceeds within three business days. By investing in the Fund you are deemed to consent to such action.

You will receive confirmation of your purchases and sales of Fund shares on periodic account statements. These periodic statements may be sent monthly except that, if your fund activity in a quarter was reinvestment of dividends, the activity may be reported on a quarterly rather than a monthly statement.

Pricing and Valuation

The price of Fund shares is based on net asset value. The net asset value per share is the total value of the Fund divided by the total number of shares outstanding. In determining net asset value, the Fund values its securities at their amortized cost. This method uses a constant amortization to maturity of the difference between the cost of the instrument to the Fund and the amount due at maturity. The Fund's net asset value per share is expected to be \$1.00, although this value is not guaranteed. As described above, the Fund differs from a U.S. registered money market fund and there is a significantly higher degree of risk than for those funds that it will not be able to maintain a stable price of \$1.00 per share. See "More About Risks And Investment Strategies" in this Prospectus.

The Fund typically calculates net asset value per share once each business day at 12:00 noon, Eastern time. Your price for buying or selling shares will be the net asset value that is next calculated after the Fund accepts your order. Your Financial Advisor is responsible for making sure that your order is promptly sent to the Fund when shares are purchased other than through the automatic program described above.

MANAGEMENT

Investment Adviser

UBS Asset Managers of Puerto Rico, a division of UBS TCPR, is the Investment Adviser of the Fund. UBS Asset Managers of Puerto Rico is located at American International Plaza, Tenth Floor, 250 Muñoz Rivera Avenue, San Juan, Puerto Rico 00918. As of October 31, 2008, UBS Asset Managers of Puerto Rico, serves as investment adviser or co-investment adviser to funds with combined portfolio assets of approximately \$9.6 billion.

Leslie Highley, Jr. and Luis Cabrera are the portfolio managers of the Fund.

Mr. Highley has been a Managing Director of UBS Trust Company of Puerto Rico since 2006 and a Senior Vice President of the Puerto Rico Investors Tax-Free Family of Funds since inception in 1995. From 1985 to 1993, Mr. Highley was the President of Dean Witter Puerto Rico, Inc. and a senior officer responsible for Corporate and Public Finance. Prior thereto, he was Executive Vice President of the Government Development Bank for Puerto Rico where he managed Investment and Treasury Operations, and also supervised Private Lending and the issuance of all Puerto Rico Government debt from 1977 to 1985.

Mr. Cabrera joined UBS September 2007. Prior to joining UBS, Mr. Cabrera was Adviser, Executive Vice President, Chief Investment Officer and Treasurer of FirstBank Puerto Rico, the second largest bank in Puerto Rico. Prior to his 10 year tenure at FirstBank, he was Director of the Asset Management Department of the Government Development Bank for Puerto Rico.

The Fund pays advisory fees to UBS Asset Managers of Puerto Rico at an annual rate of 0.50% based on the Fund's average monthly net assets. The Investment Adviser has voluntarily agreed to reimburse the Fund for fees and expenses to the extent that the Fund's annual operating expenses exceed 1.00% of the Fund's average monthly net assets through June 30, 2009, subject to reimbursement by the Fund within the subsequent three years if annual operating expenses do not exceed the percentage limitation.

Administrator and Transfer Agent

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

Custodian

UBS TCPR serves as Custodian of the Fund's securities and cash. UBS TCPR may retain one or more sub-custodians for the Fund. UBS TCPR has retained State Street Bank and Trust Company as sub-custodian for the Fund.

Distributor

UBS FSPR serves as the Distributor of the Fund's shares.

DIVIDENDS AND TAXES

Dividends

The Fund declares daily dividends and pays them monthly. The Fund may also distribute out of its tax-exempt income and taxable income, if any, any net capital gains to maintain the share price at \$1.00 per share.

Shares earn dividends on the day they are purchased but not on the day they are sold.

You will receive dividends in additional shares of the Fund unless you elect to receive them in cash. Contact your Financial Advisor at UBS FSPR if you prefer to receive dividends in cash.

If the value of assets held by the Fund declines, the Directors may authorize a reduction in the number of outstanding shares in shareholders' accounts so as to preserve a net asset value of \$1.00 per share.

Taxes

THIS SECTION IS NOT TO BE CONSTRUED AS A SUBSTITUTE FOR CAREFUL TAX PLANNING. PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS WITH SPECIFIC REFERENCE TO THEIR OWN TAX SITUATIONS, INCLUDING THE APPLICATION AND EFFECT OF OTHER TAX LAWS AND ANY INVESTMENT IN TAXABLE SECURITIES BY THE FUND, AS WELL AS POSSIBLE CHANGES IN THE TAX LAWS AFTER THE DATE OF THIS PROSPECTUS.

The following discussion is a summary of the material Puerto Rico and U.S. federal tax considerations that may be relevant to prospective investors in the Fund. The discussion in connection with the Puerto Rico tax considerations is based on the current provisions of the Puerto Rico Internal Revenue Code of 1994, as amended (the "Puerto Rico Code") and the regulations promulgated or applicable thereunder (the "Puerto Rico Code Regulations") issued by the Treasury Department of Puerto Rico (the "Treasury Department"), the Puerto Rico Municipal Property Tax Act of 1991, as amended (the "MPTA") and the regulations promulgated thereunder, the Municipal License Tax Act, as amended (the "MLTA") and the regulations promulgated thereunder, and the Puerto Rico Investment Companies Act, as amended. The U.S. Federal tax discussion is based on the current

provisions of the United States Internal Revenue Code of 1986, as amended (the "Code") and the regulations promulgated thereunder.

This discussion assumes that (i) the investors will be (a) individuals who for the entire taxable year are bona fide residents of Puerto Rico for purposes of section 933 of the Code and residents of Puerto Rico for purposes of the Puerto Rico Code (the "Puerto Rico Individuals"), (b) corporations and partnerships organized under the laws of Puerto Rico, other than corporations and partnerships subject to a special tax regime under the Puerto Rico Code (the "Puerto Rico Entities") and (c) trusts (other than business trusts), all of the beneficiaries of which are Puerto Rico Individuals, as described above (the "PR Trusts," and jointly with the Puerto Rico Entities and the Puerto Rico Individuals, the "Puerto Rico Investors"); and (ii) the Puerto Rico Entities will not be subject at any time to any special tax regime under the Code including, without limitation, the provisions of the Code that apply to "controlled foreign corporations," "passive foreign investment companies," or "personal holding companies".

The tax advantages of the Fund are available only for Puerto Rico Investors and, as a result, the Fund would not be a suitable investment for individuals who are not Puerto Rico Individuals, trusts that are not PR Trusts and corporations and partnerships that are not Puerto Rico Entities. These persons are urged to consult their own tax advisors with respect to the tax implications of the investment under the laws of the jurisdiction where they or their beneficiaries reside or where they are organized.

This discussion does not purport to deal with all aspects of Puerto Rico and U.S. federal taxation that may be relevant to other types of investors, particular investors in light of their investment circumstances, or to certain types of investors subject to special treatment under the Puerto Rico Code or the Code (*e.g.*, banks, insurance companies or tax-exempt organizations). Unless otherwise noted, the references in this discussion to the Puerto Rico regular income tax will include the alternative minimum tax imposed on Puerto Rico Entities by the Puerto Rico Code.

The existing provisions of the statutes, regulations, judicial decisions, and administrative

pronouncements, on which this discussion is based, are subject to change (even with retroactive effect).

The statements herein have been opined on by Adsuar Muñoz Goyco Seda & Pérez-Ochoa, P.S.C., counsel to the Fund. A prospective investor should be aware that an opinion of counsel represents only such counsel's best legal judgment and that it is not binding on the Treasury Department, the Municipal Revenue Collection Center, any other agency or municipality of Puerto Rico, the U.S. Internal Revenue Service (the "IRS"), or the courts.

Accordingly, there can be no assurance that the opinions set forth herein, if challenged, would be sustained.

Puerto Rico Taxation

The Fund will be exempt from Puerto Rico income tax during each taxable year that it distributes at least 90% of its net taxable income (excluding tax exempt income and capital gains), as Taxable Dividends (as defined below) to its shareholders (the "90% Distribution Requirement"). The Fund intends to meet the 90% Distribution Requirement to be exempt from Puerto Rico income tax. As further described herein, the Fund may request a ruling from the Puerto Rico Treasury Department providing for a special treatment to be accorded to taxable income that may be derived by the Fund and distributed to the Puerto Rico Investors.

The fixed income securities of the Fund will be exempt from Puerto Rico personal property tax under the MPTA.

The Fund does not expect to be subject to the municipal license tax imposed by the MLTA since all, or substantially all, of its net income will be distributed as dividends. Any income not distributed by the Fund may be subject to municipal license tax.

The Fund intends to invest primarily in fixed income securities, the interest from which is exempt from income tax under the Puerto Rico Code. The dividends distributed by the Fund out of such exempt interest income (the "Exempt Dividends"), will not be subject to income tax under the Puerto Rico Code in the hands of the Puerto Rico Investors.

The Fund may also invest in fixed income securities, the interest from which is subject to income tax under the Puerto Rico Code, if it obtains a ruling from the Puerto Rico Treasury Department holding, in essence, that dividends distributed by the Fund out of such interest income and which would otherwise qualify to be treated as "Taxable Dividends", will not be taxable in the hands of the Puerto Rico Investors so long as the Fund pays the 10% tax and 5.85%

effective tax generally applicable Taxable Dividends paid to Puerto Rico Individuals and Puerto Rico Entities, respectively.

Puerto Rico Investors should note that the purpose of the ruling under the terms just described would be to permit the Fund to pay the Puerto Rico income tax on income derived by it that a Puerto Rico Investor might otherwise have to pay under the Puerto Rico Code upon receiving such income in the form of dividends. **However, if the Fund obtains the ruling under the terms just described, there may be circumstances in which a Puerto Rico Investor's after tax yield derived with respect to dividends covered by the ruling will be less than the after tax yield that would have been derived by such Investor in the absence of the treatment provided by the ruling.** For example, with respect to those dividends covered by the ruling, Puerto Rico Individuals would not be entitled to make an election out of the 10% tax provided by the Puerto Rico Code, which is otherwise available for those Puerto Rico Individuals that prefer treating such dividends as income of the type that is taxable on a net basis and at the regular tax rates of the Puerto Rico Code. Therefore, the potential loss of this election would preclude Puerto Rico Individuals from claiming any allowable deductions that may help mitigate their tax liability due on these dividends. Puerto Rico investors may also be disadvantaged by this ruling treatment due to certain expense disallowance rules in the Puerto Rico Code that apply to tax-exempt income and not to taxable dividends. Puerto Rico Entities could also be affected by the treatment provided by the proposed ruling if such Investors are (a) not generating taxable income, (b) subject to a maximum marginal income tax rate that is less than 39%, or (c) are not subject to Puerto Rico income tax on any type of dividends such as entities that qualify as "life insurance companies" for purposes of the Puerto Rico Code and other tax exempt entities.

The Fund intends to clarify in the ruling that any dividends distributed from taxable income derived by it will be treated as "Taxable Dividends" for purposes of meeting the 90% Distribution Requirement.

A transfer of shares by gift or death by a Puerto Rico individual who is a citizen of the United States that acquired his or her citizenship solely by reason of his Puerto Rico citizenship, birth or residence in Puerto Rico, and was domiciled in Puerto Rico at the time the gift is made or at the time of death, will not be subject to Puerto Rico gift or estate taxes, respectively.

United States Taxation

IRS CIRCULAR 230 DISCLOSURE. THE UNITED STATES TAX DISCUSSION IN THIS OFFERING CIRCULAR IS GENERAL IN NATURE AND IS NOT INTENDED TO BE TAX ADVICE. THE UNITED STATES TAX DISCUSSION WAS PREPARED TO SUPPORT THE PROMOTION OR MARKETING OF THE SHARES. SPECIFIC TAX CONSEQUENCES MAY VARY WIDELY DEPENDING ON A PARTICULAR TAXPAYER'S INDIVIDUAL CIRCUMSTANCES. THE UNITED STATES TAX DISCUSSION IS NOT INTENDED TO CONSTITUTE OR WRITTEN TO BE USED, AND CANNOT BE USED OR RELIED UPON BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED BY THE UNITED STATES INTERNAL REVENUE SERVICE.

Taxation of the Fund. The Fund intends to operate so that it will not be engaged in a U.S. trade or business and will not be required to file U.S. income tax returns. If the Fund ultimately were found to be engaged in a U.S. trade or business, it would be subject to U.S. corporate income tax on that part of its net taxable income that was effectively connected with such business and to a branch profits tax of 10% on its earnings and profits attributable to such effectively connected income, subject to certain statutory adjustments.

Taxation of Puerto Rico Individuals and Corporate Shareholders. Dividends paid by the Fund will have a Puerto Rico source rather than a U.S. source. If you are a Puerto Rico Entity not engaged in a U.S. trade or business you will not be subject to U.S. taxation on dividends received from the Fund. If you are a Puerto Rico Entity engaged in a U.S. trade or business your dividends from the Fund will be subject to U.S. Federal income tax only if such dividends are effectively connected to a U.S. trade or business. If you are a Puerto Rico Individual, you will not be subject to United States taxation on such dividends received from sources within Puerto Rico. You will not, however, generally be allowed a United States tax deduction from gross income for any amount allocable to such dividends received from the Fund.

However, a portion of a dividend, if any, paid to a Puerto Rico Individual that owns, directly or indirectly, at least 10% of the votes in respect of the issued and outstanding shares of the Fund (the "10% Shareholder") will constitute income from sources outside of Puerto Rico subject to U.S. federal income tax, if certain conditions are met. 10% Shareholders,

if any, should consult their own tax advisors with respect to the U.S. federal income tax treatment of dividends received by them, and the income imputed to them if the Fund is a "controlled foreign corporation", as such term is defined in the Code.

Furthermore, Puerto Rico Investors should note that regulations issued under section 937(b) of the Code addressing "conduit arrangements" may impact the source of income of dividends distributed by the Fund. In general, the regulations describe a "conduit arrangement" as one in which pursuant to a plan or arrangement, income is received by a person in exchange for consideration provided to another person and such other person provides the same consideration (or consideration of a like kind) to a third person in exchange for one or more payments constituting income from sources within the United States. Based on the current language of the regulations and the guidance offered therein, in the opinion of Adsuar Muñiz Goyco Seda & Pérez-Ochoa, P.S.C., counsel to the Fund, it is more likely than not that an investment in the Shares will not be considered the type of transaction intended to be covered by these rules. Consequently, in the opinion of Adsuar Muñiz Goyco Seda & Pérez-Ochoa, P.S.C., counsel to the Fund, it is more likely than not that dividends on the Shares will be treated as income from sources within Puerto Rico. Accordingly, Puerto Rico Individuals may want to seek the advice of their own tax advisors. However, Adsuar Muñiz Goyco Seda & Pérez -Ochoa, P.S.C., counsel to the Fund, understands that the Fund should not be considered a "conduit arrangement" under the Code's regulations.

PFIC Rules. The Fund will likely be treated as a passive foreign investment company ("PFIC") for U.S. federal income tax purposes. Under the PFIC rules, a shareholder that is a U.S. person (*i.e.*, a citizen or resident of the U.S., a U.S. domestic corporation or partnership, or an estate or trust that is taxed as a resident of the U.S.) (such a shareholder is referred to as a "U.S. Shareholder"), that disposes of its PFIC stock at a gain, is treated as receiving an "excess distribution" equal to such gain. In addition, if a U.S. Shareholder receives a distribution from a PFIC in excess of 125% of the average amount of distributions such shareholder has received from the PFIC during the three preceding taxable years (or shorter period if the U.S. Shareholder has not held the stock for three years), the U.S. Shareholder is also treated as receiving an "excess distribution" equal to such excess. In general, an "excess distribution" is taxed as ordinary income, and to the extent it is attributed to earlier years in which the PFIC stock

was held, is subject to an interest charge which the Code refers to as the “deferred tax amount.”

Prop. Reg. Sec. 1.1291-1(f) states that a “deferred tax amount” will be determined under Section 1291 of the Code on amounts derived from sources within Puerto Rico by Puerto Rico Individuals only to the extent such amounts are allocated to a taxable year in the shareholder’s holding period during which the shareholder was not entitled to the benefits of section 933 thereof. Thus, under the proposed regulations,

Puerto Rico Individuals will not be subject to the PFIC provisions if they are entitled to the benefits of section 933 of the Code for each entire taxable year that they hold shares of the Fund. Puerto Rico corporations are not U.S. Shareholders for purposes of the PFIC provisions.

A more detailed description of the tax consequences under current Puerto Rico and U.S. federal tax law of an investment in the Fund is included under “Taxes” in the Statement of Additional Information.

FINANCIAL HIGHLIGHTS

The Financial Highlights tables are intended to help you understand the Fund’s financial performance for the periods shown. Certain information reflects the financial results for a single Fund share. The total returns in the table represent the rate that an investor would have earned or lost on an investment in the Fund (assuming reinvestment of all dividends) without taking into consideration commissions. The information in the Financial Highlights tables has been obtained from the Fund’s audited financial statements, which are included in the Fund’s Annual Report. A copy of the Annual Report is available upon request.

Puerto Rico Short Term Investment Fund, Inc.

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

FINANCIAL HIGHLIGHTS

		For the fiscal year ended June 30, 2008	For the period from December 8, 2006* through June 30, 2007
<i>Increase in Net Asset Value:</i>			
Per Share Operating Performance:	Net asset value, beginning of period	\$ 1.00	\$ 1.00
	Income from investment operations:		
	Net investment income (a)	0.03	0.02
	Less: distributions	0.03	0.02
	Distributions from net investment income	(0.03)	(0.02)
	Net asset value, end of period	<u>\$ 1.00</u>	<u>\$ 1.00</u>
<hr/>			
Total Investment Return:	(b) (f) Based on net asset value per share	3.03%	2.36%
<hr/>			
Ratios:	(c) (d) (e) Expenses to average net assets - net of waived fees, if applicable	0.83%	1.00%
	(c) (e) Net investment income to average net assets - net of waived fees, if applicable	2.89%	4.21%
<hr/>			
Supplemental Data:	Net assets, end of period (in thousands)	\$ 255,271	\$ 153,004
	Weighted Average Maturity (WAM) in days (Unaudited)	<u>8.45</u>	<u>12.2</u>

- * Commencement of Operations.
- (a) Based on average outstanding common shares of 260,640,291 and 118,623,674 for the fiscal year ended June 30, 2008 and for the period ended June 30, 2007, respectively.
- (b) Dividends are assumed to be reinvested at the per share net asset value on the date dividends are paid. The return was not annualized.
- (c) Based on average net assets applicable to common shareholders of \$260,640,291 and \$118,623,674 for the fiscal year ended June 30, 2008 and for the period ended June 30, 2007, respectively.
- (d) "Expenses" include operating expenses.
- (e) The effect of the expenses waived for the period from December 8, 2006 to June 30, 2007 was to decrease the expense ratios, thus increasing the net investment income ratio to average net assets by 0.24%.
- (f) Calculations are based on beginning and end of period net asset values.

Statement of Assets and Liabilities

Assets:	Investment securities, at value		\$	255,681,490
	Cash			1,664
	Interest receivable			296,268
	Receivable for operating expenses reimbursed			13,895
	Total assets			<u>255,993,317</u>

Liabilities:	Payables:			
	Dividend	94,738		
	Investment Advisory Fees	118,558		
	Administration Fees	11,856		
	Distribution and Service Fees	231,182		
	Transfer Agents Fees	<u>32,268</u>		488,602
	Accrued expenses and other liabilities			<u>234,146</u>
	Total liabilities			<u>722,748</u>

Net Assets: \$ 255,270,569

Net Assets

consist of:

Common shares, \$0.001 par value, 2,000,000,000 shares authorized, 255,270,569 issued and outstanding	255,270
Paid-in capital	<u>255,015,299</u>
Net assets	<u>\$ 255,270,569</u>
Net asset value per share; 255,270,569 shares outstanding	<u>\$ 1.00</u>

Puerto Rico Residency Representation Letter (Individual)

TO: UBS Financial Services Incorporated of Puerto Rico
San Juan, Puerto Rico

RE: Puerto Rico Residency Status

To Whom It May Concern:

I provide the following information and representations in connection with opening and maintaining my account with UBS Financial Services Incorporated of Puerto Rico. In my account I may hold or purchase certain investments, including, but not limited to, closed-end and open-end mutual funds, preferred stock, and debt securities, that are not registered under the U.S. Securities Act of 1933 or the U.S. Investment Company Act of 1940 (“Puerto Rico Investments”) and are exempt from registration under the U.S. Securities Act of 1933 and/or the U.S. Investment Company Act of 1940, based, in part, on the requirement that they be offered or sold only to individuals who have their principal residence in Puerto Rico (“Puerto Rico Residents”), all as disclosed in their respective prospectuses or offering materials.

Accordingly, I hereby represent to you that:

1. I have acquired or propose to acquire Puerto Rico Investments for my own account and will be the sole beneficial owner thereof.¹
2. As of the date of this letter, I am an individual whose principal residence is in Puerto Rico.
3. If I cease to be a Puerto Rico Resident, I will (i) notify you within 30 days of ceasing to be a Puerto Rico Resident, (ii) liquidate my holdings in any Puerto Rico Investment when such liquidation becomes economically feasible, and (iii) not acquire additional Puerto Rico Investments.
4. I hereby acknowledge that if at the time of purchase of Puerto Rico Investments I am not a Puerto Rico Resident, UBS may declare any such purchase to be null and void.
5. I acknowledge that any purchases of Puerto Rico Investments will not be made on behalf of a retirement plan subject to ERISA.

Date

Date

Name

Account Number

¹ If Puerto Rico Investments are purchased/held in a joint account, each co-owner must execute this Representation Letter.

**Puerto Rico Residency Representation Letter
(for Business Organizations)**

TO: UBS Financial Services Incorporated of Puerto Rico
San Juan, Puerto Rico

RE: Puerto Rico Residency Status

To Whom It May Concern:

We provide the following information and representations in connection with opening and maintaining our account with UBS Financial Services Incorporated of Puerto Rico. In our account we may hold or purchase certain investments, including, but not limited to, closed-end and open-end mutual funds, preferred stock, and debt securities, that are not registered under the U.S. Securities Act of 1933 or the U.S. Investment Company Act of 1940 (“Puerto Rico Investments”) and are exempt from registration under the U.S. Securities Act of 1933 and/or the U.S. Investment Company Act of 1940, based, in part, on the requirement that they be offered or sold only to individuals who have their principal residence in Puerto Rico or to corporations or other business organizations that have their principal office and principal place of business within Puerto Rico (“Puerto Rico Residents”), all as disclosed in their respective prospectuses or offering materials.

Accordingly, we hereby represent to you that:

1. We have acquired or propose to acquire Puerto Rico Investments for our own account and will be the sole beneficial owner thereof.
2. As of the date of this letter, we are a corporation, partnership or other form of business organization that has its principal office and principal place of business within Puerto Rico that has not been organized for the purpose of acquiring Puerto Rico Investments and, if organized as a trust, the trustee and all beneficiaries of the trust are residents of Puerto Rico.
3. If, as of the date of this letter we are organized as a non-business trust, the trust has its principal office and principal place of business within Puerto Rico and the trustee and all beneficiaries of the trust are Puerto Rico Residents.
4. If we cease to be a Puerto Rico Resident, we will (i) notify you within 30 days of ceasing to be a Puerto Rico Resident, (ii) liquidate our holdings in any Puerto Rico Investment when such liquidation becomes economically feasible, and (iii) not acquire additional Puerto Rico Investments.
5. We acknowledge that any purchases of Puerto Rico Investments will not be made on behalf of a retirement plan subject to ERISA.

6. We hereby acknowledge that if at the time of purchase of Puerto Rico Investments we are not Puerto Rico Residents, UBS may declare any such purchase to be null and void.

Signature

Date

Name and title

Account Number

Business Organization

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If you want more information about the Fund, the following documents are available free upon request:

Annual Reports

Additional information about the Fund's investments will be available in the Fund's annual report to shareholders.

Statement of Additional Information (SAI)

The SAI provides more detailed information about the Fund and is incorporated by reference into this Prospectus.

You may discuss your questions about the Fund by contacting your UBS Financial Advisor. You may obtain free copies of annual reports and the SAI by contacting the Fund directly at 1-787-773-3888.

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

December 2, 2008