

Audited annual report

December 31, 2018



Residentia,

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

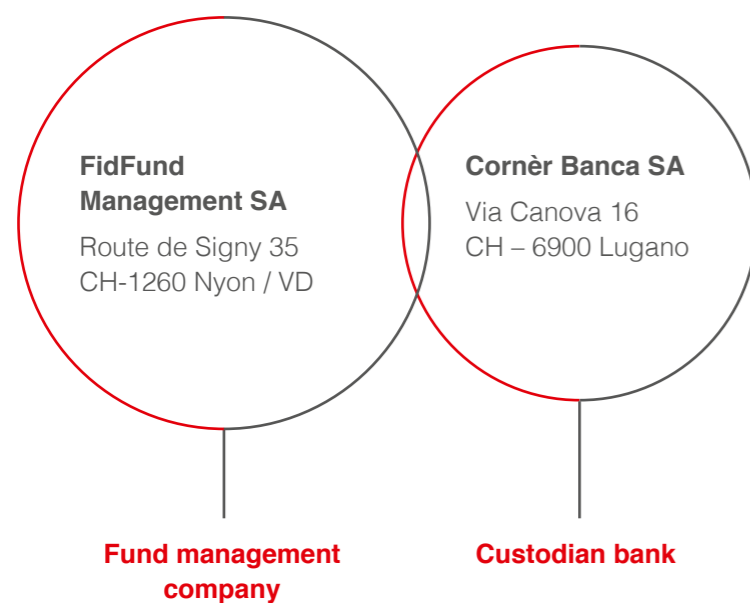
Residentia

+ **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

Jean Berthoud
Olivier-Pierre Vollenweider
Jean-François Abadie
Yves de Coulon
Philippe Bens

Chairman (since 15.02.2018)
Vice Director (since 15.02.2018)
Director (since 15.02.2018)
Director (since 13.04.2018)
Director

Marc Lüthi
Guillaume Fromont
Alain Golaz
Robert Pennone
Didier Brosset
Philippe de Cibeins

Chairman (until 14.02.2018)
Director (until 14.02.2018)
Director (until 14.02.2018)
Director (until 14.02.2018)
Director (until 14.02.2018)
Director (until 14.02.2018)

Fund Management Company

Selda Karaca

Managing Director since 01.06.2018
(Manager from 01.01.2018 to 31.05.2018)

Nicolas Mégevand
Christophe Audousset

Managing Director (until 23.04.2018)
Deputy Director

Investment committee

Lorenzo Orsi
Claudio Genasci

(Without decision-making power)

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

Investment committee advisor

Matteo Pagani

(Without decision-making power)

Studio Fiduciario Pagani SA, Lugano

Valuation experts

Omar Antonelli
Mirko Fasola
Fabio Guerra

Certified architect STS OTIA, Lugano
ES technician, Lugano
MRICS, MSc Real Estate CUREM, Arch. Dipl. EPFL Lausanne

Real estate management

Assofide SA, Locarno
Comafim SA, Lugano
Privera SA, Lugano
Fiduciaria Antonini SA, Lugano (until 31.03.2018)
Multiresidenza SA, Muralto (since 01.04.2018)

Custodian bank

Cornèr Banca SA, Lugano

Auditors

KPMG SA - Rue de Lyon 111, 1203 Genève

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

Total Assets
CHF 242.7M

Total Fund value constant compared to 31/12/17

Annual net rent
+ 17% vs 2017

Rental income increased by CHF 1.45M from 8.47M to 9.92M

Debt ratio
21.67%

Down 1% compared to 2017 and higher margin for purchases at CHF 30M

Vacancy rate
- 22% vs 2017

Average vacancy rate down 11.37% from 2017 to the current 8.79%

Renovation spending
CHF 1.93M

89% increase in investments in renovation and maintenance

Given the challenging market and new scenarios marked by highly aggressive institutional investments driven by negative interest rates, Residentia decided to act decisively. The new acquisitions on the horizon and the strategy adopted by the real estate fund team mean that we can look to the future with confidence.

🏠 The year 2018 was a significant one in terms of Ticino's real estate market, as many of the critical elements announced in previous half-years clearly came to light. The persistence of negative rates, the contracting migration balance and the mass influx of capital from foreign institutional investors paved the way for a shift in the balance of the local real estate market, whose final structure is still in the making. Another important change is tied to the political decision which – at the regional level –

Investment advisor's report

approved the much-anticipated tax breaks for real estate funds, putting the situation in Ticino in line with Switzerland.

In the current situation, we are increasingly confronted with an abundant supply of new housing with rents being revised downwards given the need to attract new tenants. Moreover, the negative cost of money makes returns attractive which would normally be regarded as unjustified for institutional investors. As such, it is likely that trends such as the shortage of housing solutions and the constant increase in rents will become part of the mythology of the real estate sector.

The Residentia fund decided to act well in advance by adopting strategies that address the new market dynamics. This approach can also be seen in the economic results achieved in 2018. As explained in previous half-years, the real estate fund team strengthened its structure by internalising many activities deemed to be strategic so as to better address the emerging needs. For example, we are currently directly monitoring the renovation work and – since last May – we have a second person to deal exclusively with the relocation.

This enables us to contextualise the results achieved by the Residentia real estate fund during 2018.

🏠 Rental income increased by as much as 17% compared to the previous year, rising from less than CHF 8.5M to almost CHF 10M. This increase has brought the profitability of the managed properties up to an actual 4.45%, net of vacant properties and insolvencies – a remarkable achievement in view of

the coming years. Indeed, this growth was thanks to timely renovation and development work on the properties owned by the fund, which reduced the average vacancy rate by 22% compared to 2017. Specifically, the reduction of this parameter amounts to 2.5 percentage points on an annual basis, and 3.68 in the last 6 months alone (8.79% at 31/12/2018 vs 12.47% at 30/6/2018 vs 11.37% at 31/12/2017).

In monetary terms, the positive trend of the vacancy rate led to increased income of approximately CHF 360,000, which is similar to the return of a property of over CHF 7M. This very positive result was thanks to some major investments in apartments and properties, not to mention the contribution of the internal marketing team, which has leased as many as 61 properties since March 2018 when this activity was systematically internalised.

Of the total number of properties currently in the fund's portfolio, currently only three buildings have significant vacancy rates, which are not due to any particular contingent circumstances. Investments in the year just ended were focused in the properties of **Via Mundasc in Montecarasso**, **Via Bellinzona in Vacallo** and **Via Olgiati in Giubiasco**. As for the building on **Via Ghiringhelli in Bellinzona**, which has a rate of over 10%, the situation is tied to renovation and raising work, as well as the strategic decision to proceed with a "PPP" sale. On the other hand, the property acquired in June 2018 on **Via Cantonale in Melide** – with a theoretical profitability of around 5.20% – is made up of two buildings, one of which was completely renovated during the two-year 2017/2018 period while waiting to be fully leased.

While income has significantly increased in the last 12 months, the economic results achieved by

Residentia were largely influenced by the cost items related to renovations and maintenance. Indeed, this entry virtually doubled compared to previous years, rising from approximately CHF 1M in 2017 to the current figure of nearly CHF 2M. The investments made led to increased income from the existing properties and reduced the average vacancy rate, despite an economic environment marked by falling returns and excess supply. The extra effort also paved the way for the fund to face the future with an improved building stock adapted to tenants' needs.

With a total investment of around CHF 1 million, the operations to improve the properties were finalised; here note should be made of the replacement of all windows and doors of the buildings of **Via San Gottardo 41 and 47 in Bellinzona** for a total of approximately CHF 350,000 (of which CHF 165,000 was recorded in 2018 and the remainder in 2019), as well as the installation of Wi-Fi systems in Vacallo and new play areas in various properties. In **Via Olgiati in Giubiasco**, the heating system was replaced, connecting the entire complex to the district heating system powered by the incinerator, with a total expenditure of approximately CHF 85,000.

Alongside these operations, more than 30 apartments owned by the fund (approximately 5% of the entire building stock) underwent renovation work at a total cost of around 1 million francs. For a more detailed evaluation, it is useful to summarise the main interventions.

🏠 At **Via Mundasc in Montecarasso**, with a CHF 750,000 investment, six of the current twenty-eight 4.5-room units were converted into twelve 2.5-

room apartments – a size for which there is a much stronger demand in the current market. In addition to this extraordinary intervention, there were major expenditures such as the installation of new curtains in the lofts, the installation of a new video surveillance system, the "RaSi" (security report) certification for the entire complex and the creation of a new after-school centre, enabling rents to be raised in these properties.

In **Vacallo at Via Bellinzona**, around CHF 300,000 was spent to redo 9 apartments in addition to a series of interventions to make the property more comfortable for families, such as a new play area and the installation of a free Wi-Fi system for all tenants. The total investment in the property therefore totalled approximately CHF 335,000 thousand.

Lastly, significant work was carried out at **Via Bagutti in Lugano**, where around CHF 190,000 was invested to completely renovate two apartments, paint the stairwell and waterproof the terraces. In **Manno at Via Cantonale**, the first round of work has been completed for a total of CHF 100,000 for the creation of a new veterinary centre and wellness area, with an average rent increase of 30%. Lastly, in **Pazzallo at Via dei Faggi**, four apartments were renovated, with a total expenditure of approximately CHF 100,000 also enabling some further minor interventions.

This aggressive investment policy has already yielded tangible benefits, generating an increase in the Residentia Fund's total revenue compared to the previous year, and significantly reducing the portfolio's average vacancy rate. A tangible example is the **Via Fusoni property in Lugano**. The vacancy rate was 10% in 2017, yet thanks to the investments made (CHF 140,000 in 2017 and CHF 57,000 in 2018), this

Investment advisor's report

year's share of vacant apartments fell by 75% (to the current rate of 2.50%), with an almost 10% increase in rental revenues (CHF 359,000 in 2017 vs 394,000 in 2018). The hope is that the results can be replicated to even greater effect in 2019, given the investments made in 2018.

Considering the difficult market and new scenarios marked by very speculative institutional investments

– driven by negative interest rates – the Residentia real estate fund team decided to act decisively. The new acquisitions we are completing and the strategy we are adopting enable us to look to the future with confidence and with the certainty that what we achieved in terms of investments in the last 12 months will generate tangible revenue in the coming half-years and produce greater results than recent years.

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. Lors de l'acquisition / cession d'immeubles, la direction du fonds doit faire préalablement estimer lesdits immeubles. At the time of sale, a new estimate is not required if the existing estimate is not older than three months and if the conditions have not changed considerably.

The evaluation of undeveloped land is carried out according to the principle of effective costs. This evaluation is subject to an annual depreciation test.

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 recognized 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 properties are valued for the real estate fund in accordance with the SFAMA instruction in force regarding the real estate funds.

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 31, 2018

The capitalisation rate is 3.65%.
(Average 10-year swap of the last 4 years: 1.50%; debt ratio: 1.15%; inflation rate: 1.00%)

The discount rates varie between 3.68% (minimum) and 4.48% (maximum), with a weighted average of 3.95%.

Information on matters of particular economic or legal significance

On 10.08.2018, FidFund Management SA, in its capacity as fund manager of the Swiss "Real Estate Funds" contractual fund RESIDENTIA (the "Fund") and Cornèr Banca SA, in its capacity as custodian bank of the Fund, notified investors of the following changes to the prospectus and accompanying fund contract and to the simplified prospectus:

1. Changes to the simplified prospectus

a) Performance of the collective investment product:

The performance chart now includes 2017 and TER Market Value for 2017.

b) Economic information:

The table on economic information has been updated.

c) Experts responsible for estimates

The legal situation of the expert Mirko Fasola, as sole shareholder of MF Valutazioni Immobiliari Sagl, has been mentioned. It is accompanied by a short description of the company.

Lastly, various formal changes have also been made, which do not affect the content of the simplified prospectus (e.g. editorial changes, renumbering, etc.).

2. Changes to the prospectus

a) General information on the management

The share capital and the participation certificates are now held as follows:

The value of the share capital subscribed to by the fund manager has stood at CHF 1 million since 20 June 2008. All the share capital has been held by Banque Bonhôte & Cie since 15 February 2018.

The company also has participation certificates in the sum of CHF 2 million, 55% of which are held by Banque Bonhôte & Cie and 45% by CACEIS (Switzerland) SA.

Since 15 February 2018, the members of the Board of Directors are as follows:

- Mr Jean Berthoud
Chairman
- Mr Olivier Vollenweider
Vice-Chairman
- Mr Philippe Bens
Director
- Mr Jean-François Abadie
Director
- Mr Yves de Coulon
Director (as from 13 April 2018)

The Managing Board of FidFund Management SA consists of:

- Ms Selda Karaca
Managing Director since 01.06.2018
(Manager from 01.01.2018 to 31.05.2018)
- Mr Nicolas Mégevand
Managing Director until 23.04.2018
- Mr Christophe Audousset
Assistant Managing Director

b) Delegation of other specific tasks

The manager Multiresidenza SA was appointed on 1 April 2018.

The manager Fiduciaria Antonini SA will no longer be appointed as from 1 April 2018.

A list of the managers is therefore as follows:

- Assofide SA
Via Luini 3, CH – 6600 Locarno;
- Comafim SA
Corso Elvezia 27, CH – 6900 Lugano;
- Fiduciaria Antonini SA
CH – 6900 Lugano until 31.03.2018;
- Multiresidenza SA,
Viale Verbano 7, CH – 6602 Muralto
- Privera SA
Via Massagno 26, CH - 6900 Lugano.

c) Experts responsible for valuations

The legal situation of the expert Mirko Fasola, as sole shareholder of MF Valutazioni Immobiliari Sagl, has been mentioned. It is accompanied by a short description of the company.

Lastly, various formal changes have also been made, which do not affect the content of the prospectus (e.g. editorial changes, renumbering, etc.).

3. Changes to the investment fund contract

The following material changes (in addition to those mentioned above) have been made to the fund contract to adapt it to the revised provisions of the Federal Act on Collective Investment Schemes ("CISA"), the Collective Investment Schemes Ordinance ("CISO") and the revised model contract for property funds by the Swiss Funds & Asset Management Association ("SFAMA Model"):

Various formal changes have also been made, which do not affect the content of the fund contract (e.g. editorial changes, renumbering, etc.).

4. General information

Investors are informed that certain additional changes, mainly editorial, have also been made to the prospectus and the accompanying fund contract. However, those changes do not affect the rights or obligations of investors.

Subsequent elements:

Transactions, the ownership of which was not transferred before the closing date, are as follows:

- Forward sale of PPE lot 2,
Via in Selva 17, Locarno: CHF 735'000.
- Forward sale of PPE lot 12,
Via in Selva 17, Locarno: CHF 780'000.

Summary figures

| | | 31/12/2017 | 31/12/2018 |
|--|-----|----------------|----------------|
| Total assets | CHF | 242.171.632,29 | 242.708.736,66 |
| Net fund assets | CHF | 186.257.665,38 | 186.288.230,80 |
| Estimated market value of completed properties | CHF | 223.060.000,00 | 233.695.000,00 |
| 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 |
| 31/12/2010 | 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 |
| 31/12/2017 | 1.600.174 | 186.257.665,38 | 116,40 | 2,42 | 0,58 | 3,00 |
| 31/12/2018 | 1.600.174 | 186.288.230,80 | 116,40 | 1,65 | 0,54 | 2,19 |

Above distributions result from annual and semi-annual distributions

Indices calculated according to SFAMA directive

| | 31/12/2018 |
|--|------------|
| Return default rate | 8,79 % |
| Borrowing ratio | 21,67 % |
| Operating profit margin (EBIT) | 40,19 % |
| TER REF GAV | 1,04 % |
| TER REF MV | 1,23 % |
| Return on equity (ROE 01.01.18 - 31.12.2018) | 2,59 % |
| Dividend yield | 2,52 % |
| Distribution ratio | 99,69 % |
| Premium as at 31.12.2018 | 2,15 % |
| Investment return | 2,65 % |
| Return on Invested Capital | 2,27 % |

Performance of the Résidentia Fund (reinvested dividends)

| | 2017 | 2018 ⁽¹⁾ | since launch ⁽²⁾ | accounting period 01.01.18 - 31.12.18 |
|------------------------------|--------|---------------------|-----------------------------|---------------------------------------|
| Residentia | 11,34% | -10,56% | 43,03% | -10,56% |
| SXI Real Estate Funds Index* | 6,60% | -5,32% | 63,84% | -5,32% |

* 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 31.12.2018

² from 1.07.2009 to 31.12.2018 (cumulative performance)

Statement of assets and liabilities

| | 31/12/2017 | 31/12/2018 |
|--|-----------------------|-----------------------|
| | CHF | CHF |
| Assets | | |
| Bank assets | | |
| Demand deposits | 17.250.958,33 | 6.893.410,25 |
| Properties | | |
| Residential properties | 127.900.000,00 | 129.680.000,00 |
| Residential properties with floor-by-floor ownership | 4.360.000,00 | 3.230.000,00 |
| Mixed-use properties | 41.800.000,00 | 49.115.000,00 |
| Commercial properties | 49.000.000,00 | 51.670.000,00 |
| Building plots, including buildings to be demolished and properties under construction | 0,00 | 0,00 |
| Total properties | 223.060.000,00 | 233.695.000,00 |
| Other assets | 1.860.673,96 | 2.120.326,41 |
| Total assets | 242.171.632,29 | 242.708.736,66 |
| Liabilities | | |
| Commitments | | |
| Short-term commitments | | |
| – Short-term mortgage debt | 0,00 | 10.520.000,00 |
| – Short-term other commitments | 3.017.925,91 | 3.471.504,86 |
| Long-term commitments | | |
| – Long-term mortgage debt | 50.810.000,00 | 40.130.000,00 |
| – Long-term other commitments | 0,00 | 0,00 |
| Total liabilities | 53.827.925,91 | 54.121.504,86 |
| Net assets before estimated taxes due in case of liquidation | 188.343.706,38 | 188.587.231,80 |
| Provisions for taxes on unrealised gains | -2.086.041,00 | -2.299.001,00 |
| Net assets | 186.257.665,38 | 186.288.230,80 |

Change in net assets

| | 31/12/2017 | 31/12/2018 |
|--|-----------------------|-----------------------|
| | CHF | CHF |
| Change in net fund assets | | |
| Net fund assets at beginning of accounting period | 138.679.280,64 | 186.257.665,38 |
| Distribution | -3.518.089,09 | -4.800.522,00 |
| Balance of unit transactions | 45.352.534,67 | 0,00 |
| Total net income | 5.743.939,16 | 4.831.087,42 |
| Net fund assets at end of accounting period | 186.257.665,38 | 186.288.230,80 |

| Number of units redeemed and issued | 31/12/2017 | 31/12/2018 |
|--|---------------------|---------------------|
| Change in number of units | | |
| Position at beginning of period | 1.200.713,00 | 1.600.174,00 |
| Units issued | 399.461,00 | 0,00 |
| Units redeemed | 0,00 | 0,00 |
| Position at end of period | 1.600.174,00 | 1.600.174,00 |
| | CHF | CHF |
| Net asset value per unit at end of period | 116,40 | 116,40 |

| Additional information (Art. 68 CISO-FINMA) | 31/12/2017 | 31/12/2018 |
|--|-------------------|-------------------|
| | 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 | 0.00 | 0.00 |

| Income statement | From 01.01.2017 to 31.12.2017 | From 01.01.2018 to 31.12.2018 |
|--|--|--|
| | CHF | CHF |
| Income | | |
| Rental income | 8.472.352,09 | 9.921.179,28 |
| Bank interest | -2,93 | 0,00 |
| Other income | 305.322,96 | 0,00 |
| Other rental income | 171.289,72 | 39.318,07 |
| Income equalization on units issued | 1.104.779,63 | 0,00 |
| Total income | 10.053.741,47 | 9.960.497,35 |
| Expenses | | |
| Mortgage interest | 591.245,82 | 642.886,87 |
| Other interest expense | 4,39 | 0,59 |
| Maintenance and repairs | 1.020.836,41 | 1.934.895,52 |
| Property administration: | | |
| a) Property costs (water, electricity, concierge services, cleaning, insurance, etc.) | 596.546,16 | 923.074,43 |
| b) Administration costs (professional fees and management expenses) | 362.232,73 | 450.511,40 |
| Direct taxes | 1.922.618,79 | 1.272.980,20 |
| Valuation and audit fees | 142.916,30 | 189.647,70 |
| Bank charges | 36.242,36 | 45.551,74 |
| Other expenses (publication, printing, legal costs, etc.) | 71.169,50 | 85.841,52 |
| Statutory compensation for the fund management company | 1.335.222,56 | 1.633.193,67 |
| Statutory compensation for the custodian bank | 74.388,62 | 92.420,34 |
| Allocation(s) to provisions for doubtful debts | 46.233,23 | 29.181,70 |
| Total expenses | 6.199.656,87 | 7.300.185,68 |
| Net income | 3.854.084,60 | 2.660.311,67 |
| Realised gains/losses on investments | 943.735,63 | 855.216,62 |
| Realised gain/loss | 4.797.820,23 | 3.515.528,29 |
| Unrealised gains/losses on investments (change) | 946.118,93 | 1.315.559,13 |
| Profit/loss for the period | 5.743.939,16 | 4.831.087,42 |
| | CHF | CHF |
| Allocation of net income | | |
| Realised gain/loss | 4.797.820,23 | 3.515.528,29 |
| Intermediary dividend | 0,00 | 0,00 |
| Retained earnings | 3.131,00 | 429,23 |
| Income available for distribution | 4.800.951,23 | 3.515.957,52 |
| Income payable to investors | 4.800.951,23 | 3.515.957,52 |
| Capital gains distribution | 928.100,92 | 864.093,96 |
| Income distribution | 3.872.421,08 | 2.640.287,10 |
| Income expected to be paid to investors | 4.800.522,00 | 3.504.381,06 |
| Carried forward | 429,23 | 11.576,46 |

Properties inventory

Rental properties

| Residential Properties | | Cost price in CHF | Estimated market value in CHF | Rent received ¹ in CHF | Gross yield ² | Net yield ³ |
|------------------------|-------------------------------------|-----------------------|-------------------------------|-----------------------------------|--------------------------|------------------------|
| Tessin | Bellinzona | | | | | |
| | Via San Gottardo 58 a/b/c | 8.736.763,38 | 10.200.000,00 | 571.410,30 | 6,13% | 5,60% |
| | Via San Gottardo 47 | 4.573.117,30 | 4.600.000,00 | 233.715,70 | 5,63% | 5,08% |
| | Biasca | | | | | |
| | Via Quinta 53 à 59 | 8.777.892,74 | 9.990.000,00 | 511.302,65 | 5,23% | 5,12% |
| | Via Quinta 45 - 47 | 6.208.037,30 | 6.050.000,00 | 284.654,30 | 4,99% | 4,71% |
| | Giubiasco | | | | | |
| | Viale C. Olgiati 20/1 | 5.396.147,50 | 6.450.000,00 | 298.573,55 | 5,34% | 4,63% |
| | Via Zorzi 2/A | 6.558.735,75 | 6.500.000,00 | 247.787,62 | 4,55% | 3,81% |
| | Locarno | | | | | |
| | Via Nessi 38 | 8.932.413,25 | 10.560.000,00 | 568.022,80 | 5,47% | 5,38% |
| | Via Rovedo 15 - Via P. Romerio 12 | 9.205.550,93 | 10.530.000,00 | 590.570,35 | 5,81% | 5,61% |
| | Lugano | | | | | |
| | Via Beltramina 6 - 8 - 10 | 11.205.662,40 | 12.400.000,00 | 625.095,00 | 5,44% | 5,04% |
| | Via dei Faggi 23 | 10.146.965,90 | 10.750.000,00 | 507.863,00 | 5,05% | 4,72% |
| | Monte Carasso | | | | | |
| | Via Mundasc 2 | 28.835.874,04 | 28.400.000,00 | 1.017.786,35 | 4,50% | 3,58% |
| | Vacallo | | | | | |
| | Via Bellinzona 8-10 - Via Chiesa 11 | 12.825.917,71 | 13.250.000,00 | 611.853,00 | 5,76% | 4,62% |
| Totals | | 121.403.078,20 | 129.680.000,00 | 6.068.634,62 | | |

Residential properties with floor-by-floor ownership

| Residential properties with floor-by-floor ownership | | Cost price in CHF | Estimated market value in CHF | Rent received ¹ in CHF | Gross yield ² | Net yield ³ |
|--|-----------------|---------------------|-------------------------------|-----------------------------------|--------------------------|------------------------|
| Tessin | Locarno | | | | | |
| | Via In Selva 17 | 2.972.763,98 | 3.230.000,00 | - | 0,00% | 0,00% |
| Totals | | 2.972.763,98 | 3.230.000,00 | - | 0,00% | |

Properties inventory

Rental properties

| Residential Properties | | Cost price in CHF | Estimated market value in CHF | Rent received ¹ in CHF | Gross yield ² | Net yield ³ |
|------------------------|------------------------|----------------------|-------------------------------|-----------------------------------|--------------------------|------------------------|
| Tessin | Bellinzona | | | | | |
| | Via C. Ghiringhelli 18 | 5.494.372,73 | 5.750.000,00 | 177.600,40 | 3,98% | 3,09% |
| | Via San Gottardo 41 | 6.043.423,90 | 6.050.000,00 | 313.160,00 | 5,47% | 5,18% |
| | Lugano | | | | | |
| | Via Antonio Fusoni 5 | 7.251.255,05 | 8.200.000,00 | 395.630,50 | 5,34% | 4,82% |
| | Via Bagutti 26 | 11.579.120,42 | 11.900.000,00 | 526.610,00 | 5,02% | 4,43% |
| | Melide | | | | | |
| | Via Cantonale 29-31 | 8.558.467,60 | 8.765.000,00 | 226.831,76 | 5,17% | 2,59% |
| | Minusio | | | | | |
| | Via Rinaldo Simen 58 | 8.238.401,67 | 8.450.000,00 | 328.025,20 | 4,62% | 3,88% |
| Totals | | 47.165.041,37 | 49.115.000,00 | 1.967.857,86 | | |

Commercial properties

| Residential Properties | | Cost price in CHF | Estimated market value in CHF | Rent received ¹ in CHF | Gross yield ² | Net yield ³ |
|------------------------|-----------------------------|----------------------|-------------------------------|-----------------------------------|--------------------------|------------------------|
| Tessin | Gambarogno | | | | | |
| | Via Luserte 2-4 | 11.607.948,35 | 13.500.000,00 | 665.543,40 | 5,46% | 4,93% |
| | Lugano | | | | | |
| | Via Besso 42 | 8.412.078,15 | 8.920.000,00 | 152.800,10 | 2,16% | 1,71% |
| | Via Carona* 6/Paradiso | - | - | 3.730,00 | 0,00% | 0,00% |
| | Manno | | | | | |
| | Via Cantonale 27 | 6.299.572,05 | 6.050.000,00 | 245.444,80 | 5,36% | 4,06% |
| | Mendrisio | | | | | |
| | Via Stefano Franscini 10/12 | 22.227.104,43 | 23.200.000,00 | 817.168,50 | 3,83% | 3,52% |
| Totals | | 48.546.702,98 | 51.670.000,00 | 1.884.686,80 | | |

Summary

| | Cost price in CHF | Estimated market value in CHF | Rent received ¹ in CHF |
|--|-----------------------|-------------------------------|-----------------------------------|
| Residential properties | 121.403.078,20 | 129.680.000,00 | 6.068.634,62 |
| Residential properties with floor-by-floor ownership | 2.972.763,98 | 3.230.000,00 | - |
| Mixed-use properties | 47.165.041,37 | 49.115.000,00 | 1.967.857,86 |
| Commercial properties | 48.546.702,98 | 51.670.000,00 | 1.884.686,80 |
| Totals | 220.087.586,53 | 233.695.000,00 | 9.921.179,28 |

¹ includes rent receivable, excludes prepaid rents² ratio between theoretical rental status and market value (for properties comprising a completed building/building in use)³ ratio between rent received¹ and market value (for properties comprising a completed building/building in use)

Building fire value : 216'170'085.00 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 rate of vacant and building age

| | | Vacant rate | Building age in years |
|--------|--|-------------|-----------------------|
| Tessin | Bellinzona | | |
| | Via San Gottardo 58 a/b/c | 9,72% | 56 |
| | Via San Gottardo 41 | 5,62% | 56 |
| | Via San Gottardo 47 | 0,56% | 60 |
| | Via C. Ghiringhelli 18 | 11,86% | 41 |
| | Biasca | | |
| | Via Quinta 53 à 59 | 1,75% | 35 |
| | Via Quinta 45-47 | 3,36% | 36 |
| | Gambarogno | | |
| | Via Luserte 2-4 | 9,40% | 29 |
| | Giubiasco | | |
| | Viale C. Olgiati 20/1 | 16,50% | 28 |
| | Via Zorzi 2A | 7,94% | 28 |
| | Locarno | | |
| | Via In Selva 17 | 0,00% | 53 |
| | Via Nessi 38 | 0,00% | 55 |
| | Via Rovedo 15 - Via Pietro Romerio 12 | 3,20% | 48 |
| | Lugano | | |
| | Via Beltramina 6 - 8 - 10 | 6,53% | 53 |
| | Via Bagutti 26 | 7,73% | 48 |
| | Via Besso 42 | 0,00% | 123 |
| | Via dei Faggi 23 | 2,65% | 29 |
| | Via Antonio Fusoni 5 | 2,68% | 48 |
| | Manno | | |
| | Via Cantonale 27 | 8,00% | 31 |
| | Melide | | |
| | Via Cantonale 29-31 | 13,18% | 27 |
| | Mendrisio | | |
| | Via Stefano Franscini 10-12 | 1,40% | 25 |
| | Minusio | | |
| | Via Rinaldo Simen 58 | 2,76% | 23 |
| | Monte Carasso | | |
| | Via Mundasc 2 | 19,12% | 24 |
| | Vacallo | | |
| | Via Bellinzona 8-10 - Via F. Chiesa 11 | 13,68% | 38 |

List of asset purchases and sales

Purchases

| Mixed-use properties | | Sales price in CHF |
|----------------------|-------------------------------|---------------------|
| Tessin | Melide Via Cantonale 29-31 | 8.350.000,00 |
| Totals | | 8.350.000,00 |

Sales

| Residential properties with floor-by-floor ownership | | Sales price in CHF |
|--|--|---------------------|
| Tessin | Locarno Via In Selva 17 LOT PPE N°3 | 800.000,00 |
| | Via In Selva 17 LOT PPE N°8 | 785.000,00 |
| | Via In Selva 17 LOT PPE N°9 | 660.000,00 |
| | Via In Selva 17 LOT PPE N°13 | 720.000,00 |
| Totals | | 2.965.000,00 |

| Mixed-use properties | | Sales price in CHF |
|----------------------|--|---------------------|
| Tessin | Minusio Via Rinaldo Simen 58 LOT PPE N°20 | 1.070.000,00 |
| | Via Rinaldo Simen 58 LOT PPE N°21 | 1.385.000,00 |
| Totals | | 2.455.000,00 |

Sales at term

| Residential properties with floor-by-floor ownership | | Sales price in CHF |
|--|---|---------------------|
| Tessin | Locarno Via In Selva 17 LOT PPE N°2 - 30.04.2021 | 735.000,00 |
| | Via In Selva 17 LOT PPE N°12 - 15.04.2019 | 780.000,00 |
| Totals | | 1.515.000,00 |

Analysis of mortgage debt

| | Principal in CHF | Interest rate Annual | Loan date | Maturity | Interest rate basis and frequency |
|---|----------------------|---------------------------------------|-----------|----------|--------------------------------------|
| Short-term commitments below one year | | | | | |
| | 2.000.000,00 | 0,500% | 22/04/16 | 23/04/19 | FIX |
| | 8.520.000,00 | 0,500% | 18/05/16 | 20/05/19 | FIX |
| Long-term commitments from one to five years | | | | | |
| | 3.000.000,00 | 0,600% | 27/04/17 | 27/04/20 | FIX |
| | 3.500.000,00 | 0,600% | 18/05/17 | 18/05/20 | FIX |
| Long-term commitment over five years | | | | | |
| | 500.000,00 | 1,310% | 20/10/17 | 30/04/23 | FIX |
| | 200.000,00 | 1,310% | 20/10/17 | 30/04/23 | FIX |
| | 130.000,00 | 2,400% | 20/10/17 | 31/12/23 | FIX |
| | 2.480.000,00 | 2,400% | 20/10/17 | 31/12/23 | FIX |
| | 2.500.000,00 | 2,400% | 20/10/17 | 31/12/23 | FIX |
| | 8.640.000,00 | 1,850% | 30/06/14 | 01/07/24 | FIX |
| | 3.300.000,00 | 1,350% | 20/10/17 | 30/06/26 | FIX |
| | 880.000,00 | 1,350% | 20/10/17 | 30/06/26 | FIX |
| | 15.000.000,00 | 1,300% | 31/03/17 | 31/03/27 | FIX |
| | 50.650.000,00 | 1,253% (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% | 0,860% |
| For issuing commission | § 18 of the fund contract | 5,00% | n/a |
| For redemption fee | § 18 of the fund contract | 5,00% | n/a |
| For property purchases or sales | § 19 of the fund contract | 5,00% | 0.56% to 4.50% |
| For property management | § 19 of the fund contract | 6,00% | 3.00% to 4.50% |
| For building conversion/renovation/work projects | § 19 of the fund contract | 3,00% | n/a |
| Remuneration of custodian bank | | | |
| For securities custody, unsecured mortgage certificates and real estate equities | § 19 of the fund contract | 125 CHF | 125 CHF |
| For administration, settlement of payment transactions and supervision of the fund management company | § 19 of the fund contract | 0,05% | 0,05% |
| For annual product paid to investors | § 19 of the fund contract | 0,50% | 0,50% |

Informations on commitments

Contractual payment undertakings on the day of the closing of the balance sheet for property purchases, 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 4'085'653.78.

Properties



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