

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

**2011
ANNUAL REPORT**

Dear Shareholder:

The Puerto Rico Short Term Investment Fund, Inc. (the "Fund") is pleased to present its Annual Report to Shareholders for the fiscal year ended June 30, 2011. The Fund commenced operations on December 8, 2006.

Description of the Fund

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

Performance of the Fund during the Fiscal Year

During the fiscal year ended June 30, 2011, the Federal Reserve Board maintained interest rates at a target Fed Fund rate of 0%-0.25%. Subsequent to the reporting period, the Fed stated that it anticipates current economic conditions are likely to warrant exceptionally low levels for the federal funds rate at least through mid-2013.

The Fund's annualized total return was 0.13%, based on the net asset value of \$1.00 per share. In this historically low interest-rate environment, the investment adviser selected assets that seek to maximize risk/return relationships, while adhering to the Fund's strict credit quality and asset class constraints and maintaining liquidity and a stable net asset value. The net asset value of the Fund remained stable at \$1.00

At the end of the fiscal year, the tax-exempt net yield to investors was 0.06%, and the weighted-average maturity of the Fund's investment portfolio was 31.15 days.

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

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

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GLOSSARY OF FUND TERMS

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 at maturity date.

Coupon- the interest rate that a bond promises to pay over its life, expressed as a percent over 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: Fitch Inc; Standard & Poor's; Moody's Investors Service, Inc.

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 a 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 as well as other operating expenses such as legal, audit, insurance and shareholder communications.

Fund – an investment 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.

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.

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 shares of Common Stock outstanding.

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

Premium/Discount- the difference between the bid price of the shares of a fund and their NAV. In a 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, a fund's net asset value drops by the amount of the distribution because the distribution is no longer considered part of a fund's assets.

Reverse Repurchase Agreements - transactions in which a 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.

Weighted average credit quality- a measure of the credit quality of the overall portfolio. The measure is provided by the individual credit rating of each security weighted as a percentage of the total market value of the portfolio securities. The Fund uses the Standard and Poor's equivalent letter ratings although for purposes of the computation Moody's and or Fitch ratings can be used.

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, 2011	For the fiscal year ended June 30, 2010	For the fiscal year ended June 30, 2009	For the fiscal year ended June 30, 2008	For the period from December 8, 2006* through June 30, 2007
Increase in Net Asset Value:					
Per Share Operating Performance:					
Net asset value, beginning of period	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Net investment income (a)	0.00 **	0.00 **	0.01	0.03	0.02
Total from investment operations	0.00	0.00	0.01	0.03	0.02
Less: Distributions from net investment income	(0.00) **	(0.00) **	(0.01)	(0.03)	(0.02)
Net asset value, end of period	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Total Investment Return:	(b) (e)	0.13%	0.19%	1.13%	3.03%
					2.36%
Ratios:	(c) (d)	0.66%	0.73%	0.76%	0.84%
	(c) (d)	0.14%	0.20%	1.12%	2.90%
					4.21%
	\$ 274,314	\$ 317,458	\$ 240,442	\$ 255,271	\$ 153,004

* Commencement of Operations.

** Net investment income and distributions from net investment income for the fiscal years ended June 30, 2011 and June 30, 2010 were \$0.001 and \$0.002 per share, respectively.

(a) Based on average outstanding common shares of 286,621,889; 309,449,632; 345,585,876; 260,640,291; and 118,623,674 for the fiscal years ended June 30, 2011; June 30, 2010; June 30, 2009 and June 30, 2008 and for the period from December 8, 2006 to 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 for the period from December 8, 2006 to June 30, 2007 was not annualized.

(c) Based on average net assets applicable to common shareholders of \$286,621,889; \$309,449,632; \$345,585,876; \$260,640,291; and \$118,623,674 for the fiscal years ended June 30, 2011; June 30, 2010; June 30, 2009 and June 30, 2008 and for the period from December 8, 2006 to June 30, 2007, respectively.

(d) The effect of the expenses waived and reimbursed for the fiscal year ended June 30, 2011 and June 30, 2010 and for the period from December 8, 2006 to June 30, 2007, respectively, was to decrease the expense ratios, thus increasing the net investment income ratio to average net assets by 0.10%, 0.02% and 0.24%, respectively. For the fiscal years ended June 30, 2009 and June 30, 2008, no expenses were waived and/or reimbursed.

(e) Calculations are based on beginning and end of period net asset values.

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

Puerto Rico Short Term Investment Fund, Inc.

SCHEDULE OF INVESTMENTS

June 30, 2011

Principal Amount	Issuer	Coupon	Yield to Maturity	Maturity Date	Value
Puerto Rico Agencies - 0.83% of net assets					
\$ 820,000	A Puerto Rico Industrial Development Company	6.50%	4.07%	07/01/2011	\$ 820,000
360,000	A Puerto Rico Industrial Development Company	6.50%	4.07%	07/01/2011	360,000
613,000	A Government Development Bank for Puerto Rico	5.10%	4.07%	07/01/2011	613,000
160,000	A Puerto Rico Public Finance Corporation	6.05%	2.00%	08/01/2011	160,594
320,000	A Puerto Rico Public Finance Corporation	6.00%	1.69%	08/01/2011	321,091
<u>2,273,000</u>					<u>2,274,585</u>
Tax-Free Secured Obligations - 99.19% of net assets (continued)					
\$ 2,325,000	B Puerto Rico AAA Portfolio Bond Fund, Inc.	0.70%	0.70%	07/01/2011	\$ 2,325,000
4,600,000	B Puerto Rico AAA Portfolio Bond Fund, Inc.	0.70%	0.70%	07/05/2011	4,600,000
4,800,000	B Puerto Rico Fixed Income Fund III, Inc.	0.70%	0.70%	07/05/2011	4,800,000
1,900,000	B Puerto Rico GNMA & US Government Target Maturity Fund, Inc.	0.70%	0.70%	07/05/2011	1,900,000
3,700,000	B Tax Free Puerto Rico Fund, Inc.	0.70%	0.70%	07/06/2011	3,700,000
3,500,000	B Tax Free Puerto Rico Fund II, Inc.	0.70%	0.70%	07/06/2011	3,500,000
3,400,000	B Puerto Rico GNMA & US Government Target Maturity Fund, Inc.	0.70%	0.70%	07/06/2011	3,400,000
9,250,000	B Tax Free Puerto Rico Target Maturity Fund, Inc.	0.70%	0.70%	07/07/2011	9,250,000
3,800,000	B Tax Free Puerto Rico Fund, Inc.	0.70%	0.70%	07/07/2011	3,800,000
3,300,000	B Puerto Rico AAA Portfolio Bond Fund, Inc.	0.70%	0.70%	07/08/2011	3,300,000
200,000	B Puerto Rico Fixed Income Fund III, Inc.	0.70%	0.70%	07/08/2011	200,000
100,000	B Puerto Rico Fixed Income Fund IV, Inc.	0.70%	0.70%	07/08/2011	100,000
1,693,167	B Puerto Rico AAA Portfolio Bond Fund, Inc.	0.70%	0.70%	07/11/2011	1,693,167
141,625	B Puerto Rico AAA Portfolio Bond Fund II, Inc.	0.70%	0.70%	07/11/2011	141,625
1,274,626	B Puerto Rico AAA Portfolio Target Maturity Fund, Inc.	0.70%	0.70%	07/11/2011	1,274,626
1,260,821	B Tax Free Puerto Rico Fund, Inc.	0.70%	0.70%	07/11/2011	1,260,821
1,816,557	B Tax Free Puerto Rico Fund II, Inc.	0.70%	0.70%	07/11/2011	1,816,557
1,606,215	B Puerto Rico Fixed Income Fund, Inc.	0.70%	0.70%	07/11/2011	1,606,215
3,822,622	B Puerto Rico Fixed Income Fund IV, Inc.	0.70%	0.70%	07/11/2011	3,822,622
634,367	B Puerto Rico GNMA & US Government Target Maturity Fund, Inc.	0.70%	0.70%	07/11/2011	634,367
2,122,562	B Puerto Rico Fixed Income Fund II, Inc.	0.70%	0.70%	07/12/2011	2,122,562
2,101,223	B Puerto Rico Fixed Income Fund III, Inc.	0.70%	0.70%	07/12/2011	2,101,223
2,185,502	B Puerto Rico Fixed Income Fund IV, Inc.	0.70%	0.70%	07/12/2011	2,185,502
720,847	B Tax Free Puerto Rico Fund, Inc.	0.70%	0.70%	07/12/2011	720,847
1,038,578	B Tax Free Puerto Rico Fund II, Inc.	0.70%	0.70%	07/13/2011	1,038,578
1,887,581	B Puerto Rico Fixed Income Fund, Inc.	0.70%	0.70%	07/13/2011	1,887,581
1,450,312	B Puerto Rico Fixed Income Fund V, Inc.	0.70%	0.70%	07/13/2011	1,450,312
500,000	B Puerto Rico AAA Portfolio Bond Fund II, Inc.	0.70%	0.70%	07/13/2011	500,000
1,497,905	B Puerto Rico AAA Portfolio Target Maturity Fund, Inc.	0.70%	0.70%	07/13/2011	1,497,905

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

Puerto Rico Short Term Investment Fund, Inc.

SCHEDULE OF INVESTMENTS

June 30, 2011

Principal Amount	Issuer	Coupon	Yield to Maturity	Maturity Date	Value
Tax-Free Secured Obligations - 99.19% of net assets (continued)					
\$ 745,490	B Puerto Rico GNMA & US Government Target Maturity Fund, Inc.	0.70%	0.70%	07/13/2011	\$ 745,490
1,273,158	B Tax Free Puerto Rico Target Maturity Fund, Inc.	0.70%	0.70%	07/14/2011	1,273,158
2,600,000	B Puerto Rico Fixed Income Fund II, Inc.	0.70%	0.70%	07/14/2011	2,600,000
1,906,517	B Puerto Rico AAA Portfolio Bond Fund, Inc.	0.70%	0.70%	07/14/2011	1,906,517
176,367	B Puerto Rico AAA Portfolio Bond Fund II, Inc.	0.70%	0.70%	07/14/2011	176,367
785,386	B Puerto Rico GNMA & US Government Target Maturity Fund, Inc.	0.70%	0.70%	07/14/2011	785,386
3,400,000	B Tax Free Puerto Rico Fund II, Inc.	0.70%	0.70%	07/15/2011	3,400,000
4,400,000	B Puerto Rico AAA Portfolio Target Maturity Fund, Inc.	0.70%	0.70%	07/18/2011	4,400,000
1,358,572	B Puerto Rico Fixed Income Fund V, Inc.	0.70%	0.70%	07/18/2011	1,358,572
5,800,000	B Puerto Rico Investors Tax Free Fund, Inc.	0.70%	0.70%	07/19/2011	5,800,000
5,085,000	B Puerto Rico Investors Tax Free Fund IV, Inc.	0.70%	0.70%	07/19/2011	5,085,000
5,530,000	B Puerto Rico Investor Bond Fund I, Inc.	0.70%	0.70%	07/19/2011	5,530,000
554,209	B Tax Free Puerto Rico Fund, Inc.	0.70%	0.70%	07/27/2011	554,209
775,388	B Tax Free Puerto Rico Fund II, Inc.	0.70%	0.70%	07/27/2011	775,388
956,605	B Tax Free Puerto Rico Target Maturity Fund, Inc.	0.70%	0.70%	07/27/2011	956,605
186,779	B Puerto Rico AAA Portfolio Bond Fund II, Inc.	0.70%	0.70%	07/27/2011	186,779
1,681,142	B Puerto Rico Fixed Income Fund II, Inc.	0.70%	0.70%	07/27/2011	1,681,142
1,845,877	B Puerto Rico Fixed Income Fund IV, Inc.	0.70%	0.70%	07/27/2011	1,845,877
7,500,000	B Puerto Rico Investors Tax Free Fund, Inc.	0.70%	0.70%	08/02/2011	7,500,000
4,000,000	B Puerto Rico Investors Tax Free Fund III, Inc.	0.70%	0.70%	08/02/2011	4,000,000
1,500,000	B Puerto Rico Investors Tax Free Fund IV, Inc.	0.70%	0.70%	08/02/2011	1,500,000
5,357,500	B Puerto Rico Investors Tax Free Fund V, Inc.	0.70%	0.70%	08/02/2011	5,357,500
4,000,000	B Puerto Rico Investors Tax Free Fund VI, Inc.	0.70%	0.70%	08/02/2011	4,000,000
9,500,000	B Puerto Rico Investor Bond Fund I, Inc.	0.70%	0.70%	08/02/2011	9,500,000
5,200,000	B Tax Free Puerto Rico Fund II, Inc.	0.70%	0.70%	08/03/2011	5,200,000
6,200,000	B Tax Free Puerto Rico Target Maturity Fund, Inc.	0.70%	0.70%	08/03/2011	6,200,000
3,400,000	B Puerto Rico AAA Portfolio Bond Fund, Inc.	0.70%	0.70%	08/03/2011	3,400,000
150,000	B Puerto Rico Fixed Income Fund, Inc.	0.70%	0.70%	08/03/2011	150,000
4,800,000	B Puerto Rico Fixed Income Fund II, Inc.	0.70%	0.70%	08/03/2011	4,800,000
1,225,000	B Puerto Rico Fixed Income Fund II, Inc.	0.70%	0.70%	08/05/2011	1,225,000
5,240,000	B Puerto Rico AAA Portfolio Bond Fund, Inc.	0.70%	0.70%	08/05/2011	5,240,000
3,775,000	B Puerto Rico Investors Tax Free Fund II, Inc.	0.70%	0.70%	08/09/2011	3,775,000
1,500,000	B Puerto Rico Investors Tax Free Fund II, Inc.	0.70%	0.70%	08/09/2011	1,500,000
7,385,000	B Puerto Rico Investors Tax Free Fund III, Inc.	0.70%	0.70%	08/09/2011	7,385,000
1,335,000	B Puerto Rico Investors Tax Free Fund III, Inc.	0.70%	0.70%	08/09/2011	1,335,000

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

Puerto Rico Short Term Investment Fund, Inc.

SCHEDULE OF INVESTMENTS

June 30, 2011

Principal Amount	Issuer	Coupon	Yield to Maturity	Maturity Date	Value
Tax-Free Secured Obligations - 99.19% of net assets					
\$ 1,000,000	B Puerto Rico Investors Tax Free Fund IV, Inc.	0.70%	0.70%	08/09/2011	\$ 1,000,000
2,690,000	B Puerto Rico Investors Tax Free Fund IV, Inc.	0.70%	0.70%	08/09/2011	2,690,000
5,190,000	B Puerto Rico Investors Tax Free Fund V, Inc.	0.70%	0.70%	08/09/2011	5,190,000
1,830,000	B Puerto Rico Investors Tax Free Fund V, Inc.	0.70%	0.70%	08/09/2011	1,830,000
1,000,000	B Puerto Rico Investors Tax Free Fund VI, Inc.	0.70%	0.70%	08/09/2011	1,000,000
970,000	B Puerto Rico Investors Tax Free Fund VI, Inc.	0.70%	0.70%	08/09/2011	970,000
2,460,000	B Puerto Rico Investors Tax Free Fund, Inc.	0.70%	0.70%	08/16/2011	2,460,000
7,730,000	B Puerto Rico Investors Tax Free Fund II, Inc.	0.70%	0.70%	08/16/2011	7,730,000
5,495,000	B Puerto Rico Investors Tax Free Fund III, Inc.	0.70%	0.70%	08/16/2011	5,495,000
7,960,000	B Puerto Rico Investors Tax Free Fund IV, Inc.	0.70%	0.70%	08/16/2011	7,960,000
7,965,000	B Puerto Rico Investors Tax Free Fund V, Inc.	0.70%	0.70%	08/16/2011	7,965,000
11,910,000	B Puerto Rico Investors Tax Free Fund VI, Inc.	0.70%	0.70%	08/16/2011	11,910,000
1,980,000	B Puerto Rico Investor Bond Fund I, Inc.	0.70%	0.70%	08/16/2011	1,980,000
8,130,000	B Puerto Rico Investors Tax Free Fund II, Inc.	0.70%	0.70%	08/23/2011	8,130,000
4,710,000	B Puerto Rico Investors Tax Free Fund III, Inc.	0.70%	0.70%	08/23/2011	4,710,000
1,000,000	B Puerto Rico Investors Tax Free Fund V, Inc.	0.70%	0.70%	08/23/2011	1,000,000
3,145,000	B Puerto Rico Investors Tax Free Fund VI, Inc.	0.70%	0.70%	08/23/2011	3,145,000
937,239	B Tax Free Puerto Rico Fund, Inc.	0.70%	0.70%	08/30/2011	937,239
1,311,282	B Tax Free Puerto Rico Fund II, Inc.	0.70%	0.70%	08/30/2011	1,311,282
1,617,744	B Tax Free Puerto Rico Target Maturity Fund, Inc.	0.70%	0.70%	08/30/2011	1,617,744
2,227,841	B Puerto Rico AAA Portfolio Bond Fund, Inc.	0.70%	0.70%	08/30/2011	2,227,841
315,867	B Puerto Rico AAA Portfolio Bond Fund II, Inc.	0.70%	0.70%	08/30/2011	315,867
2,855,379	B Puerto Rico AAA Portfolio Target Maturity Fund, Inc.	0.70%	0.70%	08/30/2011	2,855,379
2,843,030	B Puerto Rico Fixed Income Fund II, Inc.	0.70%	0.70%	08/30/2011	2,843,030
3,121,618	B Puerto Rico Fixed Income Fund IV, Inc.	0.70%	0.70%	08/30/2011	3,121,618
228,139	B Tax Free Puerto Rico Fund II, Inc.	0.70%	0.70%	08/31/2011	228,139
281,457	B Tax Free Puerto Rico Target Maturity Fund, Inc.	0.70%	0.70%	08/31/2011	281,457
300,000	B Puerto Rico AAA Portfolio Bond Fund II, Inc.	0.70%	0.70%	08/31/2011	300,000
496,782	B Puerto Rico AAA Portfolio Target Maturity Fund, Inc.	0.70%	0.70%	08/31/2011	496,782
478,955	B Puerto Rico Fixed Income Fund, Inc.	0.70%	0.70%	08/31/2011	478,955
494,634	B Puerto Rico Fixed Income Fund II, Inc.	0.70%	0.70%	08/31/2011	494,634
524,891	B Puerto Rico Fixed Income Fund III, Inc.	0.70%	0.70%	08/31/2011	524,891

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

Puerto Rico Short Term Investment Fund, Inc.						
SCHEDULE OF INVESTMENTS						
Principal Amount		Issuer	Coupon	Yield to Maturity	Maturity Date	June 30, 2011 Value
Tax-Free Secured Obligations - 99.49% of net assets (concluded)						
\$	543,103	B Puerto Rico Fixed Income Fund IV, Inc.	0.70%	0.70%	08/31/2011	\$ 543,103
	361,660	B Puerto Rico Fixed Income Fund V, Inc.	0.70%	0.70%	08/31/2011	361,660
	220,379	B Puerto Rico GNMA & US Government Target Maturity Fund, Inc.	0.70%	0.70%	08/31/2011	220,379
	272,082,500					272,082,500
Total investments (100.02% of net assets)						
Liabilities and net assets minus other assets (-0.02% of net assets)						
Net assets - 100%						
						\$ 274,357,185
						(43,339)
						\$ 274,313,846

A Revenue Bonds - issued by agencies and payable from revenues and other sources of income of the agency as specified in the applicable prospectus.
 These Bonds are not an obligation of the Commonwealth of Puerto Rico.

B Short Term investment issued by an affiliated Fund.

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

Statement of Assets and Liabilities

Assets:	Investment securities, at value (at cost \$274,357,185)	\$ 274,357,185
	Cash	25,931
	Interest receivable	117,183
	Prepaid insurance expense	33,249
	Total assets	<u>274,533,548</u>

Liabilities:	Payables:		
	Dividends	2,561	
	Investment advisory fees	90,259	
	Administration fees	11,280	
	Distribution fees	32,754	
	Transfer agent fees	<u>16,641</u>	153,495
	Accrued expenses and other liabilities		<u>66,207</u>
	Total liabilities		<u>219,702</u>

Net Assets:	<u>\$ 274,313,846</u>
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Net Assets

consist of:

Common shares, \$0.001 par value, 1,000,000,000 shares authorized, 274,313,846 issued and outstanding	\$ 274,314
Paid-in capital	<u>274,039,532</u>
Net assets	<u>\$ 274,313,846</u>
Net asset value per share; 274,313,846 shares outstanding	<u>\$ 1.00</u>

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

Puerto Rico Short Term Investment Fund, Inc.**Statement of Operations****For the fiscal
year ended
June 30, 2011**

Investment income:		
	Interest from affiliated issuers	\$ 1,937,707
	Interest from unaffiliated issuers	366,998
	Total interest	<u>2,304,705</u>

Expenses:		
	Investment advisory fees	1,433,109
	Administration fees	143,311
	Distribution fees	358,277
	Transfer Agent fees	46,207
	Custodian fees	46,827
	Professional fees	82,987
	Directors' fees and expenses	39,164
	Insurance expense	28,560
	Other	10,432
	Total expenses	<u>2,188,874</u>
	Waived investment advisory fees	<u>(286,622)</u>
	Net expenses after waived fees by investment advisor	<u>1,902,252</u>

Net investment income:	<u>402,453</u>
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Net increase in net assets resulting from operations	<u>\$ 402,453</u>
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The accompanying notes are an integral part of these financial statements.

Puerto Rico Short Term Investment Fund, Inc.

Statement of Changes in Net Assets

		For the fiscal year ended June 30, 2011	For the fiscal year ended June 30, 2010
Increase in Net Assets:			
	Net investment income	<u>\$ 402,453</u>	<u>\$ 613,651</u>
	Net increase in net assets resulting from operations	<u>402,453</u>	<u>613,651</u>
Dividends to Shareholders from:			
	Net investment income	<u>(402,453)</u>	<u>(613,651)</u>
Capital Shares Transactions (at \$1.00 per share):			
	Increase in net assets derived from sale of shares	3,730,989,163	5,001,368,165
	Increase in net assets derived from reinvestment of dividends	388,704	588,168
	Decrease in net assets derived from the redemption of shares	<u>(3,774,522,369)</u>	<u>(4,924,940,311)</u>
		<u>(43,144,502)</u>	<u>77,016,022</u>
Net Assets:			
	Net (decrease) increase in net assets	(43,144,502)	77,016,022
	Balance at beginning of the year	<u>317,458,348</u>	<u>240,442,326</u>
	Balance at end of the year	<u>\$ 274,313,846</u>	<u>\$ 317,458,348</u>

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

Puerto Rico Short Term Investment Fund, Inc.
Notes to Financial Statements
June 30, 2011

1. Reporting Entity and Significant Accounting Policies

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

The Fund objective is to maintain client income, consistent with liquidity and conservation of capital.

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

Use of Estimates in Financial Statements Preparation

The accompanying financial statements of the Fund have been prepared on the basis of accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Net Asset Value per Share

The net asset value per share of the Fund is determined by the Administrator daily. The Fund typically calculates net asset value per share once each business day at 12:00 noon, Eastern Time. The net asset value per share is the total value of the Fund divided by the total number of shares outstanding.

Valuation of Investments

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

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

- Level 1 - Quoted prices in active markets for identical assets and liabilities at the measurement date. An active market is one in which transactions for the asset occurs with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 - Are significant inputs other than quoted prices included in Level 1 that are observable (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.), either directly or indirectly.

Puerto Rico Short Term Investment Fund, Inc.
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- Level 3 - Significant unobservable inputs, for example, inputs derived through extrapolation that cannot be corroborated by observable market data. These will be developed based on the best information available in the circumstances, which might include UBSTC's own data. Level 3 inputs will consider the assumptions that market participants would use in pricing the asset, including assumptions about risk (e.g., credit risk, model risk, etc.).

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

The following is a summary of the inputs used as of June 30, 2011 in valuing the Fund's assets carried at amortized cost which approximates fair value:

Investments in Securities				
	Level 1	Level 2	Level 3	Balance June 30, 2011
Puerto Rico agencies	\$ -	\$ 2,274,685	\$ -	\$ 2,274,685
Tax-Free secured obligations	-	272,082,500	-	272,082,500
Total	\$ -	\$ 274,357,185	\$ -	\$ 274,357,185

Taxation

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

The Fund can invest in taxable and tax-exempt securities. In general, distributions of taxable dividends, if any, to Puerto Rico individuals are subject to a 10% withholding tax, if certain requirements are met. The 10% tax is withheld by the Fund at the time of payment. Otherwise, taxable distributions to shareholders will be subject to the regular income tax. Shareholders who are individuals may be subject to alternative minimum tax on certain fund distributions. Puerto Rico entities receiving distributions of taxable income are entitled to claim an 85% dividend received deduction. Fund shareholders are advised to consult their own tax advisers.

GAAP requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Fund's tax return to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the "more-likely-than-not" threshold are recorded as a tax benefit or expense in the current year. Management has analyzed the Fund's tax positions taken on its Puerto Rico income tax returns for all open tax years (the current and prior three tax years) and has concluded that no provision for income tax is required in the Fund's financial statements.

Dividends and Distributions to Shareholders

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

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Investments in Tax-Free Secured Obligations Issued by Investment Companies

The Fund may only invest in Tax-Free Secured Obligations (TSO) that are rated in the highest rating category and that are collateralized fully and exclusively by US Government Securities and Commonwealth of Puerto Rico Securities while maintaining a perfected security interest in such collateral.

Securities Purchased Under Agreements to Re-Sell

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

The purchased securities underlying the agreements to resell are delivered to, and are held by, the custodian. The counterparties to such agreements maintain ownership of such securities through the agreement that requires the resale and return of such collateral. The Fund is permitted by contract to sell or repledge the securities, and agrees to resell to the counterparties the same or substantially similar securities at the maturity of the agreements. There were no securities purchased under agreements to resell outstanding as of June 30, 2011.

Other

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

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

Pursuant to an investment advisory contract (the "Advisory Agreement") with UBS Asset Managers of Puerto Rico, a division of UBSTC, the Fund receives investment advisory services in exchange for a fee. The investment advisory fees will not exceed 0.50% of the Fund's average monthly net assets. For the fiscal year ended June 30, 2011, the investment advisory fees amounted to \$1,433,109 equivalent to 0.50% of the Fund's average monthly net assets. The Investment Adviser voluntarily waived investment advisory fees in the amount of \$286,622, for a net fee of \$1,146,487, representing an effective annual rate of 0.40%. These waived fees are subject to future reimbursement by the Fund within three years after UBSTC paid the expense, only to the extent that the Fund's net asset value does not fall below \$1.00 per share. As of June 30, 2011, the amount to be recouped is as follows:

<u>Period waived</u>	<u>Amount</u>
July 1, 2009 – June 30, 2010	\$61,750
July 1, 2010 – June 30, 2011	\$286,622

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

Administration fees payable to UBSTC will not exceed 0.05% of the Fund's average monthly net assets. For the fiscal year ended June 30, 2011, administration fees amounted to \$143,311, which is equivalent to 0.05% of the Fund's average monthly net assets.

UBSTC, as custodian, has engaged State Street Bank and Trust Company to maintain sub-custody of Fund's assets, calculate the daily net asset value and maintain the Fund's accounting records. The sub-custodian fee is 0.014% of the Fund's average monthly net assets. For the fiscal year ended June 30, 2011 the sub-custodian fees amounted to \$40,127, which is equivalent to 0.014% of the Fund's average monthly net assets. An additional \$6,700 were charged by the sub-custodian related to transactional charges, for a net fee of \$46,827, which is equivalent to 0.016% of the Fund's average monthly net assets.

No administration or custody fees were waived for the fiscal year ended June 30, 2011.

UBS Financial Services Incorporated of Puerto Rico ("UBS-FS") serves as distributor ("Distributor") of the shares of common stock of the Fund. Pursuant to a distribution plan, the Fund makes payments to the Distributor for the distribution of the Fund's shares. The distribution fee will not exceed 0.125% of the Fund's average monthly net assets. For the fiscal year ended June 30, 2011, distribution fees amounted to \$358,277 equivalent to 0.125% of the Fund's average monthly net assets.

UBSTC and the Fund have entered into an agreement whereby UBSTC will pay certain of the Fund's shareholder services, custodian and transfer agency fees, legal, regulatory and accounting fees, printing costs and registration fees ("Other Expenses"), subject to future reimbursement by the Fund, in order to ensure that total annual Fund operating expenses do not exceed 1.00% as set forth in the Prospectus. The Fund will reimburse UBSTC for Other Expenses paid by UBSTC when total annual operating expenses fall below 1.00%; provided that such reimbursement is made within three years after UBSTC paid the expense. The agreement is effective through January 31, 2012 and may be renewed for successive one-year periods. There are no reimbursement expenses as of June 30, 2011.

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

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Certain officers and directors of the Fund are also officers and directors of UBSTC. The seven independent directors of the Fund's Board of Directors are paid based upon an agreed fee of \$1,000 per board meeting plus expenses and \$500 for each meeting plus expenses of the Fund's Audit Committee. For the fiscal year ended June 30, 2011, the seven independent directors of the Fund were paid an aggregate compensation of \$39,164.

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

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

	Purchases	%
Between affiliated Funds	\$ 2,788,754	60%
UBS	3,839	0%
Other affiliates	1,292,438	28%
Unaffiliated	526,080	11%
Total	\$ 4,611,111	100%

	Securities Purchased Under Agreement to Re-Sell	%
Other Affiliates	\$ 155,800	74%
Unaffiliated	54,185	26%
Total	\$ 209,985	100%

No sales of investment securities occurred during the year.

As of June 30, 2011, \$272,082,500 of TSOs, issued by affiliated Funds, were held by the Fund.

3. Investment Transactions

The cost of securities purchased and maturities (in thousands) for the fiscal year ended June 30, 2011 were as follows:

	Purchases	Maturities
Puerto Rico Obligations	\$ 4,820,096	\$ 4,863,277
US Government Agencies	1,000	1,000
	\$ 4,821,096	\$ 4,864,277

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4. Concentration of Credit Risk

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

The major concentration of credit risk arises from the location of the issuers of the investment securities purchased by the Fund. For calculating concentration, all securities guaranteed by the U.S. Government or any of its subdivisions are excluded. At June 30, 2011, the Fund has investments with an aggregate market value of approximately \$274,357,185 which were issued by entities located in the Commonwealth of Puerto Rico and are not guaranteed by the U.S. government or any of its subdivisions.

As stated in the Prospectus, the Fund will ordinarily invest at least 67% of its total assets in short-term Puerto Rico obligations, such as Puerto Rico municipal obligations, Puerto Rico mortgage-backed and asset-backed securities, obligations of Puerto Rico investment companies (the majority of which will be obligations issued principally or solely by affiliates of the Fund's Investment Adviser), reverse repurchase agreements and commercial paper (the "Puerto Rico Securities"). Therefore, the Fund is more susceptible to factors affecting issuers of Puerto Rico Securities than an investment company that is not concentrated in Puerto Rico Securities to such degree.

5. Investment and Other Requirements and Limitations

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

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

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

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

6. Subsequent Events

Events and transactions from July 1, 2011 through September 23, 2011, the date the financial statements were available to be issued, have been evaluated by management for subsequent events. Management has determined that there were no material events that would require adjustment to or disclosure in the Fund's financial statements through this date.



Report of Independent Auditors

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

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations, of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of the Puerto Rico Short Term Investment Fund, Inc. (the "Fund") at June 30, 2011, and the results of its operations, the changes in its net assets and the financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

September 23, 2011

CERTIFIED PUBLIC ACCOUNTANTS
(OF PUERTO RICO)
License No. 216 Expires Dec. 1, 2013
Stamp 2617569 of the P.R. Society of
Certified Public Accountants has been
affixed to the file copy of this report

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DIRECTORS AND OFFICERS

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Carlos V. Ubiñas
Director, Vice Chairman of the Board and Executive Vice President

Mario S. Belaval
Director

Agustín Cabrer-Roig
Director

Gabriel Dolagaray Balado
Director

Carlos Nido
Director

Luis M. Pellot-González
Director

Vicente J. León
Director

Clotilde Pérez
Director

Kevin Ruth
Director

Leslie Highley, Jr.
Director, Senior Vice President and Treasurer

Javier Rodríguez
Assistant Vice President, Assistant Treasurer and Assistant Secretary

Seth Ruderman
Secretary

Remember that:

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

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