

**September 30, 2013**
**FIRST PUERTO RICO TAX-EXEMPT TARGET MATURITY FUND II (TARSAN II)**

**Category**  
 Non-Diversified Closed End Fund  
 Puerto Rico Tax-Exempt Fixed Income

**Inception Date**  
 October 3, 2001

**Minimum Share Amount**  
 100 shares

**Total Assets**  
 US \$166.64 million

**Net Assets**  
 US \$88.46 million

**Cusip**  
 33611M103 Cash  
 33611M202 Reinvestment

**Investment Adviser**  
 Santander Asset Management  
 (787)759-5340

**NAV** Market Price\*\*\*  
 7.11 7.30

**Annual Operating Expense Ratio**  
 1.00%

**Common Stock outstanding**  
 12,435,273 Shares

**Undistributed Net Income**  
 \$ 12,579,521

The Fund's investment objectives are to (i) provide a high level of current income exempt from U.S. federal and Puerto Rico income taxes consistent with the preservation of capital (ii) to distribute to shareholders the net assets of the Fund during the period commencing on December 31, 2012 and ending on approximately December 31, 2017 (the "Target Date") and (iii) to distribute monthly dividends of substantially all of its net investment income. The Fund invests primarily in fixed income tax-exempt securities including Puerto Rico and U.S. Government securities, mortgage-backed and asset backed securities, and municipal obligations. Normally, at least 67% of the Fund's assets must be invested in Puerto Rico securities. The Fund will invest, at the time of purchase, at least 90% of its assets in investment grade securities, or, if unrated, deemed by the Investment Adviser to be of comparable credit quality. The Fund could invest up to 10% of its assets on taxable securities, the amounts distributed as ordinary dividends will be subject to a preferential tax rate of 10%, in the case of individuals. The Fund is authorized to issue debt securities and engage in other forms of leverage to increase amounts available for investment.

**Performance\*\***

Total Returns	1 month	3 months	YTD	1 year	3 years*	5 years*	10 years*	Since Inception*
At NAV excl. 4.50% max. sales charge	-20.60%	-24.75%	-25.55%	-23.61%	-1.79%	1.07%	3.16%	4.12%
At NAV incl. 4.50% max. sales charge	-24.18%	-28.14%	-28.90%	-27.05%	-3.29%	0.15%	2.68%	3.72%
At Market***	-19.02%	-23.14%	-23.48%	-22.44%	-1.29%	1.28%	3.02%	3.92%

\* Annualized

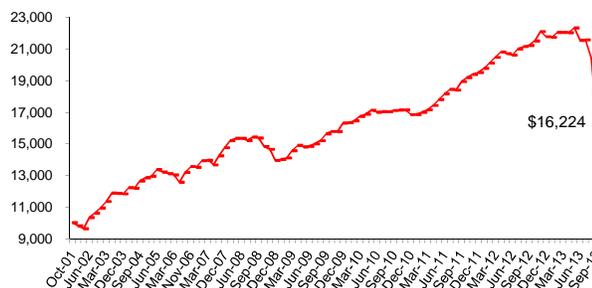
\*\*Does not reflect the effect of income taxes. The performance quoted is past performance and is not a guarantee of future results. The investment return and principal value of an investment in the Fund will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Performance changes over time and currently may be lower or higher than performance data shown above. The Fund is subject to certain market risks. Market volatility can significantly impact short-term performance. The sales charge of 4.50% represents the sales load that was charged during the initial offering period for the sale of the Fund's common stock. For performance current to the most recent month-end please call 1 (888) 756-0003.

\*\*\*Market price is provided by Santander Securities, an affiliate of the Fund.

**Calendar Annual Total Returns**

	Fund
2012	11.58%
2011	15.80%
2010	3.24%
2009	16.99%
2008	-5.44%
2007	9.09%
2006	3.04%
2005	2.12%
2004	8.53%
2003	8.11%
2002	11.52%

Based on NAV and excluding 4.50% max. sales charge

**Growth of \$10,000 Since Inception**


This chart assumes reinvestment of dividend and capital gain distributions and excludes the impact of any sales charge and the effect of income taxes.

**Portfolio Characteristics**

**Average Maturity** 10.68 years  
**Average Duration** 6.63  
**Effective Duration** 6.64  
**Average Price** 85.30  
**Average Yield<sup>(1)</sup>** 5.61%  
**Weighted Average Coupon<sup>(2)</sup>** 4.12%  
**Market Weighted Average Coupon<sup>(2)</sup>** 4.70%

**Asset Leverage Ratio<sup>(3)</sup>** 46.75%  
**Leverage Cost** 0.72%  
**Leverage Cost<sup>A</sup>** 0.72%

<sup>A</sup>Including hedging transactions

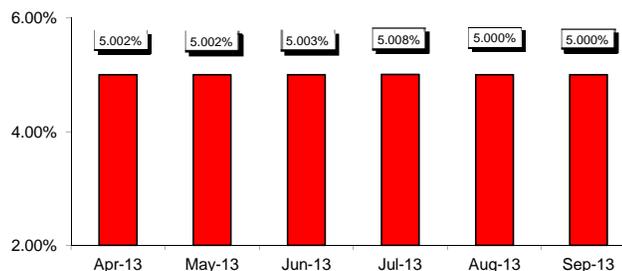
**52-Week NAV Low/High** \$7.11 / \$10.16  
**YTD NAV Change** (2.82)

**Last 12-month Dividend** \$0.5006

(1) Average Yield is the return obtained from the portfolio and is calculated by multiplying the last month of the quarter gross income by twelve and dividing by the portfolio amortized cost at quarter end.

(2) Weighted Average Coupon "WAC" is calculated from the Fund's portfolio by weighting the coupon of each security by its relative size in the portfolio based on face amount. Market Weighted Average Coupon is WAC calculation based on market value.

(3) The Fund may borrow money from banks or other financial institutions, enter into reverse repurchase agreements and dollar rolls and offer commercial paper and other debt securities or shares of preferred stock. The Asset Leverage Ratio is all such forms of leverage divided by the Fund's total assets immediately after such leverage. The Asset Leverage Ratio may represent up to 50% of the Fund's total assets; in addition, the Fund is allowed to borrow an additional 5% of the Fund's total assets for temporary, emergency and/or defensive purposes.

**Monthly Distributions (As of September 30, 2013)+**


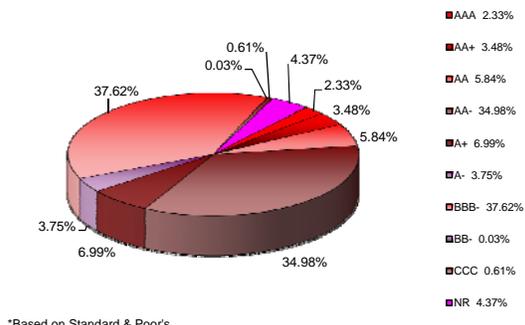
+September Dividend refers to dividend paid on October 15, 2013. The Fund intends to declare and distribute monthly dividends of substantially all of its net investment income. Monthly distributions to holders of Common Stock consisted of all or a portion of its net investment income remaining after the payment of interest on the commercial paper or other debt securities or borrowings or dividends on any preferred stock. Please note that monthly distribution rates may vary.

# First Puerto Rico Tax-Exempt Target Maturity Fund II

## Top 10 Holdings

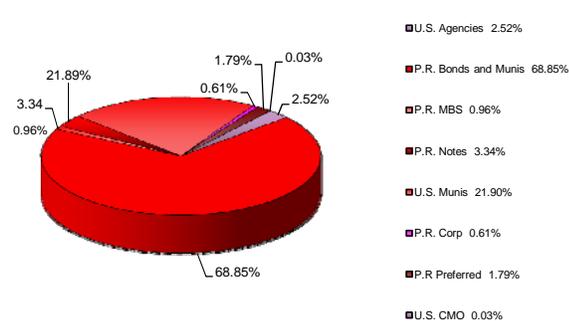
1. P.R. Gov. Dev. Bank Senior Note	33.31%
2. P.R. Sales Tax Financing	24.64%
3. U.S. Municipal Bonds	21.90%
4. P.R. Sales Tax (zero)	6.59%
5. P.R. Hsng. and Human Dev. Trust	3.34%
6. P.R. Senior Pension (zero)	3.14%
7. P.R. Preferred	1.79%
8. Federal Farm Credit Bank Bonds	1.27%
9. Federal Home Loan Bank Bonds	1.25%
10. P.R. Senior Pension	1.00%

## Credit Quality



\*Based on Standard & Poor's

## Asset Allocation



## PORTFOLIO HOLDINGS SUMMARY AS OF SEPTEMBER 30, 2013

Description	% of Portfolio	Description	% of Portfolio	Description	% of Portfolio	Description	% of Portfolio
PR S/TAX SER C	24.64%	PA RETIREMENT SYSTEM	1.71%	FIDEVI NOTE 6.535% (1)	0.61%	FEDERAL HOME LOAN BANK	0.33%
P.R. GOV DEV BANK SENIOR NOTE	18.85%	ILLINOIS BABS-AGM-CR	1.51%	NYC FIN AUTH	0.61%	DORAL MBS 6.697%	0.27%
P.R. GOV DEV BANK SENIOR NOTE	5.11%	P.R. GOV DEV BANK SENIOR NOTE	1.39%	TRIPLE-S MANAGEMENT CORP	0.61%	EMPLOYEES RETIRE-SR SER C	0.23%
ILLINOIS ST - 5.947%	4.53%	FEDERAL FARM CREDIT BANK	1.27%	ILLINOIS STATE	0.58%	FIDEVI NOTE 6.068% (1)	0.21%
PR S/TAX CAB-CONV	3.11%	FRISCO-B-TXB-CTFS OBG	1.22%	FEDERAL HOME LOAN BANK	0.58%	P.R. BUILDING	0.17%
PR S/TAX CAB-CONV	3.11%	FRISCO-B-TXB-CTFS OBG	1.22%	FIDEVI NOTE 5.969% (1)	0.55%	DMSI 2006-PR1 4AF2	0.08%
P.R. GOV DEV BANK SENIOR NOTE	3.05%	IL ST-BAB-3-AGM-CR	1.12%	ILLINOIS ST-BABS	0.55%	GN 487354	0.06%
EMPLOYEES RETIRE-CAB	2.81%	TX ST TRANSN-1ST TIER	0.99%	ILLINOIS ST-BABS	0.55%	BSARM 2004-8 14A1	0.03%
P.R. GOV DEV BANK SENIOR NOTE	2.69%	ILLINOIS ST-BABS	0.83%	CSMC 2007-5 8A2	0.48%	DMSI 2006-PR1 2AF	0.03%
P.R. GOV DEV BANK SENIOR NOTE	2.22%	EMPLOYEES RETIRE-SR SER A	0.77%	PR S/TAX CAB-SER C	0.36%	GN 487355	0.02%
CT ST-QSCB-TXB	2.07%	NYC TRANS AUTH REV	0.72%	ILLINOIS ST-BABS	0.36%	PRIME 2006-DR1 1A1	0.01%
STATE PUB SCH-A-QSCB	1.97%	TACOMA BAB 5.791%	0.69%	FEDERAL HOME LOAN BANK	0.34%	NYC TRANSL FIN-QSCB	0.01%
FIDEVI NOTE 6.168% (1)	1.97%	PENNSYLVANIA ST - BAB 5.35%	0.65%	EMP RETIRE-CABS-B	0.33%	PRIME 2006-DR1 1A2	0.01%
UNIVERSAL GROUP INC	1.79%						

The Fund's holdings are subject to change.

(1) Collateralized with U.S. securities

## Disclosures

Before you invest, you should review the Fund's prospectus, which contains more information about the Fund and its risks. You can find the Fund's prospectus and other information about the Fund including its most recent reports to shareholders, online at [www.santandersecurities.com](http://www.santandersecurities.com). You can also get this information at no cost by calling 1(888) 756-0003 or from your financial consultant.

The Fund is a non-diversified investment company registered under the Puerto Rico Investment Companies Act. An investment in the Fund is not equivalent to an investment in the underlying securities of the Fund. The shares are offered for sale exclusively to individuals whose main residence is located in Puerto Rico and persons, other than individuals, whose principal office and place of business are located in Puerto Rico. The shares may be offered for sale and sold only in Puerto Rico. Past performance is not predictive of future performance. Performance changes over time and currently may be lower than stated above. An investment in the Fund is not a deposit or an obligation of a bank (including Banco Santander Puerto Rico), and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. An investment in the shares of the Fund is designed and is suitable only for long-term investors, and may not be suitable for all investors. Investors in the shares should not view the Fund as a vehicle for trading purposes. An investment in the Fund is suitable only for investors who can bear the risks associated with the limited liquidity, and potential illiquidity, of the shares. The Fund is subject to risks that may result in a loss of all or part of your investment in the Fund. The Fund's shares have limited liquidity, and may not be readily marketable in certain situations. The risk of illiquidity will be particularly acute in the event that the Fund's net asset value deteriorates rapidly, including as a result of declines in the value of Puerto Rico fixed-income securities from downgrades to their credit rating or otherwise. The shares of the Fund are subject to market risk, including the loss of principal. The investment return and principal value of an investment in the Fund will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Market volatility can significantly impact short-term performance. As a non-diversified investment company, the Fund may invest a greater portion of its assets in a single issuer or asset class and as such may be susceptible to loss due to adverse occurrences affecting that issuer or asset class. The Fund's utilization of leverage creates certain additional risks to investors including higher volatility in the net asset value and market value of its shares of common stock and in the dividend rate paid by the Fund on its shares. Please see "Risk Factors and Special Considerations" and "Risk Factors and Special Considerations of Leverage" in the prospectus for a more detailed description of the Fund's risks.

The Fund may enter into various types of transactions with affiliated parties as described in the Fund's prospectus. All transactions with affiliates are subject to procedures adopted by the Board of Directors from time to time and, particularly, the independent directors of the Board, in an effort to address potential conflict of interest. There is no assurance that the procedures will be effective. Any claim against the Fund or its directors and officers by any investor in the securities issued by the Fund will be subject to the jurisdiction of the courts of the Commonwealth of Puerto Rico.

This document is not authorized for distribution unless preceded or accompanied by a current prospectus for the Fund which contains more complete information about the Fund including fees and expenses that you may pay if you buy and hold shares of the Fund.

**NOT FDIC INSURED | NOT BANK GUARANTEE | MAY LOSE VALUE | FOR RESIDENTS OF PUERTO RICO ONLY**

# First Puerto Rico Tax-Exempt Target Maturity Fund II, Inc.

## Disclosures (continued)

The Fund is a closed-end investment company. Closed-end investment companies offer shares of common stock to investors during a public offering period that ends as set forth in the fund's prospectus; thereafter, shares of common stock of closed-end investment companies may be purchased and sold in the secondary market, should one develop and be maintained. Shareholders of closed-end funds do not have the right to redeem their shares or exchange them for shares of other funds.

### Secondary Market for Shares of Closed-End First Puerto Rico Funds

Santander Securities currently maintains, and intends to continue to maintain, a market in shares of common stock of closed-end First Puerto Rico Funds whose public offering period has been completed, although it is not obligated to continue to maintain such market. Such market maintained by Santander Securities is limited. The secondary market in shares of common stock of each closed-end First Puerto Rico Funds is dependent on the trading volume resulting from secondary-market supply and demand, and currently may be limited to an amount equal to not more than 5% of such fund's net assets. No assurance can be given as to the liquidity of, or the trading market for, such shares as a result of any such activities undertaken by Santander Securities. Any efforts to maintain a secondary market in such shares may be discontinued at any time.

Santander Securities currently is the dominant market maker in shares of closed-end First Puerto Rico Funds, and a shareholder's ability to sell shares in the secondary market may depend on Santander Securities' willingness to purchase such shares for its inventory or ability to solicit other customers to purchase such shares. If at any time Santander Securities is the only market maker in the shares, and ceases to maintain a market, the shares will become illiquid until a market is reestablished. Shares of closed-end First Puerto Rico Funds, therefore, may not be readily marketable. While closed-end First Puerto Rico Funds may make, at the discretion of their Board of Directors, periodic offers to repurchase outstanding shares of the fund at their net asset value or to purchase shares of the fund in the secondary market at the lower of market price or net asset value per share, shares of closed-end First Puerto Rico Funds are substantially less liquid than shares of funds that trade on a stock exchange. Moreover, a fund will be more likely to purchase its shares in the secondary market when market prices are below net asset value in order for such purchases to benefit shareholders that remain in such fund.

The risk of illiquidity will be particularly acute in the event that the Fund's net asset value deteriorates rapidly, including as a result of declines in the value of Puerto Rico fixed-income securities (in which the Fund must invest at least 67% of its total assets under normal market conditions) or other securities in its portfolio from downgrades to the credit rating of the issuers of such securities.

Investors may purchase shares of common stock of closed-end First Puerto Rico Funds at the market price established by Santander Securities, which price may be higher or lower than such fund's net asset value per share. The market price established by Santander Securities for each closed-end fund is based on factors such as relative supply of and demand for its shares in the secondary market, general market and economic conditions in Puerto Rico, the United States and globally, the current dividend rate for such shares and the value of such fund's investment portfolio, and, pursuant to a policy adopted by Santander Securities, may not exceed the net asset value per share by more than the average annualized dividend rate for the closed-end First Puerto Rico Funds. To the extent that Santander Securities is the dominant market maker in shares of closed-end First Puerto Rico Funds, supply and demand for such shares may be affected by Santander Securities' current inventory in shares of each fund and in shares of closed-end First Puerto Rico Funds in the aggregate, and may also depend on efforts by Santander Securities' sales force to maintain customer demand for such shares.

# First Puerto Rico Tax-Exempt Target Maturity Fund II, Inc.

## MARKET COMMENTARY SEPTEMBER 30, 2013

Advanced estimates of economic growth during the third quarter remained unimpressive, highlighting a downward trend in consumer spending and capital investment that coupled with the looming political debate related to the federal budget and debt ceiling do not foreshadow a favorable outlook for short-term economic activity. As a result of the aforementioned factors, the Federal Reserve deferred the decision to gradually remove monetary policy accommodation at their most recent policy committee meeting. The multi-speed economic performance of this cycle has been characterized by a downtrend in capital investments and its subsequent effect on the labor market, a disconcerting tendency given the long-term consequences of a secular change in the manner by which capital is deployed by U.S. companies. The drift towards lower investment in capital has been accompanied by a surge in shareholder-friendly initiatives, such as higher dividend payouts and share buybacks, that in the short-term give the illusory effect of wealth creation but ultimately creates exceptionally negative repercussions in the economy. The dynamic has increasingly frustrated the Federal Reserve given the unprecedented amount of stimulus injected into the U.S. economy as the unemployment rate remains inert when factoring the sharp drop in the labor participation rate. There are ways other than monetary policy to induce the flow of capital into investment outlays, such as comprehensive tax reform, but the odds of achieving such a milestone are slim given the polarized environment in Congress.

Interest and credit markets in general reacted immediately to the stance adopted by the Fed towards the end of the quarter, prompting risk free long-term rates and credit sectors to recuperate a portion of the unrealized losses incurred during the previous months. The risk free yield curve steepened by 16 basis points with the 2-year Treasury note decreasing by 0.4% and the 10-year Treasury note yield increasing by 12 basis point, from 2.49% to 2.61%. Within sectors, the U.S. Agency MBS sector outperformed on a relative basis during the period with an increase of 1.03% return. On the other hand, Corporates, Treasuries and U.S. Taxable Municipals underperformed on a relative basis, increasing by 0.82%, 0.10% and dropping by 1.76% respectively for the quarter. The average spread on corporate debt decreased by 11 basis points during the period, from 152 to 141 basis points.

Notwithstanding the negative headwinds related to U.S. fiscal policy debate and the uncertain impact of higher long-term interest rates in the real estate market, there are encouraging signs that the economy will slowly continue to heal, but with unabated support from the U.S. central bank. Specifically, the continued deleveraging at the household level, strong corporate balance sheets, a highly accommodative monetary policy and an expansion in the real estate market should gradually help propel the economy towards full employment. The latter factor in our opinion is the key to a vigorous recovery at the household level and the financial system and a subsequent sustained economic recovery without the dependency of highly accommodative monetary policies. Against this backdrop, we expect the long-term interest rates to remain volatile and to remain a function of economic fundamentals and subsequent future Federal Reserve involvement in open market operations.

In Puerto Rico, the municipal market experienced one of the most extraordinary levels of volatility in history. Credit markets in general deteriorated after the Fed signaled the possible end to quantitative easing measures, but municipals were particularly affected by the announcement by City of Detroit that it would enter Chapter 9 bankruptcy proceedings and a newspaper article in Barron's highlighting many of the fiscal challenges facing P.R. All these factors triggered a wave of concern about the government's willingness and ability to service the debt. Consequently, yields on all issuers within the jurisdiction surged to unprecedented levels, including COFINA debt. Notwithstanding, Moody's and S&P published commentaries highlighting that the reforms to the central employees' retirement system, the increase in water rates, tax on petroleum derivatives, corporate tax rates and expansion of sales taxes were all credit positive developments that addresses a long-term structural problem and substantially reduces the burden of the general fund and reduces the dependency of several instrumentalities, including the Puerto Rico Aqueduct & Sewer Authority and the Highway & Transportation Authority. However, the rating agencies reiterated they would continue to assign a negative outlook to P.R. and its instrumentalities until further information was available on the implementation of all these measures and the actual revenues collected meet the projections outlines by the administration. Given the willingness by the new administration to deal with these politically difficult matters, we feel constructive on the credit. Notwithstanding, we still remain concerned on the ability of policy makers to enact policies that foster real economic growth and a subsequent reduction in debt levels.

In summary, the economic expansion in the U.S. is being supported by the Fed's aggressive monetary policy stand, but the deleveraging process at the household and government level will continue to lead to below potential output for the balance of the year. SAM will continue monitoring the investment portfolios and the markets on a daily basis in order to seize opportunities that may arise due to market inefficiencies. SAM will remain vigilant of any changes in the interest rate and geopolitical environment in order to make appropriate adjustments that are consistent with long-term objectives.

The statements contained herein are based upon the opinions of Santander Asset Management and the data available at the time of publication and are subject to change at any time without notice.

This communication does not constitute investment advice, is for informational purposes only and is not intended to meet the objectives or suitability requirements of any specific individual or account. An investor should assess his/her own investment needs based on his or her own financial circumstances and investment objectives. Past performance is not a guarantee of and may not be indicative of future results.

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