Puerto Rico Investors Tax-Free Fund V, Inc.

2016 Annual Report

Dear Shareholders:

The Puerto Rico Investors Tax-Free Fund V, Inc., (the "Fund"), is pleased to present its Annual Report to Shareholders for the fiscal year ended on January 31, 2016.

PUERTO RICO INVESTORS TAX-FREE FUND V, INC.

The investment objective of the Puerto Rico Investors Tax Free Fund V, Inc. is to achieve a high level of current income that, for Puerto Rico investors, is exempt from U.S. Federal and Puerto Rico income taxes, consistent with the preservation of capital for its shareholders.

FUND PERFORMANCE

For the twelve-month period ending on January 31, 2016, the Fund generated a total rate of return on investment of -11.16% and -22.97% based on the net asset value per share ("NAV") and market value per share, respectively. This was mainly due to the decrease in the value of the Fund's NAV and its market price.

The Fund's NAV as of January 31, 2016 was $3.18, compared to $4.21 at the end of the prior fiscal year. Meanwhile, the average dividend yield for the period, computed over the original investment of $10 per share, was 4.28%. At the end of the fiscal year, the market price of the shares was $2.41, representing a 24.2% discount to NAV. The Fund's investment portfolio had weighted-average duration of 9.78 as of January 31, 2016.

The accompanying Figure 1 shows the breakdown of the investment portfolio as of January 31, 2016.

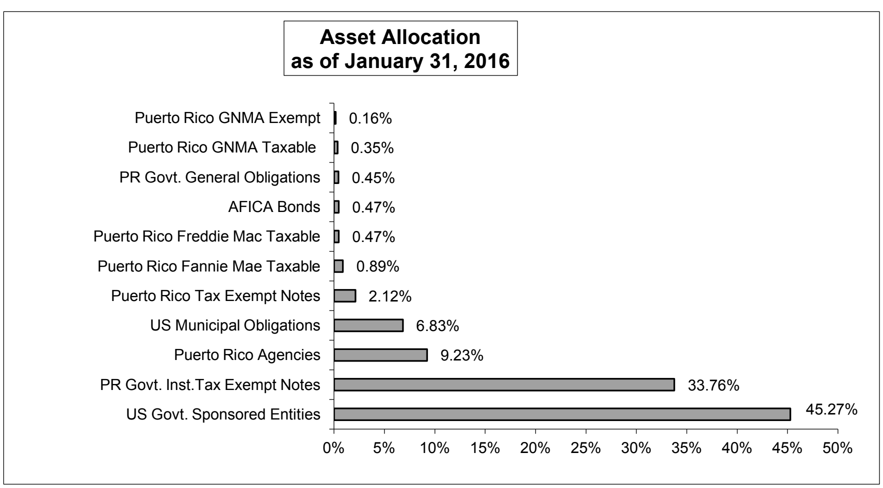

Figure 1. Asset Allocation as of January 31, 2016

INVESTMENT STRATEGY

The Fund's investment advisers strive to select investment assets that maximize risk/return relationships, while adhering to the Fund's investment objectives.

ECONOMIC OVERVIEW

Puerto Rico Economy

Historically, Puerto Rico’s economy has tended to track the U.S. mainland economy. Many of the important variables that affect economic growth, such as imports, exports, direct investments, transfer payments, the rate of inflation and tourism expenditures are directly related to the U.S. and to developments in its economy.

Since Puerto Rico is a U.S. dollar-based economy and its financial system is regulated by U.S. Federal agencies, Puerto Rico’s interest rate levels, market tendencies and activities are direct functions of the prevailing conditions in the U.S. market place. The current downturn in Puerto Rico, however, started earlier and has lasted longer than the 2008-2009 U.S. downturn.

The Government Development Bank for Puerto Rico’s new Economic Activity Index (EAI) is an indicator of the general economic activity in Puerto Rico that is highly correlated with real GNP. For the government’s current fiscal year (July 2015 through June 2016), the most recent EAI available (end of December 2015) reflects a -0.5% contraction compared to the prior fiscal year. Meanwhile, General Fund Net Revenues for the current fiscal year, based on data through January 2016, are 2.5% above the figures from the prior year.

Throughout the Fund’s fiscal year, Puerto Rico bonds experienced high price volatility while continuing to trade at distressed levels. As measured by the Standard and Poor’s Puerto Rico Municipal Bond Index, Puerto Rico bonds as a group fell 8.10% for the 12-month reporting period.

Despite attempts by the local government to contain the crisis, including higher taxes, pension reform, and spending cuts, the situation in Puerto Rico remains complicated. The credit outlook has deteriorated, as the prolonged economic recession combined with the lack of external financing have increased the risks of a financial shortfall.

On February 6, 2015, a U.S. Federal District Court Judge determined that the Puerto Rico Recovery Act is pre-empted by Section 903(1) of the U.S. Federal Bankruptcy Code and is therefore void. The Recovery Act had been approved by Governor García Padilla in June 2014 as a mechanism for public corporations (i.e. PREPA, PRASA, and PRHTA) to restructure their debt in the event of financial distress.

In late June 2015, Governor García Padilla surprised investors with his comments to The New York Times regarding the mathematical impossibility of Puerto Rico paying for all its $72 billion in debt obligations. At the same time, the Government Development Bank released the Krueger report, prepared by three former IMF officials, which discusses the necessity for a comprehensive restructuring of all Puerto Rico debt, including General Obligations.

The above events sparked a new sell-off in Puerto Rico bonds, amid increased speculation that the Island will not be able to repay what it owes.

In July 2015, the U.S. Court of Appeals for the First Circuit affirmed the decision that voids the Puerto Rico Recovery Act.

On August 3, 2015 Puerto Rico missed most of a $58 million payment that was due on Public Finance Corporation bonds ("PFC"). This marked the first government default ever for the Island. The Fund does not own any PFC bonds.

On September 9, 2015 a working group appointed by the Governor publicly released the Puerto Rico Fiscal and Economic Growth Plan. The Plan outlines the scale of the challenges facing Puerto Rico, with an estimated $28 billion fiscal gap over the next five years. In addition, it contains various recommended measures and reforms, which if fully implemented are expected to cut the fiscal gap in half by $14 billion. The Plan states that the other half of the fiscal gap likely will need to be filled through a renegotiation of the debt.

On October 21, 2015 the Government Development Bank announced it ended weeks of negotiations with a group of creditors without reaching an agreement regarding a voluntary debt exchange offer.

On December 1, 2015 the Governor signed an executive order allowing the redirection of revenue budgeted for the Puerto Rico Highways and Transportation Authority, Convention Center, Infrastructure Financing Authority and other agencies in order to pay for debt issued or guaranteed by the commonwealth. This claw-back measure allowed Puerto Rico to comply with all principal and interest payments that were due in December.

In January 2016, Puerto Rico defaulted on about $37 million in bond payments of the almost $1 billion that were due. The missed payments were for $35.9 million of non-commonwealth guaranteed Puerto Rico Infrastructure Financing Authority ("PRIFA") debt and $1.4 million of PFC bonds**.** The Fund does not own any bonds issued by either PRIFA or PFC.

In the coming weeks, we expect Puerto Rico to get more and more attention from the U.S. Federal Government, as the possibility of more defaults looms for Puerto Rico.

The United States Economy

The U.S. economy showed great resilience throughout most of the Fund's fiscal year, shrugging off worries about slower global economic growth and plunging commodity prices.

The beginning of the 2015 calendar year started softly, with GDP growth of 0.6% for 1Q 2015. Economic activity then picked up, with 3.9% and 2.0% GDP growth figures for 2Q and 3Q 2015, respectively. For the full 2015 calendar year, U.S. economic growth was 2.4%. For 2016, U.S. economic growth is expected to be steady and stay fairly modest near the 2% range.

Labor markets were a tailwind for the economy during the Fund's fiscal year. Job growth was strong, with employers averaging 225,000 new jobs per month from February 2015 through January 2016. In addition, the national unemployment rate fell to 4.9% in January 2016, compared to 5.5% the prior year. The unemployment rate is at its lowest level since February 2008.

Influenced by a decline in commodity prices throughout the reporting period, inflation remained in check and continued to run below the 2% level, which is the Fed's longer-run goal. As measured by the U.S. Personal Consumption Expenditure Core Price Index, consumer prices rose 1.7% in the 12 months ended in February 2016.

Monetary policy was highly accommodative during most of the Fund's fiscal year. In December 2015, the U.S. Federal Reserve took the long-awaited step of raising interest rates for the first time since 2006. The Federal Reserve approved a 0.25% increase in its target funds rate. The new target range will go from 0%-0.25% to 0.25%-0.50%.

The U.S. Federal Reserve was in the spotlight for most of the year, as investors wondered when and by how much it would raise interest rates. Early in 2015, an increase seemed imminent as stocks were on firm ground and prospects for growth and inflation improved. As the year went on, however, the picture grew more pessimistic. A number of concerns rattled global markets, including China's currency devaluation and fears of a hard landing, Greece's debt crisis and its possible exit from the Eurozone, and further price drops in oil and other commodities.

Despite these concerns and the fragility of the global economy, U.S. economic indicators in housing, retail, and service-related sectors stayed solid. The relative strength domestically, together with a slightly upward move in core consumer prices, gave the U.S. Federal Reserve the confidence to raise rates in December 2015.

In contrast to the Fed's tightening move, Central banks in Europe and Asia moved in the opposite direction, adding to their stimulus measures to combat weak growth and low inflation. The European Central Bank, for example, began a major bond-buying program in March 2015 that, along with other steps, helped push yields on many European sovereign bonds into negative territory. Similarly, in January 2016 the Bank of Japan announced negative interest rates for certain bank deposits, joining the likes of the Eurozone, Sweden, Denmark, and Switzerland.

In the U.S., subsequent increases in interest rates are expected to be slow and gradual, subject of course to the direction of economic data.

Fixed-income markets were volatile throughout the Fund's fiscal year, with several zigzags during the period that reflected investors' anxiety about global growth and monetary policies. For the 12-month reporting period, U.S. Treasury yields across all maturities moved higher. Two-year U.S. Treasury yields rose from 0.45% at the beginning of the period to 0.78% at the end of the period. At the same time, the 10-year U.S. Treasury note went up 28 basis points in yield, from 1.64% to 1.92%. On the long end of the curve, 30-year U.S. Treasuries yielded 2.74% at the end of the Fund's fiscal year, compared to 2.22% at the beginning.

U.S. equity markets performed well in the first half of the reporting period. The second half, however, was a different story. After five years without a single 10% correction, U.S. equity markets experienced two such corrections (August 2015 and January 2016) within the last six months of the Fund's fiscal year. For the 12-month period, the Dow Jones Industrial, the S&P 500, and the NASDAQ posted returns of -1.67%, -0.67%, and 0.82% respectively.

PUERTO RICO CREDIT UPDATE

Although a decision is not expected until June 2016, on March 22nd the U.S. Supreme Court heard arguments about whether the Puerto Rico Recovery Act, which would provide a restructuring mechanism for approximately $20 billion of outstanding public utilities debt, is illegal or not.

Despite multiple discussions and intense lobbying, as of this writing the U.S. Congress has not yet delivered on a comprehensive law to address Puerto Rico's debt crisis. Significant debt-service payments are due in May and July 2016, so time is of the essence.

On April 1st, in response to rumors that the Government Development Bank ("GDB") will close, Governor García Padilla asserted that the GDB will stay open and is examining all available options to improve its liquidity. A $422 million bond payment by GDB is due on May 1st. Given its widely publicized liquidity problems, it is not clear at this time how or if GDB will be able to fulfill its May 2016 interest payment obligations to bondholders. The Fund owns $1,225,000 of the Puerto Rico GDB 4.35% Senior Notes maturing on 2018.

OUTLOOK

The U.S. economic outlook indicates continued modest growth. For Puerto Rico, the fiscal situation and the Island's credit ratings remain as big concerns. The combined scenario foreshadows a challenging investment environment for the management of the Fund. Notwithstanding, Banco Popular and UBS Puerto Rico remain committed to providing professional asset management services to the Fund for the benefit of its shareholders.

Enrique Vila del Corral, CPA
Chairman of the Board and President

THE BENEFITS AND RISKS OF LEVERAGING

The Puerto Rico Investors Tax-Free Fund V, Inc. is permitted to use leverage in an amount not to exceed 50% of the Fund’s total assets. In addition, the Fund may also borrow for temporary or emergency purposes in an amount of up to an additional 5% of its total assets. The Fund obtains leverage by borrowing, using its investment portfolio as well as securities otherwise obtained as collateral.

Leverage can produce additional income when the income derived from investments financed with borrowed funds exceeds the cost of such funds. In such an event, the Fund’s net income will be greater than it would be without leverage.

If, on the other hand, the income derived from securities purchased with borrowed funds is not sufficient to cover the cost of such funds, the Fund’s net income will be less than it would be without leverage.

Leverage often increases the risk for shareholders of Common Stock. In addition, leverage may have a negative impact on net asset value. Leverage could also increase market price volatility, interest rate and market risk. On the other hand, adding leverage to the Fund could result in higher net income.

SHARE REPURCHASE PROGRAM

On January 31, 2014, the Board of Directors approved the implementation of a Share Repurchase Program for the acquisition of the Fund's shares of Common Stock (the "Shares"), in open-market transactions at share prices equal to or at a discount of the corresponding NAV per Share, of up to 25% of each Fund's total assets as of such date. The Fund's Share Repurchase Program is implemented on a discretionary basis, under the direction of the co-Investment Advisers. The Fund's repurchase activity for each fiscal year is disclosed in the Annual Report to Shareholders attached hereto (see Note 4), as well as the quarterly reports to shareholders.

The undertaking of a repurchase program does not obligate the Fund to purchase specific amounts of Shares. During the fiscal year, the Shares continued to experience a period of limited liquidity and/or trading at a discount to their net asset value. Although the holders of the Shares do not have the right to redeem their Shares inasmuch as the Fund is closed-ended, the Fund may, at its sole discretion, effect repurchases of Shares in the open market, in an attempt to increase the liquidity of the Shares as well as reduce any market discount from their corresponding net asset value. There is no assurance that, if such action is undertaken, it will result in the improvement of the Shares' liquidity or reducing any such market discount. Moreover, while such undertaking may have a favorable effect on the market price of the Shares, the repurchase of the Shares by the Fund will decrease the Fund's total assets and therefore, have the effect of increasing the Fund's expense ratio.

Repurchases by the Fund must be conducted in accordance with the terms and conditions contained in Article 10 of Regulation No. 8469 issued by the Puerto Rico Office of the Commissioner of Financial Institutions (the "PROCFI") and procedures adopted by the Fund's Board of Directors to address potential conflicts of interest with affiliated broker-dealers Popular Securities and UBS Financial Services Incorporated of Puerto Rico. Among other things, such regulation and procedures require that to the extent that various sellers indicate interest in selling shares of the Fund, it will purchase such shares starting with the lowest offered price and in the following order of priority for each price: (1) individual and corporate investors, irrespective of the broker-dealer that serves as record owner of the shares to be repurchased; (2) the trading desks of Puerto Rico broker-dealers which are unaffiliated with the Fund; and (3) the trading desks of Popular Securities and UBS Financial Services Incorporated of Puerto Rico. If sellers offer more shares for repurchase than the Fund is able to accept at any particular price for a particular level of priority, repurchase offers will be accepted on a pro-rata basis within that particular level of priority. Additionally, to the extent that Popular Securities or UBS Financial Services Incorporated of Puerto Rico elects to offer the Fund's shares of Common Stock for repurchase from its respective securities inventory, it must do so at its corresponding offer price per share reported to the public.

For the fiscal year ended January 31, 2016, the Fund repurchased 2,239,922 shares of its common stock in the open market. The total shares repurchased for the year ended January 31, 2016 amount to $7,666,722 (at net asset value) and $6,433,117 (at cost). Since the program's inception, the Fund has repurchased 7,320,437 shares of common stock in the open market with a net asset value of $29,667,236 and a cost of $26,272,434, which represent 19.03% of the total assets of the Fund as of January 31, 2014 (net of shares acquired for dividend reinvestment purposes and which remain outstanding).

GLOSSARY OF MUTUAL FUND TERMS

Bond - Security issued by a government or corporation to those from whom it has borrowed money. A bond usually promises to pay interest income to the bondholder at regular intervals and to repay the entire amount borrowed at maturity date.

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.

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.

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 - Vehicle used by the Fund to increase the amounts available for investment through the issuance of commercial paper or repurchase agreements transactions.

Long-Term - An investment with a maturity greater than one year.

Mutual 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. A mutual fund allows the smaller investor the benefits of diversification, professional management and constant supervision usually available only to large investors.

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

Offering Price - The offering price of a share of a mutual fund is the price at which the share is sold to the public.

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.

Short-Term - An investment with a maturity of one year or less.

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. A 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.

Yield - The annualized rate of income as measured against the current net asset value of fund shares.

FINANCIAL HIGHLIGHTS

The following table includes selected data for a share outstanding throughout each period and other performance information.

Increase (Decrease) in Net Asset Value:			For the year ended January 31, 2016	For the year ended January 31, 2015	For the year ended January 31, 2014	For the year ended January 31, 2013	For the year ended January 31, 2012
Per Share Operating Performance:		Net asset value, beginning of year	$4.21	$3.96	$7.38	$7.70	$6.50
	(a)	Net investment income	0.41	0.47	0.60	0.68	0.67
	(a)	Net realized (loss) gain and change in unrealized (depreciation) appreciation on investments and derivatives	(1.10)	0.13	(3.44)	(0.35)	1.18
		Total from investment operations	(0.69)	0.60	(2.84)	0.33	1.85
		Less: dividends from net investment income applicable to common shareholders	(0.43)	(0.47)	(0.58)	(0.65)	(0.65)
		Discount on repurchase of common shares	0.09	0.12	-	-	-
		Net asset value, end of year	$3.18	$4.21	$3.96	$7.38	$7.70
	(h)	Market value, end of year	$2.41	$3.68	$3.68	$8.65	$9.45
Total Investment Return: (g)	(b)	Based on market value per share	(22.97%)	13.23%	(52.75%)	(0.54%)	25.70%
	(g)	Based on net asset value per share	(11.16%)	20.38%	(40.41%)	4.15%	29.69%
Ratios: (c)	(d) (f)	Expenses to average net assets applicable to common shareholders - net of waived fees	1.74%	1.71%	1.90%	1.88%	1.86%
	(e) (f)	Operating expenses to average net assets applicable to common shareholders - net of waived fees	1.28%	1.11%	1.41%	1.40%	1.39%
		Interest and leverage related expenses to average net assets applicable to common shareholders	0.46%	0.60%	0.49%	0.48%	0.47%
	(f)	Net investment income to average net assets applicable to common shareholders - net of waived fees	11.96%	11.27%	10.44%	8.74%	9.46%
Supplemental Data:		Net assets applicable to common shares, end of year (in thousands)	$43,098	$66,394	$82,518	$151,113	$153,100
		Portfolio turnover	0.00%	0.00%	3.37%	25.51%	19.53%
		Portfolio turnover excluding the proceeds from calls and maturities of portfolio securities and the proceeds from mortgage backed securities paydowns	0.00%	0.00%	3.37%	4.81%	1.22%

(a) Based on weekly average outstanding common shares of 14,419,363, 17,299,960, 20,732,800, 20,192,562, and 19,633,509 for the years ended January 31, 2016, 2015, 2014, 2013, and 2012, respectively.
(b) The return is calculated based on market values provided by UBS Financial Services Incorporated of Puerto Rico, a dealer of the Fund's shares and an affiliated party.
(c) Based on average net assets applicable to common shareholders of $49,274,931, $72,327,271, $119,722,416, $156,659,847, and $139,611,608 for the years ended January 31, 2016, 2015, 2014, 2013, and 2012, respectively.
(d) "Expenses" represent both operating and interest and leverage related expenses.
(e) "Operating expenses" represent total expenses excluding interest and leverage related expenses.
(f) The effect of the expenses waived for the years ended January 31, 2016, 2015, 2014, 2013, and 2012 was to decrease the expense ratios, thus increasing the net investment income ratio to average net assets applicable to common shareholders by 0.93%, 0.90%, 0.70%, 0.62%, and 0.61%, respectively.
(g) Dividends are assumed to be reinvested at the per share net asset value as defined in the dividend reinvestment plan.
(h) End of period market values are provided by UBS Financial Services Incorporated of Puerto Rico, a dealer of the Fund's shares and an affiliated party. The market values shown may reflect limited trading in the shares of the Fund in the over-the-counter market.

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

SCHEDULE OF INVESTMENTS

AFICA Bonds * - 0.85% of net assets applicable to common shares, total cost of $575,000

Face Amount			Issuer	Coupon	Maturity Date	Fair Value
$225,000	@		PALMAS DEL MAR COUNTRY CLUB PROJECT - 2000 SERIES A	7.00%	12/20/18	$157,943
350,000	@		PALMAS DEL MAR COUNTRY CLUB PROJECT- 2000 SERIES A	7.25%	12/20/30	209,419
						367,362

Puerto Rico Agencies - 16.64% of net assets applicable to common shares, total cost of $12,029,936

Face Amount			Issuer	Coupon	Maturity Date	Fair Value
12,085,000	@	(1)	PUERTO RICO INDUSTRIAL DEVELOPMENT COMPANY GENERAL PURPOSE REVENUE BONDS, SERIES 1997 A	6.70%	07/01/21	7,172,931

Puerto Rico Freddie Mac Taxable + - 0.85% of net assets applicable to common shares, total cost of $325,102

Principal Outstanding Amount			Issuer	Coupon	Maturity Date	Fair Value
8,503			FGLMC (POOL C 18249)	7.00%	11/01/28	9,289
225,456	#		FGLMC (POOL C 59579)	6.50%	10/01/31	256,804
71,550	#		FGLMC (POOL C 63329)	6.50%	12/01/31	81,498
19,312			FGLMC (POOL D 75620)	7.50%	02/01/23	20,052
						367,643

Puerto Rico Fannie Mae Taxable ++ - 1.61% of net assets applicable to common shares, total cost of $626,722

Principal Outstanding Amount			Issuer	Coupon	Maturity Date	Fair Value
118,420	#		FNMA (POOL 355537)	7.50%	08/01/26	125,660
14,610			FNMA (POOL 364687)	7.50%	10/01/26	14,656
9,204			FNMA (POOL 378140)	7.00%	04/01/27	9,224
27,159			FNMA (POOL 378606)	7.00%	04/01/27	27,235
27,556			FNMA (POOL 445330)	7.00%	07/01/28	27,634
38,342			FNMA (POOL 580540)	6.00%	06/01/31	43,366
56,512			FNMA (POOL 627603)	6.50%	11/01/31	67,112
335,911	#		FNMA (POOL 849999)	5.00%	01/01/36	377,208
						692,095

Puerto Rico GNMA Taxable * * - 0.64% of net assets applicable to common shares, total cost of $255,096

Principal Outstanding Amount			Issuer	Coupon	Maturity Date	Fair Value
94,732	#		GNMA P/I (POOL 515366)	7.50%	04/15/30	101,251
15,606			GNMA P/I (POOL 515442)	8.00%	07/15/30	15,832
49,884			GNMA P/I (POOL 515553)	8.00%	12/15/30	51,376
22,647			GNMA P/I (POOL 531461)	8.00%	05/15/30	24,842
31,736			GNMA P/I (POOL 548493)	7.50%	05/15/31	34,237
40,489			GNMA P/I (POOL 548495)	7.00%	05/15/31	45,710
						273,248

Puerto Rico GNMA Exempt * * - 0.29% of net assets applicable to common shares, total cost of $114,654

Principal Outstanding Amount			Issuer	Coupon	Maturity Date	Fair Value
110,313	@		GNMA SERIAL (POOL 556254)	6.50%	08/15/31	123,352

Puerto Rico Government Instrumentalities Tax Exempt Notes - 60.84% of net assets applicable to common shares, total cost of $56,422,083

Face Amount			Issuer	Coupon	Maturity Date	Fair Value
$3,220,000	@	(1) (2)	EMPLOYEES RETIREMENT SYSTEM - SENIOR PENSION FUNDING BONDS (SERIES B)	0.00%	07/01/30	325,574
2,630,000	@	(1) (2)	EMPLOYEES RETIREMENT SYSTEM - SENIOR PENSION FUNDING BONDS (SERIES B)	0.00%	07/01/31	248,009
2,780,000	@	(1) (2)	EMPLOYEES RETIREMENT SYSTEM - SENIOR PENSION FUNDING BONDS (SERIES B)	0.00%	07/01/32	245,001
2,985,000	@	(1) (2)	EMPLOYEES RETIREMENT SYSTEM - SENIOR PENSION FUNDING BONDS (SERIES B)	0.00%	07/01/33	244,830
550,000	@	(1) (2)	EMPLOYEES RETIREMENT SYSTEM - SENIOR PENSION FUNDING BONDS (SERIES B)	6.30%	07/01/36	167,068
1,550,000	@	(1) (2)	EMPLOYEES RETIREMENT SYSTEM - SENIOR PENSION FUNDING BONDS (SERIES B)	6.30%	07/01/38	470,828
1,835,000	@	(1) (2)	EMPLOYEES RETIREMENT SYSTEM - SENIOR PENSION FUNDING BONDS (SERIES A)	6.20%	07/01/39	557,400
9,990,000	@	(1) (2)	EMPLOYEES RETIREMENT SYSTEM - SENIOR PENSION FUNDING BONDS (SERIES A)	6.20%	07/01/40	3,034,562
2,210,000	@	(1) (2)	EMPLOYEES RETIREMENT SYSTEM - SENIOR PENSION FUNDING BONDS (SERIES B)	6.55%	07/01/55	671,310
2,210,000	@	(1) (2)	EMPLOYEES RETIREMENT SYSTEM - SENIOR PENSION FUNDING BONDS (SERIES B)	6.55%	07/01/56	671,288
270,000	@	(1)	PUERTO RICO SALES TAX FINANCING CORP CAPITAL APPRECIATION BONDS, SERIES 2008A	0.00%	08/01/24	80,058
285,000	@	(1)	PUERTO RICO SALES TAX FINANCING CORP CAPITAL APPRECIATION BONDS, SERIES 2008A	0.00%	08/01/25	76,984
305,000	@	(1)	PUERTO RICO SALES TAX FINANCING CORP CAPITAL APPRECIATION BONDS, SERIES 2008A	0.00%	08/01/26	77,888
325,000	@	(1)	PUERTO RICO SALES TAX FINANCING CORP CAPITAL APPRECIATION BONDS, SERIES 2008A	0.00%	08/01/27	77,769
5,925,000	@	(1)	PUERTO RICO SALES TAX FINANCING CORP CURRENT INTEREST BONDS, SERIES 2007B	0.00%	08/01/29	1,258,766
410,000	@	(1)	PUERTO RICO SALES TAX FINANCING CORP CAPITAL APPRECIATION BONDS, SERIES 2008A	0.00%	08/01/31	77,269
3,630,000	@	(1)	PUERTO RICO SALES TAX FINANCING CORP CAPITAL APPRECIATION BONDS, SERIES 2007B	0.00%	08/01/31	684,110
495,000	@	(1)	PUERTO RICO SALES TAX FINANCING CORP CAPITAL APPRECIATION BONDS, SERIES 2008A	0.00%	08/01/34	77,780
425,000	@	(1)	PUERTO RICO SALES TAX FINANCING CORP CAPITAL APPRECIATION BONDS, SERIES 2008A	0.00%	08/01/35	62,305
1,075,000	@	(1)	PUERTO RICO SALES TAX FINANCING CORP CURRENT INTEREST BONDS, SERIES 2007B	6.05%	08/01/36	636,379
1,770,000	@	(1)	PUERTO RICO SALES TAX FINANCING CORP CURRENT INTEREST BONDS, SERIES 2007B	6.05%	08/01/37	1,047,645
10,985,000	@	(1)	PUERTO RICO SALES TAX FINANCING CORP CURRENT INTEREST BONDS, SERIES 2008A	6.13%	08/01/37	6,502,131
4,200,000	@	(1)	PUERTO RICO SALES TAX FINANCING CORP CURRENT INTEREST BONDS, SERIES 2007B	6.05%	08/01/38	2,485,644
9,630,000	@	(1)	PUERTO RICO SALES TAX FINANCING CORP CURRENT INTEREST BONDS, SERIES 2008A	6.13%	08/01/38	5,699,227
880,000	@	(1)	PUERTO RICO SALES TAX FINANCING CORP CURRENT INTEREST BONDS, SERIES 2007B	6.05%	07/01/39	520,828
370,000	@	(1)	PUERTO RICO SALES TAX FINANCING CORP CURRENT INTEREST BONDS, SERIES 2007B	6.05%	08/01/39	218,992
						26,219,645

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

SCHEDULE OF INVESTMENTS (concluded)

Face Amount			Issuer	Coupon	Maturity Date	Fair Value
Puerto Rico Tax Exempt Notes - 3.82% of net assets applicable to common shares, total cost of $1,478,590						
$123,417		(3)	COMMUNITY ENDOWMENT, INC. - Collateralized by FN367024	7.00%	09/01/26	$131,307
37,684		(3)	COMMUNITY ENDOWMENT, INC. - Collateralized by FN362600	7.50%	10/01/26	38,181
193,509		(3)	COMMUNITY ENDOWMENT, INC. - Collateralized by FN372184	7.50%	01/01/27	208,019
210,687		(3)	COMMUNITY ENDOWMENT, INC. - Collateralized by FN372183	7.00%	02/01/27	233,755
87,181		(3)	COMMUNITY ENDOWMENT, INC. - Collateralized by GN448307	7.00%	09/15/27	91,864
221,497		(3)	COMMUNITY ENDOWMENT, INC. - Collateralized by GN445571	7.50%	09/15/27	251,098
89,876		(3)	COMMUNITY ENDOWMENT, INC. - Collateralized by GN449353	7.50%	09/15/27	94,343
90,329		(3)	COMMUNITY ENDOWMENT, INC. - Collateralized by GN453529	7.50%	09/15/27	100,915
33,482		(3)	COMMUNITY ENDOWMENT, INC. - Collateralized by GN470940	7.00%	06/15/28	34,325
27,441		(3)	COMMUNITY ENDOWMENT, INC. - Collateralized by FN536020	8.50%	05/01/30	32,323
7,173		(3)	COMMUNITY ENDOWMENT, INC. - Collateralized by FN536024	8.50%	05/01/30	8,413
19,484		(3)	COMMUNITY ENDOWMENT, INC. - Collateralized by FN536042	8.00%	09/01/30	22,707
336,838		(3)	COMMUNITY ENDOWMENT, INC. - Collateralized by FN536045	8.00%	10/01/30	399,521
						1,646,771
Puerto Rico Government General Obligations - 0.80% of net assets applicable to common shares, total cost of $1,237,199						
1,225,000			PUERTO RICO GOVERNMENT DEVELOPMENT BANK SENIOR NOTES 2011, SERIES I	4.35%	08/01/18	346,062
US Government Sponsored Entities - 81.58% of net assets applicable to common shares, total cost of $31,491,115						
2,442,000		#	FANNIE MAE NOTE	6.63%	11/15/30	3,596,258
250,000		#	FEDERAL FARM CREDIT BANK	6.18%	11/06/28	336,622
1,800,000	@	#	FEDERAL FARM CREDIT BANK	3.29%	04/22/32	1,750,606
1,260,000	@	#	FEDERAL FARM CREDIT BANK	3.15%	01/30/31	1,258,119
934,677	@	#	FEDERAL HOME LOAN BANK BONDS	3.24%	06/14/27	934,820
1,908,333	@	#	FEDERAL HOME LOAN BANK BONDS	3.40%	10/04/32	1,888,527
2,000,000	@	#	FEDERAL HOME LOAN BANK BONDS	3.30%	05/07/32	1,991,686
1,500,000	@	#	FEDERAL HOME LOAN BANK BONDS	3.30%	01/18/33	1,478,823
1,125,000	@	#	FEDERAL HOME LOAN BANK BONDS	3.30%	08/08/35	1,095,935
15,360,000		#	FEDERAL HOME LOAN BANK BONDS	5.50%	07/15/36	20,828,790
						35,160,186
US Municipal Obligations - 12.31% of net assets applicable to common shares, total cost of $4,411,558						
1,100,000	@	#	STATE OF ILLINOIS - VARIOUS PURPOSE GENERAL OBLIGATION BONDS - 2012 SERIES B	5.00%	01/01/23	1,114,080
450,000	@	#	STATE OF ILLINOIS - VARIOUS PURPOSE GENERAL OBLIGATION BONDS - 2012 SERIES B	5.15%	01/01/24	458,478
1,640,000	@	#	STATE OF CALIFORNIA - VARIOUS PURPOSE GENERAL OBLIGATION BONDS	7.95%	03/01/36	1,971,428
1,200,000	@	#	STATE OF CALIFORNIA - VARIOUS PURPOSE GENERAL OBLIGATION BONDS	7.63%	03/01/40	1,761,828
						5,305,814
			Total investments (180.23% of net assets applicable to common shares)			**77,675,109**
			Liabilities minus other assets (-80.23% of net assets applicable to common shares)			**(34,577,337)**
			Net assets attributable to common shares - 100%			**$43,097,772**

* AFICA - Puerto Rico Industrial, Tourism, Medical, Educational, and Environmental Pollution Control Facilities Financing Authority. Revenue bonds are payable solely from cash flows generated by the underlying project, which do not constitute an indebtness of the Commonwealth of PR or any of its political subdivisions, other than AFICA.

** Puerto Rico GNMA - Represents mortgage-backed obligations guaranteed by the Government National Mortgage Association. They are subject to principal paydowns as a result of prepayments or refinancing of the underlying mortgage instruments. As a result, the average life may be substantially less than the original maturity.

+ Puerto Rico Freddie Mac Taxable - Represents mortgage-backed obligations guaranteed by the Federal Home Loan Mortgage Corporation. They are subject to principal paydowns as a result of prepayments or refinancing of the underlying mortgage instruments. As a result, the average life may be substantially less than the original maturity.

++ Puerto Rico Fannie Mae Taxable - Represents mortgage-backed obligations guaranteed by the Federal National Mortgage Association. They are subject to principal paydowns as a result of prepayments or refinancing of the underlying mortgage instruments. As a result, the average life may be substantially less than the original maturity.

A portion or all of the security has been pledged as collateral for securities sold under agreements to repurchase.

@ Security may be called before its maturity date.

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

(2) The bonds are limited, non-recourse obligations of the Employees Retirement System payable solely from, and secured solely by, employer contributions made after the date of issuance of the bonds.

(3) Community Endowment - These obligations are collateralized by Mortgage-Backed Securities and the only source of repayment is the collateral. They are subject to principal paydowns as a result of prepayments or refinancing of the underlying mortgage instruments. As a result, the average life may be substantially less than the original maturity.

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

STATEMENT OF ASSETS AND LIABILITIES

Assets:	Investment in securities:		
	Securities pledged as collateral under repurchase agreements, at fair value (cost $33,657,342)	$38,265,311	
	Other securities, at fair value (cost $75,309,713)	39,409,798	$77,675,109
	Cash and cash equivalents		440,007
	Interest receivable		606,711
	Other assets		43,584
	Total assets		78,765,411
Liabilities:	Securities sold under agreements to repurchase		35,107,648
	Payables:		
	Interest	6,862	
	Investment advisory fees	21,880	
	Administration fees	9,945	
	Dividend payable	451,251	489,938
	Accrued expenses and other liabilities		70,053
	Total liabilities		35,667,639
Net Assets Applicable to Common Shares:			$43,097,772
Net Assets Consist of:	Common Stock:		
	Capital Stock, $0.01 par value, 98,000,000 shares authorized, 13,537,514 issued and outstanding		$135,376
	Paid in capital		162,924,797
	Undistributed net investment income		2,798,660
	Accumulated net realized loss on investments		(91,469,115)
	Unrealized net depreciation on investments		(31,291,946)
	Net assets applicable to common shares		$43,097,772
	Net asset value applicable to common shares - per share; 13,537,514 shares outstanding		$3.18

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

STATEMENT OF OPERATIONS

		For the year ended January 31, 2016
Investment income:	Interest	$6,749,623
Expenses:	Interest and leverage related expenses	226,203
	Investment advisory fees	657,779
	Administration fees	131,555
	Custodian and transfer agent fees	87,704
	Professional fees	89,651
	Insurance expense	72,181
	Directors' fees and expenses	27,667
	Printing and shareholder reports	13,947
	Other	6,680
	Total expenses	1,313,367
	Waived investment advisory, custodian, and transfer agent fees	(456,060)
	Net expenses after waived fees	857,307
Net investment income:		5,892,316
Realized Gain (Loss) & Unrealized Appreciation (Depreciation) on Investments:	Net realized loss on investments	(15,876,605)
	Unrealized depreciation on investments	(753,207)
	Total net loss on investments	(16,629,812)
	Net decrease in net assets resulting from operations	($10,737,496)

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

STATEMENTS OF CHANGES IN NET ASSETS

Increase (Decrease) in Net Assets:		For the year ended January 31, 2016	For the year ended January 31, 2015
Operations:	Net investment income	$5,892,316	$8,151,690
	Net realized loss on investments	(15,876,605)	(18,305,889)
	Unrealized (depreciation) appreciation on investments	(753,207)	21,838,330
	Net (decrease) increase in net assets resulting from operations	(10,737,496)	11,684,131
Dividends to Common Shareholders From:	Net investment income	(6,128,657)	(8,041,474)
Capital Share Transactions:	Reinvestment of dividends on common shares	2,614	72,592
	Repurchase of common shares	(6,433,117)	(19,839,316)
	Decrease in net assets derived from common shares transactions	(6,430,503)	(19,766,724)
Net Assets:	Net decrease in net assets attributable to common shares	(23,296,656)	(16,124,067)
	Balance at beginning of the year	66,394,428	82,518,495
	Balance at end of the year	$43,097,772	$66,394,428

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

STATEMENT OF CASH FLOWS

Increase (Decrease) in Cash:		For the year ended January 31, 2016
Cash Provided by Operating Activities:	Net decrease in net assets resulting from operations	($10,737,496)
	Adjusted by:	
	Sales of portfolio securities	16,090,837
	Calls and maturities of portfolio securities	1,884,508
	Proceeds from mortgage-backed securities paydowns	540,170
	Net realized gain on paydowns	(240)
	Net realized loss on investments	15,876,605
	Unrealized depreciation on investments	753,207
	Accretion of discounts on investments	(757,655)
	Amortization of premiums on investments	104,550
	Decrease in interest and dividends receivable	130,331
	Increase in other assets	(3,274)
	Decrease in interest payable	(1,969)
	Decrease in investment advisory fees payable	(9,582)
	Decrease in administration fees payable	(4,356)
	Increase in accrued expenses and other liabilities	9,313
	Total cash provided by operating activities	23,874,949
Cash Used in Financing Activities:	Short-term debt related repayments; net of issuances of $32,841,796	(6,154,450)
	Repo related repayments; net of issuances of $1,344,105,207	(4,636,352)
	Dividends to common shareholders paid in cash	(6,279,561)
	Repurchase of common shares	(6,433,117)
	Total cash used in financing activities	(23,503,480)
Cash:	Net increase in cash and cash equivalents	371,469
	Cash and cash equivalents at beginning of year	68,538
	Cash and cash equivalents at end of year	$440,007
Cash Flow Information:	Cash paid for interest and leverage related expenses	$228,172
	Non-cash activities:	
	Dividends reinvested by common shareholders	$2,614

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

NOTES TO FINANCIAL STATEMENTS

Note 1 - Reporting Entity and Significant Accounting Policies:

Puerto Rico Investors Tax-Free Fund V, Inc. (the "Fund") is a non-diversified, closed-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. The Fund was incorporated on May 15, 1996 and started operations on February 28, 1997.

The Fund's investment objective is to achieve a high level of current income that, for the Puerto Rico investors, is exempt from Federal and Puerto Rico income taxes, consistent with the preservation of capital. There is no assurance that the Fund will achieve its investment objective.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The following is a summary of the Fund's significant accounting policies:

(*a) Cash and Cash Equivalents* – Cash and cash equivalents consist of all demand deposits and funds invested in short-term investments with original maturities of 90 days or less. Cash and cash equivalents are valued at amortized cost, which approximates fair value. At January 31, 2016, cash and cash equivalents consisted of a time deposit open account amounting to $440,007 with Banco Popular of Puerto Rico, which is an affiliated entity.

(b) Valuation of Investments - Investments included in the Fund's financial statements have been stated at fair values as determined by Banco Popular de Puerto Rico, as the Fund's administrator, with the assistance of the Investment Advisers (Refer to Note 3), on the basis of valuations provided by dealers or by pricing services, which are approved by the Fund's management and the Board of Directors, in accordance with the valuation methods set forth in the Governing Documents and related policies and procedures. See Note 2 for further discussions regarding fair value disclosures.

(c) Taxation - The Fund has elected to be treated as a registered investment company under the Puerto Rico Internal Revenue Code of 2011, as amended, and the regulations and administrative pronouncements promulgated thereunder. As a registered investment company, the Fund will be treated as a conduit or pass-through entity that will be disregarded for Puerto Rico income tax purposes. Accordingly, the income earned by the Fund is not subject to Puerto Rico income tax at the Fund level if it distributes to its shareholders at least 90% of its taxable net investment income for the taxable year, among other requirements. The Fund has never been subject to taxation.

In addition, the fixed income and equity investments of the Fund are exempt from Puerto Rico personal property taxes. The Fund is exempt from United States income taxes, except for dividends received from United States sources, which are subject to a 10% United States withholding tax, if certain requirements are met. Dividend income is recorded net of taxes. In the opinion of the Fund's legal counsel, the Fund is not required to file a U.S. federal income tax return.

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 liability should be recorded related to uncertain tax positions taken on returns filed for open tax years. On an ongoing basis, management will monitor the Fund's tax position to determine if adjustments to this conclusion are necessary.

NOTES TO FINANCIAL STATEMENTS

The balance of undistributed net investment income and of accumulated net realized loss on investments and derivatives reflect the reclassification of permanent differences and of temporary differences between book and tax balances that become permanent. As a result of these reclassifications, the amounts shown in the Statement of Assets and Liabilities reflect the amounts for tax purposes, except for remaining temporary differences, if any (See Note 12).

(d) Statement of Cash Flows - The Fund invests in securities and distributes dividends from net investment income, which are paid in cash or are reinvested at the discretion of common shareholders. These activities are reported on the Statement of Changes in Net Assets. Additional information on cash receipts and payments is presented in the Statement of Cash Flows. Accounting practices that do not affect the reporting of activities on a cash basis include carrying investments at value and amortizing premiums or discounts on debt obligations.

(e) Dividends and Distributions to Shareholders - Dividends from net investment income are declared and paid monthly. The Fund may at times pay out less than the entire amount of net investment income earned in any particular period and may at times pay out such accumulated undistributed income earned in other periods in order to permit a more stable level of distribution. The Fund records dividends to its shareholders on the ex-dividend date. The Fund does not expect to make distributions of net realized capital gains, although the Fund's Board of Directors reserves the right to do so in its sole discretion.

(f) Derivatives Instruments - In order to attempt to hedge various portfolio positions, to manage its cost of funds or to enhance its return, the Fund may invest in certain instruments which are considered derivatives. Derivative instruments, because of their increased volatility and potential leveraging effect, may adversely affect the Fund. The use of these instruments for income enhancement purposes subjects the Fund to risk of loss which may not be offset by gains on other portfolio assets or acquisitions. There is no assurance that the Investment Advisers will employ any hedging strategy, and even where such derivatives instruments are used for hedging purposes, there can be no assurance that the hedging transactions will be successful or will not result in losses.

Specifically, the Fund may enter into interest rate swap agreements that involve an agreement between two parties to exchange fixed- and variable-rate interest rate payments that are calculated based on a specified amount of principal (the "notional principal amount") for a specified period of time. The Fund usually enters into interest rate swaps on a net basis, (*i.e.*, the two payment streams are netted out), with the Fund receiving or paying, as the case may be, only the net amount of the two payments.

The Fund utilizes interest rate swaps as the predominant derivative hedging and income strategy. For income, the Fund generally enters into floating rate swaps where it receives a fixed rate payment and pays a floating rate based on LIBOR. The positive income received from the swap is subject to risk should LIBOR increase during the term of the swap. These swaps may also include an option for the counterparty to cancel the swap that results in a higher rate coupon for the Fund.

To attempt to protect the interest rate cost of its leverage program, the Fund generally enters into fixed to floating rate swaps. The Fund pays a fixed cost for a predetermined number of years and receives, in exchange, a floating rate payment based on LIBOR. If LIBOR increases, the floating rate increases thus offsetting the corresponding increase in the Fund's leverage cost. If, on the other hand, LIBOR decreases, the floating rate payment will decrease reducing the benefit of lower interest rates on the leverage program. The Fund will also grant the counterparty an option to cancel the swap before its contractual termination if such option results in a more advantageous fixed rate cost for the Fund. Subject to market conditions, the Fund will also enter into floating to fixed rate swaps. These swaps may have the effect of neutralizing the negative cost of the original fixed to floating rate swaps. If LIBOR decreases the floating rate payment made by the Fund decreases, offsetting the decrease in the floating rate payment received by the Fund in the original fixed rate swap. On the other hand, if LIBOR

NOTES TO FINANCIAL STATEMENTS

increases the floating rate payment on the neutralizing swap will increase offsetting the benefit of the increase in the floating rate received from the fixed rate swap. The Fund will also grant the counterparty an option to cancel the swap before its contractual obligation if such option results in a higher fixed rate payment to the Fund.

These types of transactions subject the Fund to the risk that a counterparty will default on its obligation to the Fund. The Fund attempts to control such risk by entering into these transactions only with banks and recognized securities dealers believed by the Fund's Investment Advisers to present minimal risk in accordance with the guidelines of the Board of Directors. These types of transactions are also subject to market risk as interest rates and market prices fluctuate. Risks may exceed related amounts recognized in the Statement of Assets and Liabilities. The credit exposure may change as the fair value of the instrument changes. The Fund's management enters into these transactions in an attempt to improve its funding costs rather than speculate on interest rate changes. The Fund may enter into additional transactions as market conditions change.

GAAP requires disclosure surrounding the various inputs that are used in determining the fair value of the Fund's interest rate swaps. These swaps are classified as Level 2 as fair value is measured using a combination of observable market data inputs and calculated inputs from market data. The market data includes LIBOR rates, yield curves, and volatility. For callable and range swaps, the parameters are developed from market observed volatility and yield curve.

The Fund is a party to ISDA (International Swap and Derivatives Association, Inc.) Master Agreements ("Master Agreements") with certain counterparties that govern over the counter derivative contracts entered into from time to time. The Master Agreements may contain provisions regarding, among other things, the parties' general obligations, representations, agreements, collateral requirements, events of default, and early termination. Generally, collateral can be in the form of cash or debt securities issued by the U.S. Government or related agencies or other securities as agreed to by the Fund and the applicable counterparty. Collateral requirements are determined based on the Fund's net position with each such counterparty. Termination events applicable to the Fund may occur in certain instances specified in the Master Agreements, which may include, among other things, a specified decline in the Fund's net asset value or the termination of the Fund's Investment Advisers. In each case, upon occurrence, the counterparty may elect to terminate early and cause settlement of all or some of the derivative contracts outstanding, including the payment of any losses and costs resulting from such early termination, as reasonably determined by the terminating party. Any decision by one or more of the Fund's counterparties to elect early termination could impact the Fund's future derivative activity.

The Fund's derivative instruments generally contain provisions that require the Fund to maintain minimum net asset value levels. If the Fund's net asset value were to decline below certain specified net asset value levels, the counterparties may declare an early termination event on any or all transactions with the Fund. To the extent such termination results in a net liability to the Fund, the collateral held by any such counterparty may be liquidated and netted against the amounts owed by the Fund to such counterparty. There were no derivatives outstanding during the year ended January 31, 2016.

The credit components of the swaps are managed through various mechanisms. Counterparties must have a minimum credit rating (the higher of S&P, Moody's, and/or Fitch), currently A, or credit support from another entity. The swaps are executed pursuant to signed Master ISDA Agreements that may include a Credit Support Annex (CSA). The economic terms of each swap transaction are documented in a written confirmation. In the event the counterparty is downgraded below A, the swap must either be transferred to another A or better counterparty or the credit exposure must be collateralized with eligible collateral as defined in the CSA.

Changes in the value of swap agreements are reported separately in the Statement of Assets and Liabilities and as a change in net value on derivatives in the Statement of Operations.

NOTES TO FINANCIAL STATEMENTS

The Fund records periodic payments on unwind transactions to or collections from derivatives as a component of net realized gain or loss on derivatives in the Statement of Operations. For purposes of dividend distributions, the Fund's periodic swap payments are included as a component of net investment income. For the fiscal year ended January 31, 2016, no payments or collections to/from swap counterparties were made as there were no positions outstanding during the year.

(g) Securities Sold Under Agreements to Repurchase - Under these agreements, the Fund sells securities, receives cash in exchange and agrees to repurchase the securities at a mutually agreed date and price. Ordinarily, those counterparties with which the Fund enters into these agreements require delivery of collateral, nevertheless, the Fund retains ownership of the collateral through the agreement that requires the repurchase and return of such collateral. These transactions are treated as financings and recorded as liabilities. Therefore, no gain or loss is recognized on the transaction and the securities pledged as collateral remain recorded as assets of the Fund. These agreements involve the risk that the market value of the securities purchased with the proceeds from the sale of securities received by the Fund may decline below the price of the securities that the Fund is obligated to repurchase and that the value of the collateral posted by the Fund increases in value and the counterparty does not return it. Because the Fund borrows under repurchase agreements based on the estimated fair value of the pledged assets, the Fund's ongoing ability to borrow under its repurchase facilities may be limited and its lenders may initiate margin calls in the event of adverse changes in the market. A decrease in market value of the pledged assets may require the Fund to post additional collateral or otherwise sell assets at a time when it may not be in the best interest of the Fund to do so (See Note 6).

(h) Short-term notes - The Fund has a short-term notes payable program as a funding vehicle to increase the amount available for investment. The short-term notes are issued from time to time in denominations of at least $25,000 maturing in periods of up to 270 days and over 270 days, respectively. The notes are collateralized by the pledge of certain securities of the Fund. The pledged securities are held by Banco Popular de Puerto Rico (the Custodian), as collateral agent, for the benefit of the holders of the notes. There were no short-term notes outstanding at January 31, 2016 (See Note 7).

(i) Paydowns - Realized gains and losses on mortgage-backed securities paydowns are recorded as an adjustment to interest income as required by GAAP. For the year ended January 31, 2016, the Fund increased interest income in the amount of $240 related to realized gain on mortgage-backed securities paydowns. The Fund declares and pays monthly dividends from net investment income. For purpose of dividend distributions, net investment income excludes the effect of mortgage-backed securities paydowns gains and losses (See Note 12).

(j) Use of Estimates in the Preparation of Financial Statements - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

(k) 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 based on the identified cost method. Premiums and discounts on securities purchased are amortized over the life or the expected life of the respective securities using the effective interest method. Interest and dividend income on preferred equity securities are accrued daily except when collection is not expected. Dividend income on common equity securities is recorded on the ex-dividend date.

NOTES TO FINANCIAL STATEMENTS

(l) Recent Accounting Pronouncements – During fiscal year 2015, the following pronouncements were issued by the Financial Accounting Standards Board (FASB):

Accounting Standards Update No. 2015-07, Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent): This standard removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. It also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The standard is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The Fund does not believe this would have a material effect on the financial statements.

Note 2 – Fair Value Measurements:

Under GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability.

GAAP establishes a fair value hierarchy that prioritizes the inputs and valuation techniques used to measure fair value into three levels in order to increase consistency and comparability in fair value measurements and disclosures. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for the fair value measurement are observable or unobservable. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect the Fund's estimates about assumptions that market participants would use in pricing the asset or liability based on the best information available. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. Valuation of these instruments does not need a significant degree of judgment since valuations are based on quoted prices that are readily available in an active market.

Level 2 – Quoted prices other than those included in Level 1 that are observable either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or that can be corroborated by observable market data for substantially the full term of the financial instrument.

Level 3 – Unobservable inputs are significant to the fair value measurement. Unobservable inputs reflect the Fund's own assumptions about assumptions that market participants would use in pricing the asset or liability.

The Fund maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Fair value is based upon quoted market prices when available. If listed prices or quotes are not available, the Fund employs internally developed models that primarily use market-based inputs including yield curves, interest rates, volatilities, and credit curves, among others. Valuation adjustments are limited to those necessary to ensure that the financial instrument's fair value is adequately representative of the price that would be received or paid in the marketplace. These adjustments include amounts that reflect counterparty credit quality, constraints on liquidity, and unobservable parameters that are applied consistently.

NOTES TO FINANCIAL STATEMENTS

The estimated fair value may be subjective in nature and may involve uncertainties and matters of significant judgment for certain financial instruments. Changes in the underlying assumptions used in calculating fair value could significantly affect the results. In addition, the fair value estimates are based on outstanding balances without attempting to estimate the value of anticipated future business. Therefore, the estimated fair value may materially differ from the value that could actually be realized on a sale.

On November 8, 2013, the Board of Directors of the Fund delegated to the Valuation Committee, comprised of voting members of Popular Asset Management, a division of Banco Popular, and UBS Asset Managers of PR, a division of UBS Trust Company of PR, certain procedures and functions related to the valuation of portfolio securities for the purpose of determining the Net Asset Value of the Fund. The Valuation Committee is generally responsible for determining the fair value of the following types of portfolio securities:

- Portfolio instruments for which no price or value is available at the time the Fund's NAV is calculated on a particular day;
- Portfolio instruments for which the prices or values available do not, in the judgment of the Investment Advisers, represent the fair value of the portfolio instruments;
- A price of a portfolio instrument that has not changed for four consecutive weekly pricing periods, except for Puerto Rico taxable securities and U.S. portfolio instruments;
- Any PR taxable securities and the U.S. portfolio instruments whose value has not changed from the previous weekly pricing period.

Following is a description of the Fund's valuation methodologies used for assets and liabilities measured at fair value:

AFICA bonds: The fair value of AFICA bonds is based on quotes obtained from local brokers. AFICA bonds are segregated and the like characteristics divided into specific sectors. Market inputs used in the valuation process include all or some of the following: trades, bid price or spread, quotes, benchmark curves including but not limited to Treasury benchmarks, LIBOR and swap curves, and discount and capital rates. These bonds are classified as Level 2.

Obligations of Puerto Rico, States, and political subdivisions: Obligations of Puerto Rico, States, and political subdivisions are segregated and the like characteristics divided into specific sectors. Market inputs used in the evaluation process include all or some of the following: trades, bid price or spread, quotes, benchmark curves including but not limited to Treasury benchmarks, LIBOR and swap curves, and discount and capital rates. These bonds are classified as Level 2.

Mortgage and other asset-backed securities: Certain agency mortgage-backed securities ("MBS") are priced based on a bond's theoretical value derived from the prices of similar bonds; "similar" being defined by credit quality and market sector. Their fair value incorporates an option adjusted spread. GNMA Puerto Rico Serials are priced using a pricing matrix with quoted prices from local broker dealers, based on trade activity in local markets and is compared with data from exchange platforms where similar instruments regularly trade. The agency MBS and GNMA Puerto Rico Serials are classified as Level 2.

Puerto Rico Tax Exempt Notes: Prices for these securities are obtained from broker quotes. These securities trade in over-the-counter markets. Quoted prices are based on recent trading activity for similar instruments and do not trade in highly liquid markets. Community Endowments and PR Conservation Trust Notes are generally classified as Level 2 and the pricing is based on their collateral. Notes that trade less frequently or that include a significant adjustment based on assumptions important to market participants, such as credit risk, source of payment, etc., are classified as Level 3.

NOTES TO FINANCIAL STATEMENTS

Obligations of U.S. Government sponsored entities: The fair value of obligations of U.S. Government sponsored entities is based on an active market on quoted market prices for similar securities. U.S. agency structured notes are priced based on a bond's theoretical value from similar bonds defined by credit quality and market sector and for which the fair value incorporates an option adjusted spread in deriving their fair value. These securities are classified as Level 2.

Equity Securities: Equity securities with quoted market prices obtained from an active exchange market, if any, are classified as Level 1.

Derivatives: The fair value of derivative instruments is based on observable market parameters and takes into consideration the credit risk component, when appropriate. The "Hull-White Interest Rate Tree" approach is used to value the option components of derivative instruments, and discounting of the cash flows is performed using US dollar LIBOR-based discount rates or yield curves that account for the industry sector and the credit rating of the counterparty and/or the Fund. Derivatives are mainly composed of interest rate swaps. As part of the determination of fair value of interest rate swaps a credit component is considered as required by GAAP. Interest rate swaps, if any, are classified as Level 2.

The following is a summary of the levels within the fair value hierarchy in which the Fund invests based on inputs used to determine the fair value of such securities:

	Hierarchy			
	Level 1	**Level 2**	**Level 3**	**Balance at 1/31/2016**
Assets:				
AFICA Bonds	$ -	$ 367,362	$ -	$ 367,362
PR Agencies	-	7,172,931	-	7,172,931
Mortgage-Backed Securities:				
PR Freddie Mac Taxable	-	367,643	-	367,643
PR Fannie Mae Taxable	-	692,095	-	692,095
PR GNMA Taxable	-	273,248	-	273,248
PR GNMA Exempt	-	123,352	-	123,352
PR Government Instrumentalities Tax Exempt Notes	-	26,219,645	-	26,219,645
PR Tax Exempt Notes	-	1,646,771	-	1,646,771
PR Government General Obligations	-	346,062	-	346,062
US Government Sponsored Entities	-	35,160,186	-	35,160,186
US Municipal Obligations	-	5,305,814	-	5,305,814
Total	$ -	$ 77,675,109	$ -	$ 77,675,109

Temporary cash investments, if any, are valued at amortized cost, which approximates fair value.

NOTES TO FINANCIAL STATEMENTS

The following is a reconciliation of assets for which Level 3 inputs were used in determining fair value:

	Balance as of 1/31/15	Realized loss	Change in Unrealized (depreciation)/appreciation	Net amortization/accretion	Sales	Transfers in (out) to Level 3	Balance as of 1/31/16
Puerto Rico Conservation Trust Fund Collateralized by Doral Financial Corporation Senior Notes	$ 1,072,500	$(2,499,691)	$ 2,158,571	$ 195	$ (731,575)	$ -	$ -
Puerto Rico Conservation Trust Fund Collateralized by Doral Financial Corporation Senior Notes	990,000	(2,308,550)	2,009,402	48	(690,900)	-	-
AFICA Bond - Doral Financial Center Project Series A - 6.90%	4,104,896	(2,020,222)	2,235,168	158	(4,320,000)	-	-
Total	$ 6,167,396	$(6,828,463)	$ 6,403,141	$ 401	$(5,742,475)	$ -	$ -

Unrealized gains and losses included in the Statement of Operations do not include changes in unrealized gains and losses relating to these investments. There were no Level 3 securities at January 31, 2016.

Note 3 - Investment Advisory, Administrative, Custodian, Transfer Agency Arrangements, and Other Transactions with Affiliates:

Pursuant to separate Investment Advisory Agreements with UBS Asset Managers of Puerto Rico, a division of UBS Trust Company of Puerto Rico, and Banco Popular de Puerto Rico ("Banco Popular") (collectively, the "Investment Advisers"), the Fund receives advisory services in exchange for a fee. The investment advisory fee is calculated at an annual rate of .75% of the Fund's average weekly net assets, as defined in the agreement. For these calculations, average net assets include the liquidation value of all outstanding debt securities of the Fund. For the year ended January 31, 2016, gross investment advisory fee amounted to $657,779. Total waived fees amounted to $368,356 for a net fee of $289,423.

Banco Popular also provides administrative, custody, and transfer agency services pursuant to separate Administration, Custodian, and Transfer Agency Agreements. Under the terms of the Administration Agreement, Banco Popular provides facilities and personnel to the Fund for the performance of the administrator duties. The fees related to these services are calculated at an annual rate of .15% of the Fund's average weekly net assets, as defined above. For the year ended January 31, 2016, the fee for such services amounted to $131,555. The fees related to Custody and Transfer Agency are calculated at an annual rate of .05%, each, of the Fund's average weekly net assets and amounted to $87,704 for the year ended January 31, 2016. Custody and Transfer Agency fees were waived in their entirety.

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, Banco Popular and UBS Financial Services Incorporated of Puerto Rico ("UBS Puerto Rico") or their affiliates ("Affiliated Transactions"). In that regard, the Board of Directors of the Fund adopted a set of procedures ("Procedures") for Affiliated Transactions 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 adopted by the Board of Directors.

NOTES TO FINANCIAL STATEMENTS

UBS Puerto Rico and Popular Securities, LLC, an affiliate, are two of the Fund's dealers on the offering of the short-term notes. Selling fees amounting to $8,562 were paid to Popular Securities, LLC during the year ended January 31, 2016. No selling fees were paid to UBS Puerto Rico for the year ended January 31, 2016.

Certain officers and directors of the Fund are also officers and directors of the Investment Advisers and/or their affiliates. The six independent directors of the Fund's Board are paid based upon an agreed fee of $1,000 per meeting. Three of the independent directors of the Fund also serve on the Fund's audit committee and are paid based upon an agreed fee of $1,000 per committee meeting. In addition to the meetings at $1,000 which amounted to $27,000, the Directors also met once at an agreed fee of $111 per Director. For the year ended January 31, 2016, the compensation expense for the six directors of the Fund was $27,667.

The affiliates of the Fund 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 transactions, listed by counterparty, during the year were as follows:

	Sales of Portfolio Securities	%	Securities Sold under Agreements to Repurchase	%
UBS Puerto Rico	$ 732	5%	$ 100,646	7.49%
Popular Securities, LLC	-	-	2,272	0.17%
Unaffiliated	15,359	95%	1,241,187	92.34%
Total	$ 16,091	100%	$ 1,344,105	100.00%

Note 4 – Capital Share Transactions:

Currently, the Fund's shares are experiencing a period of limited liquidity and/or trading at a discount to its net asset value. Although the holders of the shares do not have the right to redeem their shares inasmuch as the Fund is closed-ended, the Fund may offer a repurchase of shares in the open market, in an attempt to increase the liquidity of the shares as well as reduce any market discount from its corresponding net asset value. There is no assurance that, if such action is undertaken, it will result in the improvement of the shares' liquidity or reducing any such market discount. The Fund's policies require that repurchase of shares from an affiliated party be effected in accordance with procedures to address any conflicts of interest which may arise.

On January 31, 2014, the Board of Directors authorized the repurchase by the Fund of outstanding shares of Common Stock (the "Shares") in open-market transactions up to an aggregate dollar amount of shares to be repurchased of up to 25% of the Fund's total assets, at share prices equal to or at a discount of the corresponding net asset value ("NAV") per share. As of January 31, 2016, 5.97% of total assets are still available to be repurchased.

For the year ended January 31, 2016, the total value of repurchase of common stock by the Fund was as follows:

Counterparty	Shares	Net Asset Value	Cost
Affiliates	1,750,568	$ 5,967,338	$ 5,022,012
Unaffiliated	489,354	1,699,384	1,411,105
Total	2,239,922	$ 7,666,722	$ 6,433,117

NOTES TO FINANCIAL STATEMENTS

The shares repurchased from affiliates include shares held by clients in such affiliate.

The repurchase of shares resulted in a NAV increase of $0.09.

Capital share transactions for the years ended January 31, 2016 and 2015, were as follows:

	Dollar Amount	
Common shares:	**2016**	**2015**
Dividends reinvested by common shareholders	$ 2,614	$ 72,592
Repurchase of common shares	(6,433,117)	(19,839,316)
Decrease in net assets derived from common shares transactions	$ (6,430,503)	$ (19,766,724)

The Fund is authorized to issue up to 98,000,000 shares of common stock, par value $0.01 per share.

Common share transactions for the years ended January 31, 2016 and 2015, were as follows:

	Shares Amount	
Common shares:	**2016**	**2015**
Beginning balance	15,776,572	20,838,923
Shares issued due to reinvestment of dividends at net asset value	864	18,164
Repurchase of common shares	(2,239,922)	(5,080,515)
Ending balance	13,537,514	15,776,572

Note 5 - Investment Transactions:

The proceeds from sales, maturities/calls and paydowns of portfolio securities (in thousands), excluding short-term transactions, for the year ended January 31, 2016 were as follows:

	Sales	Maturities/Calls	Paydowns
AFICA Bonds	$ 7,603	$ 85	$ -
PR Agencies	-	1,785	-
PR Freddie Mac Taxable	-	-	107
PR FNMA Taxable	-	-	115
PR GNMA Taxable	-	-	32
PR Government Instrumentalities Tax Exempt Notes	7,065	-	-
PR Tax Exempt Notes	1,423	15	286
Total	$ 16,091	$ 1,885	$ 540

NOTES TO FINANCIAL STATEMENTS

Note 6 – Securities Sold under Agreements to Repurchase:

Weighted average interest rate at end of year	0.76%
Maximum aggregate balance outstanding at any time during the year	$40,414,000
Average balance outstanding during the year	$34,548,948
Average interest rate during the year	0.53%

At January 31, 2016, the interest rates on securities sold under agreements to repurchase ranged from 0.59% to 1.32% with maturities up to February 22, 2016. Some of the outstanding agreements to repurchase as of year end may be called by the counterparty before their maturity date.

At January 31, 2016, investment securities amounting to $38,265,311 are pledged as collateral for securities sold under agreements to repurchase. The counterparties have the right to sell or repledge the assets during the term of the repurchase agreement with the Fund. Interest payable on securities sold under agreements to repurchase amounted to $6,862 at January 31, 2016.

At January 31, 2016, the total value (in thousands) of securities sold to affiliates and non-affiliates under agreements to repurchase were as follows:

Counterparty	Amount	%
UBS Puerto Rico	$ 2,485	7%
Unaffiliated	32,623	93%
Total	$ 35,108	100%

U.S. GAAP requires an entity to disclose information about offsetting and related arrangements to enable users of that entity's financial statements to understand the effect of those arrangements on its financial position. The Fund is subject to master netting agreements or similar arrangements that allow for amounts owed between the Fund and a counterparty to be netted upon an early termination. The party that has the larger payable pays the excess of the larger amount over the smaller amount to the other party. The master netting agreements or similar arrangements do not apply to amounts owed to/from different counterparties.

The following table presents the Fund's repurchase agreements (in thousands) by counterparty and the related collateral pledged by the Fund at January 31, 2016:

Counterparty	Gross Amount of Securities Sold Under Repurchase Agreements	Securities Sold Under Repurchase Agreements Available for Offset	Net amount of Repurchase Agreements presented in the Statement of Assets and Liabilities	Collateral Posted (a)	Net Amount Due to Counterparty (not less than zero)
UBS Puerto Rico	$ 2,485	$ -	$ 2,485	$ 2,485	$ -
JP Morgan, NY	5,979	-	5,979	5,979	-
Goldman Sachs, NY	19,274	-	19,274	19,274	-
South Street Securities, NY	7,370	-	7,370	7,370	-
Total	$ 35,108	$ -	$ 35,108	$ 35,108	$ -

(a) Collateral received or posted is limited to the net securities sold under repurchase agreements liability amounts.

NOTES TO FINANCIAL STATEMENTS

Note 7 - Short-Term Notes:

Weighted average interest rate at end of year	N/A
Maximum aggregate balance outstanding at any time during the year	$11,720,000
Average balance outstanding during the year	$5,567,989
Average interest rate during the year	0.55%

There were no short-term notes outstanding at January 31, 2016.

Note 8 - Short-Term and Long-Term Financial Instruments:

The fair market value of short-term financial instruments, which include $35,107,648 in securities sold under agreements to repurchase, are substantially the same as the carrying amount reflected in the Statement of Assets and Liabilities as these are reasonable estimates of fair value, given the relatively short period of time between origination of the instrument and their expected realization. There are no long-term financial instruments outstanding at January 31, 2016.

Note 9 – Credit Facility:

The Fund (the "Borrower") has available with Banco Popular (an affiliate of the Investment Advisers) an uncommitted line of credit that is part of a credit facility extended to the Puerto Rico Investors Family of Funds and the Popular Family of Funds. The proceeds of the credit advances will be exclusively used by the Borrower for short term funding needs arising from failed repurchase agreement transactions or cash shortfalls due to the non-receipt by the Borrower of payments in the settlement process of transactions to which the Borrower is a party. The Fund can obtain credit advances not to exceed the lesser of $35,000,000 or ten percent (10%) of Banco Popular's capital stock and surplus, provided that the aggregate sum of all outstanding balances under all credit facilities never exceed $200,000,000. Interest on the unpaid balance of each credit advance accrues at a rate of 2.25% over the one week LIBOR Rate and will be payable on the dates set forth in each credit facility note. As of January 31, 2016 the Fund had no outstanding balance and had the complete credit facility available for drawing, subject to the limitations described above.

Note 10 - Concentration of Credit Risk:

Concentrations of credit risk (whether on or off-balance sheet) that arise from financial instruments exist 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 Fund's investment securities in relation to the location of issuers. For calculation of concentration, all fixed-income securities guaranteed by the U.S. Government are excluded. At January 31, 2016, the Fund had investments with an aggregate market value of $36,812,509 which were issued by entities located in the Commonwealth of Puerto Rico and not guaranteed by the U.S. Government. In addition, at January 31, 2016, the Fund had investments with market values of $7,172,931, $6,635,870, and $19,583,775, respectively, which were each issued by one issuer located in the Commonwealth of Puerto Rico and are not guaranteed by the Puerto Rico Government. Also, at January 31, 2016, the Fund had investments with market values of $3,596,258, $3,345,347, $28,218,581, and $3,733,256, respectively, which were each issued by one issuer located in the United States of America and not guaranteed by the U.S. Government.

NOTES TO FINANCIAL STATEMENTS

As stated in the Prospectus, the Fund will ordinarily invest at least 67% of its total assets in Puerto Rico obligations (the “67% Investment Requirement”). Therefore, to the extent the securities are not guaranteed by the U.S. Government or any of its subdivisions, the Fund is more susceptible to factors adversely affecting issuers of Puerto Rico obligations than an investment company that is not concentrated in Puerto Rico obligations to such degree.

Note 11 - 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 statutorily 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 securities issued by the Commonwealth of Puerto Rico, its political subdivisions, agencies and instrumentalities and in Puerto Rico mortgage-backed securities, equity, debt securities, and repurchase agreements issued by corporations or partnerships organized under the laws of the Commonwealth of Puerto Rico, or issued by U.S. or foreign corporations and partnerships doing business in Puerto Rico provided they comply with certain requirements. Up to 33% of its total assets may be invested in securities issued by the United States government, its political subdivisions, agencies and instrumentalities and municipal securities issued in the United States.

From time to time, the Fund is permitted not to comply with the 67% Investment Requirement. According to the Commissioner’s ruling, non-compliance may be allowed for a limited period of time due to market scarcity of allowable securities and certain other limited circumstances.

The Fund's leverage, as measured in relation to total assets, may not exceed 50%. Should this ratio be exceeded, the Fund is precluded from further leverage transactions until the maximum 50% ratio is restored.

The Fund may issue preferred stock, debt securities and other forms of leverage to the extent that immediately after their issuance the value of the Fund’s total assets less all the Fund’s liabilities and indebtedness which are not represented by preferred stock, debt securities, or other forms of leverage being issued or already outstanding is equal to or greater than 200% of the aggregate par value of all outstanding preferred stock (not including any accumulated dividends or other distributions attributable to such preferred stock) and the total amount outstanding of debt securities and other forms of leverage.

As of January 31, 2016 the Fund was not in compliance with the 67% Investment Requirement. The Fund sought and obtained temporary waivers from the Puerto Rico Office of the Commissioner of Financial Institutions (“OCFI”) with respect to its Puerto Rico asset investments and leverage limitations until July 31, 2016. These waivers provide temporary relief to the Fund from having to limit or otherwise change the strategy of its investment or leverage transactions. Management intends to continue to seek these waivers in the future. If further relief is not granted, the Fund would have to use proceeds derived from the sale, exchange, prepayment, maturity, or any voluntary or involuntary disposition of an asset to re-achieve compliance with the 67% investment requirement in Puerto Rico assets, and would not be able to renew leverage beyond its leverage limitations.

The Fund's investment objective is to provide investors in its Common Stock with current income, consistent with the preservation of capital. To achieve its investment objective, the Fund invests at least 67% of its total assets in a non-diversified portfolio of taxable and tax-exempt securities issued by Puerto Rico issuers and up to 33% in securities issued or guaranteed by the U.S. Government and its agencies and instrumentalities as well as other non-Puerto Rico issuers.

NOTES TO FINANCIAL STATEMENTS

Based on the representations and opinion of the Investment Advisers and consistent with the Fund's investment objective, the OCFI has granted to the Fund, in a letter dated September 18, 2015, no-objection relief with respect to the Fund's investment-grade credit rating requirement for Puerto Rico municipal securities. This permits the Fund to continue to invest in Puerto Rico municipal securities that do not have an investment-grade credit rating notwithstanding that the current credit rating of such securities is below investment-grade, under certain conditions and at the discretion of the Investment Adviser. Such no-objection relief is effective through September 18, 2016 or such other later date which may be approved by the OCFI.

Note 12 - Reconciliation between Net Investment Income and Distributable Net Investment Income for Tax Purposes and Net Realized Loss on Investments and Net Realized Loss on Investments for Tax Purposes:

As a result of certain reclassifications made for financial statement presentation, the Fund's net investment income and net realized loss on investments reflected in the financial statements differ from distributable net investment income and net realized loss on investments for tax purposes, respectively, as follows:

Net investment income	$ 5,892,316
Reclassification of realized gain on securities' paydowns	(240)
Distributable net investment income, for tax purposes	$ 5,892,076

Net realized loss on investments	$(15,876,605)
Reclassification of realized gain on securities' paydowns	240
Net realized loss on investments, for tax purposes	$(15,876,365)

The undistributed net investment income and accumulated net realized loss on investments and derivatives (for tax purposes), at January 31, 2016 were as follows:

Undistributed net investment income, beginning of the year	$3,035,241
Distributable net investment income for the year	5,892,076
Dividends	(6,128,657)
Undistributed net investment income, end of the year	$2,798,660

Accumulated net realized loss on investments and derivatives, beginning of the year	$(75,592,750)
Net realized loss on investments for the year	(15,876,365)
Accumulated net realized loss on investments and derivatives, end of year	$(91,469,115)

Note 13 – Indemnification:

In the normal course of business, the Fund enters into contracts that contain a variety of indemnifications. The Fund's maximum exposure under these agreements is unknown. However, the Fund has not paid prior claims or losses pursuant to these contracts and expects the risk of losses to be remote.

Note 14 – Risks and Uncertainties:

The Fund is exposed to various types of risks, such as geographic concentration, industry concentration, non-diversification, interest rate, and credit risks, among others. This list is qualified in its entirety by reference to the more detailed information provided in the offering documentation for the securities issued by the Fund.

NOTES TO FINANCIAL STATEMENTS

The Fund is exposed to certain risks resulting from the reduced geographic diversification of its portfolio. The Fund's assets are invested primarily in securities of Puerto Rico issuers. Consequently, the Fund in general is more susceptible to economic, political, regulatory, or other factors adversely affecting issuers in Puerto Rico than an investment company that is not so concentrated in Puerto Rico issuers.

A relatively high percentage of the Fund's assets may be invested in obligations of a limited number of Puerto Rico issuers. Consequently, the Fund's net asset value and its yield may increase or decrease more than that of a more diversified investment company as a result of changes in the market's assessment of the financial condition and prospects of such Puerto Rico issuers. The Fund may also be more susceptible to any single economic, political, or regulatory occurrence in Puerto Rico than a more widely diversified investment company.

Interest rate risk is the risk that interest rates will rise so that the value of existing fixed rate securities will fall. The current low long-term rates present the risk that interest rates may rise and that as a result the Fund's investments will decline in value. Also, the Fund's yield will tend to lag behind changes in prevailing short-term interest rates. In addition, during periods of rising interest rates, the average life of certain types of securities may be extended because of the right of the issuer to defer payments or make slower than expected principal payments. This may lock-in a below market interest rate, increase the security's duration (the estimated period until the security is paid in full), and reduce the value of the security. This is known as extension risk, which the Fund is also subject to. Conversely, during periods of declining interest rates, the issuer of a security may exercise its option to prepay principal earlier than scheduled in order to refinance at lower interest rates, forcing the Fund to reinvest in lower yielding securities. This is known as prepayment risk, which the Fund is also subject to.

Credit risk is the risk that debt securities in the Fund's portfolio will decline in price or fail to make dividend or interest payments when due because the issuer of the security experiences a decline in its financial condition. The risk is greater in the case of securities rated below investment grade, or rated in the lowest investment grade category.

The Fund may engage in repurchase agreements, which are transactions in which the Fund sells a security to a counterparty and agrees to buy it back at a specified time and price in a specified currency. Repurchase agreements involve the risk that the buyer of the securities sold by the Fund might be unable to deliver the securities when the Fund seeks to repurchase them and may be unable to replace the securities or only at a higher cost.

Mortgage-backed securities in which the Fund may invest have many of the risks of traditional debt securities but, 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. As a result, the Fund may receive principal repayments on these securities earlier or later than anticipated by the Fund. In the event of prepayments that are received earlier than anticipated, the Fund may be required to reinvest such prepayments at rates that are lower than the anticipated yield of the prepaid obligation. The rate of prepayments is influenced by a variety of economic, geographic, demographic, and other factors, including, among others, prevailing mortgage interest rates, local and regional economic conditions, and home owner mobility. Since a substantial portion of the assets of the Fund may be invested in mortgage-backed securities at any time, the Fund may be subject to these risks and other risks related to such securities to a significant degree, which might cause the market value of the Fund's investments to fluctuate more than otherwise would be the case. Collateralized mortgage obligations or "CMOs" exhibit similar risks to those of mortgage-backed securities but also present certain special risks. CMO classes may be specially structured in a manner that provides a variety of investment characteristics, such as yield, effective maturity, and interest rate sensitivity. As market conditions change, however, particularly during periods of rapid or unanticipated changes in interest rates, the ability of a CMO class to provide the anticipated investment characteristics and performance may be significantly reduced. These changes may result in volatility in the market value, and in some instances, reduced liquidity of the CMO class.

NOTES TO FINANCIAL STATEMENTS

The Fund may also invest in illiquid securities which 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 at which the Fund has valued the securities. There presently are a limited number of participants in the market for certain Puerto Rico securities or other securities or assets that the Fund may own. That and other factors may cause certain securities to have periods of illiquidity. Illiquid securities may trade at a discount from comparable, more liquid investments.

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 Investment Adviser. It may, therefore, be particularly difficult to value those securities.

In order to attempt to hedge various portfolio positions or to enhance its return, the Fund may invest a portion of its total assets in certain instruments which are or may be considered derivatives. Because of their increased volatility and potential leveraging effect (without being subject to the Fund's leverage limitations), derivative instruments may adversely affect the Fund. For example, investments in indexed securities, including, among other things, securities linked to an equities or commodities index and inverse floating rate securities, may subject the Fund to the risks associated with changes in the particular indices, which may include reduced or eliminated interest payments and losses of invested principal. Such investments, in effect, may also be leveraged, thereby magnifying the risk of loss.

Note 15 - Subsequent Events:

On February 26, 2016, the Board of Directors declared an ordinary net investment income dividend of $0.0333 per common share, totaling $451,246 which was paid on March 10, 2016 to common shareholders of record as of February 29, 2016.

On March 31, 2016, the Board of Directors declared an ordinary net investment income dividend of $0.0325 per common share, totaling $439,969 which was paid on April 11, 2016 to common shareholders of record as of March 31, 2016.

The Fund has performed an evaluation of events occurring subsequent to January 31, 2016 through April 20, 2016, which is the date the financial statements were available to be issued. Management has determined that there were no events occurring in this period that required disclosure in or adjustment to the accompanying financial statements.

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Independent Auditor's Report

To the Board of Directors and Stockholders of
Puerto Rico Investors Tax-Free Fund V, Inc.

We have audited the accompanying financial statements of the Puerto Rico Investors Tax-Free Fund V, Inc. (the "Fund"), which comprise the statement of assets and liabilities, including the schedule of investments, as of January 31, 2016 and the related statements of operations and of cash flows for the year then ended and of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are hereafter collectively referred to as "financial statements."

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Puerto Rico Investors Tax-Free Fund V, Inc. at January 31, 2016, and the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

San Juan, Puerto Rico
April 20, 2016

CERTIFIED PUBLIC ACCOUNTANTS
(OF PUERTO RICO)
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Stamp E199784 of the P.R. Society of
Certified Public Accountants has been
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INVESTMENT ADVISERS

Banco Popular de Puerto Rico
208 Ponce de León Avenue Suite 1112
San Juan, Puerto Rico 00918

UBS Trust Company of Puerto Rico
250 Muñoz Rivera Avenue
San Juan, Puerto Rico 00918

ADMINISTRATOR, TRANSFER AGENT AND CUSTODIAN

Banco Popular de Puerto Rico
Popular Fiduciary Services
208 Ponce de León Avenue
Popular Center, North Tower, 4th Floor
San Juan, Puerto Rico 00918

PUERTO RICO LEGAL COUNSEL

Avilés Pagán Law Offices, PSC
261 Tanca Street, Sixth Floor
San Juan, Puerto Rico 00901

U. S. LEGAL COUNSEL

Sidley Austin, LLP
787 Seventh Avenue
New York, New York 10019

INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers, LLP
PO Box 363566
San Juan, Puerto Rico 00936-3566

DIRECTORS AND OFFICERS

Enrique Vila del Corral
Chairman of the Board and President

Clotilde Pérez
Director

Gabriel Pagán Pedrero
Director

Carlos J. Nido
Director

Jorge I. Vallejo
Director

Luis M. Pellot
Director

Leslie Highley, Jr.
Senior Vice President

Carlos V. Ubiñas
Executive Vice President

Héctor Rivera Rivera
Treasurer

Illich Colón
Secretary

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