

RESIDENTIA

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

**Unaudited semi-annual report
June 30, 2014**

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

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

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

The real estate fund is not divided into unit classes.

Fund management company

FidFund Management SA

Chemin de Précossy 11
CH-1260 Nyon / VD

Custodian bank

Cornèr Banca SA

Via Canova 16
CH – 6900 Lugano

FidFund Management SA

Board of Directors

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

Fund Management Company

François Arnaud	Managing Director (until March 31, 2014)
Christophe Audousset	Managing Director (since April 1 st , 2014)
Nicolas Mégevand	Deputy Director

Investment committee

(Without decision-making power)

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

Investment committee advisor

(Without decision-making power)

Matteo Pagani	Studio Fiduciario Pagani SA, Lugano
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Valuation experts

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

Real estate management

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

Custodian bank

Cornèr Banca SA, Lugano

Auditors

KPMG SA
Rue de Lyon 111, 1203 Genève

Promoters

Studio Fiduciario Pagani SA
Banca dello Stato des Cantone Ticino

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

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

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

Investment advisor's management report

For the RESIDENTIA real estate fund, the first half of 2014 was devoted to a careful analysis of the existing real estate portfolio. Having made several major purchases in previous quarters, we should now have come to the end of the real estate fund's initial expansion phase. In the two years from January 2012, we invested in six new properties with a combined value of over CHF 50 million. The average property value is just over CHF 9 million, with average annual income in excess of CHF 550,000. Before going further with the targeted growth policy, which reflects the fund's strategy, we felt it would be wise to reorganise and streamline our real estate portfolio. The review has resulted in the recent disposals of properties that are no longer suitable and do not generate sufficient income for the fund.

In February, we completed the sale of a building containing six units in the centre of Chiasso, a property at the limit of the weighting requirements (4% of total fund income) with no further potential for rental income generation (latent income potential: CHF 3,000 per annum). The transaction has generated significant capital gains and an IRR value of 6.50%, which has allowed us to adjust the fund's debt levels and give the green light to new construction projects.

In June, as part of the streamlining process, we agreed to sell a building plot with planning permission to construct a block containing ten apartments, for which a call for tenders has been issued. The sale was arranged when we realised that the construction project would not have guaranteed enough revenue to meet the fund's minimum income target. The transaction has generated an operating profit in excess of CHF 150,000.

In tandem with these disposals, the fund has maintained its policy of gradually renewing the real estate portfolio. In March, we successfully completed a major renovation of the Via Beltramina property in Lugano. The project began in autumn 2013 and involved completely refurbishing the interior of the strategically-located Lugano property, comprising three blocks with 50 units. As well as modernising the individual apartments and improving functionality, the project added a further 14 parking spaces which will boost the total rental income from the property. By the end of June, less than three months after the work was completed, two-thirds of the building had been let. An additional seven apartments were let in July, leaving just ten units still vacant.

As part of the streamlining process, two other projects designed to exploit the full potential of our properties are at an advanced stage for Via Ghiringelli in Bellinzona and Via Quinta in Biasca.

The architectural designs for adding an extra floor to the current Via Ghiringelli building with four new apartments are ready. A number of different construction solutions are currently under consideration with a view to maximising the return on the planned investment. The details of the Biasca project are currently being hammered out. We plan to add a new building (15 Residential units) to exploit the plot's full potential. We are confident that we will obtain planning permission in autumn 2014.

Our new financial analysis software allows us to constantly monitor developments in the RESIDENTIA real estate portfolio and improve total fund returns by taking targeted and timely action. As a result, we have consistently increased average portfolio returns, which are now in excess of 5.30%, with an average vacancy rate of 5%. The vacancy rate has been significantly affected by the refurbishment of Via Beltramina – a property that makes up more than 12% of the total portfolio. By contrast, current management expenditure for the properties in the last quarter came in at 11%, confirming the value of the work done by our property managers.

In view of the fund's financial performance, we plan to pay a dividend of CHF 16.90, which reflects the net rental income from the properties and the profit from the sale of the Giubiasco plot. Given that the Via Beltramina property was completely vacant for three months during the restructuring work, which reduced income by approximately CHF 180,000, the component of the dividend generated by rental income for the year will be approximately 3.06%.

In the coming months, we hope to complete the internal reorganisation of the real estate portfolio through targeted sales of properties that no longer match the new fund approach. We aim to be ready for a new growth phase in early 2015 together with a capital increase that will allow us to extend the fund's activities in Italian-speaking Switzerland.

In terms of treasury management, we have decided to make the most of the opportunity offered by the fall in mortgage rates to fix the rate for one quarter of current debt at 1.85% for ten 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.

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 30 June 2014

The capitalisation rate is 3.90%. (Average 10-year swap of the last 4 years: 2.0%; debt ratio: 1.20%; inflation rate: 0.70%)
The discount rates vary between 3.93% (minimum) and 4.64% (maximum), with a weighted average of 4.17%.

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Summary figures

		June 30, 2013	June 30, 2014
Total assets	CHF	100'466'282.33	112'361'625.61
Net fund assets	CHF	74'989'635.23	75'552'757.44
Estimated market value of completed properties	CHF	94'416'000.00	108'572'000.00
Estimated market value of properties under construction (including land)	CHF	3'850'000.00	0.00

	Units outstanding	Net assets CHF	Net asset value per unit CHF	Net income distribution CHF	Capital gains distribution CHF	Total CHF
31.12.2009	39'938	40'261'902.07	1'008.10	4.48	0.00	4.48
31.12.2010	39'938	41'337'560.47	1'035.05	9.35	0.00	9.35
31.12.2011	39'938	41'623'094.82	1'042.20	19.75	0.00	19.75
31.12.2012	68'388	75'113'699.44	1'098.35	24.42	0.00	24.42
31.12.2013	68'388	76'010'399.74	1'111.45	34.37	0.00	34.37
30.06.2014	68'388	75'552'757.44	1'104.75	14.62	2.28	16.90

Indices calculated according to SFA directive

	June 30, 2014
Return default rate.....	7.08 %
Borrowing ratio	31.66 %
Operating profit margin (EGIT).....	51.21 %
TER _{REF} GAV.....	1.08 %
TER _{REF} NAV.....	1.62 %
Return on equity (ROE 01.01 - 30.06.2014).....	1.08 %
Dividend yield	1.73 %
Distribution ratio	100.00 %
Discount as at 30.06.2014.....	2.60 %
Investment return.....	1.06 %

Performance of the Résidentia Fund (dividends reinvested)

	2013	2014 ⁽¹⁾	since launch ⁽²⁾	accounting period 01.01.14 - 30.06.14
Residentia	-1.15%	1.76%	17.15%	1.76%
SXI Real Estate Funds Index*	-2.77%	4.82%	32.95%	4.82%

* 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 30.06.2014

² from 1.07.2009 to 30.06.2014 (cumulative performance)

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Statement of assets and liabilities

	30.06.2013	30.06.2014
	CHF	CHF
Assets		
Bank assets		
Demand deposits	1'148'093.69	1'128'907.32
Properties		
Residential properties	55'015'000.00	71'070'000.00
Residential properties with floor-by-floor ownership	5'230'000.00	3'295'000.00
Mixed-use properties	27'971'000.00	23'140'000.00
Commercial properties	6'200'000.00	11'067'000.00
Building plots, including buildings to be demolished and properties under construction	3'850'000.00	0.00
Total properties	98'266'000.00	108'572'000.00
Other assets	1'052'188.64	2'660'718.29
Total assets	100'466'282.33	112'361'625.61
Liabilities		
Commitments		
Mortgage debt	22'370'000.00	34'370'000.00
Other commitments	2'011'040.10	1'254'178.17
Total liabilities	24'381'040.10	35'624'178.17
Net assets before estimated taxes due in case of liquidation	76'085'242.23	76'737'447.44
Estimation des impôts dus en cas de liquidation	-1'095'607.00	-1'184'690.00
Net assets	74'989'635.23	75'552'757.44

Change in net assets

Change in net fund assets	CHF	CHF
Net fund assets at beginning of accounting period	75'113'699.44	76'010'399.74
Distribution	-1'083'949.80	-1'274'752.32
Balance of unit transactions	0.00	0.00
Total net income	959'885.59	817'110.02
Net fund assets at end of accounting period	74'989'635.23	75'552'757.44

Number of units redeemed and issued

Change in number of units

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

Net asset value per unit at end of period	CHF	1'096.55	1'104.75
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		30.06.2013	30.06.2014
		CHF	CHF
Additional information (Art. 68 CISO-FINMA)			
Balance of property depreciation account	CHF	0.00	0.00
Balance of provision account for future repairs	CHF	0.00	0.00
Number of units presented for redemption for the end of the following period		0	0

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Income statement

	From 01.01.13 to 30.06.13	From 01.01.14 to 30.06.14
	CHF	CHF
Income		
Rental income	2'443'220.00	2'665'186.20
Bank interest	487.88	429.40
Other rental income	6'667.00	12'876.80
Total income	2'450'374.88	2'678'492.40
Expenses		
Mortgage interest	57'301.59	130'823.11
Other interest expense	0.00	0.00
Maintenance and repairs	162'508.72	290'867.55
Property administration:		
a) Property costs (water, electricity, concierge services, cleaning, insurance, etc.)	123'887.33	196'182.05
b) Administration costs (professional fees and management expenses)	84'740.35	97'557.50
Direct taxes	430'511.31	469'997.52
Valuation and audit fees	49'631.45	69'199.94
Bank charges	10'178.37	12'188.86
Other expenses (publication, printing, legal costs, etc.)	4'478.20	17'887.60
Statutory compensation for the fund management company	357'259.96	359'966.53
Statutory compensation for the custodian bank	18'624.08	18'846.42
Allocation(s) to provisions for doubtful debts	76'060.40	14'716.46
Total expenses	1'375'181.76	1'678'233.54
Net income	1'075'193.12	1'000'258.86
Realised gains/losses on investments	350'000.00	156'567.40
Realised gain/loss	1'425'193.12	1'156'826.26
Unrealised gains/losses on investments (change)	-465'307.53	-339'716.24
Profit/loss for the period	959'885.59	817'110.02
Allocation of net income	CHF	CHF
Realised gain/loss	1'075'193.12	1'156'826.26
Retained earnings	668.72	160.55
Income available for distribution	1'075'861.84	1'156'986.81
Income payable to investors	1'075'861.84	1'156'986.81
Capital gains distribution	0.00	155'924.64
Income distribution	1'075'743.24	999'832.56
Income expected to be paid to investors	1'075'743.24	1'155'757.20
Carried forward	118.60	1'229.61

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Properties inventory

Rental properties

		Cost price in CHF	Estimated market value in CHF	Rent received ¹ in CHF	Gross yield ²
Residential Properties					
Tessin	Bellinzona				
	Via San Gottardo 58 a/b/c	8'565'226.49	9'480'000.00	259'956.90	6.29%
	Biasca				
	Via Quinta 53 à 59	8'692'482.54	9'710'000.00	258'613.45	5.38%
	Giubiasco				
	Viale C. Olgiati 20/1	5'312'096.55	6'100'000.00	163'070.00	5.49%
	Locarno				
	Via In Selva 17	2'572'787.25	2'700'000.00	41'898.00	3.07%
	Via Nessi 38	8'674'549.65	9'980'000.00	283'332.35	5.47%
	Via Rovedo15-Via Pietro Romerio 12	9'025'676.05	9'400'000.00	288'066.45	6.26%
	Lugano				
	Via Beltramina 6 - 8 - 10	10'720'679.50	11'000'000.00	123'185.00	5.79%
	Vacallo				
	Via Bellinzona 10-11	12'561'895.20	12'700'000.00	341'448.00	5.63%
	Total	66'125'393.23	71'070'000.00	1'759'570.15	

Residential properties with floor-by-floor ownership

Tessin	Chiasso				
	Via Lavizzari 2			15'987.85	
	Lamone				
	Via Carsiné 5 / 5a	3'167'525.48	3'295'000.00	88'183.20	5.35%
	Total	3'167'525.48	3'295'000.00	104'171.05	

Mixed-use properties

Tessin	Bellinzona				
	Via C. Ghiringhelli 18	4'190'817.69	4'460'000.00	114'930.00	5.46%
	Lugano				
	Via Antonio Fusoni 5	7'032'346.15	7'230'000.00	200'720.00	5.55%
	via Bagutti 26	11'385'390.90	11'450'000.00	282'535.00	5.05%
	Total	22'608'554.74	23'140'000.00	598'185.00	

Commercial properties

Tessin	Manno				
	Via Cantonale 27	6'159'217.25	6'180'000.00	112'970.00	4.57%
	Lugano				
	Via Carona 6	4'638'592.00	4'887'000.00	90'290.00	4.51%
	Total	10'797'809.25	11'067'000.00	203'260.00	

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Summary

	Cost price en CHF	Estimated market value en CHF	Rent received ¹ en CHF
Residential properties	66'125'393.23	71'070'000.00	1'759'570.15
Residential properties with floor-by-floor ownership	3'167'525.48	3'295'000.00	104'171.05
Mixed-use properties	22'608'554.74	23'140'000.00	598'185.00
Commercial properties	10'797'809.25	11'067'000.00	203'260.00
Totals	102'699'282.70	108'572'000.00	2'665'186.20

1. includes rent receivable

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

Building fire value : CHF 114'385'271

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

Information on rate of vacant and building age

	Vacant rate	Building age in years
Tessin		
Lugano		
Via Beltramina 6 - 8 - 10	24.79%	49
Via Antonio Fusoni 5	0.13%	44
Via Carona 6	6.15%	64
via Bagutti 26	2.14%	44
Bellinzona		
Via San Gottardo 58 a/b/c	10.93%	52
Via C. Ghiringhelli 18	8.33%	37
Manno		
Via Cantonale 27	13.85%	27
Locarno		
Via In Selva 17	1.30%	49
Via Nessi 38	1.65%	51
Via Rovedo15-Via Pietro Romerio 12	0.00%	44
Lamone		
Via Carsiné 5 / 5a	0.00%	44
Giubiasco		
Viale C. Olgiati 20/1	3.05%	24
Biasca		
Via Quinta 53 à 59	0.00%	31
Vacallo		
Via Bellinzona 10-11	3.98%	34

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List of asset purchases and sales

Purchases

No transactions for the period from 1 January 2014 to 30 June 2014.

Sales

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

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Principal	Interest rate	Loan date	Maturity	Interest rate basis and frequency
in CHF	Annual			
800'000.00	0.520%	30.03.2012	30.03.2015	Libor 3 months CHF
2'400'000.00	0.520%	30.03.2012	30.03.2015	Libor 3 months CHF
8'400'000.00	0.520%	28.09.2012	28.06.2015	Libor 3 months CHF
14'130'000.00	1.100%	31.12.2013	31.12.2017	Fixed
8'640'000.00	1.850%	30.06.2014	30.06.2024	Fixed
34'370'000.00	1.093%	(weighted average rate)		

Analysis of payed off mortgage debt

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

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Information on the effective rate of remuneration and ancillary costs

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

* No transaction between 01.01.2014 and 30.06.2014