

Audited annual report

December 31, 2017



Residentia,

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

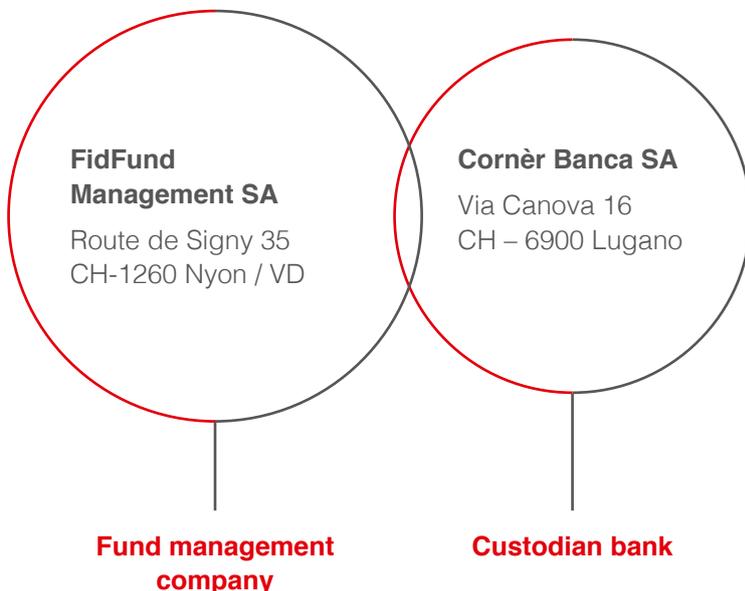
Residentia

+ **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
Christophe Audousset	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 (until 31.03.2017)
Fabio Guerra	MRICS, MSc Real Estate CUREM, Arch. Dipl. EPFL Lausanne (since 14.08.2017)

Real estate management

Assofide SA, Locarno
Comafim SA, Lugano
Privera SA, Lugano
Fiduciaria Antonini 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 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

The activities undertaken in 2017 by Residentia – the real estate fund of Italian-speaking Switzerland – give reason for optimism in terms of the ability to face a potential slowdown in the real estate sector. Ground could even be gained from the competition, thanks to its far-reaching presence on the territory and its interaction with various economic partners, which is a unique aspect of the Ticino-based business.

 First of all, mention should be made of Residentia's financial performance during this intense year 2017. Whilst we have seen significant growth in terms of assets – rising by more than a third compared to 2016, from 177 to 242 million francs – the economic return was only partially achieved. The latest acquisitions generated only a part of the profits, which will actually become fully available during 2018. As such, we are satisfied with a dividend distribution of 3.00 francs per share and with the increased profits achieved over the year (+ 36%), together with cost saving, which saw growth significantly lower than revenues (+ 25%). These positive trends have also been confirmed by the economic indicators, which show an ongoing rise in the EBIT margin, up from 47.90% last year to the current 54.59%. Another highly positive aspect is the steady drop in TER, which fell to 1.17% in late December 2017 – from 1.50% in June 2015 – producing a 22% decrease over the last 5 half-years.

While focusing on the second part of the 2017, the Residentia real estate fund was able to rely on the excellent results achieved during the first half. Specifically, there are three areas where it focused its activities.

.a) Real estate portfolio management

Also in 2017, Residentia oversaw the day-to-day management of its building stock. It has continued to reassess and modernise its housing stock, with specific and timely operations in each individual apartment it owns. In terms of the ordinary running of the real estate portfolio, Residentia's team has become increasingly engaged in the fund's technical and commercial activities. Hiring a technician in particular will make it possible to optimise the timeframes and costs tied to restructuring the apartments. To conclude this look back on 2017, mention can be made of several key events:

Via in Selva, Locarno: the work for the construction of 14 new apartments intended for sale, was completed on schedule in early summer 2017. By the end of the year, 5 apartments were sold and, in the first months of 2018, a further 2 were reserved.

Via Simen, Minusio: the conversion project was successfully completed on time and on budget, which was set at 2.75 million francs. Of the 17 new apartments built, 13 have been rented out and full occupation is expected to be achieved by the start of the summer. Purchase rights have also been signed for the two penthouses, which should be completed by April. Once the sales have been concluded and the work is complete, the property is expected to generate a 5% gross return for the fund.

Via Franscini, Mendrisio: in the second part of 2017, the work site opened for the new residential block with 16 apartments, which will be built behind the existing two. Work will begin in March and should be completed by July 2019, with a total investment of 4.5 million francs.

Investment advisor's report

Via Mundasc, Montecarasso: the building permit application was filed for the new wing of the intergenerational Morenal complex, with an investment of 7 million francs. Once the new building has been built and six duplexes have been converted into 12 new, more modern 2.5-room apartments, the complex should yield a gross return of 5%.

Via Luserte, Gambarogno: a building permit has been granted for a 4,500-m² extension of the Quarto property, doubling its current commercial surface area. Residentia decided to sell the property, which has proven to be counter-strategic for its investment policy, especially after the purchase of the commercial property on Via Besso in Lugano.

b) Capital increase

The second part of the 2017 also saw the fourth capital increase, organised between September and October. The increase has been a great success, generating 47 million francs for the fund and bringing total net assets up to nearly 200 million.

In the last few months of the year, the following properties were able to be purchased:

Via Gottardo 41 – 47, Bellinzona: the two properties are located on two adjacent map sections, in the northern part of the city and on one of the primary roadways, giving it good visibility for businesses and making it strategically located for tenants. Purchased for 10.1 million francs, the two properties consist of 41 apartments and 2 offices, with an annual income of almost 600 thousand francs and major potential for rent increases in the long term.

Via Quinta 45 – 47, Biasca: this property is adjacent to another of the fund's properties and dates back to the 80s, consisting of 27 apartments and 14 external garages. With a purchase price of 6 million francs, annual revenue is expected to be over 300 thousand francs.

Via Besso, Lugano: Via Besso, Lugano: the important historical industrial building – with over 3,000 m² of shopping and craft surface area – is located in the Besso district and was built in the late nineteenth century as a chocolate factory for the Tobler company. It is a unique piece of architecture for the city and, as such, is protected as cultural heritage. The proximity to the railway station and motorway exits raises the appeal of the property, which was acquired by the fund at the price of 7.55 million francs. The aim is to start a restoration and development project with an investment of a further 4 million, starting in the first half of 2018. Once finished, the income potential of the property is expected to be over 600 thousand francs per year, yielding a return of around 5%.

Via Zorzi, Giubiasco: the property is located in the Sagittario district, where the fund already had a 25-unit property. The new property – consisting of 20 residential units and 20 underground parking spaces – was purchased for 6.4 million francs. Potential gross profitability is 5.40%.

In addition to these transactions, Residentia has also entered into talks – which are now at an advanced stage – to acquire further income properties in order to optimise its use of the liquidity produced through the last capital increase.

c) Ticino real estate market

Lastly, in the second half of the 2017, Residentia's team focused on analysing the change in market conditions, which have gradually deteriorated and brought about a major shift in attitudes among all players of the real estate sector. Indeed, we have seen a gradual slowdown in relocation times and a major increase in the vacancy rate of each property. Specifically, some properties owned by the fund now have high vacancy rates, a situation partly linked to the calculation method adopted, which only considers the average situation at the end of the half-year and projects it across the whole year, rather than the actual annual amount of lost rent due to vacancy.

Among Residentia's building stock, particular mention should be made of the high vacancy rates of the properties on Via Ghiringhelli in Bellinzona, where further storeys are currently being built, in Manno (now fully rented), in the Morenal district (affected by the conversion of 6 duplexes into 12 smaller apartments, making them more easily rentable), and in Vacallo, which had several lease terminations and where 7 apartments are currently being restructured, including work in the communal areas such as the building of a new playground. Lastly, it should be pointed out that the shift in the market situation has also affected Lugano.

In light of these developments, Residentia immediately adjusted its strategies. First of all, real estate managers have been more closely involved, with the introduction of rewards for re-leases and the option to propose tenants across the whole building stock of the fund, and not only the properties they manage directly. The internal relocation team has also been

reinforced, which will also be supported externally by sector experts. In December 2017, the ResidentiaCard.ch web portal was launched, which is directed at all tenants of the fund. With a personal card distributed to all tenants who sign up, a number of major benefits will be introduced with various trading partners (**Helvetia, Banca Stato, Corner, Mediamarkt, la Mobiliare**) and public establishments in the properties' immediate vicinity (bars, restaurants, pharmacies, beauty salons, grocery stores, etc.).

This initiative aims to retain all our tenants by giving them tangible benefits, while also promoting the search for new tenants. ResidentiaCard allows all users to report the interest of another person in one of the fund's vacant properties and, if a contract is signed, they will receive a financial reward set at 500 francs.

In light of the projects and activities described above, Residentia's team is confident that the new year will see the fund achieve new ambitious goals, and that the ongoing optimisation of the portfolio will bring investors great satisfaction in terms of income.

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.

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.

DCF valuation model

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, 2017

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 varie between 3.78% (minimum) and 4.50% (maximum), with a weighted average of 4.04%.

Information on matters of particular economic or legal significance

Litigation:

The dispute relating to the lease of a property sold for CHF 112,000 was settled by the payment of such amount to us. With regard to the building located at Via Ghiringhelli 18 in Bellinzona, restitution in favour of the tenant must be obtained from the general contractor responsible for the roof lift expected to be carried out on the building following the water damage caused by the bad weather that took place in the first half of 2017.

On 31.08.2017 FldFund Management SA, as the management company of the Swiss law contractual fund of the “Property Funds” class named RESIDENTIA (the “Fund”), and Cornèr Banca SA, as custodian of the Fund, would like to inform investors of the following amendments to the prospectus with an integrated fund contract and to the simplified prospectus:

1. Amendments to the simplified prospectus

a) Performance of the collective investment of capital

The performance table now takes the 2016 financial year into account.

b) Economic information

The economic information table has been updated.

c) Property valuers

Pascal Brülhart, a BAK-certified international real estate economist, has been replaced by permanent valuer Fabio Guerra after the latter obtained his FIN-MA authorisation on 14 August 2017.

Lastly, various changes of a formal nature that do not affect the contents of the simplified prospectus have also been made (e.g. adjustments to the wording and numbering...).

2. Amendments to the prospectus

a) Investment objectives and policy of the real estate fund

It is specified that the fund distributes each year virtually all its net income.

The strategy relating to collateral and over-the-counter (OTC) transactions has been added. In relation to the latter transactions, it is specified that exchanges of collateral are not planned.

b) Use of financial instrument derivatives

It is specified that the management of the Fund may have recourse to financial instrument derivatives only to hedge market risk, interest rate risk, foreign exchange risk and credit risk.

c) Tax regime (collective investment of capital)

The following amendments have also been made to the simplified prospectus.

- The paragraph on the tax consequences for foreign investors refers expressly to the provisions of the tax laws in force in the jurisdiction of the investor. The tax regime applicable to investors who are tax resident in Switzerland and abroad is covered. Therefore the paragraph on the discharging withholding tax has been deleted.

- The status of the real estate fund has been designated as follows, in accordance with the new Directive of the Federal Tax Authority dated 17 January 2017 entitled *Standard for the automatic exchange of financial account information, Common Reporting Standard*.

Information on matters of particular economic or legal significance

- **Automatic international exchange of information in tax matters (automatic exchange of information):** this real estate fund is defined as a non-reporting financial institution for the purposes of the automatic exchange of information within the meaning of the Common Standard on Reporting and Due Diligence for financial account information (CSR) of the Organisation for Economic Cooperation and Development (OECD).

- **FATCA:** the real estate fund is registered with the US tax authorities as a "Registered Deemed Compliant Financial Institution" within the meaning of sections 1471–1474 of the US Internal Revenue Code (with the Foreign Account Tax Compliance Act, including the legislation related thereto, being referred to hereinafter as "FATCA").

d) General information on management

The management of FidFund Management SA was modified pursuant to a reordering of roles on 5 January 2017:

- Nicolas Mégevand, Chief Executive
- Christophe Audousset, Deputy Director

e) Partial delegation of other tasks

The property company Fiduciaria Antonini SA was added to the following list of property companies::

- Assofide SA, Via Luini 3, CH – 6600 Locarno;
- Comafim SA, Corso Elvezia 27, CH – 6900 Lugano;
- Fiduciaria Antonini SA, CH – 6900 Lugano;
- Privera SA, Via Massagno 26, CH - 6900 Lugano.

f) Information on the custodian

It has been added that recourse to third-party custodians means that the management of the Fund no longer holds exclusive title to the deposited securities but only co-title. Furthermore, if third-party and central custodians are not subject to regulation, they are not required to satisfy the organisational requirements imposed on Swiss banks.

Lastly, the paragraph on the liability of the bank in the event of a delegation has been redrafted

as follows, avoiding any substantive change: The custodian shall be liable for any damage caused by its corporate officers insofar as it is unable to demonstrate that it exercised the level of diligence required by the circumstances in the context of its selection, investigation and monitoring tasks. This rewording also appears in clause 4(5) of the fund contract.

g) Property valuers

The property valuer Fabio Guerra, who has received his FINMA authorisation to operate as the permanent valuer of the Fund, has been added to the list of valuers, as a replacement for Pascal Brühlhart:

- Omar Antonelli, Arch. Dipl. STS OTIA, Lugano;
- Mirko Fasola, Engineer, Lugano and
- Fabio Guerra, MRICS, MSc Real Estate CUREM, Arch. Dipl. EPFL, Lausanne

A brief summary of his career accompanies his appointment.

h) Other information

Relating to the section entitled "Helpful information":

The reference to the half-yearly distribution of proceeds within four months of the end of the half-year to 31 December 2015 has been removed.

i) Conditions governing the issue and buy-back fund units and trading

It is specified that the management of the Fund is offering new units first to existing investors in accordance with Article 66(1) CISA. This clarification has also been added to the simplified prospectus under the heading "Acquisition and buy-back of units and trading".

It has been specified that Julius Baer & Cie also ensures alongside Corner Banca regular trading of the

units of the real estate fund on a stock exchange.

j) Remuneration and incidental costs

Wording added to the relevant paragraphs: *Payment of commission sharing and grant of rebates.*

These paragraphs have not been substantively amended.

- Total Expense Ratio (TER):

The table has been updated in order to reflect the most recent percentages.

The same amendment has been made to paragraph 3 of the simplified prospectus.

- Wording added: *Commission sharing agreements and soft commissions.*

It is recalled that management has not entered into any commission sharing agreements or soft commission agreements.

- Wording added: *Investments in related collective capital investments.*

It has been added that, when investments are made in collective capital investments which the management of the Fund itself manages directly or indirectly or which are managed by a company to which the management of the Fund is related in the context of joint management or joint control or pursuant to a material direct or indirect participation, no issue or buy-back commission shall be received.

k) Sale restrictions

The only restriction in place applies to offers for sale and sales within the territory of the USA. The relevant paragraph has been replaced by the fol-

lowing: The units of this real estate fund may not be offered for sale or sold or delivered within the USA.

l) Detailed provisions

This section has been deleted as it adds no value in terms of content, given that it refers the reader to the fund contract. Lastly, various changes of a formal nature that do not affect the contents of the prospectus have also been made (e.g. adjustments to the wording and numbering...).

3. Amendments to the investment fund contract

The following material amendments (in addition to those referred to above) have been made to the fund contract in order to reflect the revised provisions of the Collective Investment Schemes Act ("CISA") and the Collective Investment Schemes Ordinance ("CISO") and the revised template real estate fund contract of the Swiss Funds & Asset Management Association ("SFAMA Template"):

Throughout the prospectus and the fund contract the term "financial instrument" has been added before the term "derivatives".

a) III B §12 - Financial instrument derivatives – Commitment I approach

Given that the management of the Fund may have recourse to financial instrument derivatives only to hedge market risk, interest rate risk, foreign exchange risk and credit risk, the drafting of §12 has been amended on the basis of the aforementioned risks and for the remainder in accordance with CISO-FINMA.

As far as §12(4)(c) is concerned, the underlying assets will no longer be used to hedge multiple positions should a market risk exist.

Information on matters of particular economic or legal significance

The text in question has been deleted in accordance with the new stipulations of the SFAMA Template.

b) IV § 16 Calculation of net asset value and recourse to property valuers

Buildings under construction have been valued at market price in accordance with Article 86 CISO-FINMA since 01.01.2016 in the same manner as completed buildings. Undeveloped land is on the other hand valued in accordance with the actual cost principle.

The text shall be replaced with the following: “Undeveloped land shall be valued in accordance with the actual cost principle.

The value of buildings under construction must on the other hand be estimated on the basis of market value. Such valuation shall be subject to an annual depreciation test.”

c) V §19 Remuneration and incidental costs charged to the fund assets

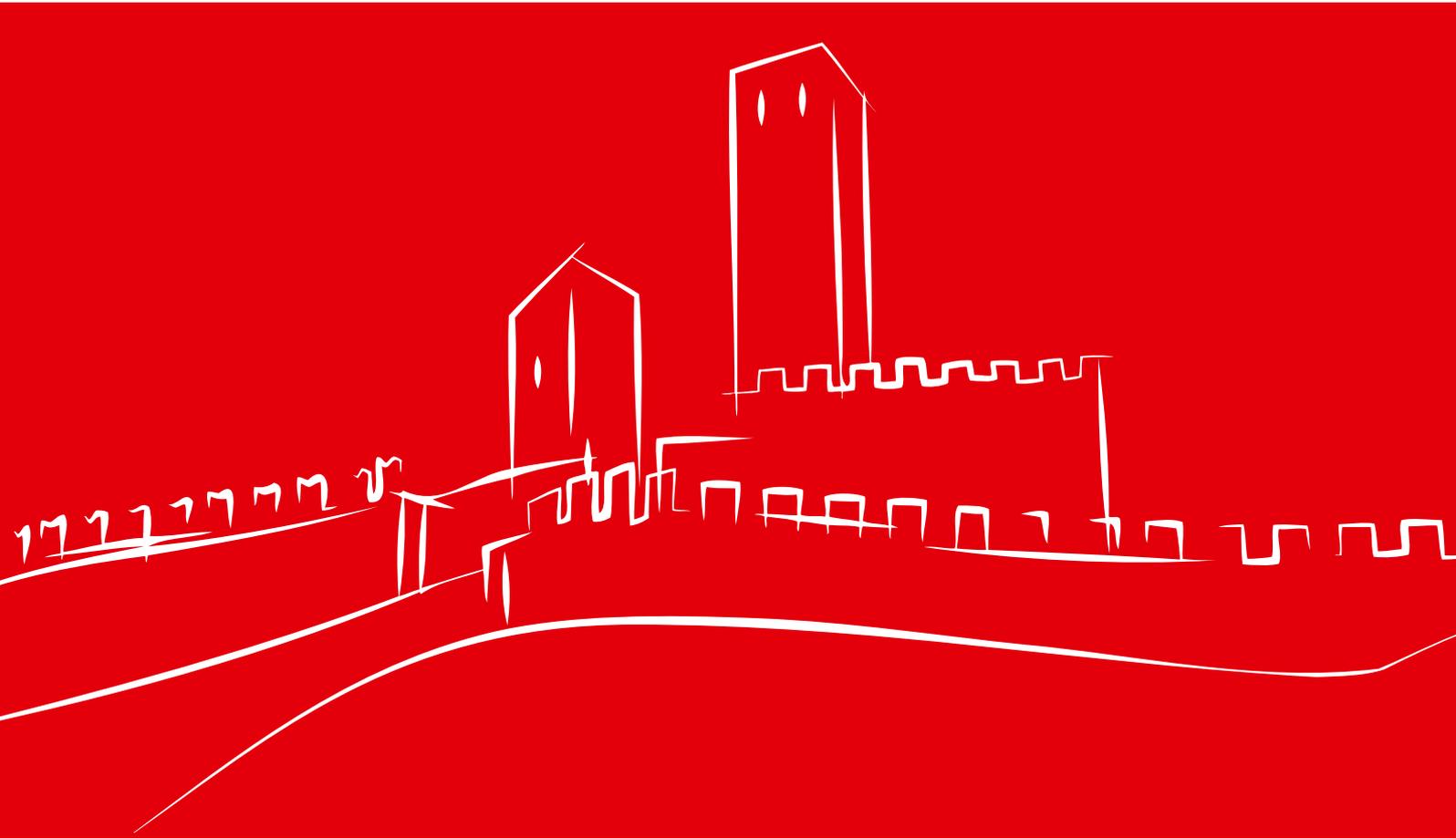
In Chapter 7, the word “marketing” has been replaced by the word “distribution”, with rebates not being viewed as commission sharing; it is specified that no rebates are granted in accordance with section 5.3 of the prospectus: “The management company of the fund and its corporate officers may, in accordance with conditions set out in the prospectus (see section 5.3) agree upon commission sharing arrangements in order to remunerate the distribution of units issued by the real estate fund.

They shall grant no rebate to reduce the expenses and costs payable by investors and allocated to the real estate fund. This indemnity shall make it possible in particular to remunerate the following services: [...]”

Lastly, various changes of a formal nature that do not affect the contents of the fund contract have also been made (e.g. adjustments to the wording and numbering...).

4. General information

Investors are informed that certain additional amendments of a mainly formal nature have also been made to the prospectus and the integrated fund contract. Such amendments do not however affect the rights and obligations of investors.



2018 figures

Summary figures

		31.12.2016	31.12.2017
Total assets	CHF	177.019.307,57	242.171.632,29
Net fund assets	CHF	138.679.280,64	186.257.665,38
Estimated market value of completed properties	CHF	164.420.000,00	223.060.000,00
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
31.12.2017	1.600.174	186.257.665,38	116,40	2,42	0,58	3,00

Above distributions result from annual and semi-annual distributions

Indices calculated according to SFAMA directive

31.12.2017

Return default rate	11,37%
Borrowing ratio	22,78%
Operating profit margin (EBIT)	54,59%
TER REF GAV	0,92%
TER REF MV	1,17%
Return on Equity (ROE 01.01.17 - 31.12.2017)	3,12%
Dividend yield	2,21%
Distribution ratio	99,99%
Premium as at 31.12.2017	16,84%
Investment return	3,34%
Return on Invested Capital	2,37%

Performance of the Résidentia Fund (reinvested dividends)

	2016	2017 ⁽¹⁾	since launch ⁽²⁾	accounting period 01.01.17 - 31.12.17
Residentia	13,68%	11,34%	59,91%	11,34%
SXI Real Estate Funds Index*	6,85%	6,60%	73,04%	6,60%

* 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 31.12.2017

² from 01.07.2009 to 31.12.2017 (cumulative performance)

Statement of assets and liabilities	31.12.2016	31.12.2017
Assets	CHF	CHF
Bank assets		
Demand deposits	11.020.187,44	17.250.958,33
Properties		
Residential properties	122.590.000,00	127.900.000,00
Residential properties with floor-by-floor ownership	4.750.000,00	4.360.000,00
Mixed-use properties	12.750.000,00	41.800.000,00
Commercial properties	24.330.000,00	49.000.000,00
Building plots, including buildings to be demolished and properties under construction	0,00	0,00
Total properties	164.420.000,00	223.060.000,00
Other assets	1.579.120,13	1.860.673,96
Total assets	177.019.307,57	242.171.632,29
Liabilities		
Commitments		
Short-term commitments		
– Short-term mortgage debt	0,00	0,00
– Short-term other commitments	2.792.621,93	3.017.925,91
Long-term commitments		
– Long-term mortgage debt	33.290.000,00	50.810.000,00
– Long-term other commitments	0,00	0,00
Total liabilities	36.082.621,93	53.827.925,91
Net assets before estimated taxes due in case of liquidation	140.936.685,64	188.343.706,38
Provisions for taxes on unrealised gains	-2.257.405,00	-2.086.041,00
Net assets	138.679.280,64	186.257.665,38

Change in net assets	31.12.2016	31.12.2017
Change in net fund assets	CHF	CHF
Net fund assets at beginning of accounting period	112.957.366,46	138.679.280,64
Distribution	-1.600.972,80	-3.518.089,09
Balance of unit transactions	22.010.050,14	45.352.534,67
Total net income	5.312.836,84	5.743.939,16
Net fund assets at end of accounting period	138.679.280,64	186.257.665,38

Number of units redeemed and issued	31.12.2016	31.12.2017
Change in number of units		
Position at beginning of period	1.000.608,00	1.200.713,00
Split	0,00	0,00
Units issued	200.105,00	399.461,00
Units redeemed	0,00	0,00
Position at end of period	1.200.713,00	1.600.174,00
	CHF	CHF
Net asset value per unit at end of period	<u>115,50</u>	<u>116,40</u>

Additional information (Art. 68 CISO-FINMA)	31.12.2016	31.12.2017
	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 statementFrom 01.01.2016
to 31.12.2016From 01.01.2017
to 31.12.2017

Income	CHF	CHF
Rental income	7.141.074,16	8.472.352,09
Bank interest	5,47	-2,93
Other income	25.948,00	305.322,96
Other rental income	66.912,45	171.289,72
Income equalization on units issued	211.610,11	1.104.779,63
Total income	7.445.550,19	10.053.741,47
Expenses		
Mortgage interest	354.413,96	591.245,82
Other interest expense	9,11	4,39
Maintenance and repairs	858.373,01	1.020.836,41
Property administration:		
a) Property costs (water, electricity, concierge services, cleaning, insurance, etc.)	477.297,29	596.546,16
b) Administration costs (professional fees and management expenses)	294.684,20	362.232,73
Direct taxes	1.535.286,00	1.922.618,79
Valuation and audit fees	159.541,58	142.916,30
Bank charges	25.419,59	36.242,36
Other expenses (publication, printing, legal costs, etc.)	39.820,05	71.169,50
Statutory compensation for the fund management company	1.135.397,92	1.335.222,56
Statutory compensation for the custodian bank	62.441,49	74.388,62
Allocation(s) to provisions for doubtful debts	31.443,62	46.233,23
Total expenses	4.974.127,82	6.199.656,87
Net income	2.471.422,37	3854084,60
Realised gains/losses on investments	1.046.279,87	943.735,63
Realised gain/loss	3.517.702,24	4.797.820,23
Unrealised gains/losses on investments (change)	1.795.134,60	946.118,93
Profit/loss for the period	5.312.836,84	5.743.939,16
Allocation of net income		
	CHF	CHF
Realised gain/loss	3.517.702,24	4.797.820,23
Intermediary dividend	0,00	0,00
Retained earnings	3.517,85	3.131,00
Income available for distribution	3.521.220,09	4.800.951,23
Income payable to investors	3.521.220,09	4.800.951,23
Capital gains distribution	1.044.620,31	928.100,92
Income distribution	2.473.468,78	3.872.421,08
Income expected to be paid to investors	3.518.089,09	4.800.522,00
Carried forward	3.131,00	429,23

Properties inventory

Rental properties

Residential Properties		Cost price in CHF	Estimated market value in CHF	Rent received ¹ in CHF	Gross yield ²
Tessin	Bellinzona				
	Via San Gottardo 58 a/b/c	8.736.763,38	10.100.000,00	586.000,97	6,16%
	Via San Gottardo 47	4.473.617,50	4.500.000,00	46.018,45	5,70%
	Biasca				
	Via Quinta 53 à 59	8.775.227,09	9.950.000,00	518.152,30	5,24%
	Via Quinta 45 - 47	6.204.763,65	6.040.000,00	59.915,94	4,99%
	Giubiasco				
	Viale C. Olgiati 20/1	5.342.304,70	6.300.000,00	305.811,00	5,41%
	Via Zorzi 2/A	6.435.266,00	6.400.000,00	-	4,48%
	Locarno				
	Via Nessi 38	8.932.413,25	10.500.000,00	541.174,80	5,50%
	Via Rovedo 15 - Via Pietro Romerio 12	9.163.166,93	10.460.000,00	591.871,80	5,85%
	Lugano				
	Via Beltramina 6 - 8 - 10	11.205.662,40	12.300.000,00	613.160,00	5,53%
	Via dei Faggi 23	10.074.203,60	10.700.000,00	486.226,00	5,06%
	Monte Carasso				
	Via Mundasc 2	27.960.115,83	27.700.000,00	1.240.766,25	4,39%
	Vacallo				
	Via Bellinzona 10-11	12.655.572,11	12.950.000,00	631.892,70	5,62%
Totals		119.959.076,44	127.900.000,00	5.620.990,21	

Residential properties with floor-by-floor ownership		Cost price in CHF	Estimated market value in CHF	Rent received ¹ in CHF	Gross yield ²
Tessin	Locarno				
	Via In Selva 17	4.804.776,73	4.360.000,00	-	0,00%
Totals		4.804.776,73	4.360.000,00	-	

Properties inventory**Rental properties**

Mixed-use properties		Cost price in CHF	Estimated market value in CHF	Rent received ¹ in CHF	Gross yield ²
Tessin	Bellinzona				
	Via C. Ghiringhelli 18	5.414.716,97	5.760.000,00	187.950,00	3,96%
	Via San Gottardo 41	5.961.418,00	6.000.000,00	62.103,05	5,51%
	Lugano				
	Via Antonio Fusoni 5	7.226.581,35	8.100.000,00	358.805,50	5,25%
	Via Bagutti 26	11.530.608,92	11.800.000,00	563.220,00	5,11%
	Minusio				
	Via Rinaldo Simen 58	10.059.884,40	10.140.000,00	192.550,20	3,92%
Totals		40.193.209,64	41.800.000,00	1.364.628,75	

Commercial properties		Cost price in CHF	Estimated market value in CHF	Rent received ¹ in CHF	Gross yield ²
Tessin	Gambarogno				
	Via Luserte 2-4	11.531.022,10	13.600.000,00	613.866,75	5,41%
	Lugano				
	Via Besso 42	7.733.758,25	7.850.000,00	29.383,25	2,60%
	Manno				
	Via Cantonale 27	6.220.763,35	6.050.000,00	170.998,25	5,21%
	Mendrisio				
	Via Stefano Franscini 10/12	20.538.499,15	21.500.000,00	672.484,88	4,45%
Totals		46.024.042,85	49.000.000,00	1.486.733,13	

Summary

	Cost price in CHF	Estimated market value in CHF	Rent received ¹ in CHF
Residential properties	119.959.076,44	127.900.000,00	5.620.990,21
Residential properties with floor-by-floor ownership	4.804.776,73	4.360.000,00	-
Mixed-use properties	40.193.209,64	41.800.000,00	1.364.628,75
Commercial properties	46.024.042,85	49.000.000,00	1.486.733,13
Totals	210.981.105,66	223.060.000,00	8.472.352,09

¹ Includes rent receivable² Ratio between theoretical rental status and market value (for properties comprising a completed building/building in use)

Building fire value: 210'744'585.00 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	4,59%	55
	Via C. Ghiringhelli 18	22,01%	40
	Via San Gottardo 41	6,18%	55
	Via San Gottardo 47	9,87%	59
	Biasca		
	Via Quinta 53 à 59	2,04%	34
	Via Quinta 45-47	0,00%	35
	Gambarogno		
	Via Luserte 2-4	8,06%	28
	Giubiasco		
	Viale C. Olgiati 20/1	7,92%	27
	Via Zorzi 2/A	0,00%	27
	Locarno		
	Via In Selva 17	0,00%	52
	Via Nessi 38	7,48%	54
	Via Rovedo 15 - Via Pietro Romerio 12	4,84%	47
	Lugano		
	Via Beltramina 6 - 8 - 10	13,05%	52
	Via Bagutti 26	11,06%	47
	Via Besso 42	1,17%	122
	Via dei Faggi 23	7,68%	28
	Via Antonio Fusoni 5	9,98%	47
	Manno		
	Via Cantonale 27	38,11%	30
	Mendrisio		
	Via Stefano Franscini 10-12	9,84%	24
	Minusio		
	Via Rinaldo Simen 58	37,73%	22
	Monte Carasso		
	Via Mundasc 2	17,98%	23
	Vacallo		
	Via Bellinzona 10-11	15,58%	37

List of asset purchases and sales**Purchases**

Residential Properties		Purchase price in CHF
Tessin	Bellinzona Via San Gottardo 47	4.330.000,00
	Biasca Via Quinta 45 - 47	6.000.000,00
	Giubiasco Via Zorzi 2A	6.400.000,00
	Totals	16.730.000,00

Commercial properties

Tessin	Gambarogno Via Luserte 2-4	3.665.000,00
	Lugano Via Besso 42	7.550.000,00
	Mendrisio Via Stefano Franscini 10/12	20.000.000,00
	Totals	31.215.000,00

Mixed-use properties

Tessin	Bellinzona Via San Gottardo 41	5.770.000,00
	Totals	5.770.000,00

Totals	53.715.000,00
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Sales

Residential properties		Sale price in CHF
Tessin	Locarno	
	Via In Selva 17 (box n° 17)	650.000,00
	Via In Selva 17 (box n° 16)	830.000,00
	Via In Selva 17 (box n° 11)	555.000,00
	Via In Selva 17 (box n° 15)	600.000,00
	Via In Selva 17 (box n° 19)	600.000,00
Totals		3.235.000,00

Forward sales

Three lots of floor property including two lots numbered 20 and 21 at Via Rinaldo Simen 58, Minusio, and one lot at n°3, Via in Selva, Locarno. The transfers of title are scheduled for 20.04.2018, 30.04.2018 and 30.03.2018 respectively.

Analysis of mortgage debt

	Principal in CHF	Interest rate Annual	Loan date	Maturity	Interest rate basis and frequency
Long-term commitments from one to five years	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
	3.000.000,00	0,600%	27.04.2017	27.04.2020	FIX
	3.500.000,00	0,600%	18.05.2017	18.05.2020	FIX
Long-term commitment over five years	500.000,00	1,310%	20.10.2017	30.04.2023	FIX
	200.000,00	1,310%	20.10.2017	30.04.2023	FIX
	190.000,00	2,400%	20.10.2017	31.12.2023	FIX
	2.520.000,00	2,400%	20.10.2017	31.12.2023	FIX
	2.500.000,00	2,400%	20.10.2017	31.12.2023	FIX
	8.640.000,00	1,850%	30.06.2014	01.07.2024	FIX
	3.300.000,00	1,350%	20.10.2017	30.06.2026	FIX
	940.000,00	1,350%	20.10.2017	30.06.2026	FIX
	15.000.000,00	1,300%	31.03.2017	31.03.2027	FIX
	50.810.000,00	1,255% (weighted average rate)			

Analysis of reimbursed mortgage debt

	Principal in CHF	Interest rate Annual	Loan date	Maturity	Interest rate basis and frequency
	14.130.000,00	1,100%	31.12.2013	31.12.2017	FIX
	14.130.000,00				

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%	0,805%
For issuing commission	§ 18 of the fund contract	5,00%	1,50%
For redemption fee	§ 18 of the fund contract	5,00%	0,00%
For property purchases or sales	§ 19 of the fund contract	5,00%	de 0,47% à 4,20%
For property management	§ 19 of the fund contract	6,00%	de 3,5% à 4,50%
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 928.788,36 CHF.

Properties



Giubiasco, via Olgiati / Lugano



Giubiasco, via Zorzi 2/A



Biasca, via Quinta 53



Biasca, via Quinta 45, 47



Mendrisio, via Franscini 10-12



**Locarno, via Rovedo 15
via Romero 12**



Quartino, via Luserte 2-4



Minusio, via Simen 58



Locarno, via in Selva 17



Locarno, via Nessi 38



Canton
Ticino



Bellinzona, via S. Gottardo 58 ABC



Bellinzona, via Ghiringhelli 18



Lugano, via Beltramina 6-8-10



Bellinzona, via S. Gottardo 41



Lugano, via Fusoni 5



Lugano, via dei Faggi 23



Bellinzona, via S. Gottardo 47



Lugano, via Bagutti 26



Lugano, via Besso 42



Monte Carasso, via Mundàsc 2



Manno, via Cantonale 27



Vacallo, via Bellinzona 10-11



RESIDENTIA



IL FONDO IMMOBILIARE
DELLA SVIZZERA ITALIANA

info@residentia.ch



www.residentia.ch