



UBS Asset Managers of Puerto Rico Funds Quarterly Review

Second Quarter 2008

Tax-Free Puerto Rico Fund II, Inc.

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Investment Objective and Policies

Current income that, for Puerto Rico residents, is exempt from Federal and Puerto Rico income tax, as is consistent with the preservation of capital. In seeking to achieve this objective, the Fund invests at least 67% of its total assets in securities issued by Puerto Rico issuers (as described in the Prospectus). The Fund may invest up to 33% of its total assets in, among other things, securities issued or guaranteed by the U.S. Government, its agencies and instrumentalities. The Fund may increase amounts available for investment through the issuance of preferred stock, debt securities, and other forms of leverage representing not more than 50% of the Fund's total assets immediately after the issuance of such securities.

On May 10, 2007, the Board of Directors approved an extension to the share repurchase program of the outstanding shares of common stock (the "Repurchase Program"). The Repurchase Program was increased from 5% to 10% and extended for one year. The Repurchase Program is intended to enhance shareholder value by providing additional liquidity to Fund shareholders.

For the quarter ended on June 30, 2008, the Fund had not repurchased any common shares in the open market.

Portfolio Statistics and Characteristics¹

Please refer to the Glossary at the end of the report for definitions of certain terms listed below.

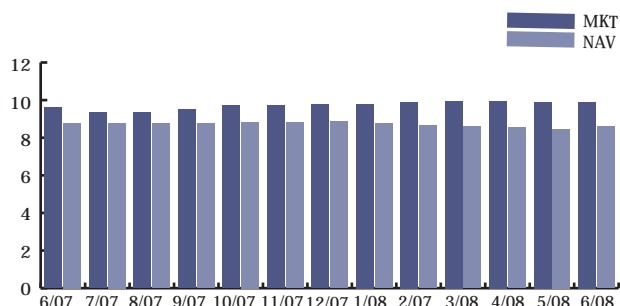
Commencement	January 2002	Leverage	\$202.29 million	Fiscal Year	November 30
Bid Price	9.90	% Leverage	49%	Weighted Average Coupon	5.19%
Net Asset Value	8.58	Hedge Notional ²	\$74.50 million	Average Maturity	22.29 years
Premium/Discount	115.38%	Leverage Cost	3.16%	Average Duration	9.54 years
Total Net Assets	\$207.68 million	Expense Ratio	1.38%	Effective Duration	8.34 years
Shares Outstanding	24,218,365			Undistributed Income	\$2,317,745

Pricing and Distribution History¹

Initial Public Offering (IPO) Price	10.00
52-Week Bid Low/High	9.35/9.95
YTD NAV Change	-0.28
YTD Bid Price Change	0.15

IPO Yield ³	6.50%
Current Yield ³	6.57%
Last Dividend Paid	\$0.0542
Last 12-month Dividend	\$0.6210

Historical Bid Price and NAV



Portfolio Summary¹

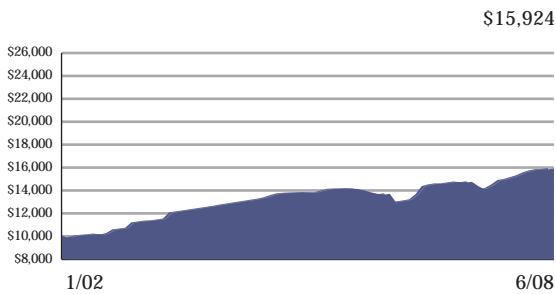
PR Obligations	70.22%
PR Issuers	62.22%
Mortgage-Backed Securities	5.18%
Preferred Stocks	2.82%

US Obligations	29.78%
US Agencies	29.78%

Performance⁴

	NAV Return	Market Return
YTD	0.51%	5.21%
1 Year	4.83%	10.60%
3 Years	3.14%	4.47%
5 Years	6.04%	5.71%
Life	5.65%	7.52%

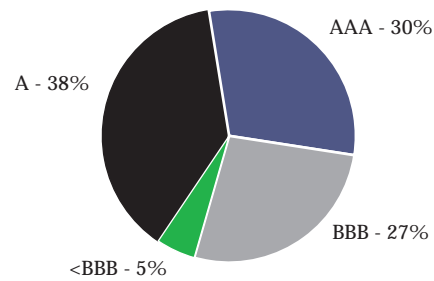
Growth of a \$10,000 Investment as of June 30, 2008⁴



Special Considerations

The Fund is a non-diversified, closed-end management investment company registered under the Puerto Rico Investment Companies Act, as amended. Investors should understand that the Fund's yield and net asset value fluctuate and can be affected by changes in interest rates, general market conditions and other political, social, and economic developments. An investment in the Fund involves certain risks, including the loss of any amounts invested. It is appropriate for long term investors and is intended as one component of a balanced investment plan. The Fund should not be viewed as a vehicle for trading purposes. An investment in the Fund is not equivalent to an investment in the underlying securities of the Fund. In addition, the Fund's investment concentration in Puerto Rico securities makes the Fund more susceptible to risk factors affecting Puerto Rico securities than an investment company that is invested across a broader geographical range. The Fund's use of leverage is a speculative investment technique, which involves increased risk to the Fund's shareholders, including the possibility of higher volatility of both the net asset value and the market value of the shares of common stock. The Fund may enter into portfolio transactions with UBS Financial Services Incorporated of Puerto Rico or any of its affiliates. Such transactions are conducted in accordance with procedures adopted by the Fund's Board of Directors in an effort to address

Credit Quality¹



potential conflicts of interest. It is important to note that the Fund's shares of common stock may trade at either a discount or premium of net asset value. The Fund's shares of common stock may be purchased or otherwise transferred only to individuals who are residents of Puerto Rico and to persons other than individuals, whose principal office and principal place of business are located in Puerto Rico. These securities are not insured nor are they deposits or obligations of, or guaranteed by, UBS Financial Services Incorporated of Puerto Rico or its affiliates. In addition, securities issued by the Fund are not deposits and are not insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other agency or instrumentality of the U.S. Government.

Past performance is no guarantee of future results. The investment return and principal value of an investment in the shares of common stock will fluctuate and may be worth more or less than the original amount invested. Investments in the shares of common stock are intended for Puerto Rico residents and may not be suitable for all investors. Before making an investment in the Fund, investors are encouraged to read the Annual Report. For more up to date information, please contact your Financial Advisor.

1. As of June 30, 2008. The Fund's portfolio is actively managed, and its composition, including the portfolio statistics and characteristics, will vary over time.
2. The Fund may use a variety of derivative instruments including securities options, financial futures contracts, options on futures contracts, and other interest rate protection transactions such as swap agreements, to attempt to hedge its portfolio of assets and seek to enhance its return. There can be no assurance that the Investment Adviser(s) will employ any hedging strategies with respect to all or any part of the Fund's portfolio and that any particular hedging strategy adopted will succeed.
3. Current yield is calculated by multiplying the current month's distribution by twelve and dividing by the bid month-end price. IPO yield is calculated by multiplying the current month's distribution by twelve and dividing by the initial public offering price. Prices and yields may vary. For more up-to-date information please contact the Tax-Free Puerto Rico Family of Funds at 787-773-3888.
4. As of June 30, 2008. Total return figures are calculated by Wiesenberger, a unit of Thomson Financial, based on certain financial data provided by the Fund and are used with Wiesenberger's consent. Total return figures are annualized. The Fund's market return reflects the percentage change in the market value determined by calculating the average between the bid and ask price with capital gains distributions and income dividends reinvested at net asset value (or at market value when Shares are repurchased in the open market) on the pay date. In the case of net asset value return, the Fund's net asset value per Share is used, rather than the average between the bid and ask price, to determine such total return. Closed-end funds such as this Fund trade at market price. Additionally, the total return figures do not reflect any commissions or sales charges payable in connection with a purchase or sale of Shares and which may vary with each brokerage institution. Such total return figures are not representative of the performance of an individual investment. The price of a Share and investment return will vary so that an investor's Shares may be worth more or less than their original cost. The \$10,000 investment is hypothetical and is shown for illustrative purposes only. The return based on the net asset value also reflects expenses incurred by the Fund for certain services, including among others, investment advisory, administration, custody, and transfer agency services. The fees for such services are based on a percentage of the Fund's portfolio assets. To obtain additional information related to the amounts paid by the Fund for such services or a copy of the Fund's Annual Report, please contact the Tax-Free Puerto Rico Family of Funds at 787-773-3888. To obtain the Fund's month-end performance, contact your UBS Financial Advisor or call the Fund at 787-773-3888 or see "press releases" at www.ubs.com/financialservicesinc [key word: Puerto Rico Funds].

Portfolio Breakdown by Fund

Tax-Free Puerto Rico Fund II, Inc.

PR Obligations	
Preferred Stocks	
Doral Financial	0.24%
Popular, Inc.	1.87%
W Holding Co.	0.26%
Popular Trust Preferred	0.45%
Mortgage-Backed Securities	
Participate Certificate - Doral	5.18%
AFICA	
Ashford	0.66%
Coco Beach	0.01%
Doral Financial	0.39%
El Nuevo Día	0.19%
Galería Caparra	0.54%
Humacao Judicial	0.05%
Palmas del Mar	0.26%
Torre Chardon	1.77%
PR Conservation	
R&G	0.93%
Doral	1.96%
Santander	0.72%
EDB - Popular, Inc.	0.97%
Employees Retirement System	13.98%
Other PR Tax-Exempt	2.82%
PR Public Finance	0.06%
PR Sales Tax Financing	34.14%
PRIDCO	2.77%
PR Obligations	70.22%
US Obligations	
Federal Home Loan Bank	29.78%
US Obligations	29.78%

Glossary of Fund Terms

Bid Price - the highest price anyone is willing to pay for a security at any given time.

Bond - security issued by a government or corporation that obligates the issuer to pay interest income to the bondholder at regular intervals and to repay the entire amount borrowed on the maturity date.

Closed-end fund - a fund that issues a fixed amount of capital and shares.

Coupon - the interest rate that a bond promises to pay over its life, expressed as a percent of its face value. In the case of a portfolio, the weighted average coupon of all the bonds in the portfolio is provided.

Credit quality - a measure of the quality and safety of a bond. This measure is provided by a rating from one or more rating agencies and measures the likelihood that a debt issuer will be able to meet scheduled repayments on the debt. The rating agencies assign values to their ratings, AAA being the highest and D the lowest. The funds typically use the ratings of one or more of the following agencies: Moody's Investors Service, Inc., Standard & Poor's, or Fitch Ratings.

Dividend - a per share distribution of the income earned from the fund's portfolio holdings. When a dividend distribution is made, the fund's net asset value drops by the amount of the distribution because the distribution is no longer considered part of the fund's assets.

Duration - a mathematical measure of the price sensitivity of a bond's portfolio to changes in interest rates. It measures the change in value of the portfolio that should result from a 1% change in interest rates. Duration is stated in years. In general, the shorter the duration the less sensitive a fund's portfolio is to changes in interest rates. For a portfolio of bonds, the weighted average of all the fund's individual securities is provided.

Effective duration - a calculation of duration (see duration above) that takes into account the embedded options in the securities of the portfolio and their expected changes in the cash flow of the portfolio caused by those options.

Expense ratio - the percentage of a fund's average net assets attributable to common shareholders used to pay fund operating expenses. The expense ratio takes into account investment management fees, administration fees and other operating expenses such as legal, audit, insurance and shareholder communications.

Fund - a company which combines the investment money of many people whose financial goals are similar and invests that money in a variety of securities.

Interest Rate Swap - an agreement to exchange one interest rate stream for another. No principal changes hands.

Investment Adviser - an investment professional who is responsible for managing a portfolio's assets prudently and making appropriate investment decisions, such as which securities to buy, hold and sell, based on the investment objectives of the portfolio.

Leverage - closed-end funds may issue preferred stock or other debt, enter into repurchase agreements or borrow money to increase the amounts available for investment ("leverage"). This gives the investment advisers of closed-end funds, in the fixed income area in particular, the opportunity to enhance yield. The use of leverage, of course, increases the likelihood of share price volatility and market risk. There is also the risk that the cost to a fund of its leveraged capital, such as preferred stock or debt, will exceed the earnings on the related assets which will have the likely effect of reducing the Fund's yield and the value of an investment in the fund.

Market Price - average of month end bid and ask price.

Notional Amount - refers to the specific dollar amount of the swap in which the exchange of interest payment is based.

Net Asset Value (NAV) Per Share - the NAV per share is determined by subtracting the fund's total liabilities from its total assets, and dividing that amount by the number of fund securities outstanding.

Maturity - the date on which the face value of a bond must be repaid. For a portfolio it is represented in years and measures the average length to maturity of all the bonds in the portfolio. This measure does not take into account embedded options in the bonds comprising the portfolio.

Premium/Discount - the difference between the bid price of the shares of a fund and their NAV. In the case of a premium, the bid price is above the NAV. In the case of a discount, the bid price is below the NAV. These amounts can be expressed as numerical values or percentages. The higher the percentage, the larger the difference (positive or negative) between the market price and the NAV of a fund.

Realized Gain (Loss) - the profit (loss) from the sale of securities. Realized gains are paid to fund shareholders on a per share basis. When a gain distribution is made, the fund's net asset value drops by the amount of the distribution because the distribution is no longer considered part of the fund's assets.

Reverse Repurchase Agreements - transactions in which the fund sells securities to a bank or dealer, and agrees to repurchase them at a mutually agreed date and price.

Total Investment Return - the change in value of a fund investment over a specified period of time, taking into account the change in a fund's market price and the reinvestment of all fund distributions.

Turnover Ratio - the turnover ratio represents the fund's level of trading activity. The fund divides the lesser of purchases or sales (expressed in dollars and excluding all securities with maturities of less than one year) by the fund's average monthly assets.

Undistributed income - the net income of a fund that has not been distributed to common shareholders as of the latest available audited financial statements. In the case of the target maturity funds it also includes the amounts to be distributed after the target date to return the initial (i.e., \$10) investment.

Yield - the annualized rate of income of a fund. It can be measured as a percentage of the initial offering price, the IPO yield or as a percentage of the current price, the market yield.