

RESIDENTIA

Investment fund under Swiss law in the "real estate funds" category.

**Audited annual report
December 31, 2014**

RESIDENTIA is an investment fund under Swiss law in the "real estate funds" category within the meaning of the Swiss Federal Act on Collective Investment Schemes of 23 June 2006 (CISA) (hereinafter referred to as the "fund" or the "real estate fund"). The fund contract was drawn up by FidFund Management SA, as Fund Management Company, with the approval of the custodian bank Cornèr Banca SA. It was submitted to the Swiss Financial Market Supervisory Authority (FINMA), which approved it for the first time on 20 March 2009.

The real estate fund is based on a collective investment agreement (the fund contract) under which the fund management company undertakes to provide investors with a stake in the investment fund in proportion to the fund units they acquire, and to manage the fund at its own discretion and for its own account in accordance with the provisions of the law and the fund contract. The custodian bank is a party to the fund contract in consequence of the tasks conferred upon it by law and the fund contract.

In accordance with the fund contract, the fund management company is entitled to establish, liquidate or merge unit classes at any time, subject to the consent of the custodian bank and the approval of the supervisory authority.

The real estate fund is not divided into unit classes.

Fund management company

FidFund Management SA

Chemin de Précossy 11
CH-1260 Nyon / VD

Custodian bank

Cornèr Banca SA

Via Canova 16
CH – 6900 Lugano

FidFund Management SA

Board of Directors

Marc Lüthi	Chairman
Philippe Bens	Director
Didier Brosset	Director
Philippe De Cholier De Cibeins	Director
Guillaume Fromont	Director
Alain Golaz	Director
Robert Pennone	Director

Fund Management Company

Christophe Audousset	Managing Director
Nicolas Mégevand	Deputy Director

Investment committee

(Without decision-making power)

Lorenzo Orsi	Certified architect (ETH Zurich) and member of the REG A, SIA, OTIA and ASIAT
Claudio Genasci	Member of the management team, Banca Dello Stato del Cantone Ticino

Investment committee advisor

(Without decision-making power)

Matteo Pagani	Studio Fiduciario Pagani SA, Lugano
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Valuation experts

Omar Antonelli	Certified architect STS OTIA, Lugano
Mirko Fasola	ES technician, Lugano
Pascal Brühlhart	International real estate economist (BAK), MAS Real Estate Management (FHO), MRICS, Ponte Tresa.

Real estate management

Assofide SA, Locarno
Comafim SA, Lugano
Interfida SA, Chiasso
Privera SA, Lugano

Custodian bank

Cornèr Banca SA, Lugano

Auditors

KPMG SA
Rue de Lyon 111, 1203 Genève

Promoters

Studio Fiduciario Pagani SA
Banca dello Stato des Cantone Ticino

Residentia is an investment fund under Swiss in the real estate funds category. The fund invests exclusively in:

- real estate assets located in southern Switzerland (Ticino, Grisons);
- residential properties and mixed-use buildings;
- and to a lesser extent, properties of an exclusively or predominantly commercial nature, including properties used by the manufacturing and hotel industries.

The fund's objective is to preserve the value of its investments and the appropriate distribution of the income earned by them over the long term by creating a stable, actively managed asset portfolio.

Investment advisor's report

In the second half, Residentia Real Estate Fund activities were focused on implementing projects undertaken in the first half in order to bring them to fruition in 2015.

To this end the project to build a new residential building in Biasca in order to maximise the lot's full building potential has been concluded. The new building is to include 15 new residential units, whose size has been specially tailored to the local market through analysis of demographic and economic data specific to the region. Planned investment is CHF 3.75 million with rental income estimated at CHF 225,000. We expect a roughly 6% return on investment.

In addition to the property in Biasca, we are studying a number of alternatives to optimise and maximise Residentia's entire real estate portfolio. We are analysing various scenarios for the future of the Via in Selva property, a residential building currently of limited size and profitability but for which a requalification project is available to take advantage of unused indices. To give the project a maximum degree of flexibility, the building has been gradually emptied of its current tenants so that beginning in the second half of 2015 we can decide on the best plan for its future.

Also in terms of optimisation, we are going ahead with the addition of 20 supplementary external parking spaces at our building in Via Rovedo, Locarno, which suffers from a chronic shortage of parking. These improvements should not only significantly increase the profitability of the property but will also enable us to refurbish the roof of the existing garage.

In spring 2014, the important restructuring of the Via Beltramina building was completed. The work included a substantial renovation of the entire building, which cost approximately CHF 3 million. It enabled us to completely modernise all residential units and their related technical systems. As a result we have been able to raise average residential rents from CHF 205/m² to their current CHF 260/m², which, when multiplied by the more than 40 existing residential units, translates into annual revenue of over CHF 130,000, thanks in part to the creation of an additional 14 external parking spaces.

In terms of energy, the Residentia Fund is studying the possibility of collaborating in an important nationwide effort to employ the roofs of private buildings to produce energy. If reached, such an agreement would enable the Fund to diversify its revenues further by taking advantage of the region's favourable climate and the significant surface area we have available.

With respect to the real estate portfolio's strategic management, in addition to the important disposals that took place in the first half of 2014 — including the sale of an investment property in Chiasso that generated significant capital gains as well as the sale of a building lot in Giubiasco with a project underway for an operating profit of over CHF 150,000 — the Residentia Fund has also concluded a pre-emption agreement for the transfer of the Villa Zappia building in Via Carona, Lugano-Paradiso. With this transfer, the reorganisation of the entire real estate portfolio can be considered at an end. Our real estate holdings now comprise 13 homogeneous properties optimally distributed throughout the region. The average weighting of a single property is roughly 7.5% and no one property accounts for more than 12% of the entire portfolio. Only two properties have a weighting of less than 5%. With the exception of the building in Via in Selva, each individual property generates a return of over 4% with a weighted average across the portfolio of more than 5.60%. The average vacancy rate is 4.50%. This figure is in part impacted by the overall restructuring of the building in Via Beltramina in Lugano, completed in spring 2014, and is clearly lower than the historical average of the portfolio overall. Average day-to-day management costs for the entire portfolio amount to roughly 15% of revenue.

Activities in 2015 are set to focus mainly on the capital increase that we plan to formalise in the second half of the year. Such an increase would allow the Fund to continue on its organic and strategic growth path, taking advantage of the opportunities on the market and bringing to fruition projects undertaken this year. At this time, we have already selected and locked in two properties at an average investment of CHF 10 million, both with gross profitability of close to 6%. Between now and the actual date of the capital increase, we sincerely hope to be able to lock in another property similar to those described in order to bring forward a capital increase of CHF 50 million.

The Fund's financial performance is expected to entail an annual dividend of CHF 31.67, including profits from both rental income and property sales. Throughout the year, our stock has appreciated steadily, settling around CHF 1,180 per share.

NAV valuation and calculation principles

The net asset value of the real estate fund is calculated based on the market value at the end of the financial period and for each issue of units in Swiss francs.

The fund management company instructs independent valuation experts to assess the market value of the properties held by the real estate fund at the end of each six-month period and whenever new units are issued. To do this, the fund management company, with the approval of the supervisory authority, appoints at least two individuals or one company as independent valuation experts. The inspection of the properties by the valuation experts should be repeated at least once every three years.

Investments listed on a stock exchange or traded on another regulated market open to the public are valued at their principal market price. Other investments or investments for which no current market value is available are valued at the price that would probably be obtained in a diligent sale at the time of the valuation. In such cases, the fund management company uses appropriate and recognised valuation models and principles to determine the market value.

Open-ended collective investment schemes are valued at their redemption price and/or net asset value. If they are regularly traded on a stock exchange or another regulated market open to the public, the fund management company may value such funds in accordance with the previous paragraph.

The value of short-term fixed-interest securities (money market instruments) that are not traded on a stock exchange or on a regulated market open to the public is calculated as follows: the valuation price of such investments is subsequently adapted to the redemption price, based on the net acquisition price, maintaining the same return on investment calculated as a result. If there are significant changes in market conditions, the valuation basis of the different investments is adjusted in line with the new market returns. If the current market price is not available, reference is normally made to the valuation of money market instruments with the same characteristics (issuer's rating and registered office, issue currency and term).

Bank and postal deposits are valued on the basis of the amount due plus accrued interest. If there are significant changes in market conditions or credit rating, the valuation principles for time deposits will be adjusted in line with the new circumstances.

The net asset value of a unit is determined by the market value of the fund's assets, less any liabilities of the fund and any taxes levied on the fund's liquidation, divided by the number of units in circulation. Figures are rounded to CHF 0.05.

DCF valuation model

The valuation experts use a DCF valuation model that meets international standards and takes into account the guidelines of the TEGoVA (The European Group of Valuers' Associations) and the RICS (The Royal Institution of Chartered Surveyors), along with those of the IVSC (International Valuation Standards Committee), the SVS (Swiss Valuation Standards), the SEK/SVIT, SIV (Schweizerischer Immobilienschätzer Verband) and the CEI (Chambre suisse d'experts en estimations immobilières).

Market value or fair value is the estimated amount at which a property would be traded at the valuation date between a willing buyer and seller in a normal transaction on the open market where the parties have each acted knowingly, prudently and without constraint.

Market value does not include any transaction financing costs, commissions, taxes or change of ownership costs, or any capital gains tax. Conversely, real estate taxes are taken into account in the valuation.

The discounted cash flow method calculates returns based on future incomings and outgoings. It includes potential future cash flow forecasts in relation to a property's location and use.

Gross annual income (net rental income) is defined based on current income and any market potential. Any loss of income due to vacancy risk is also taken into account. Furthermore, operating costs and maintenance and renovation costs that cannot be passed on to tenants are deducted.

The residual value is obtained by capitalising the net cash flow from the 11th year and taking into account future unscheduled maintenance costs that cannot be passed on to tenants. The location, use and state of repair of the building at that precise moment are factored into the capitalisation. Cyclical renovation costs after a ten-year period are calculated as a percentage of the building's value, adjusted for any increases (CapEx).

The rental income taken into consideration is based on information received from the property owners or management company. The calculation model ignores differences between rental conditions linked to the mortgage rate but does take account of index-linked contracts. In the valuation model, apart from factoring in rent reviews, the predicted growth in rental income is based on the options permitted under tenancy law, while taking into account the maximum market conditions.

The market potential is based on the market rent corresponding to the location parameters, type of property, rental area, number of rooms, fixtures and fittings, services and similar.

The valuation is verified and adjusted where necessary, depending on the property, by market specialists.

Legal basis for the valuation of rental income: Valuations are subject to changes in the IPC index over the next 10 years. For residential properties, rent reviews take into account the increase in the value of the property. In contracts for commercial or office properties, indexing is applied in accordance with the contractual terms.

Market potential is valued based on the provisions of tenancy law and market conditions.

Rental area: The rental area is based on the information provided by management. We operate on the assumption that this information complies with the definitions given in applicable standards. In rare cases where areas are calculated from plans, the net effective surface area is used.

Maintenance and renovation expenses comprise all works carried out, such as repairs, that cannot be passed on to tenants. Renovation includes non-recurring investments such as building renovations or improvements, etc. The percentage of these costs that corresponds to an increase in the property value is capitalised and to a certain extent reflected in rents.

The market value of each property represents the price that is likely to be achieved in the presence of a normal deal flow and assuming a diligent purchase and sale transaction. Any opportunities arising, particularly during the purchase and sale of the fund's properties, are exploited on a case-by-case basis in the best interests of the fund. This may lead to differences compared with the valuations.

Capitalisation rate as at December 31st, 2014

The capitalisation rate is 3.90%. (Average 10-year swap of the last 4 years: 1.55%; debt ratio: 1.20%; inflation rate: 1.15%)
The discount rates varie between 3.93% (minimum) and 5.16% (maximum), with a weighted average of 4.24%.

Information on matters of particular economic or legal significance

Pending disputes:

A dispute in tenant law is currently pending with the tenant of one of the Fund's building. The amount in dispute is of CHF 194'470.- and this latter has been accrued in the accounts.

Events after the reporting date

There have been no events since the reporting date.

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Summary figures

		December 31, 2013	December 31, 2014
Total assets	CHF	114'016'692.32	113'291'409.35
Net fund assets	CHF	76'010'399.74	75'712'234.11
Estimated market value of completed properties	CHF	110'389'000.00	109'620'000.00
Estimated market value of properties under construction (including land)	CHF	950'000.00	0.00

	Units outstanding	Net assets CHF	Net asset value per unit CHF	Net income distribution CHF	Capital gains distribution CHF	Total CHF
31.12.2009	39'938	40'261'902.07	1'008.10	4.48	0.00	4.48
31.12.2010	39'938	41'337'560.47	1'035.05	9.35	0.00	9.35
31.12.2011	39'938	41'623'094.82	1'042.20	19.75	0.00	19.75
31.12.2012	68'388	75'113'699.44	1'098.35	24.42	0.00	24.42
31.12.2013	68'388	76'010'399.74	1'111.45	26.02	8.35	34.37
31.12.2014	68'388	75'712'234.11	1'107.10	29.39	2.28	31.67

Indices calculated according to SFAMA directive

	December 31, 2014
Return default rate.....	6.30 %
Borrowing ratio	31.35 %
Operating profit margin (EGIT).....	55.27 %
TER _{REF} GAV.....	1.02 %
TER _{REF} NAV.....	1.52 %
Return on equity (ROE 01.01.14 - 31.12.2014).....	2.82 %
Dividend yield	3.06 %
Distribution ratio	99.99 %
Premium as at 31.12.2014.....	4.78 %
Investment return.....	2.84 %

Performance of the Résidentia Fund (reinvested dividends)

	2013	2014 ⁽¹⁾	since launch ⁽²⁾	accounting period 01.01.14 - 31.12.14
Residentia	-1.15%	11.40%	28.25%	11.40%
SXI Real Estate Funds Index*	-2.77%	14.99%	45.84%	14.99%

* The SXI Real Estate Funds TR benchmark index includes all Swiss real estate funds listed on SIX Swiss Exchange. Their weighting in the index is determined by their market capitalisation. Dividend payments are taken into account when calculating the SWIIT performance index.

Past performance is not an indicator of current or future performance.

Performance figures do not take into account commissions and fees paid when units are issued or redeemed.

¹ until 31.12.2014

² from 1.07.2009 to 31.12.2014 (cumulative performance)

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Statement of assets and liabilities

	31.12.2013	31.12.2014
	CHF	CHF
Assets		
Bank assets		
Demand deposits	2'034'297.75	2'913'743.80
Properties		
Residential properties	70'790'000.00	83'670'000.00
Residential properties with floor-by-floor ownership	5'235'000.00	3'290'000.00
Mixed-use properties	23'270'000.00	11'760'000.00
Commercial properties	11'094'000.00	10'900'000.00
Building plots, including buildings to be demolished and properties under construction	950'000.00	0.00
Total properties	111'339'000.00	109'620'000.00
Other assets	643'394.57	757'665.55
Total assets	114'016'692.32	113'291'409.35
Liabilities		
Commitments		
Mortgage debt	34'370'000.00	34'370'000.00
Other commitments	2'312'859.58	1'897'428.24
Total liabilities	36'682'859.58	36'267'428.24
Net assets before estimated taxes due in case of liquidation	77'333'832.74	77'023'981.11
Estimation des impôts dus en cas de liquidation	-1'323'433.00	-1'311'747.00
Net assets	76'010'399.74	75'712'234.11

Change in net assets

Change in net fund assets	CHF	CHF
Net fund assets at beginning of accounting period	75'113'699.44	76'010'399.74
Distribution	-2'159'693.04	-2'430'509.52
Balance of unit transactions	0.00	0.00
Total net income	3'056'393.34	2'132'343.89
Net fund assets at end of accounting period	76'010'399.74	75'712'234.11

Number of units redeemed and issued

Change in number of units

Position at beginning of period	68'388.00	68'388.00
Units issued	0.00	0.00
Units redeemed	0.00	0.00
Position at end of period	68'388.00	68'388.00

Net asset value per unit at end of period	CHF	1'111.45	1'107.10
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		31.12.2013	31.12.2014
		CHF	CHF
Additional information (Art. 68 CISO-FINMA)			
Balance of property depreciation account	CHF	0.00	0.00
Balance of provision account for future repairs	CHF	0.00	0.00
Number of units presented for redemption for the end of the following period		0.00	0.00

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Income statement

	From 01.01.13 to 31.12.13	From 01.01.14 to 31.12.14
	CHF	CHF
Income		
Rental income	4'800'788.95	5'313'553.35
Bank interest	1'145.91	914.24
Other rental income	26'647.50	25'095.90
Total income	4'828'582.36	5'339'563.49
Expenses		
Mortgage interest	138'520.82	322'169.52
Other interest expense	0.00	0.00
Maintenance and repairs	472'540.75	573'727.18
Property administration:		
a) Property costs (water, electricity, concierge services, cleaning, insurance, etc.)	0.00 299'787.03	0.00 370'070.40
b) Administration costs (professional fees and management expenses)	181'093.55	201'843.40
Direct taxes	930'127.12	885'013.38
Valuation and audit fees	123'156.81	140'679.34
Bank charges	23'753.17	24'119.98
Other expenses (publication, printing, legal costs, etc.)	116'032.60	48'357.00
Statutory compensation for the fund management company	718'278.56	723'696.13
Statutory compensation for the custodian bank	37'525.58	37'889.86
Allocation(s) to provisions for doubtful debts	9'156.00	1'901.00
Total expenses	3'049'971.99	3'329'467.19
Net income	1'778'610.37	2'010'096.30
Realised gains/losses on investments	571'377.02	156'567.40
Realised gain/loss	2'349'987.39	2'166'663.70
Unrealised gains/losses on investments (change)	706'405.95	-34'319.81
Profit/loss for the period	3'056'393.34	2'132'343.89
Allocation of net income	CHF	CHF
Realised gain/loss	2'349'987.39	2'166'663.70
Intermediary dividend	-1'075'743.24	-1'155'757.20
Retained earnings	668.72	160.55
Income available for distribution	1'274'912.87	1'011'067.05
Income payable to investors	1'274'912.87	1'011'067.05
Capital gains distribution	0.00	0.00
Income distribution	1'274'752.32	1'010'090.76
Income expected to be paid to investors	1'274'752.32	1'010'090.76
Carried forward	160.55	976.29

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Properties inventory

Rental properties

		Cost price in CHF	Estimated market value in CHF	Rent received ¹ in CHF	Gross yield ²
Residential Properties					
Tessin	Bellinzona				
	Via San Gottardo 58 a/b/c	8'581'976.63	9'550'000.00	523'665.00	6.31%
	Biasca				
	Via Quinta 53 à 59	8'742'768.94	9'770'000.00	522'815.10	5.35%
	Giubiasco				
	Viale C. Olgiati 20/1	5'312'096.55	6'100'000.00	306'960.60	5.49%
	Locarno				
	Via In Selva 17	2'572'787.25	2'700'000.00	81'471.00	3.07%
	Via Nessi 38	8'703'228.50	10'120'000.00	543'487.45	5.44%
	Via Rovedo15-Via Pietro Romerio 12	9'046'196.23	9'570'000.00	576'364.55	6.16%
	Lugano				
	Via Beltramina 6 - 8 - 10	11'190'391.50	11'680'000.00	420'610.00	5.85%
	Via Bagutti 26	11'385'390.90	11'450'000.00	555'090.00	4.99%
	Vacallo				
	Via Bellinzona 10-11	12'561'895.20	12'730'000.00	684'465.70	5.63%
	Totals	78'096'731.70	83'670'000.00	4'214'929.40	

Residential properties with floor-by-floor ownership

Tessin	Chiasso				
	Via Lavizzari 2			15'987.85	
	Lamone				
	Via Carsiné 5 / 5a	3'167'525.48	3'290'000.00	173'596.40	5.36%
	Totals	3'167'525.48	3'290'000.00	189'584.25	

Mixed-use properties

Tessin	Bellinzona				
	Via C. Ghiringhelli 18	4'202'909.89	4'460'000.00	230'339.80	5.45%
	Lugano				
	Via Antonio Fusoni 5	7'044'051.55	7'300'000.00	400'410.00	5.50%
	Totals	11'246'961.44	11'760'000.00	630'749.80	

Commercial properties

Tessin	Manno				
	Via Cantonale 27	6'159'217.25	6'170'000.00	248'699.90	4.58%
	Lugano				
	Via Carona* 6/Paradiso	4'644'393.40	4'730'000.00	29'590.00	2.13%
	Totals	10'803'610.65	10'900'000.00	278'289.90	

* This property is valued at the price set in a call option contract with a maturity at 31.12.15. To date, this option has not been exercised.

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Summary

	Cost price en CHF	Estimated market value en CHF	Rent received ¹ en CHF
Residential properties	78'096'731.70	83'670'000.00	4'214'929.40
Residential properties with floor-by-floor ownership	3'167'525.48	3'290'000.00	189'584.25
Mixed-use properties	11'246'961.44	11'760'000.00	630'749.80
Commercial properties	10'803'610.65	10'900'000.00	278'289.90
Totals	103'314'829.27	109'620'000.00	5'313'553.35

1. includes rent receivable

2. ratio between theoretical rental status and market value (for properties comprising a completed building/building in use)

Building fire value : CHF 114'385'271.00

No tenant accounts with more than 5% of the total rental income of the fund (in accordance with paragraph 66 of the SFAMA guidelines on real estate funds)

Information on rate of vacant and building age

	Vacant rate	Building age in years
Tessin		
Lugano		
Via Beltramina 6 - 8 - 10	8.18%	49
Via Antonio Fusoni 5	1.06%	44
Via Carona 6/Paradiso	13.48%	64
Via Bagutti 26	0.32%	44
Bellinzona		
Via San Gottardo 58 a/b/c	12.10%	52
Via C. Ghiringhelli 18	1.78%	37
Manno		
Via Cantonale 27	13.85%	27
Locarno		
Via In Selva 17	1.30%	49
Via Nessi 38	4.14%	51
Via Rovedo15-Via Pietro Romerio 12	1.89%	44
Lamone		
Via Carsiné 5 / 5a	8.57%	44
Giubiasco		
Viale C. Olgiati 20/1	6.88%	24
Biasca		
Via Quinta 53 à 59	0.06%	31
Vacallo		
Via Bellinzona 10-11	3.03%	34

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List of asset purchases and sales

Purchases

No transaction for the period from 1 January 2014 to 31 December 2014.

Sales

		Sell Price in CHF
Residential properties with floor-by-floor ownership		
Tessin	Chiasso	
	Via Lavizzari 2	1'950'000.00
	Total	<u>1'950'000.00</u>
Properties under construction		
Tessin	Giubasco	
	Via Olgiati, Via Lugano	1'850'000.00
	Total	<u>1'850'000.00</u>
	Totals	<u>3'800'000.00</u>

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Analysis of mortgage debt

Principal	Interest rate	Loan date	Maturity	Interest rate basis and frequency
in CHF	Annual			
800'000.00	0.510%	30.03.2012	30.03.2015	3 month CHF Libor
2'400'000.00	0.510%	30.03.2012	30.03.2015	3 month CHF Libor
8'400'000.00	0.510%	28.09.2012	28.09.2015	3 month CHF Libor
14'130'000.00	1.100%	31.12.2013	31.12.2017	Fixed
8'640'000.00	1.850%	30.06.2014	01.07.2024	Fixed
34'370'000.00	1.089%	(weighted average rate)		

Analysis of payed off mortgage debt

Principal	Interest rate	Loan date	Repayment date
in CHF	Annual		
8'640'000.00	0.520%	28.09.2012	30.06.2014

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Information on the effective rate of remuneration and ancillary costs

		Maximum contractual rate	Rate applied
Remuneration of management company			
For management fee	§ 20 of the fund contract	1.00%	0.955%
For issuing commission	§ 19 of the fund contract	5.00%	0.00%*
For redemption fee	§ 19 of the fund contract	5.00%	0.00%*
For property purchases or sales	§ 20 of the fund contract	2.00%	from 0.51 to 0.74 %
For property management	§ 20 of the fund contract	6.00%	from 3.5% to 3.90%
Remuneration of custodian bank			
For securities custody, unsecured mortgage certificates and real estate equities	§ 20 of the fund contract	CHF 125.--	0 CHF
For administration, settlement of payment transactions and supervision of the fund management company	§ 20 of the fund contract	0.05%	0.05%
For annual product paid to investors	§ 20 of the fund contract	0.50%	0.50%

* No transaction between 01.01.2014 and 31.12.2014