

Audited annual report

December 31, 2016



Residentia,

Investment fund under Swiss law in the “real estate funds” category

Residentia

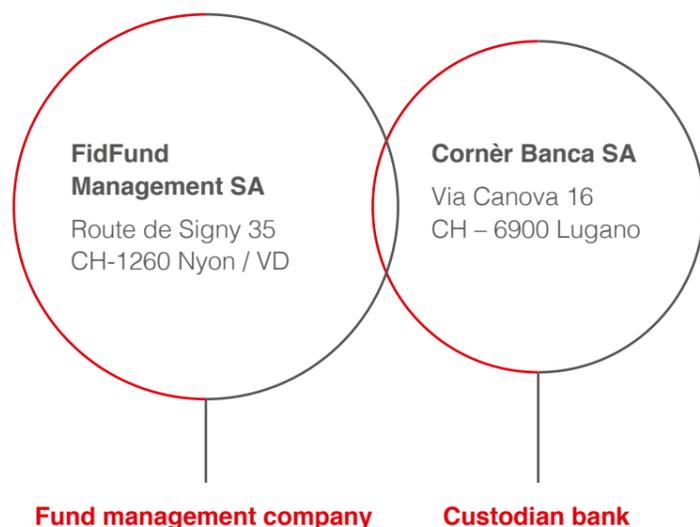
+ **RESIDENTIA** is an investment fund under Swiss law in the “real estate funds” category within the meaning of the Swiss Federal Act on Collective Investment Schemes of 23 June 2006 (CISA) (hereinafter referred to as the “fund” or the “real estate fund”). The fund contract was drawn up by FidFund Management 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.

This document is a translation of the French version. Only the French version is authentic.



FidFund Management SA

Board of Directors

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

Fund Management Company

Nicolas Mégevand	Managing Director (since 10.01.2017, Deputy Director until 09.01.2017)
Christophe Audousset	Deputy Director (since 10.01.2017, Managing Director until 09.01.2017)

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 Brülhart	International real estate economist (BAK), MAS Real Estate Management (FHO), MRICS, Ponte Tresa

Real Estate Management

Assofide SA, Locarno
Comafim SA, Lugano
Privera SA, Lugano
Fiduciaria Antonini SA, Lugano (after 1st July 2016)

Custodian Bank

Cornèr Banca SA, Lugano

Audit Firm

KPMG SA - Rue de Lyon 111, 1203 Geneva
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Promoters

Studio Fiduciario Pagani SA
Banca dello Stato del 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

Last year was a very successful year and one of significant landmarks for Residentia.

🏠 The Fund continued to grow in a sustainable manner, in line with its original philosophy, through the acquisition of new real estate assets and also by enhancing its importance and its reputation at regional level. This new status, namely that of a vital partner for the various local socio-economic entities, was obtained thanks to its active promotion of predominantly social projects in the real estate sector, always endeavouring to reconcile the business principles which go hand-in-hand with the delicate residential context in which we operate. This enabled the Fund to obtain significant financial results, while producing housing solutions which are advantageous from a social point of view for the people living in the Ticino canton. The real estate complex named Morenal, which was acquired at the start of last summer, perfectly illustrates this balance. The acquisition enabled many fruitful partnerships to blossom which, we hope, can be reproduced within the framework of future projects which are currently being examined.

The year which has just ended was characterised by a first phase of consolidation, following by an increase in capital which took place towards the end of 2015. In addition to the properties in the Pazzallo and Quartino neighbourhoods, which were acquired in the last quarter of 2015, the start of 2016 was marked by the acquisition of the former Hotel Alba in Minusio. The deal also included a project to convert the hotel structure into 17 new flats and the construction of a new residential floor divided up into two penthouses intended for sale. The construction work began immediately following the acquisition in March and the overall cost of the whole transaction, including acquisition of the land, is slightly less than CHF 10 million.

The work is scheduled to be completed by spring 2017. The property will have a return estimated at more than 5.6%, thanks to the 17 flats which are rented, the pre-existing commercial property in the building which is being leased to Coop Pronto over the next 10 years and the sale of the penthouses.

Also in the first months of the year, work began to restructure and to enlarge the existing Via in Selva property in Locarno. An investment of CHF 4.5 million, established with a large construction company in the province of Locarno is intended for the construction of 14 new flats will be built and ownership of them will be sold a floor-by-floor basis. The work is progressing quickly and delivery is scheduled to take place in July 2017. To date, the sale of two flats has been completed and potential buyers are showing interest in the other units. Once all of the flats have been sold, the Fund is counting on realising a large capital gain.

As for the middle of the year, it was devoted to finalisation of the acquisition of a large mixed-residential complex in Monte Carasso, negotiations regarding which had begun more than two years ago. In order to fund this acquisition and to have the cash necessary available to complete other pending projects, Residentia decided to carry out a second capital increase. The positive reaction from the main institutional investors in the Fund and also the high quality of the investment opportunity enabled us to complete this, the second capital increase, in less than three months, following the first capital increase less than one year previously. The increase, which was finalised on Wednesday 15 June 2016, encountered the success expected, and 200,105 new shares were issued, which equates to CHF 22 million. Demand was high, not only from existing investors, but also from

Investment advisor's report

new investors, all of whom we were unfortunately not able to satisfy.

The Morenal real estate complex, in **Monte Carasso**, transfer of ownership of which took place on 21 June 2016, is a unique case in the real estate context of Ticino, because of its size, because of its architecture and because of the intergenerational vocation of its residency. The property, which features 76 residential units split up into small-sized flats and spacious split-level flats, will be able to house, thanks to the presence of various social partners, a heterogeneous set of occupants. Indeed, the complex can house families with children, independent seniors and disabled people. The presence of a Custode Sociale (caretaker) and other specific services offered by the partner associations guarantees residents a high quality of life within a project which is unmatched in Ticino and in Switzerland. The Morenal neighbourhood has furthermore been recognised by the Swiss Confederation as the best "Model Project for Sustainable Development in the Country 2014-2018" in the area of intergenerational management in relation to an existing real estate asset. In addition to the residential part of it, the property is made up of 12 commercial units which offer a series of services to residents of the complex and to inhabitants of the surrounding blocks of flats, including for example a Denner supermarket and a neighbourhood bar, which acts as a catalyst for a series of social and cultural activities. The complex currently generates a return of 5.2%, but thanks to the area which can still legally be built on, which is approximately 1,800 m² of gross floor area, a significant increase in return is planned in the coming years. The Residentia team has already invited tenders, with a view to erecting a new wing which should enable the potential of the complex to be uti-

lised and which should allow the current residential and commercial offering to be improved. A planning permission application should be filed during the first half of 2017.

In the second half of the year various transactions, which were initiated during previous years and which enabled the Fund to achieve the results hoped for in recent months, were successfully completed. It should also be noted that at the end of the summer, the property sale on a floor-by-floor basis of the small block of flats located on **Via Carsinè, in Lamone**, was completed. The planned sale of the building, which was initiated at the start of 2015, the aim of which was to achieve financial optimisation by means of the sale of 12 flats and 15 parking spaces, was carried out in accordance with the schedule set out and in line with the budget drawn up. This confirms our team's knowledge of the local market and of the dynamics which currently characterise it. The transaction, which entailed modernisation investments with a view to selling individual properties, within the limits of the budget of CHF 400,000, generated a gross capital gain of in excess of CHF 1 million, including brokerage fees. This capital gain enabled the Residentia Fund to achieve a return 30% higher than the book value of the property detailed in the balance sheet, which was CHF 3.5 million.

In addition to the Lamone transaction, the Fund's right to acquire the property on **Via Carona 6, in Paradiso**, was exercised at the end of 2016. The end result of the right being exercised was the definitive sale of **Villa Zappia**, a transaction which had been initiated in January 2015 but was only completed in October 2016 pending approval of planning permission for a new mixed-residential building, which

will be constructed by the new owners. The deal was closed when the remaining sum due of CHF 2,365,000 was paid which, in addition to the same sum which had already been paid as a non-withdrawal guarantee, brings the total sum to CHF 4.73 million, which was the previously agreed sale price and which was in line with the book value of the building.

Among the Fund's other ongoing projects, it is important to note that planning permission has been issued for a floor to be added to the building on **Via Ghiringhelli in Bellinzona**. The additional floor will enable all of the still-realizable legally-constructible potential of the building to be exploited, in tandem with the modernisation of the external façades of the whole building. This work has already been decided and is scheduled to begin in the first few months of 2017. It will cost a total of CHF 1.1 million and will be carried out by means of an innovative construction method, which will entail the use of expanded polystyrene, and which will enable costs to be reduced and the weight of the new structure to be limited. This will enable four new housing units to be built with an additional return of CHF 70,000.

In addition to the strategic and day-to-day operations which have barely been mentioned, the Residentia Fund team is actively trying to find new real estate opportunities that are available on the market.

🏠 The search is often a difficult and frustrating one, due to current, persistent economic conditions which make real estate investments one of the few classes of assets which are genuinely profitable in the financial world. The team's commitment never-

theless enabled the hoped-for results to be obtained, through the acquisition, during Q1 of 2017, of a large real estate complex for a sum of CHF 20 million. The complex is strategically positioned in the centre of Mendrisio, opposite the train station. The area should undergo significant development in the coming years, due the Architecture Department of the University of Applied Sciences and Arts of Italian Switzerland moving to the neighbourhood. The complex, which is made up of more than 12 commercial units and nine residential units, should generate gross revenue of about CHF 1 million. The distinctive characteristic of the property – over and above its unbeatable location and its excellent current return – is that it provides the opportunity of constructing another building with an area of 1,200 sq. metres, for which planning permission has already been granted and renewed. Thanks to this acquisition, during the course of the next few months the Fund will achieve a satisfactory financial balance – its debt ratio will drop to about 20%, and it will have the cash flow required to bring the aforementioned projects to fruition.

As regards annual financial results, overall we are satisfied with the results obtained. Likewise we are also satisfied with them in light of the immediate outlook in relation to the various projects which are under way and which will be finished in the upcoming months – which are the conversion of the former **Hotel Alba in Minusio** and the **Via in Selva renovation work in Locarno**. Moreover, our vision of the position at 31 December is only partial given that, because of the development and the growth which has characterised Residentia over the past 18 months, the results of our operations have been spread over several quarters. During the past year and a half five real estate assets have been

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acquired and an overall investment of more than CHF 70 million has been made. This very vigorous growth in the number of properties has necessarily involved only a partial entry into accounts of the full return on each property. Indeed, only six months of rent have been received as regards **Morenal**, the Minusio building is being converted and only parts of it are being rented, and in respect of the **Via in Selva** residence, it has not been occupied, since conversion and enlargement work has been under way. Despite this fragmented perspective, the new dimension that the Residentia Fund is taking on and the results that are being achieved can clearly be seen:

🏠 The net asset value has markedly increased in relation to the figures in the latest half-year results, following a slight drop in the capitalisation rate (which is down 0.15%), the first in the eight years in which the Fund has existed) and the investments which have been made in various real estate assets (the renovation work in **Via in Selva** and the former **Hotel Alba in Minusio**).

🏠 Amongst the other important points, the TER (Total Expense Ratio) should be highlighted, since it is dropping constantly. This situation mainly relates to the cost optimisation carried out during the course of the past few months, including thanks to the new dimension taken on by the Fund.

🏠 A drop in the average vacancy rate of about 10% has also been observed. Such a figure must be mainly ascribed to the renovation and enlargement projects that are under way in relation to the assets held in the portfolio – the complete restructuring of **Via in Selva**, **Morenal**, the previous owners of which had not renovated the different split-lev-

el flats, **Centro Luserte**, with large-scale work to convert unleased spaces into multi-brand exposure centres. Consequently we anticipate, over the course of the coming quarters, a reshaping of the physiological values of around less than 5%, thanks to the modernisation and optimisation work which is already planned for the buildings on **Via Fusoni in Lugano** and on **Via dei Faggi in Pazzallo**.

🏠 As regards the dividend which is to be distributed, Residentia has opted to distribute in full the profits that were generated by the sale of the individual flats on **Via Carsiné in Lamone**, to offset the expenses incurred to fund the transaction and the Swiss Federal taxes in relation to the sale of the flats, which considerably and negatively affected the annual financial results of the Fund (direct taxes were up by more than 20% in relation to 2015). By doing so and in order to enable investors to benefit in full from the income from the sale transactions carried out by the Residentia team, the dividend will once again be above 2.5% of the net asset value this year. On the basis of the accounting factors described above, this represents a significant result for the Fund. It is indeed realistic to assume that, given annualisation of the profit generated, the achievable dividend could go up to 3% of the net asset value.

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.

Properties under construction are valued in the statement of net assets at market value. (There were no properties under construction in the portfolio as at 31.12.16).

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 31 December 2016

The capitalisation rate is 3.75%. (Average 10-year swap of the last 4 years: 1.55%; debt ratio: 1.20%; inflation rate: 1.00%).

The discount rates vary between 3.75% (minimum) and 4.50% (maximum), with a weighted average of 4.03%.

Information on matters of particular economic or legal significance

On 17 June 2016, FidFund Management SA, as the management company of the Swiss contract-based investment fund in the «Real Estate Funds» category, Residentia (the «Fund») and Cornèr Banca SA, as custodian bank of the Fund, notified investors of the following amendments to the prospectus with integrated fund contract, as well as to the simplified prospectus:

1. Amendments made to the prospectus

General Information on the fund management company:

The second paragraph has been amended as follows:

«The subscribed share capital of the fund management company has risen to CHF 1 million since 20 June 2008. The share capital is divided into registered shares and is fully paid up. FidFund Management SA is a wholly-owned subsidiary of GEM 360 SA. All participation certificates are wholly owned by GEM 360 SA.»

Economic data:

The economic data of the fund has been updated as follows:

«As at 31 August 2016 the management company was managing three collective capital investments in total in Switzerland, hence the total of assets managed on the aforesaid date amounted to CHF 2 billions.»

Remuneration and ancillary costs:

The management fee of the fund management company was amended as follows:
«1% per annum maximum of the net asset value»

Total Expense Ratio (TER) :

The table was updated to reflect the most recent percentages. The same amendment was made to paragraph 3 of the simplified prospectus.

2. Amendments to the fund contract

The following substantive amendments (in addition to those mentioned above) were made to the fund contract in order to adapt the latter to the revised provisions of the Swiss Federal Act on Collective Investment Schemes («CISA») and the Ordinance on Collective Investment Schemes («OCIS»), as well as to the revised fund contract model of the Swiss Funds & Asset Management Association («SFAMA Model»):

The Custodian Bank:

The fourth paragraph was amended as follows:
«The custodian bank and its agents shall act in good faith and have a duty to exercise due diligence and provide information. They shall act independently and exclusively in the interests of investors. They shall take any organisational steps that may be required to ensure the proper conduct of business and shall ensure transparent accounting and the supply of appropriate information regarding the real estate fund. They shall disclose all fees and costs payable directly or indirectly by the investors and how said fees and costs have been used. They shall also provide investors with full, clear and accurate information about any compensation paid

for distributing collective investments in the form of commission, brokerage fees and other monetary benefits.»

Remuneration and ancillary costs charged to the investor:

The third paragraph has been moved to the following section:

«§19 Remuneration and ancillary costs charged to the fund's assets»

Remuneration and ancillary costs charged to the fund's assets:

The first and seventh paragraphs have been amended as follows :

«For the management of the real estate fund and the real estate companies, the Asset Management and the distribution of the real estate fund, the fund management company will charge the real estate fund an annual commission of a maximum of 1.0% of the fund's net asset value, to be charged to the fund's assets on a pro rata basis every time the net asset value is calculated and paid out at the end of each quarter (management fee).»

«The management company of the fund and its agents may, under the conditions stated in the prospectus (see ch. 5.3) agree on retrocessions as compensation for the distribution activities in respect of real estate fund units. They shall pay no discount in order to reduce the fees and costs attributable to investors and charged to the real estate fund.»

3. Amendments made to the simplified prospectus

Performance of collective capital investments:

The table on the performance of collective capital investments was updated and supplemented by the SWIIT reference index, as well as an average annual return.

A second paragraph was added as follows :
«The SXI Real Estate Funds (SWIIT) comparison index encompasses all the real estate funds in Switzerland listed in the SIX Swiss Exchange. Their weighting in the index depends on their market capitalisation. Dividend payments are taken into consideration for the calculation of the SWIIT performance index.»

Economic information:

The economic information table was updated.

4. General Information

Investors have been informed that certain additional amendments, mainly of an editorial nature, have also been made to the prospectus and to the integrated fund contract. These changes have no impact on the rights and obligations of investors.

Events before the reporting date

On June 15th 2016, FidFund Management SA of Nyon, as the fund management company of RESIDENTIA, issued 200'105 new shares on a best-effort basis, raising a total contribution of CHF 22'221'660.25.

Disputes

We are involved in a tenant law dispute in relation to a property sold for CHF 194'470.00.

Summary figures

		31.12.2015	31.12.2016
Total assets	CHF	139.641.019,69	177.019.307,57
Net fund assets	CHF	112.957.366,46	138.679.280,64
Estimated market value of completed properties	CHF	130.280.000,00	164.420.000,00
Estimated market value of properties under construction (including land)	CHF	0,00	0,00

	Units outstanding	Net assets	Net asset value per unit	Net income distribution	Capital gains distribution	Total
		CHF	CHF	CHF	CHF	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
31.12.2015	1.000.608	112.957.366,46	112,90	3,28	0,00	3,28
31.12.2016	1.200.713	138.679.280,64	115,50	2,06	0,87	2,93

Above distributions result from annual and semi-annual distributions

Indices calculated according to SFAMA directive

31.12.2016

Return default rate		10,63%
Borrowing ratio		20,25%
Operating profit margin (EGIT)		47,90%
TER REF GAV		1,05%
TER REF MV		1,22%
Return on Equity (ROE 01.01.16 - 31.12.2016)		3,94%
Dividend yield		2,29%
Distribution ratio		99,91%
Premium as at 31.12.2016		10,91%
Investment return		3,75%
Return on capital		3,34%

Performance of the Residentia Fund (reinvested dividends)

	2015	2016 ⁽¹⁾	since launch ⁽²⁾	accounting period 01.01.16 - 31.12.16
Residentia	1,04%	13,68%	47,32%	13,68%
SXI Real Estate Funds Index*	4,17%	6,85%	62,33%	6,85%

* The SXI Real Estate Funds TR benchmark index includes all Swiss real state 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 SWIT 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 31.12.2016

² from 1.07.2009 to 31.12.2016 (cumulative performance)

Statement of assets and liabilities

	31.12.2015	31.12.2016
	CHF	CHF
Assets		
Bank assets		
Demand deposits	8.570.433,50	11.020.187,44
Properties		
Residential properties	95.480.000,00	122.590.000,00
Residential properties with floor-by-floor ownership	3.300.000,00	4.750.000,00
Mixed use properties	12.130.000,00	12.750.000,00
Commercial properties	19.370.000,00	24.330.000,00
Building plots, including buildings to be demolished and properties under construction	0,00	0,00
Total properties	130.280.000,00	164.420.000,00
Other assets	790.586,19	1.579.120,13
Total assets	139.641.019,69	177.019.307,57
Liabilities		
Commitments		
Short-term commitments		
– Short-term mortgage debt	0,00	0,00
– Other short-term commitments	1.881.354,23	2.792.621,93
Long-term commitments		
– Long-term mortgage debt	22.770.000,00	33.290.000,00
– Other long-term commitments	0,00	0,00
Total liabilities	24.651.354,23	36.082.621,93
Net assets before estimated taxes due in case of liquidation	114.989.665,46	140.936.685,64
Estimated taxes due in case of liquidation	-2.032.299,00	-2.257.405,00
Net assets	112.957.366,46	138.679.280,64

Changes in net assets

	31.12.2015	31.12.2016
	CHF	CHF
Change in net fund assets		
Net fund assets at beginning of accounting period	75.712.234,11	112.957.366,46
Distribution	-2.159.009,16	-1.600.972,80
Balance of unit transactions	34.393.532,67	22.010.050,14
Total net income	5.010.608,84	5.312.836,84
Net fund assets at end of accounting period	112.957.366,46	138.679.280,64

Number of units redeemed and issued	31.12.2015	31.12.2016
Change in number of units		
Position at beginning of period	68.388,00	1.000.608,00
Split	683.880,00	0,00
Units issued	316.728,00	200.105,00
Units redeemed	0,00	0,00
Position at end of period	1.000.608,00	1.200.713,00
	CHF	CHF
Net asset value per unit at end of period	112,90	115,50

Additional information (art. 68 CISO-FINMA)	31.12.2015	31.12.2016
	CHF	CHF
Balance of property depreciation account	0.00	0.00
Balance of provision account for future repairs	0.00	0.00
Number of units presented for redemption for the end of the following period	0	0

Income statement	From 01.01.2015 to 31.12.2015	From 01.01.2016 to 31.12.2016
	CHF	CHF
Income		
Rental income	5.688.621,33	7.141.074,16
Bank interest	13,25	5,47
Other income	0,00	25.948,00
Other rental income	46.591,55	66.912,45
Income equalization on units issued	731.602,53	211.610,11
Total income	6.466.828,66	7.445.550,19
Expenses		
Mortgage interest	367.194,35	354.413,96
Other interest expense	51,02	9,11
Maintenance and repairs	699.012,39	858.373,01
Property administration:		
a) Property costs (water, electricity, concierge services cleaning, insurance, etc.)	340.637,85	477.297,29
b) Frais d'administration (honoraires et frais de gérance)	214.584,19	294.684,20
Direct taxes	1.017.721,84	1.535.286,00
Valuation and audit fees	142.886,10	159.541,58
Bank charges	22.827,29	25.419,59
Other expenses (publication, printing, legal costs, etc.)	51.354,16	39.820,05
Statutory compensation for the fund management company	809.156,87	1.135.397,92
Statutory compensation for the custodian bank	43.073,94	62.441,49
Allocation(s) to provisions for doubtful debts	5.895,90	31.443,62
Total expenses	3.714.395,90	4.974.127,82
Net income	2.752.432,76	2.471.422,37
Realised gains/losses on investments	0,00	1.046.279,87
Realised gain/loss	2.752.432,76	3.517.702,24
Unrealised gains/losses on investments (change)	2.258.176,08	1.795.134,60
Profit/loss for the period	5.010.608,84	5.312.836,84
	CHF	CHF
Allocation of net income		
Realised gain/loss	2.752.432,76	3.517.702,24
Intermediary dividend	-1.148.918,40	0,00
Retained earnings	976,29	3.517,85
Income available for distribution	1.604.490,65	3.521.220,09
Income payable to investors	1.604.490,65	3.521.220,09
Capital gains distribution	0,00	1.044.620,31
Income distribution	1.600.972,80	2.473.468,78
Income expected to be paid to investors	1.600.972,80	3.518.089,09
Carried forward	3.517,85	3.131,00

Properties Inventory

Rental properties

Residential properties		Cost price in CHF	Estimated market value in CHF	Rent collected ¹ in CHF	Gross yield ²
Tessin	Bellinzona				
	Via San Gottardo 58 a/b/c	8.704.392,63	10.000.000,00	587.024,55	6,12%
	Biasca				
	Via Quinta 53 à 59	8.774.006,69	9.950.000,00	523.330,30	5,24%
	Giubiasco				
	Viale C. Olgiati 20/1	5.312.096,55	6.300.000,00	333.280,65	5,41%
	Locarno				
	Via Nessi 38	8.844.405,35	10.480.000,00	572.522,35	5,40%
	Via Rovedo 15 - Via Pietro Romerio 12	9.157.366,93	10.460.000,00	594.706,00	5,84%
	Lugano				
	Via Beltramina 6 - 8 - 10	11.205.662,40	12.300.000,00	646.355,00	5,56%
	Via Bagutti 26	11.525.789,42	11.800.000,00	556.972,00	5,02%
	Via dei Faggi 23	10.074.203,60	10.700.000,00	460.808,00	5,14%
	Monte Carasso				
	Via Mundasc 2	27.605.794,10	27.700.000,00	644.895,71	4,44%
	Vacallo				
	Via Bellinzona 10-11	12.597.095,51	12.900.000,00	686.531,00	5,62%
Total		113.800.813,18	122.590.000,00	5.606.425,56	

Residential properties with floor-by-floor ownership		Cost price in CHF	Estimated market value in CHF	Rent collected ¹ in CHF	Gross yield ²
Tessin	Lamone				
	Via Carsiné 5 / 5a	-	-	53.419,70	-
	Locarno				
	Via In Selva 17	4.923.703,35	4.750.000,00	-	1,75%
Total		4.923.703,35	4.750.000,00	53.419,70	

Properties Inventory

Rental properties

Mixed-use properties		Cost price in CHF	Estimated market value in CHF	Rent collected ¹ in CHF	Gross yield ²
Tessin	Bellinzona				
	Via C. Ghiringhelli 18	4.358.017,03	4.800.000,00	232.259,85	5,02%
	Lugano				
	Via Antonio Fusoni 5	7.152.133,10	7.950.000,00	359.661,00	5,14%
Total		11.510.150,13	12.750.000,00	591.920,85	

Commercial properties		Cost price in CHF	Estimated market value in CHF	Rent collected ¹ in CHF	Gross yield ²
Tessin	Gambarogno				
	Via Luserte 2-4	7.577.757,05	8.600.000,00	518.984,75	6,78%
	Manno				
	Via Cantonale 27	6.188.795,35	6.100.000,00	252.489,80	4,59%
	Minusio				
	Via Rinaldo Simen 58	9.114.641,53	9.630.000,00	117.833,50	1,47%
Total		22.881.193,93	24.330.000,00	889.308,05	

Summary

Residential properties	Cost price in CHF	Estimated market price in CHF	Rent collected ¹ in CHF
Residential properties	113.800.813,18	122.590.000,00	5.606.425,56
Residential properties with floor-by-floor ownership	4.923.703,35	4.750.000,00	53.419,70
Mixed-use properties	11.510.150,13	12.750.000,00	591.920,85
Commercial properties	22.881.193,93	24.330.000,00	889.308,05
Total	153.115.860,59	164.420.000,00	7.141.074,16

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 161'786'559.00 CHF

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 vacancy rate and building age

		Vacancy rate	Building ages in years
Tessin	Bellinzona		
	Via San Gottardo 58 a/b/c	6,07%	54
	Via C. Ghiringhelli 18	13,16%	39
	Biasca		
	Via Quinta 53 à 59	0,00%	33
	Gambarogno		
	Via Luserte 2-4	12,42%	27
	Giubiasco		
	Viale C. Olgiati 20/1	8,98%	26
	Locarno		
	Via In Selva 17	100,00%	51
	Via Nessi 38	5,08%	53
	Via Rovedo 15 - Via Pietro Romerio 12	3,07%	46
	Lugano		
	Via Beltramina 6 - 8 - 10	9,85%	51
	Via Bagutti 26	9,16%	46
	Via dei Faggi 23	13,31%	27
	Via Antonio Fusoni 5	14,50%	46
	Manno		
Via Cantonale 27	12,69%	29	
Minusio			
Via Rinaldo Simen 58	0,00%	21	
Monte Carasso			
Via Mundasc 2	12,89%	22	
Vacallo			
Via Bellinzona 10-11	9,67%	36	

List of asset purchases and sales

Purchases

		Purchase price in CHF
Residential properties		
Tessin	Monte Carasso	
	Via Mundasc 2	27.050.000,00
Commercial properties		
Tessin	Minusio	
	Via Rinaldo Simen 58	7.250.000,00
Total		34.300.000,00

Sales

Residential properties with floor-by-floor ownership		Sale price in CHF
Tessin	Lamone Via Carsiné 5 / 5a	4.556.000,00
Commercial properties		
Tessin	Lugano Via Carona 6	4.730.000,00
Total		9.286.000,00

Forward sales

Two lots in buildings divided by floors in the Via In Selva 17 block in Locarno were the subject of forward sales. The deeds were signed in December 2016 in a total amount of CHF 1,480,000.00. The ownership of each of the two buildings will be transferred by the third quarter of 2017.

Analysis of mortgage debt

	Principal in CHF	Interest rate Annual	Loan date	Maturity	Interest rate basis and frequency
Long-term undertakings of between one and five years	14.130.000,00	1,100%	31.12.2013	31.12.2017	FIX
	2.000.000,00	0,500%	22.04.2016	23.04.2019	FIX
	8.520.000,00	0,500%	18.05.2016	20.05.2019	FIX
Long-term undertakings of over five years	8.640.000,00	1,850%	30.06.2014	01.07.2024	FIX
	33.290.000,00	1,105% (weighted average rate)			

Information on the effective rate of remuneration and ancillary costs

Remuneration of management company	Maximum contractual rate	Rate applied
For management fee	§ 19 of the fund contract	1.00%
For issuing commission	§ 18 of the fund contract	5.00%
For redemption fee	§ 18 of the fund contract	5.00%
For property purchases or sales	§ 19 of the fund contract	5.00%
For property management	§ 19 of the fund contract	6.00%
Remuneration of custodian bank		
For securities custody, unsecured mortgage certificates and real estate equities	§ 19 of the fund contract	125 CHF
For administration, settlement of payment transactions and supervision of the fund management company	§ 19 of the fund contract	0.05%
For annual product paid to investors	§ 19 of the fund contract	0.50%

Information on the undertakings

Contractual payment undertakings on the day of the closing of the balance for property purchases, the construction mandates and investments in properties

On the day of closing of the balance sheet the ongoing contractual payment undertakings for the construction mandates and the investments in property amounted to a total of almost CHF 3,153,664.63.

Properties



Quartino, via Luserte 2-4



Biasca, via Quinta 53



Bellinzona, via S. Gottardo 58 ABC



Lugano, via Bagutti 26



Lugano, via Beltramina 6-8-10



Lamone, via Carsiné 5



Bellinzona, via Ghiringhelli 18



Lugano, via Fusoni 5



Lugano, via dei Faggi 23



Locarno, via Rovedo 15
via Romerio 12



Minusio, via Simen 58



Monte Carasso, via Mundàsc 2



Paradiso, via Carona 6



Locarno, via in Selva 17



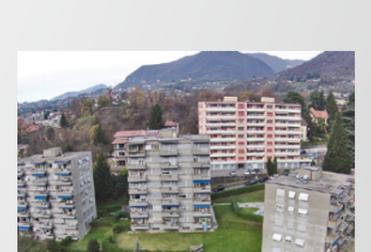
Giubiasco, vie Olgiati / Lugano



Manno, via Cantonale 27



Locarno, via Nessi 38



Vacallo, via Bellinzona 10-11



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