

RMR F.I.R.E. Fund  
Form N-CSRS  
August 21, 2006

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number: 811-21616

**RMR F.I.R.E. FUND**

(Exact name of registrant as specified in charter)

**400 CENTRE STREET  
NEWTON, MASSACHUSETTS 02458**  
(Address of principal executive offices)(Zip code)

**(Name and Address of Agent for Service)**

Thomas M. O'Brien, President  
RMR F.I.R.E. Fund  
400 Centre Street  
Newton, Massachusetts 02458

**Copy to:**

**Robert N. Hickey, Esq.**  
Sullivan & Worcester LLP  
1666 K Street, NW  
Washington, DC 20006

**Thomas J. Reyes, Esq.**  
State Street Bank and Trust Company  
One Federal Street, 9th Floor  
Boston, Massachusetts 02110

Registrant's telephone number, including area code: **(617) 332-9530**

Date of fiscal year end: December 31

Date of reporting period: June 30, 2006

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**Item 1. Reports to Shareholders.**

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**SEMI-ANNUAL REPORTS**  
**JUNE 30, 2006**



**RMR Real Estate Fund**

**RMR Hospitality and Real Estate Fund**

**RMR F.I.R.E. Fund**

**RMR Preferred Dividend Fund**

**RMR Asia Pacific Real Estate Fund**

About information contained in this report:

**PERFORMANCE DATA IS HISTORICAL AND REFLECTS HISTORICAL EXPENSES AND HISTORICAL CHANGES IN NET ASSET VALUE. HISTORICAL RESULTS ARE NOT INDICATIVE OF FUTURE RESULTS.**

**IF RMR ADVISORS HAD NOT WAIVED FEES OR PAID ALL OF EACH FUND'S ORGANIZATIONAL COSTS AND A PORTION OF EACH FUND'S OFFERING COSTS, EACH FUND'S RETURNS WOULD HAVE BEEN REDUCED.**

**PLEASE CONSIDER THE INVESTMENT OBJECTIVES, STRATEGIES, RISKS, CHARGES AND EXPENSES BEFORE INVESTING IN ANY OF THE FUNDS. AN INVESTMENT IN EACH FUND'S SHARES IS SUBJECT TO MATERIAL RISKS, INCLUDING BUT NOT LIMITED TO THOSE DESCRIBED IN EACH FUND'S PROSPECTUS, THE REGISTRATION STATEMENTS AND OTHER DOCUMENTS FILED WITH THE SEC. FOR MORE INFORMATION ABOUT ANY OF OUR FUNDS PLEASE VISIT [WWW.RMRFUNDS.COM](http://WWW.RMRFUNDS.COM) OR CALL OUR INVESTOR RELATIONS GROUP AT 1-866-790-3165.**

**NOTICE CONCERNING LIMITED LIABILITY**

THE DECLARATIONS OF TRUST OF RMR REAL ESTATE FUND, RMR HOSPITALITY AND REAL ESTATE FUND, RMR F.I.R.E. FUND, RMR PREFERRED DIVIDEND FUND AND RMR ASIA PACIFIC REAL ESTATE FUND, COPIES OF WHICH, TOGETHER WITH ALL AMENDMENTS AND SUPPLEMENTS THERETO, ARE DULY FILED IN THE OFFICE OF THE SECRETARY, CORPORATIONS DIVISION, OF THE COMMONWEALTH OF MASSACHUSETTS, PROVIDE THAT THE NAMES "RMR REAL ESTATE FUND", "RMR HOSPITALITY AND REAL ESTATE FUND", "RMR F.I.R.E. FUND", "RMR PREFERRED DIVIDEND FUND" AND "RMR ASIA PACIFIC REAL ESTATE FUND" REFER TO THE TRUSTEES UNDER THE DECLARATIONS COLLECTIVELY AS TRUSTEES, BUT NOT INDIVIDUALLY OR PERSONALLY, AND THAT NO TRUSTEE, OFFICER, SHAREHOLDER, EMPLOYEE OR AGENT OF ANY OF THE FUNDS SHALL BE HELD TO ANY PERSONAL LIABILITY, JOINTLY OR SEVERALLY, FOR ANY OBLIGATION OF, OR CLAIM AGAINST, ANY OF THESE FUNDS. ALL PERSONS DEALING WITH ANY OF THE FUNDS IN ANY WAY, SHALL LOOK ONLY TO THE ASSETS OF THAT FUND WITH WHICH HE OR SHE MAY DEAL FOR THE PAYMENT OF ANY SUM OR THE PERFORMANCE OF ANY OBLIGATION.

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**RMR Funds**

**June 30, 2006**

*To our shareholders,*

We are pleased to present you with our 2006 semi annual report for five funds:

RMR Real Estate Fund (AMEX: RMR), which began operations in December 2003, beginning on page 2;

RMR Hospitality and Real Estate Fund (AMEX: RHR), which began operations in April 2004, beginning on page 16;

RMR F.I.R.E. Fund (AMEX: RFR), which began operations in November 2004, beginning on page 31;

RMR Preferred Dividend Fund (AMEX: RDR), which began operations in May 2005, beginning on page 46; and

RMR Asia Pacific Real Estate Fund (AMEX: RAP), which began operations in May 2006, beginning on page 59.

Affiliates of our management team wasted no time becoming fellow shareholders of RMR Asia Pacific Real Estate Fund, having purchased almost \$1 million of shares at the public offering price of \$20/share. Our management team and their affiliates currently own shares in the RMR Funds with a market value in excess of \$18 million.

We invite you to read through the information contained in this report and to view our website at [www.rmr-funds.com](http://www.rmr-funds.com).

Sincerely,

Thomas M. O'Brien  
President



**RMR Real Estate Fund**

**June 30, 2006**

*To our shareholders,*

In the pages that follow, you will find data summarizing our financial results for the six months ended June 30, 2006, and our financial position as of June 30, 2006.

During the first six months of 2006, our allocation to the sub-sector of specialty real estate investment trusts, or REITs, increased from 4% to 7% of total investments, our largest sub-sector increase. During the same time period, our allocation to the diversified sub-sector decreased from 20% to 18% of total investments, our largest sub-sector decrease. These changes reflect our view of the business environments in these sub-sectors, the strengths and weaknesses of the companies that operate in those sub-sectors and the share prices of individual companies. During the remainder of 2006, we will continue to monitor market conditions and position our portfolio according to our views of market conditions.

For securities that we held continuously during the first six months of 2006, our three best performing investments were the common stocks of Home Properties, Inc., Associated Realty Corp. and Eagle Hospitality Properties Trust, Inc., with total returns during this period of 38%, 34% and 31%, respectively. Our three worst performing investments during the same period were the common stocks of The Mills Corp., U-Store-It and Trustreet Properties, Inc. with negative total returns during the period of 31%, 8% and 6%, respectively.

Thank you for your continued support. For more information, please view our website, at [www.rmrfunds.com](http://www.rmrfunds.com).

Sincerely,

Thomas M. O'Brien  
President

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**RMR Real Estate Fund**

June 30, 2006

**Relevant Market Conditions**

**Real Estate Industry Fundamentals.** The operating environment for real estate companies has improved in 2006. Generally, vacancy rates have been declining and rental rates have been increasing. We expect real estate industry fundamentals to remain strong for the foreseeable future.

**Real Estate Industry Technicals.** We believe demand for real estate securities over the long term will continue to increase. Demographic trends in the U.S. include growth in the over age 50 population. We believe that individuals in that age category tend to focus their investments in higher yielding stocks like REITs. Institutions, too, seem to be increasing their allocations to real estate securities. Both of these are long term positive factors affecting the real estate securities market.

**Fund Strategies, Techniques and Performance**

Our primary investment objective is to earn and pay a high level of current income to our common shareholders by investing in real estate companies. Our secondary investment objective is capital appreciation. There can be no assurance that we will achieve our investment objectives.

During the first six months of 2006, our total return on net asset value, or NAV (including NAV changes and assuming a hypothetical reinvestment of distributions at NAV) was 10.8%. During that same period, the total return for the MSCI US REIT Total Return Index (an unmanaged index of REIT common stocks) was 13.4% and the total return for the Merrill Lynch REIT Preferred Index (an unmanaged index of REIT preferred stocks) was 1.6%. We believe these two indices are relevant to us because our investments, excluding short term investments, as of June 30, 2006, include 69% REIT common stocks and 27% REIT preferred stocks. The S&P 500 Index (an unmanaged index published as Standard and Poor's Composite Index of 500 common stocks) total return for the first six months of 2006 was 2.7%.

**Portfolio holdings by sub-sector as a percentage of investments***(as of June 30, 2006) (unaudited)*

|                        |       |
|------------------------|-------|
| REITs                  |       |
| Diversified            | 18%   |
| Health care            | 14%   |
| Retail                 | 13%   |
| Office                 | 11%   |
| Hospitality            | 10%   |
| Others, less than 10%  | 30%   |
|                        | <hr/> |
| Total REITs            | 96%   |
| Other                  | 2%    |
| Short term investments | 2%    |
|                        | <hr/> |
| Total investments      | 100%  |
|                        | <hr/> |



**RMR Real Estate Fund****Portfolio of Investments** June 30, 2006 (unaudited)

| Company                                    | Shares  | Value        |
|--|---------|--------------|
| <b>Common Stocks 99.6%</b>                 |         |              |
| <b>Real Estate Investment Trusts 96.6%</b> |         |              |
| <i>Apartments 8.6%</i>                     |         |              |
| Apartment Investment & Management Co.      | 30,100  | \$ 1,307,845 |
| Associated Estates Realty Corp.            | 106,400 | 1,319,360    |
| BNP Residential Properties, Inc.           | 200,000 | 3,410,000    |
| Home Properties, Inc.                      | 69,200  | 3,841,292    |
|  |         | <hr/>        |
|  |         | 9,878,497    |
| <i>Diversified 23.7%</i>                   |         |              |
| Centracore Properties Trust                | 22,050  | 545,738      |
| Colonial Properties Trust                  | 117,900 | 5,824,260    |
| Cousins Properties, Inc.                   | 10,300  | 318,579      |
| Crescent Real Estate Equities Co.          | 377,000 | 6,997,120    |
| Duke Realty Corp.                          | 5,000   | 175,750      |
| Entertainment Properties Trust             | 20,400  | 878,220      |
| iStar Financial, Inc.                      | 3,000   | 113,250      |
| Lexington Corporate Properties Trust       | 223,000 | 4,816,800    |
| Liberty Property Trust                     | 22,000  | 972,400      |
| National Retail Properties                 | 309,500 | 6,174,525    |
| Newkirk Realty Trust, Inc.                 | 8,000   | 138,880      |
| Spirit Finance Corp.                       | 17,500  | 197,050      |
| Washington Real Estate Investment Trust    | 300     | 11,010       |
|  |         | <hr/>        |
|  |         | 27,163,582   |
| <i>Health Care 12.7%</i>                   |         |              |
| Cogdell Spencer, Inc.                      | 15,000  | 292,650      |
| Health Care Property Investors, Inc.       | 15,080  | 403,239      |
| Health Care REIT, Inc.                     | 158,600 | 5,543,070    |
| Healthcare Realty Trust, Inc.              | 16,200  | 515,970      |
| Medical Properties Trust, Inc.             | 57,500  | 634,800      |
| Nationwide Health Properties, Inc.         | 262,600 | 5,911,126    |
| OMEGA Healthcare Investors, Inc.           | 83,200  | 1,099,904    |
| Universal Health Realty Income Trust       | 7,000   | 219,450      |
|  |         | <hr/>        |
|  |         | 14,620,209   |
| <i>Hospitality 0.6%</i>                    |         |              |
| Eagle Hospitality Properties Trust, Inc.   | 60,000  | 577,800      |
| Hersha Hospitality Trust                   | 6,100   | 56,669       |
| Highland Hospitality Corp.                 | 7,000   | 98,560       |
|  |         | <hr/>        |
|  |         | 733,029      |

See notes to financial statements and notes to portfolio of investments.

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|   |         |            |
|---|---------|------------|
| <i>Industrial 7.8%</i>                    |         |            |
| AMB Property Corp.                        | 7,100   | \$ 358,905 |
| EastGroup Properties, Inc.                | 4,500   | 210,060    |
| First Industrial Realty Trust, Inc.       | 206,640 | 7,839,922  |
| ProLogis                                  | 11,000  | 573,320    |
|   |         | <hr/>      |
|   |         | 8,982,207  |
| <i>Manufactured Homes 2.1%</i>            |         |            |
| Sun Communities, Inc.                     | 73,900  | 2,403,967  |
| <i>Mortgage 0.8%</i>                      |         |            |
| American Mortgage Acceptance Co.          | 23,500  | 346,390    |
| KKR Financial Corp.                       | 5,000   | 104,050    |
| Newcastle Investment Corp.                | 17,000  | 430,440    |
|   |         | <hr/>      |
|   |         | 880,880    |
| <i>Office 14.0%</i>                       |         |            |
| Columbia Equity Trust, Inc.               | 3,000   | 46,080     |
| Corporate Office Properties Trust         | 11,500  | 483,920    |
| Equity Office Properties Trust            | 152,300 | 5,560,473  |
| Glenborough Realty Trust, Inc.            | 293,000 | 6,311,220  |
| Highwoods Properties, Inc.                | 55,000  | 1,989,900  |
| Maguire Properties, Inc.                  | 46,000  | 1,617,820  |
|   |         | <hr/>      |
|   |         | 16,009,413 |
| <i>Retail 14.7%</i>                       |         |            |
| CBL & Associates Properties, Inc.         | 12,000  | 467,160    |
| Cedar Shopping Centers, Inc.              | 5,000   | 73,600     |
| Equity One, Inc.                          | 5,000   | 104,500    |
| Feldman Mall Properties, Inc.             | 3,000   | 32,880     |
| General Growth Properties, Inc.           | 7,000   | 315,420    |
| Glimcher Realty Trust                     | 88,400  | 2,193,204  |
| Heritage Property Investment Trust        | 198,600 | 6,935,112  |
| New Plan Excel Realty Trust               | 182,780 | 4,512,838  |
| Pennsylvania Real Estate Investment Trust | 10,000  | 403,700    |
| Realty Income Corp.                       | 14,000  | 306,600    |
| Taubman Centers, Inc.                     | 6,000   | 245,400    |
| The Mills Corp.                           | 45,100  | 1,206,425  |
| Urstadt Biddle Properties, Inc.           | 6,800   | 110,772    |
|   |         | <hr/>      |
|   |         | 16,907,611 |

See notes to financial statements and notes to portfolio of investments.

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|  |         |              |
|--|---------|--------------|
| <i>Specialty 9.3%</i>  |         |              |
| Alesco Financial Trust (a)                                     | 500,000 | \$ 5,250,000 |
| Getty Realty Corp.   | 32,600  | 927,144      |
| Trustreet Properties, Inc.                                     | 337,200 | 4,447,668    |
|  |         | <hr/>        |
|  |         | 10,624,812   |
| <i>Storage 2.3%</i>  |         |              |
| Extra Space Storage, Inc.                                      | 880     | 14,291       |
| Sovran Self Storage, Inc.                                      | 50,000  | 2,539,500    |
| U-Store-It Trust   | 5,000   | 94,300       |
|  |         | <hr/>        |
|  |         | 2,648,091    |
| <i>Total Real Estate Investment Trusts (Cost \$98,560,222)</i> |         |              |
|  |         | 110,852,298  |
| <i>Other 3.0%</i>  |         |              |
| American Capital Strategies, Ltd.                              | 41,000  | 1,372,680    |
| Iowa Telecommunication Services, Inc.                          | 55,500  | 1,050,060    |
| Seaspan Corp.  | 48,200  | 1,009,790    |
| <i>Total Other (Cost \$3,236,521)</i>                          |         |              |
|  |         | 3,432,530    |
| <i>Total Common Stocks (Cost \$101,796,743)</i>                |         |              |
|  |         | 114,284,828  |
| <i>Preferred Stocks 37.2%</i>                                  |         |              |
| <i>Real Estate Investment Trusts 37.2%</i>                     |         |              |
| <i>Apartments 2.1%</i>   |         |              |
| Apartment Investment & Management Co., Series G                | 32,800  | 853,128      |
| Apartment Investment & Management Co., Series T                | 60,000  | 1,497,600    |
|  |         | <hr/>        |
|  |         | 2,350,728    |
| <i>Diversified 1.6%</i>  |         |              |
| Colonial Properties Trust, Series D                            | 10,000  | 257,900      |
| Colonial Properties Trust, Series E                            | 62,910  | 1,601,059    |
|  |         | <hr/>        |
|  |         | 1,858,959    |
| <i>Health Care 7.5%</i>  |         |              |
| LTC Properties, Inc., Series F                                 | 160,000 | 3,990,400    |
| OMEGA Healthcare Investors Inc., Series D                      | 160,000 | 4,099,200    |
| Windrose Medical Properties Trust, Series A (b)                | 20,000  | 504,000      |
|  |         | <hr/>        |
|  |         | 8,593,600    |

*See notes to financial statements and notes to portfolio of investments.*

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|  |           |              |
|--|-----------|--------------|
| <i>Hospitality 13.7%</i>                             |           |              |
| Ashford Hospitality Trust, Series A                  | 107,900   | \$ 2,714,764 |
| Eagle Hospitality Properties Trust, Inc., Series A   | 28,000    | 684,600      |
| Equity Inns, Inc., Series B                          | 34,000    | 860,200      |
| FelCor Lodging Trust, Inc., Series A (b)             | 83,000    | 2,024,370    |
| FelCor Lodging Trust, Inc., Series C                 | 49,200    | 1,205,400    |
| Innkeepers USA Trust, Series C                       | 120,000   | 2,964,000    |
| Strategic Hotels & Resorts, Inc., Series B           | 54,500    | 1,353,235    |
| Winston Hotels, Inc., Series B                       | 160,000   | 3,955,200    |
|  |           | <hr/>        |
|  |           | 15,761,769   |
| <i>Manufactured Homes 5.6%</i>                       |           |              |
| Affordable Residential Communities, Series A         | 280,000   | 6,398,000    |
| <i>Mortgage 3.0%</i>                                 |           |              |
| New Century Financial Corp., Series A                | 20,000    | 490,000      |
| RAIT Investment Trust, Series A                      | 125,000   | 2,981,250    |
|  |           | <hr/>        |
|  |           | 3,471,250    |
| <i>Office 0.8%</i>                                   |           |              |
| Alexandria Real Estate Equities, Inc., Series B      | 5,000     | 126,550      |
| Kilroy Realty Corp., Series F                        | 30,000    | 739,200      |
|  |           | <hr/>        |
|  |           | 865,750      |
| <i>Retail 2.9%</i>                                   |           |              |
| CBL & Associates Properties, Inc., Series B          | 20,000    | 1,016,500    |
| Glimcher Realty Trust, Series F                      | 20,000    | 513,800      |
| Glimcher Realty Trust, Series G                      | 50,000    | 1,250,000    |
| The Mills Corp., Series E                            | 7,100     | 163,442      |
| The Mills Corp., Series G                            | 17,000    | 382,500      |
|  |           | <hr/>        |
|  |           | 3,326,242    |
| <i>Total Preferred Stocks (Cost \$42,180,584)</i>    |           | 42,626,298   |
| <i>Short-Term Investments 3.1%</i>                   |           |              |
| <i>Other Investment Companies 3.1%</i>               |           |              |
| SSgA Money Market Fund, 4.75% (c) (Cost \$3,566,088) | 3,566,088 | 3,566,088    |
| Total Investments 139.9% (Cost \$147,543,415)        |           | 160,477,214  |
| Other assets less liabilities 3.7%                   |           | 4,190,924    |
| Preferred Shares, at liquidation preference (43.6)%  |           | (50,000,000) |
| Net Assets applicable to common shareholders 100%    | \$        | 114,668,138  |
| Notes to Portfolio of Investments                    |           |              |

(a) 144A securities. Securities restricted for resale to Qualified Institutional Buyers.

(b) Convertible into common stock.

(c) Rate reflects 7 day yield as of June 30, 2006.

See notes to financial statements.

**RMR Real Estate Fund**  
**Financial Statements**

## Statement of Assets and Liabilities

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**June 30, 2006 (unaudited)**


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*Assets*

|  |                |
|--|----------------|
| Investments in securities, at value (cost \$147,543,415) | \$ 160,477,214 |
| Cash   | 388            |
| Receivable for investment securities sold                | 3,390,811      |
| Dividends and interest receivable                        | 1,130,292      |
| Other assets   | 11,815         |
|  | <hr/>          |
| Total assets   | 165,010,520    |
|  | <hr/>          |

*Liabilities*

|   |         |
|---|---------|
| Payable for investment securities purchased | 89,454  |
| Advisory fee payable                        | 79,369  |
| Distributions payable - preferred shares    | 46,180  |
| Accrued expenses and other liabilities      | 127,379 |
|   | <hr/>   |
| Total liabilities                           | 342,382 |
|   | <hr/>   |

*Preferred shares, at liquidation preference*

|  |            |
|--|------------|
| Auction preferred shares, Series T;<br>\$.001 par value per share; 2,000 shares issued and<br>outstanding at \$25,000 per share liquidation preference | 50,000,000 |
|  | <hr/>      |

*Net assets attributable to common shares*

|  |                |
|--|----------------|
|  | \$ 114,668,138 |
|  | <hr/>          |

*Composition of net assets*

|   |            |
|---|------------|
| Common shares, \$.001 par value per share;<br>unlimited number of shares authorized,<br>6,824,000 shares issued and outstanding | \$ 6,824   |
| Additional paid-in capital  | 96,710,623 |
| Undistributed net investment income   | 318,701    |
| Accumulated net realized gain on investment transactions  | 4,698,191  |
| Net unrealized appreciation on investments  | 12,933,799 |
|   | <hr/>      |

*Net assets attributable to common shares*

|  |                |
|--|----------------|
|  | \$ 114,668,138 |
|  | <hr/>          |

*Net asset value per share attributable to common shares*  
*(based on 6,824,000 common shares outstanding)*

|  |          |
|--|----------|
|  | \$ 16.80 |
|  | <hr/>    |

*See notes to financial statements.*

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**RMR Real Estate Fund**  
**Financial Statements** continued

## Statement of Operations

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**Six Months Ended June 30, 2006 (unaudited)**


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*Investment Income*

|  |              |
|--|--------------|
| Dividends (cash distributions received or due) | \$ 5,491,574 |
| Interest                                       | 142,342      |

|                         |                  |
|-------------------------|------------------|
| Total investment income | <u>5,633,916</u> |
|-------------------------|------------------|

*Expenses*

|                               |         |
|-------------------------------|---------|
| Advisory                      | 689,372 |
| Administrative                | 63,480  |
| Audit and legal               | 62,791  |
| Preferred share remarketing   | 61,642  |
| Custodian                     | 31,896  |
| Shareholder reporting         | 18,065  |
| Compliance and internal audit | 14,901  |
| Trustees' fees and expenses   | 8,344   |
| Other                         | 47,061  |

|                                      |                  |
|--------------------------------------|------------------|
| Total expenses                       | 997,552          |
| Less: expenses waived by the Advisor | <u>(202,757)</u> |

|              |                |
|--------------|----------------|
| Net expenses | <u>794,795</u> |
|--------------|----------------|

|                       |                  |
|-----------------------|------------------|
| Net investment income | <u>4,839,121</u> |
|-----------------------|------------------|

*Realized and unrealized gain on investments*

|   |           |
|---|-----------|
| Net realized gain on investments                                    | 3,672,512 |
| Net change in unrealized appreciation/(depreciation) on investments | 4,006,931 |

|   |                  |
|---|------------------|
| Net realized and unrealized gain on investments | <u>7,679,443</u> |
|---|------------------|

|  |                    |
|--|--------------------|
| Distributions to preferred shareholders from net investment income | <u>(1,108,420)</u> |
|--|--------------------|

|  |                      |
|--|----------------------|
| Net increase in net assets attributable to common shares resulting from operations | <u>\$ 11,410,144</u> |
|--|----------------------|

*See notes to financial statements.*

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**RMR Real Estate Fund**  
**Financial Statements** continued

## Statement of Changes in Net Assets

|  | Six Months<br>Ended<br>June 30,<br>2006 | Year Ended<br>December 31,<br>2005 |
|--|---|------------------------------------|
|  | (unaudited)                             |                                    |
| <hr/>  |   |                                    |
| <i>Increase (decrease) in net assets resulting from operations</i>                               |   |                                    |
| Net investment income  | \$ 4,839,121                            | \$ 4,370,527                       |
| Net realized gain on investments   | 3,672,512                               | 6,758,346                          |
| Net change in unrealized appreciation/(depreciation) on investments                              | 4,006,931                               | (7,347,940)                        |
| Distributions to preferred shareholders from:  |   |                                    |
| Net investment income  | (1,108,420)                             | (667,974)                          |
| Net realized gain on investments   |   | (928,346)                          |
|  | <hr/>                                   | <hr/>                              |
| Net increase in net assets attributable to common shares resulting from operations               | 11,410,144                              | 2,184,613                          |
|  | <hr/>                                   | <hr/>                              |
| Distributions to common shareholders from:   |   |                                    |
| Net investment income  | (3,412,000)                             | (3,702,553)                        |
| Net realized gain on investments   |   | (5,168,647)                        |
|  | <hr/>                                   | <hr/>                              |
| Total increase (decrease) in net assets attributable to common shares                            | 7,998,144                               | (6,686,587)                        |
| <i>Net assets attributable to common shares</i>  |   |                                    |
| Beginning of period  | 106,669,994                             | 113,356,581                        |
|  | <hr/>                                   | <hr/>                              |
| End of period (including undistributed net investment income of \$318,701 and \$0, respectively) | \$ 114,668,138                          | \$ 106,669,994                     |
|  | <hr/>                                   | <hr/>                              |
| <i>Common shares issued and repurchased</i>  |   |                                    |
| Shares outstanding, beginning of period  | 6,824,000                               | 6,824,000                          |
| Shares issued  |   |                                    |
|  | <hr/>                                   | <hr/>                              |
| Shares outstanding, end of period  | 6,824,000                               | 6,824,000                          |
|  | <hr/>                                   | <hr/>                              |

See notes to financial statements.

**RMR Real Estate Fund**  
**Financial Highlights**

Selected Data For A Common Share Outstanding Throughout Each Period

|   | Six Months<br>Ended<br>June 30,<br>2006 | Year Ended<br>December 31,<br>2005 | Year Ended<br>December 31,<br>2004 | For the<br>Period<br>December 18,<br>2003(a) to<br>December 31,<br>2003 |
|---|---|------------------------------------|------------------------------------|---|
| <b>(unaudited)</b>  |   |                                    |                                    |   |
| <i>Per Common Share Operating Performance</i>                                 |   |                                    |                                    |   |
| <i>(b)</i>  |   |                                    |                                    |   |
| Net asset value, beginning of period  | \$ 15.63                                | \$ 16.61                           | \$ 14.35                           | \$ 14.33 (c)  |
| <i>Income from Investment Operations</i>                                      |   |                                    |                                    |   |
| Net investment income (d)   | .71 (e)                                 | .64                                | .47                                | .10   |
| Net realized and unrealized appreciation/(depreciation) on investments        | 1.12 (e)                                | (.08)                              | 3.11                               | (.05)   |
| Distributions to preferred shareholders (common stock equivalent basis) from: |   |                                    |                                    |   |
| Net investment income   | (.16)(e)                                | (.10)                              | (.05)                              |   |
| Net realized gain on investments  | (e)                                     | (.14)                              | (.05)                              |   |
| Net increase in net asset value from operations                               | 1.67                                    | .32                                | 3.48                               | .05   |
| Less: Distributions to common shareholders from:                              |   |                                    |                                    |   |
| Net investment income   | (.50)(e)                                | (.54)                              | (.53)                              |   |
| Net realized gain on investments  | (e)                                     | (.76)                              | (.57)                              |   |
| Common share offering costs charged to capital                                |   |                                    |                                    | (.03)   |
| Preferred share offering costs charged to capital                             |   |                                    | (.12)                              |   |
| Net asset value, end of period  | \$ 16.80                                | \$ 15.63                           | \$ 16.61                           | \$ 14.35  |
| Market price, beginning of period   | \$ 13.15                                | \$ 14.74                           | \$ 15.00                           | \$ 15.00  |
| Market price, end of period   | \$ 14.38                                | \$ 13.15                           | \$ 14.74                           | \$ 15.00  |
| <i>Total Return (f)</i>   |   |                                    |                                    |   |
| Total investment return based on:   |   |                                    |                                    |   |
| Market price (g)  | 13.31%                                  | (1.96)%                            | 6.42%                              | 0.00%   |
| Net asset value (g)   | 10.77%                                  | 2.10%                              | 24.73%                             | 0.14%   |
| <i>Ratios/Supplemental Data:</i>  |   |                                    |                                    |   |
| Preferred shares, liquidation preference (\$25,000 per share) (000s)          | \$ 50,000                               | \$ 50,000                          | \$ 50,000                          | \$  |
| Net assets attributable to common shares, end of period (000s)                | \$ 114,668                              | \$ 106,670                         | \$ 113,357                         | \$ 95,776   |
| Ratio to average net assets attributable to common shares of:                 |   |                                    |                                    |   |

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|   |             |        |        |           |
|---|-------------|--------|--------|-----------|
| Net investment income, before total preferred share distributions (d) | 8.59%(e)(h) | 4.02%  | 3.22%  | 27.45%(h) |
| Total preferred share distributions                                   | 1.97%(h)    | 1.47%  | 0.67%  | 0.00%(h)  |
| Net investment income, net of preferred share distributions (d)       | 6.62%(e)(h) | 2.55%  | 2.55%  | 27.45%(h) |
| Expenses, net of fee waivers  | 1.41%(h)    | 1.50%  | 1.69%  | 2.40%(h)  |
| Expenses, before fee waivers  | 1.77%(h)    | 1.87%  | 2.05%  | 2.65%(h)  |
| Portfolio turnover rate   | 20.70%      | 22.15% | 35.52% | 17.49%    |

- (a) Commencement of operations.
- (b) Based on average shares outstanding.
- (c) Net asset value at December 18, 2003, reflects the deduction of the average sales load and offering costs of \$0.67 per share paid by the holders of common shares from the \$15.00 offering price. We paid a sales load and offering cost of \$0.68 per share on 6,660,000 common shares sold to the public and no sales load or offering costs on 7,000 common shares sold to affiliates of the RMR Advisors for \$15 per share.
- (d) Amounts are net of expenses waived by RMR Advisors.
- (e) As discussed in Note A (7) to the financial statements, these amounts are subject to change to the extent 2006 distributions by the issuers of the Fund's investments are characterized as capital gains and return of capital.
- (f) Total returns for periods of less than one year are not annualized.
- (g) Total return based on per share market price assumes the purchase of common shares at the market price on the first day and sales of common shares at the market price on the last day of the period indicated; dividends and distributions, if any, are assumed to be reinvested at market prices on the ex-dividend date. The total return based on net asset value, or NAV, assumes the purchase of common shares at NAV on the first day and sales of common shares at NAV on the last day of the period indicated; distributions are assumed to be reinvested at NAV on the ex-dividend date. Results represent past performance and do not guarantee future results. Total return would have been lower if RMR Advisors had not contractually waived a portion of its investment advisory fee.
- (h) Annualized.

*See notes to financial statements.*

**RMR Real Estate Fund**  
**Notes to Financial Statements**

**June 30, 2006 (unaudited)**

**Note A**

(1) Organization

RMR Real Estate Fund, or the Fund, was organized as a Massachusetts business trust on July 2, 2002, and is registered under the Investment Company Act of 1940, as amended, as a non-diversified closed-end management investment company. The Fund had no operations prior to December 18, 2003, other than matters relating to the Fund's establishment and registration of the Fund's common shares under the Securities Act of 1933.

(2) Interim Financial Statements

The accompanying June 30, 2006, financial statements have been prepared without audit. The Fund believes that disclosures made are adequate to make the information presented not misleading. In the opinion of the Fund's management, all adjustments, which include normal recurring adjustments considered necessary for a fair presentation, have been included. The Fund's operating results for this interim period are not necessarily indicative of the results that may be expected on an annual basis or in the future.

(3) Use of Estimates

Preparation of these financial statements in conformity with accounting principles generally accepted in the United States requires the Fund's management to make estimates and assumptions that may affect the amounts reported in the financial statements and related notes. The actual results could differ from these estimates particularly for reasons described in Note A(7), and for other reasons.

(4) Portfolio Valuation

Investment securities of the Fund are valued at the latest sales price whenever that price is readily available on that day; securities for which no sales were reported on that day, unless otherwise noted, are valued at the last available bid price on that day. Securities traded primarily on the NASDAQ Stock Market, or NASDAQ, are normally valued by the Fund at the NASDAQ Official Closing Price, or NOCP, provided by NASDAQ each business day. The NOCP is the most recently reported price as of 4:00:06 p.m., eastern time, unless that price is outside the range of the "inside" bid and asked prices (i.e., the bid and asked prices that dealers quote to each other when trading for their own accounts); in that case, NASDAQ will adjust the price to equal the inside bid or asked price, whichever is closer. Because of delays in reporting trades, the NOCP may not be based on the price of the last trade to occur before the market closes. Some fixed income securities may be valued using pricing provided by a pricing service. Any of the Fund's securities which are not readily marketable, which are not traded or which have other characteristics of illiquidity are valued by the Fund at fair value as determined in good faith under the supervision of the Fund's board of trustees. Numerous factors may be considered when determining fair value of a security, including cost at date of purchase, type of security, the nature and duration of restrictions on disposition of the security and whether the issuer of the security being fair valued has other securities of the same type outstanding. Short-term debt securities with less than 60 days until maturity may be valued at cost, which when combined with interest accrued, approximates market value.

(5) Securities Transactions and Investment Income

Securities transactions are recorded on a trade date basis. Dividend income is recorded on the ex-dividend date. Non-cash dividends included in dividend income, if any, are recorded at the fair market value of the

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securities received. Interest income, including accretion of original issue discount, where applicable, and accretion of discount on short-term investments, is recorded on the accrual basis. Realized gains and losses from securities transactions are recorded on the basis of identified cost.

### (6) Federal Income Taxes

The Fund has qualified and intends to qualify in the future as a "regulated investment company" and to comply with the applicable provisions of subchapter M of the Internal Revenue Code of 1986, as amended, so that it will generally not be subject to federal income tax.

### (7) Distributable Earnings

The Fund earns income, net of expenses, daily on its investments. It is the policy of the Fund to pay a stable distribution amount to common shareholders on a monthly basis and distributions to Fund shareholders are declared pursuant to this policy. On June 26, 2006, the Fund declared distributions of \$0.10 per common share payable in August, September and October 2006. Distributions to shareholders are recorded on the ex-dividend date. The Fund's distributions may consist of ordinary income (net investment income and short term capital gains), long term capital gains and return of capital. To the extent the Fund's net realized capital gains, if any, can be offset by capital loss carry-forwards, it is the policy of the Fund not to distribute such gains. Distributions to preferred shareholders are determined as described in Note D.

The Fund has substantial investments in real estate investment trusts, or REITs, which are generally not subject to federal income taxes. Distributions that the Fund received from REITs can be classified as ordinary income, capital gain income or return of capital by the REITs that make these distributions to the Fund. However, it is not possible to characterize distributions received from REITs during interim periods because the issuers do not report their tax characterization until subsequent to year end. Final characterization of the Fund's 2006 distributions to shareholders is also dependent upon the magnitude or timing of the Fund's securities transactions prior to year end. Therefore it is likely that some portion of the Fund's 2006 investment income and distributions to shareholders will be recharacterized as long term capital gain and return of capital for financial statement and federal income tax purposes subsequent to year end and reflected accordingly in the Fund's year end financial statements.

Although subject to adjustments, the cost, gross unrealized appreciation and unrealized depreciation of the Fund's investments for federal income tax purposes as of June 30, 2006, are as follows:

|  |    |             |
|--|----|-------------|
| Cost                                       | \$ | 147,543,415 |
|  |    | <hr/>       |
| Gross unrealized appreciation              | \$ | 15,294,219  |
| Gross unrealized depreciation              |    | (2,360,420) |
|  |    | <hr/>       |
| Net unrealized appreciation/(depreciation) | \$ | 12,933,799  |
|  |    | <hr/>       |

### (8) Concentration of Risk

Under normal market conditions, the Fund's investments will be concentrated in income producing common shares, preferred shares and debt securities, including convertible preferred and debt securities, issued by real estate companies and REITs. The value of Fund shares may fluctuate more than the shares of a fund not concentrated in the real estate industry due to economic, legal, regulatory, technological or other developments affecting the United States real estate industry.

## Note B

### Advisory and Administration Agreements and Other Transactions with Affiliates

The Fund has an advisory agreement with RMR Advisors, Inc., or RMR Advisors, to provide the Fund with a continuous investment program, to make day-to-day investment decisions and to generally manage the business affairs of the Fund in accordance with its investment objectives and policies. Pursuant to the agreement, RMR Advisors is compensated at an annual rate of 0.85% of the Fund's average daily managed assets. Managed assets means the total assets of the Fund less liabilities other than any indebtedness entered into for purposes of leverage. For purposes of calculating managed assets, the liquidation preference of preferred shares are not considered liabilities.

RMR Advisors has contractually agreed to waive a portion of its annual fee equal to 0.25% of the Fund's average daily managed assets until December 18, 2008.

RMR Advisors, and not the Fund, has contractually agreed to pay the lead underwriter of the Fund's initial public offering, an annual fee equal to 0.15% of the Fund's managed assets. This fee is paid quarterly in arrears during the term of RMR Advisors' advisory agreement and is paid by the RMR Advisors, not the Fund. The aggregate fees paid pursuant to the contract plus reimbursement of legal expenses of the underwriters will not exceed 4.5% of the total price of the common shares in the initial public offering.

RMR Advisors also performs administrative functions for the Fund pursuant to an administration agreement with the Fund. RMR Advisors has entered into a subadministration agreement with State Street Bank and Trust Company, or State Street, to perform substantially all Fund accounting and other administrative services. Under the administration agreement, RMR Advisors is entitled to reimbursement of the cost of providing administrative services. The Fund reimbursed RMR advisors for \$63,480 of subadministrative fees charged by State Street for the six months ended June 30, 2006.

Each trustee who is not a director, officer or employee of RMR Advisors and who is not an interested person of the Fund as defined under the Investment Company Act of 1940, as amended, is considered to be a "disinterested trustee". Disinterested trustees are each paid by the Fund an annual fee plus fees for board and committee meetings. The Fund incurred \$8,344 of trustee fees and expenses during the six months ended June 30, 2006.

The Fund's board of trustees and separately the disinterested trustees authorized the Fund to make reimbursement payments to RMR Advisors for costs related to the Fund's compliance and internal audit programs. The Fund incurred \$14,901 of compliance and internal audit expense during the six months ended June 30, 2006. The Fund also participates in insurance programs with RMR Advisors and other funds managed by RMR Advisors and makes payments of allocated portions of related premiums. The Fund incurred \$11,257 of insurance expense during the six months ended June 30, 2006.

## Note C

### Securities Transactions

During the six months ended June 30, 2006, there were purchases and sales transactions (excluding short-term securities) of \$32,833,244 and \$32,828,374, respectively. Brokerage commissions on securities transactions amounted to \$37,175 during the six months ended June 30, 2006.

**Note D****Preferred Shares**

The Fund's 2,000 outstanding Series T auction preferred shares have a liquidation preference of \$25,000 per share plus an amount equal to accumulated but unpaid distributions. The preferred shares are senior to the Fund's common shares and rank on parity with any other class or series of preferred shares of the Fund as to the payment of periodic distributions, including distribution of assets upon liquidation. If the Fund does not timely cure a failure to (1) maintain asset coverage for the preferred shares as required by rating agencies, or (2) maintain asset coverage, as defined in the Investment Company Act of 1940, as amended, of at least 200%, the preferred shares will be subject to redemption at an amount equal to their liquidation preference plus accumulated but unpaid distributions. The holders of the preferred shares have voting rights equal to the holders of the Fund's common shares and generally vote together with the holders of the common shares as a single class. Holders of the preferred shares, voting as a separate class, also are entitled to elect two of the Fund's trustees. The Fund pays distributions on the preferred shares at a rate set at auctions held generally every seven days. Distributions are generally payable every seven days, on the first business day following the end of a distribution period. The preferred share distribution rate was 4.75% per annum as of June 30, 2006.

**Note E****Submission of Proposals to a Vote of Shareholders**

The annual meeting of Fund shareholders was held on May 9, 2006. Following is a summary of the proposals submitted to shareholders for vote at the meeting and votes cast:

| Proposal   | Votes for | Votes withheld | Votes abstained |
|--|-----------|----------------|-----------------|
| Common shares  |           |                |                 |
| Election of Frank J. Bailey as trustee until the 2009 annual meeting.  | 6,380,655 | 73,798         |                 |
| Preferred shares   |           |                |                 |
| Election of Frank J. Bailey as trustee until the 2009 annual meeting.  | 391       | 47             |                 |
| Election of Gerard M. Martin as trustee until the 2009 annual meeting. | 391       | 47             |                 |
|  |           |                |                 |

**RMR Hospitality and Real Estate Fund**

**June 30, 2006**

*To our shareholders,*

In the pages that follow, you will find data summarizing our financial results for the six months ended June 30, 2006, and our financial position as of June 30, 2006.

For the six months ended June 30, 2006, our investment allocation to the sub-sector of diversified real estate investment trusts, or REITs, increased from 16% to 18% of total investments, our largest sub-sector increase. During the same time period, our allocation to the hospitality sub-sector decreased from 33% to 28% of total investments, the largest sub-sector decrease. These changes reflect our view of the business environments in these sub-sectors, the strengths and weakness of the companies that operate in those sub-sectors and the share prices of individual companies. During the remainder of 2006, we will continue to monitor market conditions and position our portfolio according to our views of market conditions.

For securities that we held continuously during the first six months of 2006, our three best performing investments during the period were the common stocks of CarrAmerica Realty Corp., Eagle Hospitality Properties Trust, Inc. and Highwood Properties Inc., with total returns during this period of 32%, 31% and 30%, respectively. Our worst performing investments during the same period were The Mills Corp. common stock, LBA Realty LLC preferred stock, Series B and Trustreet Properties Inc. common stock with negative total returns of 32%, 17% and 6%, respectively.

Thank you for your continued support. For more information, please view our website, at [www.rmrfunds.com](http://www.rmrfunds.com).

Sincerely,

Thomas M. O'Brien  
President



**RMR Hospitality and Real Estate Fund**

June 30, 2006

**Relevant Market Conditions**

**Hospitality Industry Fundamentals.** Strong operating fundamentals have continued into 2006. Most companies operating in the hospitality sector have seen increases in occupancy and daily rental rates. This dual combination has allowed the hospitality sector to show earnings improvements over 2005. New supply has been constrained due to high investment costs, and private equity has eliminated the public securities of several hospitality companies.

**Real Estate Industry Fundamentals** The operating environment for real estate companies has improved in 2006. Generally, vacancy rates have been declining and rental rates have been increasing. We expect real estate industry fundamentals to remain strong for the foreseeable future.

**Real Estate Industry Technicals.** We believe demand for real estate securities over the long term will continue to increase. Demographic trends in the U.S. include growth in the over age 50 population. We believe that individuals in that age category tend to focus their investments in higher yielding stocks like REITs. Institutions, too, seem to be increasing their allocations to real estate securities. Both of these are long term positive factors affecting the real estate securities market.

**Fund Strategies, Techniques and Performance**

Our primary objective is to earn and pay to our common shareholders a high level of current income by investing in hospitality and real estate companies. Our secondary objective is capital appreciation. There can be no assurance that we will achieve our investment objectives.

During the first six months of 2006, our total return on net asset value, or NAV (including NAV changes and assuming a hypothetical reinvestment of distributions at NAV) was 8.3%. During that same period, the total return for the MSCI US REIT Total Return Index (an unmanaged index of REIT common stocks) was 13.4% and the total return for the Merrill Lynch REIT Preferred Index (an unmanaged index of REIT preferred stocks) was 1.6%. We believe these two indices are relevant to us because our investments, excluding short term investments, as of June 30, 2006, include 56% REIT common stocks and 34% REIT preferred stocks. The S&P 500 Index (an unmanaged index published as Standard and Poor's Composite Index of 500 common stocks) total return for the first six months of 2006 was 2.7%.

**Portfolio holdings by sub-sector as a percentage of investments***(as of June 30, 2006) (unaudited)*

|                        |       |
|------------------------|-------|
| Hospitality            | 28%   |
| Diversified            | 18%   |
| Office                 | 18%   |
| Health care            | 10%   |
| Others, less than 10%  | 25%   |
| Short term investments | 1%    |
|                        | <hr/> |
| Total                  | 100%  |
|                        | <hr/> |

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|                        |       |
|------------------------|-------|
| REITs                  | 92%   |
| Other                  | 7%    |
| Short term investments | 1%    |
|                        | <hr/> |
| Total                  | 100%  |
|                        | <hr/> |

**RMR Hospitality and Real Estate Fund****Portfolio of Investments** June 30, 2006 (unaudited)

| Company                                    | Shares  | Value      |
|--|---------|------------|
| <b>Common Stocks 84.3%</b>                 |         |            |
| <b>Real Estate Investment Trusts 81.1%</b> |         |            |
| <i>Apartments 1.9%</i>                     |         |            |
| Apartment Investment & Management Co.      | 8,200   | \$ 356,290 |
| Associated Estates Realty Corp.            | 11,600  | 143,840    |
| BNP Residential Properties, Inc.           | 16,000  | 272,800    |
| Home Properties, Inc.                      | 4,900   | 271,999    |
| United Dominion Realty Trust, Inc.         | 2,100   | 58,821     |
|  |         | 1,103,750  |
| <i>Diversified 23.0%</i>                   |         |            |
| Centracore Properties Trust                | 8,150   | 201,713    |
| Colonial Properties Trust                  | 71,100  | 3,512,340  |
| Cousins Properties, Inc.                   | 10,200  | 315,486    |
| Crescent Real Estate Equities Co.          | 171,000 | 3,173,760  |
| Entertainment Properties Trust             | 17,300  | 744,765    |
| iStar Financial, Inc.                      | 3,000   | 113,250    |
| Lexington Corporate Properties Trust       | 92,000  | 1,987,200  |
| Liberty Property Trust                     | 24,000  | 1,060,800  |
| National Retail Properties, Inc.           | 88,650  | 1,768,567  |
| Newkirk Realty Trust, Inc.                 | 8,000   | 138,880    |
| Spirit Finance Corp.                       | 12,500  | 140,750    |
| Washington Real Estate Investment Trust    | 300     | 11,010     |
|  |         | 13,168,521 |
| <i>Health Care 9.8%</i>                    |         |            |
| Health Care Property Investors, Inc.       | 2,770   | 74,070     |
| Health Care REIT, Inc.                     | 49,150  | 1,717,792  |
| Healthcare Realty Trust, Inc.              | 9,300   | 296,205    |
| Medical Properties Trust, Inc.             | 53,750  | 593,400    |
| Nationwide Health Properties, Inc.         | 91,000  | 2,048,410  |
| Universal Health Realty Income Trust       | 5,000   | 156,750    |
| Windrose Medical Properties Trust          | 50,100  | 731,460    |
|  |         | 5,618,087  |
| <i>Hospitality 2.4%</i>                    |         |            |
| Ashford Hospitality Trust, Inc.            | 26,500  | 334,430    |
| Eagle Hospitality Properties Trust, Inc.   | 41,000  | 394,830    |
| Hersha Hospitality Trust                   | 33,100  | 307,499    |
| Highland Hospitality Corp.                 | 7,000   | 98,560     |
| Innkeepers USA Trust                       | 5,000   | 86,400     |
| Winston Hotels, Inc.                       | 15,000  | 183,750    |
|  |         | 1,405,469  |

See notes to financial statements and notes to portfolio of investments.

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*Industrial 9.0%*

|                                     |         |    |           |
|-------------------------------------|---------|----|-----------|
| AMB Property Corp.                  | 7,200   | \$ | 363,960   |
| EastGroup Properties, Inc.          | 3,700   |    | 172,716   |
| First Industrial Realty Trust, Inc. | 106,160 |    | 4,027,711 |
| ProLogis                            | 11,000  |    | 573,320   |

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5,137,707

*Mortgage 1.3%*

|                                  |        |  |         |
|----------------------------------|--------|--|---------|
| American Mortgage Acceptance Co. | 13,400 |  | 197,516 |
| KKR Financial Corp.              | 5,000  |  | 104,050 |
| Newcastle Investment Corp.       | 17,000 |  | 430,440 |

---

732,006

*Office 16.9%*

|                                   |        |  |           |
|-----------------------------------|--------|--|-----------|
| Brandywine Realty Trust           | 44,000 |  | 1,415,480 |
| CarrAmerica Realty Corp.          | 5,000  |  | 222,750   |
| Columbia Equity Trust, Inc.       | 3,000  |  | 46,080    |
| Corporate Office Properties Trust | 11,500 |  | 483,920   |
| Equity Office Properties Trust    | 62,100 |  | 2,267,271 |
| Glenborough Realty Trust, Inc.    | 87,400 |  | 1,882,596 |
| Highwoods Properties, Inc.        | 45,000 |  | 1,628,100 |
| Maguire Properties, Inc.          | 4,000  |  | 140,680   |
| Reckson Associates Realty Corp.   | 38,000 |  | 1,572,440 |

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9,659,317

*Retail 10.8%*

|                                    |        |  |           |
|------------------------------------|--------|--|-----------|
| CBL & Associates Properties, Inc.  | 2,000  |  | 77,860    |
| Equity One, Inc.                   | 5,000  |  | 104,500   |
| Feldman Mall Properties, Inc.      | 2,900  |  | 31,784    |
| General Growth Properties, Inc.    | 6,000  |  | 270,360   |
| Glimcher Realty Trust              | 23,400 |  | 580,554   |
| Heritage Property Investment Trust | 80,400 |  | 2,807,568 |
| New Plan Excel Realty Trust        | 46,270 |  | 1,142,406 |
| Realty Income Corp.                | 5,000  |  | 109,500   |
| Taubman Centers, Inc.              | 2,000  |  | 81,800    |
| The Mills Corp.                    | 36,100 |  | 965,675   |
| Urstadt Biddle Properties, Inc.    | 800    |  | 13,032    |

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6,185,039

*See notes to financial statements and notes to portfolio of investments.*

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|  |         |            |
|--|---------|------------|
| <i>Specialty 5.3%</i>  |         |            |
| Getty Realty Corp.   | 34,000  | \$ 966,960 |
| Trustreet Properties, Inc.                                     | 158,200 | 2,086,658  |
|  |         | <hr/>      |
|  |         | 3,053,618  |
| <i>Storage 0.7%</i>  |         |            |
| Extra Space Storage, Inc.                                      | 220     | 3,573      |
| Sovran Self Storage, Inc.                                      | 8,100   | 411,399    |
|  |         | <hr/>      |
|  |         | 414,972    |
| <i>Total Real Estate Investment Trusts (Cost \$40,470,947)</i> |         | 46,478,486 |
| <i>Other 3.2%</i>  |         |            |
| American Capital Strategies, Ltd.                              | 16,000  | 535,680    |
| Iowa Telecommunication Services, Inc.                          | 25,800  | 488,136    |
| Morgans Hotel Group (a)  | 7,000   | 108,920    |
| Seaspan Corp.  | 33,400  | 699,730    |
| <i>Total Other (Cost \$1,663,667)</i>                          |         | 1,832,466  |
| <i>Total Common Stocks (Cost \$42,134,614)</i>                 |         | 48,310,952 |
| <i>Preferred Stocks 49.5%</i>                                  |         |            |
| <i>Real Estate Investment Trusts 49.5%</i>                     |         |            |
| <i>Apartments 2.7%</i>   |         |            |
| Apartment Investment & Management Co., Series R                | 38,000  | 956,650    |
| Apartment Investment & Management Co., Series U                | 24,000  | 590,400    |
|  |         | <hr/>      |
|  |         | 1,547,050  |
| <i>Diversified 2.7%</i>  |         |            |
| Colonial Properties Trust, Series E                            | 23,067  | 587,055    |
| Digital Realty Trust, Inc., Series A                           | 15,000  | 379,350    |
| LBA Realty LLC, Series B                                       | 30,000  | 585,000    |
|  |         | <hr/>      |
|  |         | 1,551,405  |

*See notes to financial statements and notes to portfolio of investments.*

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| Company  | Shares  | Value             |
|--|---------|-------------------|
| Preferred Stocks continued                         |         |                   |
| Real Estate Investment Trusts continued            |         |                   |
| <i>Health Care 4.4%</i>                            |         |                   |
| Health Care REIT, Inc., Series F                   | 40,000  | \$ 1,005,200      |
| LTC Properties, Inc., Series F                     | 40,000  | 997,600           |
| Windrose Medical Properties Trust, Series A (b)    | 20,000  | 504,000           |
|  |         | 2,506,800         |
| <i>Hospitality 28.3%</i>                           |         |                   |
| Ashford Hospitality Trust, Series A                | 46,000  | 1,157,360         |
| Boykin Lodging Co., Series A                       | 70,000  | 1,757,000         |
| Eagle Hospitality Properties Trust, Inc., Series A | 28,000  | 684,600           |
| FelCor Lodging Trust, Inc., Series C               | 60,000  | 1,470,000         |
| Hersha Hospitality Trust, Series A                 | 40,000  | 992,400           |
| Highland Hospitality Corp., Series A               | 160,000 | 3,840,000         |
| Host Marriott Corp., Series E                      | 100,000 | 2,700,000         |
| Innkeepers USA Trust, Series C                     | 27,000  | 666,900           |
| LaSalle Hotel Properties, Series E                 | 5,000   | 126,250           |
| Strategic Hotels & Resorts, Inc., Series C         | 20,000  | 498,000           |
| Winston Hotels, Inc., Series B                     | 95,000  | 2,348,400         |
|  |         | 16,240,910        |
| <i>Manufactured Homes 0.4%</i>                     |         |                   |
| Affordable Residential Communities, Series A       | 9,600   | 219,360           |
| <i>Mortgage 1.9%</i>                               |         |                   |
| HomeBanc Corp., Series A                           | 25,000  | 628,750           |
| New Century Financial Corp., Series A              | 20,000  | 490,000           |
|  |         | 1,118,750         |
| <i>Office 8.6%</i>                                 |         |                   |
| Alexandria Real Estate Equities, Inc., Series C    | 120,000 | 3,139,200         |
| SL Green Realty Corp., Series D                    | 70,000  | 1,771,000         |
|  |         | 4,910,200         |
| <i>Retail 0.5%</i>                                 |         |                   |
| The Mills Corp., Series E                          | 1,800   | 41,436            |
| The Mills Corp., Series G                          | 10,000  | 225,000           |
|  |         | 266,436           |
| <b>Total Preferred Stocks (Cost \$28,261,761)</b>  |         | <b>28,360,911</b> |

See notes to financial statements and notes to portfolio of investments.

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| Company  | Shares or<br>Principal<br>Amount | Value         |
|--|----------------------------------|---------------|
| <i>Debt Securities 9.3%</i>                          |                                  |               |
| <i>Hospitality 9.3%</i>                              |                                  |               |
| American Real Estate Partners LP, 8.125%, 06/01/2012 | \$ 2,000,000                     | \$ 1,995,000  |
| FelCor Lodging LP, 9.00%, 06/01/2011 (c)             | 1,600,000                        | 1,696,000     |
| Six Flags, Inc., 9.75%, 04/15/2013                   | 1,760,000                        | 1,617,000     |
| <i>Total Debt Securities (Cost \$5,253,227)</i>      |                                  | 5,308,000     |
| <i>Short-Term Investments 1.9%</i>                   |                                  |               |
| <i>Other Investment Companies 1.9%</i>               |                                  |               |
| SSgA Money Market Fund, 4.75% (d) (Cost \$1,115,883) | 1,115,883                        | 1,115,883     |
| Total Investments 145.0% (Cost \$76,765,485)         |                                  | 83,095,746    |
| Other assets less liabilities 3.9%                   |                                  | 2,214,074     |
| Preferred Shares, at liquidation preference (48.9)%  |                                  | (28,000,000)  |
| Net Assets applicable to common shareholders 100%    | \$                               | \$ 57,309,820 |

Notes to Portfolio of Investments

- (a) Non-income producing security.
- (b) Convertible into common stock.
- (c) Also a Real Estate Investment Trust.
- (d) Rate reflects 7 day yield as of June 30, 2006.

See notes to financial statements.

## RMR Hospitality and Real Estate Fund

### Financial Statements

#### Statement of Assets and Liabilities

**June 30, 2006 (unaudited)**

#### Assets

|   |               |
|---|---------------|
| Investments in securities, at value (cost \$76,765,485) | \$ 83,095,746 |
| Cash  | 666           |
| Receivable for investment securities sold               | 1,718,484     |
| Dividends and interest receivable                       | 772,069       |
| Other assets  | 9,451         |
|   | <hr/>         |
| Total assets  | 85,596,416    |
|   | <hr/>         |

#### Liabilities

|   |         |
|---|---------|
| Payable for investment securities purchased | 89,454  |
| Advisory fee payable                        | 41,194  |
| Distributions payable - preferred shares    | 27,496  |
| Accrued expenses and other liabilities      | 128,452 |
|   | <hr/>   |
| Total liabilities                           | 286,596 |
|   | <hr/>   |

#### Preferred shares, at liquidation preference

|   |            |
|---|------------|
| Auction preferred shares, Series Th;<br>\$.001 par value per share; 1,120 shares issued and<br>outstanding at \$25,000 per share liquidation preference | 28,000,000 |
|   | <hr/>      |

#### Net assets attributable to common shares

\$ 57,309,820

---

#### Composition of net assets

|   |            |
|---|------------|
| Common shares, \$.001 par value per share;<br>unlimited number of shares authorized,<br>2,485,000 shares issued and outstanding | \$ 2,485   |
| Additional paid-in capital  | 47,170,770 |
| Undistributed net investment income   | 383,817    |
| Accumulated net realized gain on investments  | 3,422,487  |
| Net unrealized appreciation on investments  | 6,330,261  |
|   | <hr/>      |

#### Net assets attributable to common shares

\$ 57,309,820

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#### Net asset value per share attributable to common shares (based on 2,485,000 shares outstanding)

\$ 23.06

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See notes to financial statements.



**RMR Hospitality and Real Estate Fund**  
**Financial Statements** continued

## Statement of Operations

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**Six Months Ended June 30, 2006 (unaudited)**


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*Investment Income*

|  |              |
|--|--------------|
| Dividends (cash distributions received or due) | \$ 2,620,821 |
| Interest                                       | 442,296      |
|  | <hr/>        |
| Total investment income                        | 3,063,117    |
|  | <hr/>        |

*Expenses*

|                                      |           |
|--------------------------------------|-----------|
| Advisory                             | 358,681   |
| Administrative                       | 63,444    |
| Audit and legal                      | 46,059    |
| Preferred share remarketing          | 34,037    |
| Custodian                            | 29,294    |
| Compliance and internal audit        | 14,901    |
| Trustees' fees and expenses          | 8,321     |
| Shareholder reporting                | 7,903     |
| Other                                | 44,159    |
|                                      | <hr/>     |
| Total expenses                       | 606,799   |
| Less: expenses waived by the Advisor | (105,494) |
|                                      | <hr/>     |
| Net expenses                         | 501,305   |
|                                      | <hr/>     |
| Net investment income                | 2,561,812 |
|                                      | <hr/>     |

*Realized and unrealized gain on investments*

|  |              |
|--|--------------|
| Net realized gain on investments   | 1,753,008    |
| Net change in unrealized appreciation/(depreciation) on investments                | 795,558      |
|  | <hr/>        |
| Net realized and unrealized gain on investment transactions                        | 2,548,566    |
| Distributions to preferred shareholders from net investment income                 | (624,870)    |
|  | <hr/>        |
| Net increase in net assets attributable to common shares resulting from operations | \$ 4,485,508 |
|  | <hr/>        |

*See notes to financial statements.*

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**RMR Hospitality and Real Estate Fund**  
**Financial Statements** continued

## Statement of Changes in Net Assets

|  | Six Months<br>Ended<br>June 30,<br>2006 | Year Ended<br>December 31,<br>2005 |
|--|---|------------------------------------|
| <b>(unaudited)</b>   |   |                                    |
| <i>Increase (decrease) in net assets resulting from operations</i>                               |   |                                    |
| Net investment income  | \$ 2,561,812                            | \$ 2,815,626                       |
| Net realized gain on investments   | 1,753,008                               | 2,777,962                          |
| Net change in unrealized appreciation/(depreciation) on investments                              | 795,558                                 | (3,222,844)                        |
| Distributions to preferred shareholders from:  |   |                                    |
| Net investment income  | (624,870)                               | (403,117)                          |
| Net realized gain on investments   |   | (265,998)                          |
|  | <u>4,485,508</u>                        | <u>1,701,629</u>                   |
| Net increase in net assets attributable to common shares resulting from operations               |   |                                    |
|  | <u>4,485,508</u>                        | <u>1,701,629</u>                   |
| Distributions to common shareholders from:   |   |                                    |
| Net investment income  | (1,553,125)                             | (2,411,208)                        |
| Net realized gain on investments   |   | (1,626,917)                        |
|  |   | <u>(4,178,025)</u>                 |
| <i>Capital shares transactions</i>   |   |                                    |
| Net proceeds from sale of preferred shares   |   | 10,708,615                         |
|  |   | <u>10,708,615</u>                  |
| Net increase from capital share transactions   |   | 10,708,615                         |
| Less: Liquidation preference of preferred shares issued  |   | (11,000,000)                       |
|  |   | <u>(11,000,000)</u>                |
| Total increase (decrease) in net assets attributable to common shares                            | 2,932,383                               | (2,627,881)                        |
| <i>Net assets attributable to common shares</i>  |   |                                    |
| Beginning of period  | 54,377,437                              | 57,005,318                         |
|  | <u>54,377,437</u>                       | <u>57,005,318</u>                  |
| End of period (including undistributed net investment income of \$383,817 and \$0, respectively) | \$ 57,309,820                           | \$ 54,377,437                      |
|  | <u>57,309,820</u>                       | <u>54,377,437</u>                  |
| <i>Common shares issued and repurchased</i>  |   |                                    |
| Shares outstanding, beginning of period  | 2,485,000                               | 2,485,000                          |
| Shares issued  |   |                                    |
|  | <u>2,485,000</u>                        | <u>2,485,000</u>                   |
| Shares outstanding, end of period  | 2,485,000                               | 2,485,000                          |
|  | <u>2,485,000</u>                        | <u>2,485,000</u>                   |

See notes to financial statements.

## RMR Hospitality and Real Estate Fund

### Financial Highlights

Selected Data For A Common Share Outstanding Throughout The Period

|  | Six Months<br>Ended<br>June 30, 2006 | Year Ended<br>December 31,<br>2005 | For the Period<br>April 27,<br>2004(a) to<br>December 31,<br>2004 |
|--|--------------------------------------|------------------------------------|---|
| <b>(unaudited)</b>   |                                      |                                    |   |
| <i>Per Common Share Operating Performance (b)</i>                              |                                      |                                    |   |
| Net asset value, beginning of period   | \$ 21.88                             | \$ 22.94                           | \$ 19.28 (c)  |
| <i>Income from Investment Operations</i>                                       |                                      |                                    |   |
| Net investment income (d)  | 1.03 (e)                             | 1.13                               | .71   |
| Net realized and unrealized appreciation/(depreciation) on investments         | 1.03 (e)                             | (.19)                              | 3.95  |
| <i>Distributions to preferred shareholders (common stock equivalent basis)</i> |                                      |                                    |   |
| Net investment income  | (.25)(e)                             | (.16)                              | (.06)   |
| Net realized gain on investments   | (e)                                  | (.11)                              | (.01)   |
| Net increase in net asset value from operations                                | 1.81                                 | .67                                | 4.59  |
| <i>Less: Distributions to common shareholders from:</i>                        |                                      |                                    |   |
| Net investment income  | (.63)(e)                             | (.96)                              | (.65)   |
| Net realized gain on investments   | (e)                                  | (.65)                              | (.10)   |
| Common shares offering costs charged to capital                                |                                      |                                    | (.04)   |
| Preferred shares offering costs charged to capital                             |                                      | (.12)                              | (.14)   |
| Net asset value, end of period   | \$ 23.06                             | \$ 21.88                           | \$ 22.94  |
| Market price, beginning of period  | \$ 18.21                             | \$ 19.98                           | \$ 20.00  |
| Market price, end of period  | \$ 19.31                             | \$ 18.21                           | \$ 19.98  |
| <i>Total Return (f)</i>  |                                      |                                    |   |
| Total investment return based on:  |                                      |                                    |   |
| Market price (g)   | 9.53%                                | (0.73)%                            | 3.93%   |
| Net asset value (g)  | 8.30%                                | 2.54%                              | 23.16%  |
| <i>Ratios/Supplemental Data:</i>   |                                      |                                    |   |
| Preferred shares, liquidation preference (\$25,000 per share) (000s)           | \$ 28,000                            | \$ 28,000                          | \$ 17,000   |
| Net assets attributable to common shares, end of period (000s)                 | \$ 57,310                            | \$ 54,377                          | \$ 57,005   |
| Ratio to average net assets attributable to common shares of:                  |                                      |                                    |   |
| Net investment income, before total preferred share distributions (d)          | 9.05%(e)(h)                          | 5.04%                              | 4.96%(h)  |
| Total preferred share distributions  | 2.21%(h)                             | 1.20%                              | 0.50%(h)  |
| Net investment income, net of preferred share distributions (d)                | 6.84%(e)(h)                          | 3.84%                              | 4.46%(h)  |
| Expenses, net of fee waivers   | 1.77%(h)                             | 1.80%                              | 1.86%(h)  |
| Expenses, before fee waivers   | 2.14%(h)                             | 2.14%                              | 2.18%(h)  |
| Portfolio turnover rate  | 19.72%                               | 23.95%                             | 20.83%  |

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- (a) Commencement of operations.
- (b) Based on average shares outstanding.
- (c) Net asset value at April 27, 2004, reflects the deduction of the average sales load and offering costs of \$0.72 per share paid by the holders of common shares from the \$20.00 offering price. We paid a sales load and offering cost of \$0.90 per share on 2,000,000 common shares sold to the public and no sales load or offering costs on 480,000 common shares sold to affiliates of RMR Advisors for \$20 per share.
- (d) Amounts are net of expenses waived by RMR Advisors.
- (e) As discussed in Note A (7) to the financial statements, these amounts are subject to change to the extent 2006 distributions by the issuers of the Fund's investments are characterized as capital gains and return of capital.
- (f) Total returns for periods less than one year are not annualized.
- (g) Total return based on per share market price assumes the purchase of common shares at the market price on the first day and sales of common shares at the market price on the last day of the period indicated; distributions are assumed to be reinvested at market prices on the ex-dividend date. The total return based on net asset value, or NAV, assumes the purchase of common shares at NAV on the first day and sales of common shares at NAV on the last day of the period indicated; distributions are assumed to be reinvested at NAV on the ex-dividend date. Results represent past performance and do not guarantee future results. Total return would have been lower if RMR Advisors had not contractually waived a portion of its investment advisory fee.
- (h) Annualized.

*See notes to financial statements.*

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**RMR Hospitality and Real Estate Fund**  
**Notes to Financial Statements**

**June 30, 2006 (unaudited)**

**Note A**

(1) Organization

RMR Hospitality and Real Estate Fund, or the Fund, was organized as a Massachusetts business trust on January 27, 2004, and is registered under the Investment Company Act of 1940, as amended, as a non-diversified closed-end management investment company. The Fund had no operations until April 27, 2004, other than matters relating to the Fund's establishment and registration of the Fund's common shares under the Securities Act of 1933.

(2) Interim Financial Statements

The accompanying June 30, 2006, financial statements have been prepared without audit. The Fund believes that disclosures made are adequate to make the information presented not misleading. In the opinion of the Fund's management, all adjustments, which include normal recurring adjustments considered necessary for a fair presentation, have been included. The Fund's operating results for this interim period are not necessarily indicative of the results that may be expected on an annual basis or in the future.

(3) Use of Estimates

Preparation of these financial statements in conformity with accounting principles generally accepted in the United States requires the Fund's management to make estimates and assumptions that may affect the amounts reported in the financial statements and related notes. The actual results could differ from these estimates particularly for reasons described in Note A(7), and for other reasons.

(4) Portfolio Valuation

Investment securities of the Fund are valued at the latest sales price whenever that price is readily available on that day; securities for which no sales were reported on that day, unless otherwise noted, are valued at the last available bid price on that day. Securities traded primarily on the NASDAQ Stock Market, or NASDAQ, are normally valued by the Fund at the NASDAQ Official Closing Price, or NOCP, provided by NASDAQ each business day. The NOCP is the most recently reported price as of 4:00:06 p.m., eastern time, unless that price is outside the range of the "inside" bid and asked prices (i.e., the bid and asked prices that dealers quote to each other when trading for their own accounts); in that case, NASDAQ will adjust the price to equal the inside bid or asked price, whichever is closer. Because of delays in reporting trades, the NOCP may not be based on the price of the last trade to occur before the market closes. Some fixed income securities may be valued using pricing provided by a pricing service. Any of the Fund's securities which are not readily marketable, which are not traded or which have other characteristics of illiquidity are valued by the Fund at fair value as determined in good faith under the supervision of the Fund's board of trustees. Numerous factors may be considered when determining fair value of a security, including cost at date of purchase, type of security, the nature and duration of restrictions on disposition of the security and whether the issuer of the security being fair valued has other securities of the same type outstanding. Short-term debt securities with less than 60 days until maturity may be valued at cost, which when combined with interest accrued, approximates market value.

(5) Securities Transactions and Investment Income

Securities transactions are recorded on a trade date basis. Dividend income is recorded on the ex-dividend date. Non-cash dividends included in dividend income, if any, are recorded at the fair market value of the

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securities received. Interest income, including accretion of original issue discount, where applicable, and accretion of discount on short-term investments, is recorded on the accrual basis. Realized gains and losses from securities transactions are recorded on the basis of identified cost.

### (6) Federal Income Taxes

The Fund has qualified and intends to qualify in the future as a "regulated investment company" and to comply with the applicable provisions of subchapter M of the Internal Revenue Code of 1986, as amended, so that it will generally not be subject to federal income tax.

### (7) Distributable Earnings

The Fund earns income, net of expenses, daily on its investments. It is the policy of the Fund to pay a stable distribution amount to common shareholders on a monthly basis and distributions to Fund shareholders are declared pursuant to this policy. On June 26, 2006, the Fund declared distributions of \$0.125 per common share payable in August, September and October 2006. Distributions to shareholders are recorded on the ex-dividend date. The Fund's distributions may consist of ordinary income (net investment income and short term capital gains), long term capital gains and return of capital. To the extent the Fund's net realized capital gains, if any, can be offset by capital loss carry-forwards, it is the policy of the Fund not to distribute such gains. Distributions to preferred shareholders are determined as described in Note D.

The Fund has substantial investments in real estate investment trusts or REITs, which are generally not subject to federal income taxes. Distributions that the Fund received from REITs can be classified as ordinary income, capital gain income or return of capital by the REITs that make these distributions to the Fund. However, it is not possible to characterize distributions received from REITs during interim periods because the issuers do not report their tax characterization until subsequent to year end. Final characterization of the Fund's 2006 distributions to shareholders is also dependent upon the magnitude or timing of the Fund's securities transactions prior to year end. Therefore it is likely that some portion of the Fund's 2006 investment income and distributions to shareholders will be recharacterized as long term capital gain and return of capital for financial statement and federal income tax purposes subsequent to year end and reflected accordingly in the Fund's year end financial statements.

Although subject to adjustments, the cost, gross unrealized appreciation and unrealized depreciation of the Fund's investments for federal income tax purposes as of June 30, 2006, are as follows:

|  |    |             |
|--|----|-------------|
| Cost                                       | \$ | 76,765,485  |
|  |    | <hr/>       |
| Gross unrealized appreciation              | \$ | 7,880,356   |
| Gross unrealized depreciation              |    | (1,550,095) |
|  |    | <hr/>       |
| Net unrealized appreciation/(depreciation) | \$ | 6,330,261   |
|  |    | <hr/>       |

### (8) Concentration of Risk

Under normal market conditions, the Fund's investments are concentrated in income producing common shares, preferred shares and debt securities, including convertible preferred and debt securities, issued by hospitality and real estate companies and REITs. The value of Fund shares may fluctuate more than the shares of a fund not concentrated in the hospitality and real estate industries due to economic, legal, regulatory, technological or other developments affecting the United States hospitality and real estate industries.

## Note B

### Advisory and Administration Agreements and Other Transactions with Affiliates

The Fund has an advisory agreement with RMR Advisors, Inc., or RMR Advisors, to provide the Fund with a continuous investment program, to make day-to-day investment decisions and to generally manage the business affairs of the Fund in accordance with its investment objectives and policies. Pursuant to the agreement, RMR Advisors is compensated at an annual rate of 0.85% of the Fund's average daily managed assets. Managed assets means the total assets of the Fund less liabilities other than any indebtedness entered into for purposes of leverage. For purposes of calculating managed assets, the liquidation preference of preferred shares are not considered liabilities.

RMR Advisors has contractually agreed to waive a portion of its annual fee equal to 0.25% of the Fund's average daily managed assets, until April 27, 2009.

RMR Advisors, and not the Fund, has contractually agreed to pay the lead underwriters of the Fund's initial public offering, an aggregate annual fee equal to 0.15% of the Fund's managed assets. This fee is paid quarterly in arrears during the term of RMR Advisors' advisory agreement and is paid by the RMR Advisors, not the Fund. The aggregate fees paid pursuant to the contract plus reimbursement of legal expenses of the underwriters will not exceed 4.5% of the total price of the common shares in the initial public offering.

RMR Advisors also performs administrative functions for the Fund pursuant to an administration agreement with the Fund. RMR Advisors has entered into a subadministration agreement with State Street Bank and Trust Company, or State Street, to perform substantially all Fund accounting and other administrative services. Under the administration agreement, RMR Advisors is entitled to reimbursement of the cost of providing administrative services. The Fund reimbursed RMR Advisors for \$63,444 of subadministrative fees charged by State Street for the six months ended June 30, 2006.

Each trustee who is not a director, officer or employee of RMR Advisors and who is not an "interested person" of the Fund as defined under the Investment Company Act of 1940, as amended, is considered to be a "disinterested trustee". Disinterested trustees are each paid by the Fund an annual fee plus fees for board and committee meetings. The Fund incurred \$8,321 of trustee fees and expenses during the six months ended June 30, 2006.

The Fund's board of trustees and separately the disinterested trustees authorized the Fund to make reimbursement payments to RMR Advisors for costs related to the Fund's compliance and internal audit programs. The Fund incurred \$14,901 of compliance and internal audit expense during the six months ended June 30, 2006. The Fund also participates in pooled insurance programs with RMR Advisors and other funds managed by RMR Advisors and makes payments of allocated portions of related premiums. The Fund incurred \$9,554 of insurance expense during the six months ended June 30, 2006.

## Note C

### Securities Transactions

During the six months ended June 30, 2006, there were purchases and sales transactions (excluding short-term securities) of \$16,417,517 and \$18,316,286, respectively. Brokerage commissions on securities transactions amounted to \$25,004 during the six months ended June 30, 2006.

**Note D**

**Preferred Shares**

The Fund's 1,120 outstanding Series Th auction preferred shares, have a liquidation preference of \$25,000 per share, plus an amount equal to accumulated but unpaid distributions. The preferred shares are senior to the Fund's common shares and rank on parity with any other class or series of preferred shares of the Fund as to the payment of periodic distributions, including distribution of assets upon liquidation. If the Fund does not timely cure a failure to (1) maintain asset coverage for the preferred shares as required by rating agencies, or (2) maintain asset coverage, as defined in the Investment Company Act of 1940, as amended, of at least 200%, the preferred shares will be subject to redemption at an amount equal to their liquidation preference plus accumulated but unpaid distributions. The holders of the preferred shares have voting rights equal to the holders of the Fund's common shares and generally vote together with the holders of the common shares as a single class. Holders of the preferred shares, voting as a separate class, also are entitled to elect two of the Fund's trustees. The Fund pays distributions on the preferred shares at a rate set at auctions held generally every seven days. Distributions are generally payable every seven days, on the first business day following the end of a distribution period. The preferred share distribution rate was 5.05% per annum as of June 30, 2006.

**Note E**

**Submission of Proposals to a Vote of Shareholders**

The annual meeting of Fund shareholders was held on May 9, 2006. Following is a summary of the proposals submitted to shareholders for vote at the meeting and votes cast:

| <b>Proposal</b>  | <b>Votes for</b> | <b>Votes withheld</b> | <b>Votes abstained</b> |
|--|------------------|-----------------------|------------------------|
| Common shares  |                  |                       |                        |
| Election of Frank J. Bailey as trustee until the 2009 annual meeting.  | 1,978,830        | 15,029                |                        |
| Preferred shares   |                  |                       |                        |
| Election of Frank J. Bailey as trustee until the 2009 annual meeting.  | 152              | 56                    |                        |
| Election of Gerard M. Martin as trustee until the 2009 annual meeting. | 152              | 56                    |                        |



**RMR F.I.R.E. Fund**  
**June 30, 2006**

*To our shareholders,*

In the pages that follow, you will find data summarizing our financial results for the six months ended June 30, 2006, and our financial position as of June 30, 2006.

For the six months ended June 30, 2006, our investment allocation to the sub-sector of specialty real estate investment trusts, or REITs, increased from 2% to 6% of total investments, the largest such increase. During the same time period, our allocation to the diversified real estate sub-sector decreased from 16% to 13% of total investments, the largest such decrease. These changes reflect our view of the business environments in these sub-sectors, the strengths and weaknesses of the companies that operate in those sub-sectors and the share prices of individual companies. During the remainder of 2006, we will continue to monitor market conditions and position our portfolio according to our views of market conditions.

For securities that we held continuously during the first six months of 2006, our three best performing investments were the common stocks of Eagle Hospitality Properties Trust Inc., Capital Trust Inc. and Iowa Telecommunication Services with total returns of 31%, 27% and 25%, respectively. Our three worst performing investments during the same period were the common stocks of The Mills Corp. and FirstMerit Corp. and the preferred stock, Series B of LBA Realty LLC with negative total returns during the same period of 31%, 18% and 17%, respectively.

Thank you for your continued support. For more information, please view our website, at [www.rmrfunds.com](http://www.rmrfunds.com).

Sincerely,

Thomas M. O'Brien  
President

**RMR F.I.R.E. Fund**

June 30, 2006

**Relevant Market Conditions**

*Financial Services Industry Fundamentals.* Generally, earnings of companies in the financial sector have increased in the first half of 2006 versus the same period in 2005. Many companies in the financial sector have successfully offset interest rate margin compression with balance sheet growth and have enjoyed high credit quality levels with limited bad debt losses.

We believe that interest rate margins will not improve for the sector overall as long as the U.S. treasury yield curve remains inverted, with longer term yield rates lower than shorter term rates, or flat. If the yield curve returns to its customary historical upright position in response to Federal Reserve policy or other market factors the interest rate margins for this sector may improve.

*Real Estate Industry Fundamentals.* The operating environment for real estate companies has improved in 2006. Generally, vacancy rates have been declining and rental rates have been increasing. We expect real estate industry fundamentals to remain strong for the foreseeable future.

*Real Estate Industry Technicals.* We believe demand for real estate securities over the long term will continue to increase. Demographic trends in the U.S. include growth in the over age 50 population. We believe that individuals in that age category tend to focus their investments in higher yielding stocks like REITs. Institutions, too, seem to be increasing their allocations to real estate securities. Both of these are long term positive factors affecting the real estate securities market.

**Fund Strategies, Techniques and Performance**

Our investment objective is to provide high total returns to our common shareholders through a combination of capital appreciation and current income. There can be no assurance that we will achieve our investment objective.

During the six months ended June 30, 2006, our total return on net asset value, or NAV (including NAV changes and assuming a hypothetical reinvestment of distributions at NAV) was 3.2%. During the same period the S&P 500 Financial Sector Index (an unmanaged index of financial services common stocks) total return was 3.1%, the total return for the MSCI US REIT Total Return Index (an unmanaged index of REIT common stocks) was 13.4% and the Merrill Lynch REIT Preferred Index (an unmanaged index of REIT preferred stocks) was 1.6%. We believe these three indices are relevant to us because our investments, excluding short-term investments, as of June 30, 2006, include 21% of financial services stocks, 36% REIT common stocks and 40% REIT preferred stocks. The S&P 500 Index (an unmanaged index published as Standard and Poor's Composite Index of 500 common stocks) total return for the first six months of 2006 was 2.7%.

**Portfolio holdings by sub-sector as a percentage of investments**

*(as of June 30, 2006) (unaudited)*

|                           |       |
|---------------------------|-------|
| Banks & Thrifts           | 10%   |
| Other Financial Services  | 11%   |
| Retail REITs              | 15%   |
| Diversified REITs         | 13%   |
| Hospitality REITs         | 12%   |
| Other REITs less than 10% | 36%   |
| Other                     | 2%    |
| Short term investments    | 1%    |
|                           | <hr/> |
| Total                     | 100%  |
|                           | <hr/> |
| REITs                     | 76%   |
| Financial Services        | 21%   |
| Other                     | 2%    |
| Short term investments    | 1%    |
|                           | <hr/> |
| Total                     | 100%  |
|                           | <hr/> |

**RMR F.I.R.E. Fund****Portfolio of Investments** June 30, 2006 (unaudited)

| Company   | Shares | Value      |
|---|--------|------------|
| <hr/>   |        |            |
| Common Stocks 89.4%                                 |        |            |
| Financial Services 29.8%                            |        |            |
| <i>Banks 8.3%</i>                                   |        |            |
| Comerica, Inc.                                      | 4,000  | \$ 207,960 |
| Farmers Capital Bank Corp.                          | 3,035  | 99,396     |
| First Commonwealth Financial Corp.                  | 28,000 | 355,600    |
| First Horizon National Corp.                        | 11,400 | 458,280    |
| Firstmerit Corp.                                    | 12,800 | 268,032    |
| FNB Corp.   | 28,500 | 449,445    |
| National City Corp.                                 | 17,400 | 629,706    |
| Trustco Bank Corp. NY                               | 23,400 | 257,868    |
|   |        | <hr/>      |
|   |        | 2,726,287  |
| <i>Thrifts 7.2%</i>                                 |        |            |
| Beverly Hills Bancorp, Inc.                         | 100    | 962        |
| Capitol Federal Financial                           | 17,400 | 596,646    |
| Flagstar Bancorp, Inc.                              | 25,000 | 399,000    |
| New York Community Bancorp, Inc.                    | 82,200 | 1,357,122  |
|   |        | <hr/>      |
|   |        | 2,353,730  |
| <i>Other Financial Services 14.3%</i>               |        |            |
| American Capital Strategies, Ltd.                   | 51,000 | 1,707,480  |
| Capital Trust, Inc. *                               | 4,900  | 174,538    |
| CharterMac  | 44,200 | 826,982    |
| Fannie Mae  | 13,000 | 625,300    |
| Friedman Billings Ramsey Group, Inc. *              | 54,000 | 592,380    |
| MCG Capital Corp.                                   | 46,500 | 739,350    |
|   |        | <hr/>      |
|   |        | 4,666,030  |
| <i>Total Financial Services (Cost \$11,479,642)</i> |        | 9,746,047  |
| <i>Real Estate 57.2%</i>                            |        |            |
| <i>Diversified 14.8%</i>                            |        |            |
| Centracore Properties Trust *                       | 3,000  | 74,250     |
| Cousins Properties, Inc. *                          | 10,200 | 315,486    |
| Crescent Real Estate Equities Co. *                 | 98,400 | 1,826,304  |
| Entertainment Properties Trust *                    | 2,000  | 86,100     |
| iStar Financial, Inc. *                             | 14,000 | 528,500    |
| Lexington Corporate Properties Trust *              | 38,500 | 831,600    |
| Liberty Property Trust *                            | 6,900  | 304,980    |
| National Retail Properties *                        | 37,150 | 741,142    |
| Newkirk Realty Trust, Inc. *                        | 8,000  | 138,880    |
|   |        | <hr/>      |
|   |        | 4,847,242  |

*See notes to financial statements and notes to portfolio of investments.*

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|  |        |            |
|--|--------|------------|
| <i>Health Care 9.0%</i>                    |        |            |
| Health Care Property Investors, Inc. *     | 16,850 | \$ 450,569 |
| Health Care REIT, Inc. *                   | 28,650 | 1,001,318  |
| Healthcare Realty Trust, Inc. *            | 18,500 | 589,225    |
| Medical Properties Trust, Inc. *           | 11,000 | 121,440    |
| Nationwide Health Properties, Inc. *       | 31,400 | 706,814    |
| Windrose Medical Properties Trust *        | 5,000  | 73,000     |
|  |        | <hr/>      |
|  |        | 2,942,366  |
| <i>Hospitality 1.2%</i>                    |        |            |
| Eagle Hospitality Properties Trust, Inc. * | 36,500 | 351,495    |
| Hersha Hospitality Trust *                 | 3,000  | 27,870     |
|  |        | <hr/>      |
|  |        | 379,365    |
| <i>Industrial 6.0%</i>                     |        |            |
| EastGroup Properties, Inc. *               | 4,500  | 210,060    |
| First Industrial Realty Trust, Inc. *      | 35,700 | 1,354,458  |
| ProLogis *                                 | 8,000  | 416,960    |
|  |        | <hr/>      |
|  |        | 1,981,478  |
| <i>Manufactured Homes 2.5%</i>             |        |            |
| Sun Communities, Inc. *                    | 25,000 | 813,250    |
| <i>Mortgage 2.3%</i>                       |        |            |
| American Mortgage Acceptance Co. *         | 8,100  | 119,394    |
| KKR Financial Corp. *                      | 3,000  | 62,430     |
| Newcastle Investment Corp. *               | 22,000 | 557,040    |
|  |        | <hr/>      |
|  |        | 738,864    |
| <i>Office 0.4%</i>                         |        |            |
| Equity Office Properties Trust *           | 50     | 1,826      |
| Maguire Properties, Inc. *                 | 4,000  | 140,680    |
|  |        | <hr/>      |
|  |        | 142,506    |
| <i>Retail 12.3%</i>                        |        |            |
| CBL & Associates Properties, Inc. *        | 9,000  | 350,370    |
| Equity One, Inc. *                         | 5,000  | 104,500    |
| Feldman Mall Properties, Inc. *            | 1,000  | 10,960     |
| Glimcher Realty Trust *                    | 55,300 | 1,371,993  |
| Heritage Property Investment Trust *       | 10,300 | 359,676    |
| New Plan Excel Realty Trust *              | 40,650 | 1,003,648  |
| Taubman Centers, Inc. *                    | 2,000  | 81,800     |
| The Mills Corp. *                          | 28,100 | 751,675    |
|  |        | <hr/>      |
|  |        | 4,034,622  |

See notes to financial statements and notes to portfolio of investments.

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|  |         |              |
|--|---------|--------------|
| <i>Specialty 8.6%</i>                                |         |              |
| Alesco Financial Trust *(a)                          | 150,000 | \$ 1,575,000 |
| Getty Realty Corp. *                                 | 4,000   | 113,760      |
| Trustreet Properties, Inc. *                         | 84,300  | 1,111,917    |
|  |         | <hr/>        |
|  |         | 2,800,677    |
| <i>Storage 0.1%</i>                                  |         |              |
| Extra Space Storage, Inc. *                          | 1,100   | 17,864       |
| <i>Total Real Estate (Cost \$19,764,872)</i>         |         | 18,698,234   |
| <i>Other 2.4%</i>                                    |         |              |
| Iowa Telecommunication Services, Inc.                | 42,500  | 804,100      |
| <i>Total Other (Cost \$721,192)</i>                  |         | 804,100      |
| <i>Total Common Stocks (Cost \$31,965,706)</i>       |         | 29,248,381   |
| <i>Preferred Stocks 66.7%</i>                        |         |              |
| <i>Real Estate 63.7%</i>                             |         |              |
| <i>Apartments 11.0%</i>                              |         |              |
| Apartment Investment & Management Co., Series U *    | 32,500  | 799,500      |
| Apartment Investment & Management Co., Series V *    | 27,700  | 691,115      |
| Apartment Investment & Management Co., Series Y *    | 65,000  | 1,616,875    |
| Home Properties, Inc., Series F *                    | 18,800  | 479,400      |
|  |         | <hr/>        |
|  |         | 3,586,890    |
| <i>Diversified 5.8%</i>                              |         |              |
| Cousins Properties, Inc., Series B *                 | 20,000  | 500,000      |
| Digital Realty Trust, Inc., Series A *               | 20,000  | 505,800      |
| LBA Realty LLC, Series B *                           | 45,000  | 877,500      |
|  |         | <hr/>        |
|  |         | 1,883,300    |
| <i>Health Care 3.5%</i>                              |         |              |
| Health Care REIT, Inc., Series F *                   | 26,900  | 675,997      |
| OMEGA Healthcare Investors Inc., Series D *          | 19,000  | 486,780      |
|  |         | <hr/>        |
|  |         | 1,162,777    |
| <i>Hospitality 18.1%</i>                             |         |              |
| Eagle Hospitality Properties Trust, Inc., Series A * | 14,000  | 342,300      |
| Entertainment Properties Trust, Series B *           | 40,000  | 956,000      |
| Equity Inns, Inc., Series B *                        | 50,000  | 1,265,000    |
| FelCor Lodging Trust, Inc., Series C *               | 64,000  | 1,568,000    |
| Host Marriott Corp., Series E *                      | 10,000  | 270,000      |
| LaSalle Hotel Properties, Series A *                 | 36,000  | 925,200      |
| Strategic Hotels & Resorts, Inc., Series B *         | 13,700  | 340,171      |
| Winston Hotels, Inc., Series B *                     | 10,900  | 269,448      |
|  |         | <hr/>        |
|  |         | 5,936,119    |

See notes to financial statements and notes to portfolio of investments.

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|  |         |              |
|--|---------|--------------|
| <i>Manufactured Homes 0.5%</i>                             |         |              |
| Affordable Residential Communities, Series A *             | 6,900   | \$ 157,665   |
| <i>Mortgage 10.9%</i>                                      |         |              |
| HomeBanc Corp., Series A *                                 | 10,000  | 251,500      |
| MFA Mortgage Investments, Inc., Series A *                 | 13,800  | 334,650      |
| New Century Financial Corp., Series A *                    | 20,000  | 490,000      |
| RAIT Investment Trust, Series B *                          | 59,000  | 1,483,850    |
| Thornburg Mortgage, Inc., Series C *                       | 40,000  | 996,000      |
|  |         | 3,556,000    |
| <i>Office 2.5%</i>   |         |              |
| Alexandria Real Estate Equities, Inc., Series C *          | 31,600  | 826,656      |
| <i>Retail 11.4%</i>  |         |              |
| CBL & Associates Properties, Inc., Series D *              | 10,000  | 247,500      |
| Glimcher Realty Trust, Series F *                          | 26,500  | 680,785      |
| Glimcher Realty Trust, Series G *                          | 41,000  | 1,025,000    |
| Ramco-Gershenson Properties Trust, Series B *              | 36,000  | 923,760      |
| Taubman Centers, Inc., Series G *                          | 15,000  | 382,800      |
| The Mills Corp., Series E *                                | 9,500   | 218,690      |
| The Mills Corp., Series G *                                | 11,500  | 258,750      |
|  |         | 3,737,285    |
| <i>Total Real Estate (Cost \$21,602,671)</i>               |         | 20,846,692   |
| <i>Financial Services 3.0%</i>                             |         |              |
| Corts-UNUM Provident Financial Trust                       | 38,000  | 967,100      |
| <i>Total Financial Services (Cost \$982,300)</i>           |         | 967,100      |
| <i>Total Preferred Stocks (Cost \$22,584,971)</i>          |         | 21,813,792   |
| <i>Short-Term Investments 2.2%</i>                         |         |              |
| <i>Other Investment Companies 2.2%</i>                     |         |              |
| SSgA Money Market Fund, 4.75% (b) (Cost \$724,079)         | 724,079 | 724,079      |
| <i>Total Investments 158.3% (Cost \$55,274,756)</i>        |         | 51,786,252   |
| <i>Other assets less liabilities 2.8%</i>                  |         | 922,238      |
| <i>Preferred Shares, at liquidation preference (61.1)%</i> |         | (20,000,000) |
| <i>Net Assets applicable to common shareholders 100%</i>   | \$      | 32,708,490   |
| Notes to Portfolio of Investments                          |         |              |

- \*
- Real estate investment trust, or REIT.
- (a) 144A securities. Securities restricted for resale to Qualified Institutional Buyers.
- (b) Rate reflects 7 day yield as of June 30, 2006.

See notes to financial statements.

**RMR F.I.R.E. Fund**  
**Financial Statements**

## Statement of Assets and Liabilities

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**June 30, 2006 (unaudited)**


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*Assets*

|   |               |
|---|---------------|
| Investments in securities, at value (cost \$55,274,756) | \$ 51,786,252 |
| Cash  | 305           |
| Receivable for investment securities sold               | 997,860       |
| Dividends and interest receivable                       | 520,640       |
| Other assets  | 13,608        |
|   | <hr/>         |
| Total assets  | 53,318,665    |
|   | <hr/>         |

*Liabilities*

|   |         |
|---|---------|
| Payable for investment securities purchased | 432,956 |
| Advisory fees payable                       | 25,786  |
| Distributions payable - preferred shares    | 19,640  |
| Accrued expenses and other liabilities      | 131,793 |
|   | <hr/>   |
| Total liabilities                           | 610,175 |
|   | <hr/>   |

*Preferred shares, at liquidation preference*

|  |            |
|--|------------|
| Auction preferred shares, Series W;<br>\$.001 par value per share; 800 shares issued and<br>outstanding at \$25,000 per share liquidation preference | 20,000,000 |
|  | <hr/>      |

*Net assets attributable to common shares*


---

\$ 32,708,490

---

*Composition of net assets*

|   |             |
|---|-------------|
| Common shares, \$.001 par value per share;<br>unlimited number of shares authorized,<br>1,484,000 shares issued and outstanding | \$ 1,484    |
| Additional paid-in capital  | 35,211,654  |
| Undistributed net investment income   | 35,112      |
| Accumulated net realized gain on investments  | 948,744     |
| Net unrealized depreciation on investments  | (3,488,504) |
|   | <hr/>       |

*Net assets attributable to common shares*


---

\$ 32,708,490

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*Net asset value per share attributable to common shares*  
*(based on 1,484,000 common shares outstanding)*

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\$ 22.04

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*See notes to financial statements.*

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Statement of Operations

Six Months Ended June 30, 2006 (unaudited)

*Investment Income*

|  |              |
|--|--------------|
| Dividends (cash distributions received or due) | \$ 1,932,501 |
| Interest                                       | 31,620       |
|  | <hr/>        |
| Total investment income                        | 1,964,121    |
|  | <hr/>        |

*Expenses*

|                               |         |
|-------------------------------|---------|
| Advisory                      | 225,665 |
| Administrative                | 63,590  |
| Audit and legal               | 46,162  |
| Custodian                     | 30,067  |
| Preferred share remarketing   | 24,761  |
| Compliance and internal audit | 14,961  |
| Trustees' fees and expenses   | 8,390   |
| Shareholder reporting         | 7,274   |
| Other                         | 41,278  |
|                               | <hr/>   |

|                                      |          |
|--------------------------------------|----------|
| Total expenses                       | 462,148  |
| Less: expenses waived by the Advisor | (66,371) |
|                                      | <hr/>    |

|              |         |
|--------------|---------|
| Net expenses | 395,777 |
|              | <hr/>   |

|                       |           |
|-----------------------|-----------|
| Net investment income | 1,568,344 |
|                       | <hr/>     |

*Realized and unrealized gain (loss) on investments*

|   |           |
|---|-----------|
| Net realized gain on investments                                    | 576,747   |
| Net change in unrealized appreciation/(depreciation) on investments | (648,308) |
|   | <hr/>     |

|  |           |
|--|-----------|
| Net realized and unrealized loss on investment transactions        | (71,561)  |
| Distributions to preferred shareholders from net investment income | (449,912) |
|  | <hr/>     |

|  |              |
|--|--------------|
| Net increase in net assets attributable to common shares resulting from operations | \$ 1,046,871 |
|  | <hr/>        |

*See notes to financial statements.*

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Statement of Changes in Net Assets

|   | <b>Six Months<br/>Ended<br/>June 30,<br/>2006</b> | <b>Year Ended<br/>December 31,<br/>2005</b> |
|---|---|---|
|   | <b>(unaudited)</b>                                |   |
| <i>Increase (decrease) in net assets resulting from operations</i>                              |   |   |
| Net investment income   | \$ 1,568,344                                      | \$ 1,904,958                                |
| Net realized gain on investments  | 576,747   | 1,463,461                                   |
| Net change in unrealized appreciation/(depreciation) on investments                             | (648,308)   | (2,981,612)                                 |
| Distributions to preferred shareholders from:   |   |   |
| Net investment income   | (449,912)   | (417,797)                                   |
| Net realized gain on investments  |   | (217,867)                                   |
|   | <u>1,046,871</u>                                  | <u>(248,857)</u>                            |
| Net increase (decrease) in net assets attributable to common shares resulting from operations   |   |   |
| Distributions to common shareholders from:  |   |   |
| Net investment income   | (1,083,320)                                       | (1,621,681)                                 |
| Net realized gain on investments  |   | (978,287)                                   |
|   | <u>(36,449)</u>                                   | <u>(2,848,825)</u>                          |
| Total decrease in net assets attributable to common shares                                      |   |   |
| <i>Net assets attributable to common shares</i>   |   |   |
| Beginning of period   | <u>32,744,939</u>                                 | <u>35,593,764</u>                           |
| End of period (including undistributed net investment income of \$35,112 and \$0, respectively) | <u>\$ 32,708,490</u>                              | <u>\$ 32,744,939</u>                        |
| <i>Common shares issued and repurchased</i>   |   |   |
| Shares outstanding, beginning of period   | 1,484,000   | 1,484,000                                   |
| Shares issued   |   |   |
|   | <u>1,484,000</u>                                  | <u>1,484,000</u>                            |
| Shares outstanding, end of period   | <u>1,484,000</u>                                  | <u>1,484,000</u>                            |

See notes to financial statements.

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Selected Data For A Common Share Outstanding Throughout Each Period

|   | Six Months<br>Ended<br>June 30,<br>2006 | Year Ended<br>December 31,<br>2005 | For the Period<br>November 22,<br>2004(a) to<br>December 31,<br>2004 |
|---|---|------------------------------------|--|
| <b>(unaudited)</b>  |   |                                    |  |
| <i>Per Common Share Operating Performance (b)</i>                             |   |                                    |  |
| Net asset value, beginning of period  | \$ 22.07                                | \$ 23.99                           | \$ 24.03 (c)   |
| <i>Income from Investment Operations</i>                                      |   |                                    |  |
| Net investment income (d)   | 1.06 (e)                                | 1.28                               | .10  |
| Net realized and unrealized appreciation/(depreciation) on investments        | (.06)(e)                                | (1.01)                             | .17  |
| Distributions to preferred shareholders (common stock equivalent basis) from: |   |                                    |  |
| Net investment income   | (.30)(e)                                | (.28)                              | (.02)  |
| Net realized gain on investments  | (e)                                     | (.15)                              |  |
| Net increase (decrease) in net asset value from operations                    | .70                                     | (.16)                              | .25  |
| Less: Distributions to common shareholders from:                              |   |                                    |  |
| Net investment income   | (.73)(e)                                | (1.09)                             |  |
| Net realized gain on investments  | (e)                                     | (.67)                              |  |
| Common share offering costs charged to capital                                |   |                                    | (.04)  |
| Preferred share offering costs charged to capital                             |   |                                    | (.25)  |
| Net asset value, end of period  | \$ 22.04                                | \$ 22.07                           | \$ 23.99   |
| Market price, beginning of period   | \$ 18.99                                | \$ 24.05                           | \$ 25.00   |
| Market price, end of period   | \$ 19.29                                | \$ 18.99                           | \$ 24.05   |
| <i>Total Return (f)</i>   |   |                                    |  |
| Total investment return based on:   |   |                                    |  |
| Market price (g)  | 5.43%                                   | (14.00)%                           | (3.80)%  |
| Net asset value (g)   | 3.16%                                   | (0.64)%                            | (0.17)%  |
| <i>Ratios/Supplemental Data:</i>  |   |                                    |  |
| Preferred shares, liquidation preference (\$25,000 per share) (000s)          | \$ 20,000                               | \$ 20,000                          | \$ 20,000  |
| Net assets attributable to common shares, end of period (000s)                | \$ 32,708                               | \$ 32,745                          | \$ 35,594  |
| Ratio to average net assets attributable to common shares of:                 |   |                                    |  |
| Net investment income, before total preferred share distributions (d)         | 9.43%(e)(h)                             | 5.64%                              | 3.92%(h)   |
| Total preferred share distributions   | 2.71%(h)                                | 1.88%                              | 0.58%(h)   |
| Net investment income, net of preferred share distributions (d)               | 6.72%(e)(h)                             | 3.76%                              | 3.34%(h)   |

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|                              |          |        |          |
|------------------------------|----------|--------|----------|
| Expenses, net of fee waivers | 2.38%(h) | 2.63%  | 3.45%(h) |
| Expenses, before fee waivers | 2.78%(h) | 3.03%  | 3.73%(h) |
| Portfolio turnover rate      | 30.50%   | 64.96% | 0.00%    |

- (a) Commencement of operations.
- (b) Based on average shares outstanding.
- (c) Net asset value at November 22, 2004, reflects the deduction of the average sales load and offering costs of \$0.97 per share paid by the holders of common share from the \$25.00 offering price. We paid a sales load and offering cost of \$1.125 per share on 1,280,000 common shares sold to the public and no sales load or offering costs on 200,000 common shares sold to affiliates of RMR Advisors for \$25 per share.
- (d) Amounts are net of expenses waived by RMR Advisors.
- (e) As discussed in Note A (7) to the financial statements, these amounts are subject to change to the extent 2006 distributions by the issuers of the Fund's investments are characterized as capital gains and return of capital.
- (f) Total returns for periods less than one year are not annualized.
- (g) Total return based on per share market price assumes the purchase of common shares at the market price on the first day and sales of common shares at the market price on the last day of the period indicated; dividends and distributions, if any, are assumed to be reinvested at market prices on the ex-dividend date. The total return based on net asset value, or NAV, assumes the purchase of common shares at NAV on the first day and sales of common shares at NAV on the last day of the period indicated; distributions are assumed to be reinvested at NAV on the ex-dividend date. Results represent past performance and do not guarantee future results. Total return would have been lower if RMR Advisors had not contractually waived a portion of its investment advisory fee.
- (h) Annualized.

*See notes to financial statements.*

**RMR F.I.R.E. Fund**  
**Notes to Financial Statements**

**June 30, 2006 (unaudited)**

**Note A**

(1) Organization

RMR F.I.R.E. Fund, or the Fund, was organized as a Massachusetts business trust on August 6, 2004, and is registered under the Investment Company Act of 1940, as amended, as a non-diversified closed-end management investment company. The Fund had no operations until November 22, 2004, other than matters relating to the Fund's establishment and registration of the Fund's common shares under the Securities Act of 1933.

(2) Interim Financial Statements

The accompanying June 30, 2006, financial statements have been prepared without audit. The Fund believes that disclosures made are adequate to make the information presented not misleading. In the opinion of the Fund's management, all adjustments, which include normal recurring adjustments considered necessary for a fair presentation, have been included. The Fund's operating results for this interim period are not necessarily indicative of the results that may be expected on an annual basis or in the future.

(3) Use of Estimates

Preparation of these financial statements in conformity with accounting principles generally accepted in the United States requires the Fund's management to make estimates and assumptions that may affect the amounts reported in the financial statements and related notes. The actual results could differ from these estimates particularly for reasons described in Note A(7), and for other reasons.

(4) Portfolio Valuation

Investment securities of the Fund are valued at the latest sales price whenever that price is readily available on that day; securities for which no sales were reported on that day, unless otherwise noted, are valued at the last available bid price on that day. Securities traded primarily on the NASDAQ Stock Market, or NASDAQ, are normally valued by the Fund at the NASDAQ Official Closing Price, or NOCP, provided by NASDAQ each business day. The NOCP is the most recently reported price as of 4:00:06 p.m., eastern time, unless that price is outside the range of the "inside" bid and asked prices (i.e., the bid and asked prices that dealers quote to each other when trading for their own accounts); in that case, NASDAQ will adjust the price to equal the inside bid or asked price, whichever is closer. Because of delays in reporting trades, the NOCP may not be based on the price of the last trade to occur before the market closes. Some fixed income securities may be valued using pricing provided by a pricing service. Any of the Fund's securities which are not readily marketable, which are not traded or which have other characteristics of illiquidity are valued by the Fund at fair value as determined in good faith under the supervision of the Fund's board of trustees. Numerous factors may be considered when determining fair value of a security, including cost at date of purchase, type of security, the nature and duration of restrictions on disposition of the security and whether the issuer of the security being fair valued has other securities of the same type outstanding. Short-term debt securities with less than 60 days until maturity may be valued at cost, which when combined with interest accrued, approximates market value.

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### (5) Securities Transactions and Investment Income

Securities transactions are recorded on a trade date basis. Dividend income is recorded on the ex-dividend date. Non-cash dividends included in dividend income, if any, are recorded at the fair market value of the securities received. Interest income, including accretion of original issue discount, where applicable, and accretion of discount on short-term investments, is recorded on the accrual basis. Realized gains and losses from securities transactions are recorded on the basis of identified cost.

### (6) Federal Income Taxes

The Fund has qualified and intends to qualify in the future as a "regulated investment company" and to comply with the applicable provisions of subchapter M of the Internal Revenue Code of 1986, as amended, so that it will generally not be subject to federal income tax.

### (7) Distributable Earnings

The Fund earns income, net of expenses, daily on its investments. It is the policy of the Fund to pay a stable distribution amount to common shareholders on a monthly basis and distributions to Fund shareholders are declared pursuant to this policy. On June 26, 2006, the Fund declared distributions of \$0.146 per common share payable in August, September and October 2006. Distributions to shareholders are recorded on the ex-dividend date. The Fund's distributions may consist of ordinary income (net investment income and short term capital gains), long term capital gains and return of capital. To the extent the Fund's net realized capital gains, if any, can be offset by capital loss carry-forwards, it is the policy of the Fund not to distribute such gains. Distributions to preferred shareholders are determined as described in Note D.

The Fund has substantial investments in real estate investment trusts, or REITs, which are generally not subject to federal income taxes. Distributions that the Fund received from REITs can be classified as ordinary income, capital gain income or return of capital by the REITs that make these distributions to the Fund. However, it is not possible to characterize distributions received from REITs during interim periods because the issuers do not report their tax characterization until subsequent to year end. Final characterization of the Fund's 2006 distributions to shareholders is also dependent upon the magnitude or timing of the Fund's securities transactions prior to year end. Therefore it is likely that some portion of the Fund's 2006 investment income and distributions to shareholders will be recharacterized as long term capital gain and return of capital for financial statement and federal income tax purposes subsequent to year end and reflected accordingly in the Fund's year end financial statements.

Although subject to adjustments, the cost, gross unrealized appreciation and unrealized depreciation of the Fund's investments for federal income tax purposes as of June 30, 2006, are as follows:

|  |    |             |
|--|----|-------------|
| Cost                                       | \$ | 55,274,756  |
| Gross unrealized appreciation              | \$ | 315,052     |
| Gross unrealized depreciation              |    | (3,803,556) |
| Net unrealized appreciation/(depreciation) | \$ | (3,488,504) |

### (8) Concentration of Risk

Under normal market conditions, the Fund's investments will be concentrated in income producing common shares and preferred shares issued by F.I.R.E. companies. F.I.R.E. is a commonly used acronym for the

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combined financial services, insurance and real estate companies. The value of Fund shares may fluctuate more than the shares of a fund not concentrated in the F.I.R.E. industries due to economic, legal, regulatory, technological or other developments affecting the United States F.I.R.E. industries.

### **Note B**

#### **Advisory and Administration Agreements and Other Transactions with Affiliates**

The Fund has an advisory agreement with RMR Advisors, Inc., or RMR Advisors, to provide the Fund with a continuous investment program, to make day to day investment decisions and to generally manage the business affairs of the Fund in accordance with its investment objectives and policies. Pursuant to this agreement, RMR Advisors is compensated at an annual rate of 0.85% of the Fund's average daily managed assets. Managed assets means the total assets of the Fund less liabilities other than any indebtedness entered for purposes of leverage. For purposes of calculating managed assets, the liquidation preference of preferred shares are not considered liabilities.

RMR Advisors has contractually agreed to waive a portion of its annual fee equal to 0.25% of the Fund's average daily managed assets, until November 22, 2009.

RMR Advisors, and not the Fund, has contractually agreed to pay the lead underwriter of the Fund's initial public offering, an annual fee equal to 0.15% of the Fund's managed assets. This fee is paid quarterly in arrears during the term of RMR Advisors' advisory agreement and is paid by the RMR Advisors, not the Fund. The aggregate fees paid pursuant to the contract plus reimbursement of legal expenses of the underwriters will not exceed 4.5% of the total price of the common shares in the initial public offering.

RMR Advisors also performs administrative functions for the Fund pursuant to an administration agreement with the Fund. RMR Advisors has entered into a subadministration agreement with State Street Bank and Trust Company, or State Street, to perform substantially all Fund accounting and other administrative services. Under the administration agreement, RMR Advisors is entitled to reimbursement of the cost of providing administrative services. The Fund reimbursed RMR Advisors for \$63,590 of subadministrative fees charged by State Street for the six months ended June 30, 2006.

Each trustee who is not a director, officer or employee of RMR Advisors and who is not an interested person of the Fund as defined under the Investment Company Act of 1940, as amended, is considered to be a "disinterested trustee". Disinterested trustees are each paid by the Fund an annual fee plus fees for board and committee meetings. The Fund incurred \$8,390 of trustee fees and expenses during the six months ended June 30, 2006.

The Fund's board of trustees and separately the disinterested trustees authorized the Fund to make reimbursement payments to RMR Advisors for costs related to the Fund's compliance and internal audit programs. The Fund incurred \$14,961 of compliance and internal audit expense during the six months ended June 30, 2006. The Fund also participates in pooled insurance programs with RMR Advisors and other funds managed by RMR Advisors and makes payments of allocated portions of related premiums. The Fund incurred \$10,850 of insurance expense during the six months ended June 30, 2006.

**Note C**

**Securities Transactions**

During the six months ended June 30, 2006, there were purchases and sales transactions (excluding short-term securities) of \$16,165,048 and \$15,879,063, respectively. Brokerage commissions on securities transactions amounted to \$22,922 during the six months ended June 30, 2006.

**Note D**

**Preferred Shares**

The Fund's 800 outstanding Series W auction preferred shares have a liquidation preference of \$25,000 per share plus an amount equal to accumulated but unpaid distributions. The preferred shares are senior to the Fund's common shares and rank on parity with any other class or series of preferred shares of the Fund as to the payment of periodic distributions, including distribution of assets upon liquidation. If the Fund does not timely cure a failure to (1) maintain asset coverage for the preferred shares as required by rating agencies, or (2) maintain asset coverage, as defined in the Investment Company Act of 1940, as amended, of at least 200%, the preferred shares will be subject to redemption at an amount equal to their liquidation preference plus accumulated but unpaid distributions. The holders of the preferred shares have voting rights equal to the holders of the Fund's common shares and generally vote together with the holders of the common shares as a single class. Holders of the preferred shares, voting as a separate class, also are entitled to elect two of the Fund's trustees. The Fund pays distributions on the preferred shares at a rate set at auctions held generally every seven days. Distributions are generally payable every seven days, on the first business day following the end of a distribution period. The preferred share distribution rate was 5.05% per annum as of June 30, 2006.

**Note E**

**Submission of Proposals to a Vote of Shareholders**

The annual meeting of Fund shareholders was held on May 9, 2006. Following is a summary of the proposals submitted to shareholders for vote at the meeting and the votes cast:

| <b>Proposal</b>  | <b>Votes for</b> | <b>Votes withheld</b> | <b>Votes abstained</b> |
|--|------------------|-----------------------|------------------------|
| Common shares  |                  |                       |                        |
| Election of Frank J. Bailey as trustee until the 2009 annual meeting.  | 1,440,285        | 13,029                |                        |
| Preferred shares   |                  |                       |                        |
| Election of Frank J. Bailey as trustee until the 2009 annual meeting.  | 134              | 13                    |                        |
| Election of Gerard M. Martin as trustee until the 2009 annual meeting. | 134              | 13                    |                        |



**RMR Preferred Dividend Fund**

**June 30, 2006**

*To our shareholders,*

In the pages that follow, you will find data summarizing our financial results for the six months ended June 30, 2006, and our financial position as of June 30, 2006.

During the first six months of 2006, our allocation to the sub-sector of retail real estate investment trusts, or REITs, increased from 11% to 13% of total investments, our largest sub-sector increase. During the same time period, our allocation to the diversified sub-sector decreased from 13% to 9% of total investments, our largest sub-sector decrease. These changes reflect our view of the business environments in these sub-sectors, the strengths and weaknesses of the companies that operate in those sub-sectors and the share prices of individual companies. During the remainder of 2006, we will continue to monitor market conditions and position our portfolio according to our view of market conditions.

For securities that we held continuously during the first six months of 2006, our three best performing investments were the preferred stock of General Motors Corp. and Affordable Residential Communities and the common stock of Iowa Telecommunications Services Inc., with total returns during this period of 27%, 24% and 14%, respectively. Our three worst performing investments during the same period were the The Mills Corp., Series C, The Mills Corp., Series E and DRA CRT Acquisition Corp., Series A preferred stocks with negative total returns during the period of 6%, 5% and 1% respectively.

Thank you for your continued support. For more information, please view our website, at [www.rmrfunds.com](http://www.rmrfunds.com).

Sincerely,

Thomas M. O'Brien  
President

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**RMR Preferred Dividend Fund**

June 30, 2006

**Relevant Market Conditions**

**Real Estate Industry Fundamentals.** The operating environment for real estate companies has improved in 2006. Generally, vacancy rates have been declining and rental rates have been increasing. We expect real estate industry fundamentals to remain strong for the foreseeable future.

**Real Estate Industry Technicals.** We believe demand for real estate securities over the long term will continue to increase. Demographic trends in the U.S. include growth in the over age 50 population. We believe that individuals in that age category tend to focus their investments in higher yielding stocks like REITs. Institutions, too, seem to be increasing their allocations to real estate securities. Both of these are long term positive factors affecting the real estate securities market.

**Fund Strategies, Techniques and Performance**

Our primary investment objective is to provide our common shareholders high current income. Our secondary investment objective is capital appreciation. There can be no assurance that we will achieve our investment objectives.

During the first six months of 2006 our total return on net asset value, or NAV, was 6.5%. During that same period, the total return for the Merrill Lynch REIT Preferred Index (an unmanaged index of REIT preferred stocks) was 1.6%. We believe this index is relevant to us because our investments as of June 30, 2006, excluding short-term investments, include 81% REIT preferred stocks. The S&P 500 Index (an unmanaged index published as Standard and Poor's Composite Index of 500 common stocks) total return for the first six months of 2006 was 2.7%.

**Portfolio holdings by sub-sector as a percentage of investments***(as of June 30, 2006) (unaudited)*

|                        |      |
|------------------------|------|
| Hospitality            | 32%  |
| Mortgage               | 17%  |
| Retail                 | 13%  |
| Other, less than 10%   | 37%  |
| Short term investments | 1%   |
|                        | 100% |
| Total                  | 100% |
|                        | 100% |
| REITs                  | 84%  |
| Other                  | 15%  |
| Short term investments | 1%   |
|                        | 100% |
| Total                  | 100% |
|                        | 100% |

**RMR Preferred Dividend Fund****Portfolio of Investments** June 30, 2006 (unaudited)

| Company  | Shares  | Value             |
|--|---------|-------------------|
| <i>Preferred Stocks 126.3%</i>                     |         |                   |
| <i>Real Estate Investment Trusts 119.4%</i>        |         |                   |
| <i>Apartments 9.1%</i>                             |         |                   |
| Apartment Investment & Management Co., Series G    | 56,400  | \$ 1,466,964      |
| Apartment Investment & Management Co., Series R    | 68,000  | 1,711,900         |
| Associated Estates Realty Corp., Series B          | 39,800  | 1,024,850         |
| United Dominion Realty Trust, Inc., Series B       | 800     | 20,400            |
|  |         | <b>4,224,114</b>  |
| <i>Diversified 12.4%</i>                           |         |                   |
| Crescent Real Estate Equities Co., Series B        | 163,700 | 4,272,570         |
| Digital Realty Trust, Inc., Series A               | 40,000  | 1,011,600         |
| LBA Realty LLC, Series B                           | 25,000  | 487,500           |
|  |         | <b>5,771,670</b>  |
| <i>Health Care 0.2%</i>                            |         |                   |
| OMEGA Healthcare Investors Inc., Series D          | 3,200   | 81,984            |
| <i>Hospitality 46.5%</i>                           |         |                   |
| Ashford Hospitality Trust, Series A                | 58,000  | 1,459,280         |
| Boykin Lodging Co., Series A                       | 39,000  | 978,900           |
| Eagle Hospitality Properties Trust, Inc., Series A | 95,000  | 2,322,750         |
| Entertainment Properties Trust, Series A           | 145,200 | 3,721,476         |
| Equity Inns, Inc., Series B                        | 83,800  | 2,120,140         |
| FelCor Lodging Trust, Inc., Series C               | 167,400 | 4,101,300         |
| Hersha Hospitality Trust, Series A                 | 99,500  | 2,468,595         |
| Highland Hospitality Corp., Series A               | 120,000 | 2,880,000         |
| Host Marriott Corp., Series E                      | 15,000  | 405,000           |
| LaSalle Hotel Properties, Series A                 | 25,100  | 645,070           |
| Strategic Hotels & Resorts, Inc., Series B         | 6,800   | 168,844           |
| Strategic Hotels & Resorts, Inc., Series C         | 4,000   | 99,600            |
| Sunstone Hotel Investors, Inc., Series A           | 12,500  | 315,000           |
|  |         | <b>21,685,955</b> |
| <i>Manufactured Homes 4.8%</i>                     |         |                   |
| Affordable Residential Communities, Series A       | 97,200  | 2,221,020         |
| <i>Mortgage 24.5%</i>                              |         |                   |
| Accredited Mortgage Loan REIT Trust, Series A      | 1,500   | 37,950            |
| American Home Mortgage Investment Corp., Series A  | 92,000  | 2,415,000         |
| Anthracite Capital, Inc., Series C                 | 3,000   | 77,130            |
| Impac Mortgage Holdings, Inc., Series B            | 54,900  | 1,331,325         |
| Impac Mortgage Holdings, Inc., Series C            | 42,400  | 987,920           |
| MFA Mortgage Investments, Inc., Series A           | 40,000  | 970,000           |
| New Century Financial Corp., Series A              | 100,000 | 2,450,000         |
| Newcastle Investment Corp., Series B               | 120,000 | 3,066,000         |
| Thornburg Mortgage, Inc., Series C                 | 2,500   | 62,250            |
|  |         | <b>11,397,575</b> |
| <i>Office 2.9%</i>                                 |         |                   |
| Alexandria Real Estate Equities, Inc., Series B    | 17,600  | 445,456           |
| DRA CRT Acquisition Corp., Series A                | 40,060  | 921,380           |

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1,366,836

*See notes to financial statements and notes to portfolio of investments.*

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| Company   | Shares  | Value      |
|---|---------|------------|
| <i>Preferred Stocks continued</i>   |         |            |
| <i>Real Estate Investment Trusts continued</i>                                  |         |            |
| <i>Retail 19.0%</i>   |         |            |
| CBL & Associates Properties, Inc., Series B                                     | 14,600  | \$ 742,045 |
| Glimcher Realty Trust, Series F   | 30,000  | 770,700    |
| Pennsylvania Real Estate Investment Trust, Series A                             | 59,000  | 3,221,400  |
| The Mills Corp., Series B   | 6,000   | 137,100    |
| The Mills Corp., Series C   | 107,500 | 2,477,875  |
| The Mills Corp., Series E   | 13,600  | 313,072    |
| The Mills Corp., Series G   | 52,500  | 1,181,250  |
|   |         | <hr/>      |
|   |         | 8,843,442  |
| <i>Total Real Estate Investment Trusts (Cost \$58,161,732)</i>                  |         | 55,592,596 |
| <i>Other 6.9%</i>   |         |            |
| Ford Motor Co., 6/15/43 Series  | 9,400   | 157,920    |
| General Motors Corp., 5/15/48 Series  | 26,100  | 458,838    |
| Great Atlantic & Pacific Tea Co., 8/01/39 Series                                | 87,800  | 2,195,000  |
| Red Line Hotels Corp., 2/19/44 Series   | 15,925  | 426,392    |
| <i>Total Other (Cost \$3,333,721)</i>   |         | 3,238,150  |
| <i>Total Preferred Stocks (Cost \$61,495,453)</i>                               |         | 58,830,746 |
| <i>Common Stocks 6.1%</i>   |         |            |
| <i>Real Estate Investment Trusts 4.7%</i>                                       |         |            |
| <i>Diversified 0.1%</i>   |         |            |
| Crescent Real Estate Equities Co.   | 3,000   | 55,680     |
| <i>Hospitality 0.1%</i>   |         |            |
| Hersha Hospitality Trust  | 4,700   | 43,663     |
| <i>Industrial 0.3%</i>  |         |            |
| First Industrial Realty Trust, Inc.   | 3,000   | 113,820    |
| <i>Mortgage 0.8%</i>  |         |            |
| American Mortgage Acceptance Co.  | 5,900   | 86,966     |
| Newcastle Investment Corp.  | 12,000  | 303,840    |
|   |         | <hr/>      |
|   |         | 390,806    |
| <i>Specialty 3.4%</i>   |         |            |
| Alesco Financial Trust (a)  | 150,000 | 1,575,000  |
| <i>Total Real Estate Investment Trusts (Cost \$2,103,358)</i>                   |         | 2,178,969  |
| <i>See notes to financial statements and notes to portfolio of investments.</i> |         |            |

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*Common Stocks continued*

*Other 1.4%*

|                                       |        |    |         |
|---------------------------------------|--------|----|---------|
| Iowa Telecommunication Services, Inc. | 34,500 | \$ | 652,740 |
| Seaspan Corp.                         | 1,650  |    | 34,568  |

*Total Other (Cost \$675,949)*

687,308

*Total Common Stocks (Cost \$2,779,307)*

2,866,277

*Debt Securities 13.1%*

|  |    |           |           |
|--|----|-----------|-----------|
| Ford Motor Co., 7.75%, 06/15/2043        | \$ | 2,210,000 | 1,524,900 |
| Ford Motor Co., 8.90%, 01/15/2032        |    | 557,000   | 444,207   |
| General Motors Corp., 8.375%, 07/15/2033 |    | 2,000,000 | 1,610,000 |
| Six Flags, Inc., 9.75%, 04/15/2013       |    | 2,740,000 | 2,517,375 |

*Total Debt Securities (Cost \$6,496,582)*

6,096,482

*Short-Term Investments 1.4%*

*Other Investment Companies 1.4%*

|  |         |  |         |
|--|---------|--|---------|
| SSgA Money Market Fund, 4.75% (b) (Cost \$641,989) | 641,989 |  | 641,989 |
|--|---------|--|---------|

*Total Investments 146.9% (Cost \$71,413,331)*

68,435,494

*Other assets less liabilities 1.4%*

637,616

*Preferred Shares, at liquidation preference (48.3)%*

(22,500,000)

*Net Assets applicable to common shareholders 100%*

\$ 46,573,110

*Notes to Portfolio of Investments*

- (a) 144A securities. Securities restricted for resale to Qualified Institutional Buyers.
- (b) Rate reflects 7 day yield as of June 30, 2006.

*See notes to financial statements.*

**RMR Preferred Dividend Fund**  
**Financial Statements**

Statement of Assets and Liabilities

**June 30, 2006 (unaudited)**

|  |               |
|--|---------------|
| <i>Assets</i>  |               |
| Investments in securities, at value (cost \$71,413,331)  | \$ 68,435,494 |
| Cash   | 611           |
| Dividends and interest receivable  | 605,132       |
| Receivable for investment securities sold  | 245,515       |
|  | <hr/>         |
| Total assets   | 69,286,752    |
|  | <hr/>         |
| <i>Liabilities</i>   |               |
| Payable for investment securities purchased  | 74,946        |
| Distributions payable - preferred shares   | 24,003        |
| Advisory fee payable   | 17,013        |
| Accrued expenses and other liabilities   | 97,680        |
|  | <hr/>         |
| Total liabilities  | 213,642       |
|  | <hr/>         |
| <i>Preferred shares, at liquidation preference</i>   |               |
| Auction preferred shares, Series M;<br>\$.001 par value per share; 900 shares issued and<br>outstanding at \$25,000 per share liquidation preference | 22,500,000    |
|  | <hr/>         |
| <i>Net assets attributable to common shares</i>  | \$ 46,573,110 |
|  | <hr/>         |
| <i>Composition of net assets</i>   |               |
| Common shares, \$.001 par value per share;<br>unlimited number of shares authorized,<br>2,600,901 shares issued and outstanding                      | \$ 2,601      |
| Additional paid-in capital   | 49,182,270    |
| Undistributed net investment income  | 293,235       |
| Accumulated net realized gain on investments   | 72,841        |
| Net unrealized depreciation on investments   | (2,977,837)   |
|  | <hr/>         |
| <i>Net assets attributable to common shares</i>  | \$ 46,573,110 |
|  | <hr/>         |
| <i>Net asset value per share attributable to common shares</i><br><i>(based on 2,600,901 common shares outstanding)</i>                              | \$ 17.91      |
|  | <hr/>         |

See notes to financial statements.

**RMR Preferred Dividend Fund**  
**Financial Statements** continued

## Statement of Operations

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**Six Months Ended June 30, 2006 (unaudited)**


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*Investment Income*

|  |              |
|--|--------------|
| Dividends (cash distributions received or due) | \$ 2,684,343 |
| Interest                                       | 384,038      |
|  | <hr/>        |
| Total investment income                        | 3,068,381    |
|  | <hr/>        |

*Expenses*

|                                      |           |
|--------------------------------------|-----------|
| Advisory                             | 290,537   |
| Administrative                       | 63,327    |
| Audit and legal                      | 46,113    |
| Custodian                            | 28,887    |
| Preferred share remarketing fee      | 27,846    |
| Compliance and internal audit        | 15,253    |
| Trustees' fees and expenses          | 8,395     |
| Shareholder reporting                | 7,274     |
| Other                                | 41,042    |
|                                      | <hr/>     |
| Total expenses                       | 528,674   |
| Less: expenses waived by the Advisor | (187,995) |
|                                      | <hr/>     |
| Net expenses                         | 340,679   |
|                                      | <hr/>     |
| Net investment income                | 2,727,702 |
|                                      | <hr/>     |

*Realized and unrealized gain on investments*

|  |              |
|--|--------------|
| Net realized gain on investments   | 42,139       |
| Net change in unrealized appreciation/(depreciation) on investments                | 648,918      |
|  | <hr/>        |
| Net realized and unrealized gain on investment transactions                        | 691,057      |
| Distributions to preferred shareholders from net investment income                 | (487,179)    |
|  | <hr/>        |
| Net increase in net assets attributable to common shares resulting from operations | \$ 2,931,580 |
|  | <hr/>        |

*See notes to financial statements.*

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**RMR Preferred Dividend Fund**  
**Financial Statements** continued

## Statement of Changes in Net Assets

|  | <b>Six Months<br/>Ended<br/>June 30,<br/>2006</b> | <b>For the Period<br/>May 25,<br/>2005(a) to<br/>December 31,<br/>2005</b> |
|--|---|--|
| <b>(unaudited)</b>   |   |  |
| <i>Increase (decrease) in net assets resulting from operations</i>                               |   |  |
| Net investment income  | \$ 2,727,702                                      | \$ 2,327,865   |
| Net realized gain on investment transactions   | 42,139  | 428,154  |
| Net change in unrealized appreciation/(depreciation) on investments                              | 648,918   | (3,626,755)  |
| Distributions to preferred shareholders from:  |   |  |
| Net investment income  | (487,179)   | (339,732)  |
| Net realized gain on investments   |   | (58,005)   |
|  | <u>2,931,580</u>                                  | <u>(1,268,473)</u>   |
| Net increase (decrease) in net assets attributable to common shares resulting from operations    |   |  |
|  | <u>2,931,580</u>                                  | <u>(1,268,473)</u>   |
| Distributions to common shareholders from:   |   |  |
| Net investment income  | (1,947,288)                                       | (1,988,133)  |
| Net realized gain on investments   |   | (339,447)  |
|  | <u>(1,947,288)</u>                                | <u>(1,988,133)</u>   |
| <i>Capital shares transactions</i>   |   |  |
| Net proceeds from sale of common shares  |   | 49,138,250   |
| Net proceeds from reinvestment of distributions  | 208,892   | 171,883  |
| Net proceeds from sale of preferred shares   |   | 22,065,846   |
|  | <u>208,892</u>                                    | <u>71,375,979</u>  |
| Less: Liquidation preference of preferred shares issued  |   | (22,500,000)   |
|  | <u>208,892</u>                                    | <u>71,375,979</u>  |
| Net increase from capital transactions   | 208,892   | 71,375,979   |
| Less: Liquidation preference of preferred shares issued  |   | (22,500,000)   |
|  | <u>208,892</u>                                    | <u>71,375,979</u>  |
| Total increase in net assets attributable to common shares                                       | 1,193,184   | 45,279,926   |
| <i>Net assets attributable to common shares</i>  |   |  |
| Beginning of period  | 45,379,926  | 100,000  |
|  | <u>45,379,926</u>                                 | <u>100,000</u>   |
| End of period (including undistributed net investment income of \$293,235 and \$0, respectively) | \$ 46,573,110                                     | \$ 45,379,926  |
|  | <u>\$ 46,573,110</u>                              | <u>\$ 45,379,926</u>   |
| <i>Common shares issued and repurchased</i>  |   |  |
| Shares outstanding, beginning of period  | 2,589,311   | 5,000  |
| Shares sold  |   | 2,575,000  |
| Shares issued (reinvestment of distributions)  | 11,590  | 9,311  |
|  | <u>2,600,901</u>                                  | <u>2,589,311</u>   |
| Shares outstanding, end of period  | 2,600,901   | 2,589,311  |

- (a) Commencement of operations.

*See notes to financial statements.*

## RMR Preferred Dividend Fund

### Financial Highlights

Selected Data For A Common Share Outstanding Throughout Each Period

|   | Six Months<br>Ended<br>June 30,<br>2006 | For the Period<br>May 25,<br>2005(a) to<br>December 31,<br>2005 |
|---|---|---|
| (unaudited)   |   |   |
| <i>Per Common Share Operating Performance (b)</i>                             |   |   |
| Net asset value, beginning of period  | \$ 17.53                                | \$ 19.09 (c)  |
| <i>Income from Investment Operations</i>                                      |   |   |
| Net investment income (d)   | 1.05 (e)                                | .93   |
| Net realized and unrealized appreciation/(depreciation) on investments        | .27 (e)                                 | (1.28)  |
| Distributions to preferred shareholders (common stock equivalent basis) from: |   |   |
| Net investment income   | (.19)(e)                                | (.14)   |
| Net realized gain on investments  | (e)                                     | (.02)   |
| Net increase (decrease) in net asset value from operations                    | 1.13                                    | (.51)   |
| Less: Distributions to common shareholders from:                              |   |   |
| Net investment income   | (.75)(e)                                | (.77)   |
| Net realized gain on investments  | (e)                                     | (.13)   |
| Common share distributions reinvested at net asset value                      |   | .06   |
| Common share offering costs charged to capital                                |   | (.04)   |
| Preferred share offering costs charged to capital                             |   | (.17)   |
| Net asset value, end of period  | \$ 17.91                                | \$ 17.53  |
| Market price, beginning of period   | \$ 16.35                                | \$ 20.00  |
| Market price, end of period   | \$ 18.18                                | \$ 16.35  |
| <i>Total Return (f)</i>   |   |   |
| Total investment return based on:   |   |   |
| Market price (g)  | 15.79%                                  | 14.10%  |
| Net asset value (g)   | 6.50%                                   | 3.50%   |
| <i>Ratios/Supplemental Data:</i>  |   |   |
| Preferred shares, liquidation preference (\$25,000 per share) (000s)          | \$ 22,500                               | \$ 22,500   |
| Net assets attributable to common shares, end of period (000s)                | \$ 46,573                               | \$ 45,380   |
| Ratio to average net assets attributable to common shares (h) of:             |   |   |
| Net investment income, before total preferred share distributions (d)         | 11.85%(e)                               | 8.22%   |
| Total preferred share distributions   | 2.12%                                   | 1.40%   |
| Net investment income, net of preferred share distributions (d)               | 9.73%(e)                                | 6.82%   |
| Expenses, net of fee waivers  | 1.48%                                   | 1.54%   |
| Expenses, before fee waivers  | 2.30%                                   | 2.29%   |
| Portfolio turnover rate   | 8.80%                                   | 5.60%   |

(a) Commencement of operations.

(b)

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Based on average shares outstanding.

- (c) Net asset value at May 25, 2005, reflects the deduction of the average sales load and offering costs of \$0.91 per share paid by the holders of common shares from the \$20.00 offering price. We paid a sales load and offering cost of \$0.94 per share on 2,237,500 common shares sold to the public and no sales load or offering costs on 67,500 common shares sold to affiliates of RMR Advisors for \$20 per share.
- (d) Amounts are net of expenses waived by RMR Advisors.
- (e) As discussed in Note A (7) to the financial statements, these amounts are subject to change to the extent 2006 distributions by the issuers of the Fund's investments are characterized as capital gains and return of capital.
- (f) Total returns for periods less than one year are not annualized.
- (g) Total return based on per share market price assumes the purchase of common shares at the market price on the first day and sales of common shares at the market price on the last day of the period indicated; dividends and distributions, if any, are assumed to be reinvested at market prices on the ex-dividend date. The total return based on net asset value, or NAV, assumes the purchase of common shares at NAV on the first day and sales of common shares at NAV on the last day of the period indicated; distributions are assumed to be reinvested at NAV on the ex-dividend date. Results represent past performance and do not guarantee future results. Total return would have been lower if RMR Advisors had not contractually waived a portion of its investment advisory fee.
- (h) Annualized.

*See notes to financial statements.*

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**RMR Preferred Dividend Fund**  
**Notes to Financial Statements**

**June 30, 2006 (unaudited)**

**Note A**

(1) Organization

RMR Preferred Dividend Fund, or the Fund, was organized as a Massachusetts business trust on November 8, 2004, and is registered under the Investment Company Act of 1940, as amended, as a non-diversified closed-end management investment company. The Fund had no operations until May 25, 2005, other than matters relating to the Fund's establishment and registration of the Fund's common shares under the Securities Act of 1933.

(2) Interim Financial Statements

The accompanying June 30, 2006, financial statements have been prepared without audit. The Fund believes that disclosures made are adequate to make the information presented not misleading. In the opinion of the Fund's management, all adjustments, which include normal recurring adjustments considered necessary for a fair presentation, have been included. The Fund's operating results for this interim period are not necessarily indicative of the results that may be expected on an annual basis or in the future.

(3) Use of Estimates

Preparation of these financial statements in conformity with accounting principles generally accepted in the United States requires the Fund's management to make estimates and assumptions that may affect the amounts reported in the financial statements and related notes. The actual results could differ from these estimates particularly for reasons described in Note A(7), and for other reasons.

(4) Portfolio Valuation

Investment securities of the Fund are valued at the latest sales price whenever that price is readily available on that day; securities for which no sales were reported on that day, unless otherwise noted, are valued at the last available bid price on that day. Securities traded primarily on the NASDAQ Stock Market, or NASDAQ, are normally valued by the Fund at the NASDAQ Official Closing Price, or NOCP, provided by NASDAQ each business day. The NOCP is the most recently reported price as of 4:00:06 p.m., eastern time, unless that price is outside the range of the "inside" bid and asked prices (i.e., the bid and asked prices that dealers quote to each other when trading for their own accounts); in that case, NASDAQ will adjust the price to equal the inside bid or asked price, whichever is closer. Because of delays in reporting trades, the NOCP may not be based on the price of the last trade to occur before the market closes. Some fixed income securities may be valued using pricing provided by a pricing service. Any of the Fund's securities which are not readily marketable, which are not traded or which have other characteristics of illiquidity are valued by the Fund at fair value as determined in good faith under the supervision of the Fund's board of trustees. Numerous factors may be considered when determining fair value of a security, including cost at date of purchase, type of security, the nature and duration of restrictions on disposition of the security and whether the issuer of the security being fair valued has other securities of the same type outstanding. Short-term debt securities with less than 60 days until maturity may be valued at cost, which when combined with interest accrued, approximates market value.

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### (5) Securities Transactions and Investment Income

Securities transactions are recorded on a trade date basis. Dividend income is recorded on the ex-dividend date. Non-cash dividends included in dividend income, if any, are recorded at the fair market value of the securities received. Interest income, including accretion of original issue discount, where applicable, and accretion of discount on short-term investments, is recorded on the accrual basis. Realized gains and losses from securities transactions are recorded on the basis of identified cost.

### (6) Federal Income Taxes

The Fund has qualified and intends to qualify in the future as a "regulated investment company" and to comply with the applicable provisions of subchapter M of the Internal Revenue Code of 1986, as amended, so that it will generally not be subject to federal income tax.

### (7) Distributable Earnings

The Fund earns income, net of expenses, daily on its investments. It is the policy of the Fund to pay a stable distribution amount to common shareholders on a monthly basis and distributions to Fund shareholders are declared pursuant to this policy. On June 26, 2006, the Fund declared distributions of \$0.15 per common shares payable in August, September and October, 2006. Distributions to shareholders are recorded on the ex-dividend date. The Fund's distributions may consist of ordinary income (net investment income and short term capital gains), long term capital gains and return of capital. To the extent the Fund's net realized capital gains, if any, can be offset by capital loss carry-forwards, it is the policy of the Fund not to distribute such gains. Distributions to preferred shareholders are determined as described in Note D.

The Fund has substantial investments in real estate investment trusts, or REITs, which are generally not subject to federal income taxes. Distributions that the Fund received from REITs can be classified as ordinary income, capital gain income or return of capital by the REITs that make these distributions to the Fund. However, it is not possible to characterize distributions received from REITs during interim periods because the issuers do not report their tax characterization until subsequent to year end 2006. Final characterization of the Fund's 2006 distributions to shareholders is also dependent upon the magnitude or timing of the Fund's securities transactions prior to year end. Therefore it is likely that some portion of the Fund's 2006 investment income and distributions to shareholders will be recharacterized as long term capital gain and return of capital for financial statement and federal income tax purposes subsequent to year end and reflected accordingly in the Fund's year end financial statements.

Although subject to adjustments, the cost, gross unrealized appreciation and unrealized depreciation of the Fund's investments for federal income tax purposes as of June 30, 2006, are as follows:

|  |    |             |
|--|----|-------------|
| Cost                                       | \$ | 71,413,331  |
|  |    | <hr/>       |
| Gross unrealized appreciation              | \$ | 135,470     |
| Gross unrealized depreciation              |    | (3,113,307) |
|  |    | <hr/>       |
| Net unrealized appreciation/(depreciation) | \$ | (2,977,837) |
|  |    | <hr/>       |

### (8) Concentration of Risk

Under normal market conditions, the Fund's investments will be concentrated in preferred securities issued by real estate investment trusts. The value of Fund shares may fluctuate more than the shares of a fund not

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concentrated in the real estate industry due to economic, legal, regulatory, technological or other developments affecting the United States real estate industry.

### Note B

#### Advisory and Administration Agreements and Other Transactions with Affiliates

The Fund has an advisory agreement with RMR Advisors, Inc., or RMR Advisors, to provide the Fund with a continuous investment program, to make day to day investment decisions and to generally manage the business affairs of the Fund in accordance with its investment objectives and policies. Pursuant to this agreement, RMR Advisors is compensated at an annual rate of 0.85% of the Fund's average daily managed assets. Managed assets means the total assets of the Fund less liabilities other than any indebtedness entered into for purposes of leverage. For purposes of calculating managed assets, the liquidation preference of preferred shares are not considered liabilities.

RMR Advisors has contractually agreed to waive a portion of its annual fee equal to 0.55% of the Fund's average daily managed assets, until May 24, 2010.

RMR Advisors also performs administrative functions for the Fund pursuant to an administration agreement with the Fund. RMR Advisors has entered into a subadministration agreement with State Street Bank and Trust Company, or State Street, to perform substantially all Fund accounting and other administrative services. Under the administration agreement, RMR Advisors is entitled to reimbursement of the cost of providing administrative services. The Fund reimbursed RMR Advisors for \$63,327 of subadministrative fees charged by State Street for the six months ended June 30, 2006.

Each trustee who is not a director, officer or employee of RMR Advisors and who is not an "interested person" of the Fund as defined under the Investment Company Act of 1940, as amended, is considered to be a "disinterested trustee". Disinterested trustees are each paid by the Fund an annual fee plus fees for board and committee meetings. The Fund incurred \$8,395 of trustee fees and expenses during the six months ended June 30, 2006.

The Fund's board of trustees and separately the disinterested trustees authorized the Fund to make reimbursement payments to RMR Advisors for costs related to the Fund's compliance and internal audit programs. The Fund incurred \$15,253 of compliance and internal audit expense during the six months ended June 30, 2006. The Fund also participates in pooled insurance programs with RMR Advisors and other funds managed by RMR Advisors and makes payments of allocated portions of related premiums. The Fund incurred \$10,117 of insurance expense during the six months ended June 30, 2006.

### Note C

#### Securities Transactions

During the six months ended June 30, 2006, there were purchases and sales transactions (excluding short-term securities) of \$6,046,889 and \$5,923,015, respectively. Brokerage commissions on securities transactions amounted to \$4,212 during the six months ended June 30, 2006.

**Note D**

**Preferred Shares**

The Fund's 900 outstanding Series M auction preferred shares have a liquidation preference of \$25,000 per share plus an amount equal to accumulated plus unpaid distributions. The preferred shares are senior to the Fund's common shares and rank on parity with any other class or series of preferred shares of the Fund as to the payment of periodic distributions, including distribution of assets upon liquidation. If the Fund does not timely cure a failure to (1) maintain asset coverage for the preferred shares as required by rating agencies, or (2) maintain asset coverage, as defined in the Investment Company Act of 1940, as amended, of at least 200%, the preferred shares will be subject to redemption at an amount equal to their liquidation preference plus accumulated but unpaid distributions. The holders of the preferred shares have voting rights equal to the holders of the Fund's common shares and will generally vote together with the holders of the Fund's common shares and generally vote together with the holders of the common shares as a single class. Holders of the preferred shares, voting as a separate class, also are entitled to elect two of the Fund's trustees. The Fund pays distributions on the preferred shares at a rate set at auctions held generally every seven days. Distributions are generally payable every seven days, on the first business day following the end of a distribution period. The preferred share distribution rate was 4.80% per annum as of June 30, 2006.

**Note E**

**Submission of Proposals to a Vote of Shareholders**

The annual meeting of Fund shareholders was held on May 9, 2006. Following is a summary of the proposals submitted to shareholders for vote at the meeting and the votes cast:

| Proposal   | Votes for | Votes withheld | Votes abstained |
|--|-----------|----------------|-----------------|
| Common shares  |           |                |                 |
| Election of Frank J. Bailey as trustee until the 2009 annual meeting.  | 2,491,311 | 29,891         |                 |
| Preferred shares   |           |                |                 |
| Election of Frank J. Bailey as trustee until the 2009 annual meeting.  | 95        | 14             |                 |
| Election of Gerard M. Martin as trustee until the 2009 annual meeting. | 95        | 14             |                 |



**RMR Asia Pacific Real Estate Fund**

**June 30, 2006**

*To our shareholders,*

In the pages that follow, you will find data summarizing our financial results for the period from May 25, 2006, the date we commenced operations, through June 30, 2006, and our financial position as of June 30, 2006.

Although our fund has been in operation for only a short time, we have taken the steps to build what we believe will be a sound long term investment portfolio.

Thank you for your continued support. For more information, please view our website, at [www.rmrfunds.com](http://www.rmrfunds.com).

Sincerely,

Thomas M. O'Brien  
President

**RMR Asia Pacific Real Estate Fund**

**June 30, 2006**

**Relevant Market Conditions**

*Real Estate Industry Fundamentals.* We believe that the operating environment for real estate companies in the Asia Pacific region will continue to improve in 2006. We expect office vacancy rates to decline, commercial rental rates to improve and the urbanization process to create demand for residential housing. We expect some Asia Pacific real estate companies may increase distributions to shareholders. Also, many public real estate companies in the Asia Pacific region have ample liquidity to make acquisitions to further increase their earnings potential.

*Real Estate Industry Technicals.* We believe demand for real estate securities over the long term will continue to increase. Worldwide demographic trends are causing investors to seek relatively high yield securities like real estate investment trusts, and a strong cultural preference for real estate investment in Asia are both stimulating demand for Asia Pacific real estate securities. We believe these are long term positive factors for the Asia Pacific real estate securities market.

**Fund Strategies, Techniques and Performance**

Our primary investment objective is capital appreciation. There can be no assurance that we will achieve our investment objective.

During the period from May 25, 2006, through June 30, 2006, our total return on net asset value, or NAV, was 2.9%. During that same period, the total return for the EPRA NAREIT Asia Index (an unmanaged index of Asia Pacific real estate common stocks) was 2.5%. We believe this index is relevant to our investments because all our investments as of June 30, 2006, excluding short-term investments, were in securities of real estate companies in countries covered by this index. The S&P 500 Index (an unmanaged index published as Standard and Poor's Composite Index of 500 common stocks) total return for the same period was negative 0.03%.

**Portfolio holdings by sub-sector as a percentage of investments**

*(as of June 30, 2006) (unaudited)*

|                        |       |
|------------------------|-------|
| Diversified            | 52%   |
| Retail                 | 17%   |
| Office                 | 13%   |
| Other, less than 10%   | 9%    |
| Short term investments | 9%    |
|                        | <hr/> |
| Total                  | 100%  |
|                        | <hr/> |
| Real Estate            | 91%   |
| Short term investments | 9%    |
|                        | <hr/> |
| Total                  | 100%  |
|                        | <hr/> |

**Portfolio holdings by country**

*(as of June 30, 2006) (unaudited)*

|                        |       |
|------------------------|-------|
| Japan                  | 39%   |
| Hong Kong              | 27%   |
| Australia              | 17%   |
| Other, less than 10%   | 8%    |
| Short term investments | 9%    |
|                        | <hr/> |
| Total                  | 100%  |
|                        | <hr/> |

**RMR Asia Pacific Real Estate Fund**  
**Portfolio of Investments** June 30, 2006 (unaudited)

| Company                                    | Shares    | Value        |
|--|-----------|--------------|
| <i>Common Stocks 91.6%</i>                 |           |              |
| <i>Australia 17.4%</i>                     |           |              |
| <i>Diversified 14.9%</i>                   |           |              |
| Australand Property Group                  | 770,000   | \$ 1,184,427 |
| Babcock & Brown Japan Property Trust *     | 360,000   | 449,427      |
| FKP Property Group                         | 170,000   | 663,217      |
| GPT Group *                                | 430,000   | 1,386,773    |
| Multiplex Group *                          | 600,000   | 1,457,962    |
|  |           | 5,141,806    |
| <i>Hospitality 1.7%</i>                    |           |              |
| Grand Hotel Group *                        | 900,000   | 578,503      |
| <i>Residential 0.8%</i>                    |           |              |
| Peet, Ltd.                                 | 92,502    | 278,390      |
| <i>Total Australia (Cost \$5,926,296)</i>  |           | 5,998,699    |
| <i>Hong Kong 26.8%</i>                     |           |              |
| <i>Diversified 5.9%</i>                    |           |              |
| Hysan Development Co., Ltd                 | 330,000   | 934,808      |
| Shun TAK Holdings, Ltd.                    | 840,000   | 1,092,412    |
|  |           | 2,027,220    |
| <i>Hospitality 4.8%</i>                    |           |              |
| Cheung Kong Holdings, Ltd.                 | 26,000    | 281,885      |
| Sun Hung Kai Properties, Ltd.              | 135,000   | 1,376,717    |
|  |           | 1,658,602    |
| <i>Office 6.9%</i>                         |           |              |
| Champion Real Estate Investment Trust (a)* | 1,700,000 | 848,216      |
| Great Eagle Holdings, Ltd.                 | 365,000   | 1,250,145    |
| GZI Real Estate Investment Trust (a)*      | 740,000   | 295,379      |
|  |           | 2,393,740    |
| <i>Retail 9.2%</i>                         |           |              |
| Hang Lung Properties, Ltd.                 | 960,000   | 1,736,734    |
| The Link REIT (a)*                         | 720,000   | 1,441,613    |
|  |           | 3,178,347    |
| <i>Total Hong Kong (Cost \$9,123,846)</i>  |           | 9,257,909    |

See notes to financial statements and notes to portfolio of investments.

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| Company  | Shares or<br>Principal<br>Amounts | Value         |
|--|-----------------------------------|---------------|
| <i>Common Stocks continued</i>                         |                                   |               |
| <i>Japan 39.0%</i>                                     |                                   |               |
| <i>Diversified 28.0%</i>                               |                                   |               |
| Daiwasystems Co., Ltd.                                 | 26,000                            | \$ 613,422    |
| Mitsubishi Estate Co., Ltd.                            | 155,000                           | 3,291,244     |
| Mitsui Fudosan Co., Ltd.                               | 125,000                           | 2,714,305     |
| Sumitomo Realty & Development Co., Ltd.                | 123,000                           | 3,030,933     |
|  |                                   | <hr/>         |
|  |                                   | 9,649,904     |
| <i>Office 6.0%</i>                                     |                                   |               |
| NTT Urban Development Corp.                            | 190                               | 1,480,950     |
| Tokyu REIT, Inc. *                                     | 70                                | 574,974       |
|  |                                   | <hr/>         |
|  |                                   | 2,055,924     |
| <i>Retail 5.0%</i>                                     |                                   |               |
| ASK Planning Center, Inc.                              | 84,000                            | 576,197       |
| Diamond City Co., Ltd.                                 | 29,000                            | 1,145,404     |
|  |                                   | <hr/>         |
|  |                                   | 1,721,601     |
| <i>Total Japan (Cost \$12,784,953)</i>                 |                                   | 13,427,429    |
| <i>Singapore 6.4%</i>                                  |                                   |               |
| <i>Diversified 3.6%</i>                                |                                   |               |
| Capitaland, Ltd.                                       | 440,000                           | 1,250,908     |
| <i>Industrial 1.7%</i>                                 |                                   |               |
| Mapletree Logistics Trust *                            | 980,000                           | 575,797       |
| <i>Retail 1.1%</i>                                     |                                   |               |
| Frasers Centrepoint Trust (a)*                         | 580,000                           | 381,194       |
| <i>Total Singapore (Cost \$2,097,768)</i>              |                                   | 2,207,899     |
| <i>Thailand 2.0%</i>                                   |                                   |               |
| <i>Retail 2.0%</i>                                     |                                   |               |
| Central Pattana Public Co., Ltd.                       | 1,375,000                         | 685,336       |
| <i>Total Thailand (Cost \$737,324)</i>                 |                                   | 685,336       |
| <i>Total Common Stocks (Cost \$30,670,187)</i>         |                                   | 31,577,272    |
| <i>Short-Term Investments 9.3%</i>                     |                                   |               |
| <i>Commercial Paper 9.3%</i>                           |                                   |               |
| Citigroup Funding, Inc., 4.15%, 07/03/2006             | \$ 1,500,000                      | 1,499,654     |
| San Paolo U.S. Finance Co., 4.15%, 07/03/2006          | 1,500,000                         | 1,499,654     |
| State Street Boston Corp., 4.15%, 07/03/2006           | 210,000                           | 209,952       |
| <i>Total Short-Term Investments (Cost \$3,209,260)</i> |                                   | 3,209,260     |
| <i>Total Investments 100.9% (Cost \$33,879,447)</i>    |                                   | 34,786,532    |
| <i>Other assets less liabilities (0.9%)</i>            |                                   | (315,587)     |
| <i>Net Assets 100%</i>                                 |                                   | \$ 34,470,945 |
| Notes to Portfolio of Investments                      |                                   |               |

\* Company is organized as a real estate investment trust as defined by the law of its country of domicile.

(a) Non-income producing security.

See notes to financial statements.

**RMR Asia Pacific Real Estate Fund**  
**Financial Statements**

Statement of Assets and Liabilities

**June 30, 2006 (unaudited)**

|  |               |
|--|---------------|
| <i>Assets</i>  |               |
| Investments in securities, at value (cost \$33,879,447)                            | \$ 34,786,532 |
| Cash   | 5,557         |
| Dividends and interest receivable  | 108,024       |
|  | <hr/>         |
| Total assets   | 34,900,113    |
|  | <hr/>         |
| <i>Liabilities</i>   |               |
| Payable for investment securities purchased  | 381,195       |
| Advisory fee payable   | 20,321        |
| Accrued expenses and other liabilities   | 27,652        |
|  | <hr/>         |
| Total liabilities  | 429,168       |
|  | <hr/>         |
| <i>Net assets</i>  | \$ 34,470,945 |
|  | <hr/>         |
| <i>Composition of net assets</i>   |               |
| \$.001 par value per share;  |               |
| unlimited number of shares authorized,   |               |
| 1,755,000 shares issued and outstanding  | \$ 1,755      |
| Additional paid-in capital   | 33,490,845    |
| Undistributed net investment income  | 81,123        |
| Accumulated net realized loss on foreign currency transactions                     | (8,704)       |
| Net unrealized appreciation on investments   | 907,085       |
| Net unrealized depreciation on foreign currency transactions                       | (1,159)       |
|  | <hr/>         |
| <i>Net assets</i>  | \$ 34,470,945 |
|  | <hr/>         |
| <i>Net asset value per share</i><br><i>(based on 1,755,000 shares outstanding)</i> | \$ 19.64      |
|  | <hr/>         |

*See notes to financial statements.*

**RMR Asia Pacific Real Estate Fund****Financial Statements** continued

## Statement of Operations

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**For the Period May 25, 2006(a) to June 30, 2006 (unaudited)**


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*Investment Income*

|   |            |
|---|------------|
| Dividends (cash distributions received or due, net of foreign taxes withheld of \$40,267) | \$ 109,782 |
| Interest  | 33,426     |
|   | <hr/>      |
| Total investment income   | 143,208    |
|   | <hr/>      |

*Expenses*

|                                      |         |
|--------------------------------------|---------|
| Advisory                             | 28,941  |
| Administrative                       | 10,309  |
| Audit and legal                      | 9,982   |
| Custodian                            | 5,154   |
| Shareholder reporting                | 3,273   |
| Compliance and internal audit        | 2,946   |
| Trustees' fees and expenses          | 2,406   |
| Other                                | 6,309   |
|                                      | <hr/>   |
| Total expenses                       | 69,320  |
| Less: expenses waived by the Advisor | (7,235) |
|                                      | <hr/>   |
| Net expenses                         | 62,085  |
|                                      | <hr/>   |

|                       |        |
|-----------------------|--------|
| Net investment income | 81,123 |
|                       | <hr/>  |

*Realized and unrealized gain (loss) on investments*

|   |         |
|---|---------|
| Net realized loss on foreign currency transactions                                    | (8,704) |
| Net change in unrealized appreciation/(depreciation) on investments                   | 907,085 |
| Net change in unrealized appreciation/(depreciation) on foreign currency transactions | (1,159) |
|   | <hr/>   |

|  |            |
|--|------------|
| Net increase in net assets resulting from operations | \$ 978,345 |
|  | <hr/>      |

(a) Commencement of operations.

See notes to financial statements.

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**RMR Asia Pacific Real Estate Fund**  
**Financial Statements continued**

Statement of Changes in Net Assets

**For the Period May 25, 2006(a) to June 30, 2006 (unaudited)**

|   |               |
|---|---------------|
| <i>Increase (decrease) in net assets resulting from operations</i>                    |               |
| Net investment income   | \$ 81,123     |
| Net realized loss on foreign currency transactions                                    | (8,704)       |
| Net change in unrealized appreciation/(depreciation) on investments                   | 907,085       |
| Net change in unrealized appreciation/(depreciation) on foreign currency transactions | (1,159)       |
|   | <hr/>         |
| Net increase in net assets resulting from operations                                  | 978,345       |
|   | <hr/>         |
| <i>Capital shares transactions</i>  |               |
| Net proceeds from sale of common shares   | 33,392,600    |
| Cost of shares redeemed   |               |
|   | <hr/>         |
| Net increase from capital transactions  | 33,392,600    |
|   | <hr/>         |
| Total increase in net assets attributable to common shares                            | 34,370,945    |
| <i>Net assets</i>   |               |
| Beginning of period   | 100,000       |
|   | <hr/>         |
| End of period (including undistributed net investment income of \$81,123)             | \$ 34,470,945 |
|   | <hr/>         |
| <i>Common shares</i>  |               |
| Shares outstanding, beginning of period   | 5,000         |
| Shares issued   | 1,750,000     |
|   | <hr/>         |
| Shares outstanding, end of period   | 1,755,000     |
|   | <hr/>         |

(a) Commencement of operations.

See notes to financial statements.



## RMR Asia Pacific Real Estate Fund

### Financial Highlights

Selected Data For A Common Share Outstanding Throughout The Period

|  | <b>For the Period</b><br><b>May 25,</b><br><b>2006(a) to</b><br><b>June 30,</b><br><b>2006</b> |
|--|--|
|  | <b>(unaudited)</b>   |
| <i>Per Common Share Operating Performance (b)</i>                      |  |
| Net asset value, beginning of period                                   | \$ 19.08 (c)   |
| <i>Income from Investment Operations</i>                               |  |
| Net investment income (d)  | .05  |
| Net realized and unrealized appreciation/(depreciation) on investments | .51  |
| Net increase in net asset value from operations                        | .56  |
| Net asset value, end of period   | \$ 19.64   |
| Market price, beginning of period                                      | \$ 20.00   |
| Market price, end of period  | \$ 19.75   |
| <i>Total Return (e)</i>  |  |
| Total investment return based on:                                      |  |
| Market price (f)   | (1.25)%  |
| Net asset value (f)  | 2.94%  |
| <i>Ratios/Supplemental Data:</i>                                       |  |
| Net assets attributable to common shares, end of period (000s)         | \$ 34,471  |
| Ratio to average net assets attributable to common shares (g) of:      |  |
| Net investment income (d)(f)   | 2.80%  |
| Expenses, net of fee waivers   | 2.15%  |
| Expenses, before fee waivers   | 2.40%  |
| Portfolio turnover rate  | 0.00%  |

(a) Commencement of operations.

(b) Based on average shares outstanding.

(c) Net asset value at May 25, 2006, reflects the deduction of the average sales load and offering costs of \$0.92 per share paid by the holders of common shares from the \$20.00 offering price. We paid a sales load and offering cost of \$0.94 per share on 1,710,000 common shares sold to the public and no sales load or offering costs on 40,000 common shares sold to affiliates of RMR Advisors for \$20 per share.

(d) Amounts are net of expenses waived by RMR Advisors.

(e) Total returns for periods less than one year are not annualized.

(f)

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Total return based on per share market price assumes the purchase of common shares at the market price on the first day and sales of common shares at the market price on the last day of the period indicated; dividends and distributions, if any, are assumed to be reinvested at market prices on the ex-dividend date. The total return based on net asset value, or NAV, assumes the purchase of common shares at NAV on the first day and sales of common shares at NAV on the last day of the period indicated; distributions, if any, are assumed to be reinvested at NAV on the ex-dividend date. Results represent past performance and do not guarantee future results. Total return would have been lower if RMR Advisors had not contractually waived a portion of its investment advisory fee.

(g)

Annualized.

*See notes to financial statements.*

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**RMR Asia Pacific Real Estate Fund**  
**Notes to Financial Statements**

**June 30, 2006 (unaudited)**

**Note A**

(1) Organization

RMR Asia Pacific Real Estate Fund, or the Fund, was organized as a Massachusetts business trust on February 14, 2006, and is registered under the Investment Company Act of 1940, as amended, as a non-diversified closed-end management investment company. The Fund had no operations prior to May 25, 2006, other than matters relating to the Fund's establishment, registration of the Fund's common shares under the Securities Act of 1933, and the sale of 5,000 common shares for \$100,000 to RMR Advisors, Inc., or RMR Advisors. On May 25, 2006, the Fund sold 1,750,000 common shares in an initial public offering including 40,000 shares sold to affiliates of RMR Advisors. Proceeds to the Fund were \$33,392,600 after deducting underwriting commissions and \$68,400 of offering expenses. There was no underwriting commission or offering expenses paid on shares sold to the affiliates of RMR Advisors.

(2) Interim Financial Statements

The accompanying June 30, 2006, financial statements have been prepared without audit. The Fund believes that disclosures made are adequate to make the information presented not misleading. In the opinion of the Fund's management, all adjustments, which include normal recurring adjustments considered necessary for a fair presentation, have been included. The Fund's operating results for this interim period are not necessarily indicative of the results that may be expected on an annual basis or in the future.

(3) Use of Estimates

Preparation of these financial statements in conformity with accounting principles generally accepted in the United States requires the Fund's management to make estimates and assumptions that may affect the amounts reported in the financial statements and related notes.

(4) Portfolio Valuation

Investment securities of the Fund are valued at the latest sales price reflected on the consolidated tape of the foreign exchange that reflects the principal market for such securities whenever that price is readily available on that day; securities for which no sales were reported on that day, unless otherwise noted, are valued at the last available bid price on that day. Any of the Fund's securities which are not readily marketable, which are not traded or which have other characteristics of illiquidity are valued by the Fund at fair value as determined in good faith under the supervision of the Fund's board of trustees. Numerous factors may be considered when determining fair value of a security, including cost at date of purchase, type of security, the nature and duration of restrictions on disposition of the security and whether the issuer of the security being fair valued has other securities of the same type outstanding. Short term debt securities with less than 60 days until maturity may be valued at cost, which when combined with interest accrued, approximates market value.

Some foreign markets close before the close of customary trading sessions on the American Stock Exchange or AMEX (normally 4:00 p.m. eastern time). Occasionally, events occur after the principal foreign exchange on which the foreign securities trade has closed but before the AMEX closes and the Fund determines net asset value, or NAV, that could affect the value of the securities the Fund owns or cause their prices to be unreliable. If these events are expected to materially affect the Fund's NAV, the prices of such securities will be adjusted to reflect their estimated fair value as of the close of the AMEX, as determined in good faith under procedures established by the Fund's board of trustees.

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### (5) Securities Transactions and Investment Income

Securities transactions are recorded on a trade date basis. Dividend income is recorded on the ex-dividend date. Non-cash dividends included in dividend income, if any, are recorded at the fair market value of the securities received. Interest income, including accretion of original issue discount, where applicable, and accretion of discount on short-term investments, is recorded on the accrual basis. Realized gains and losses from securities transactions are recorded on the basis of identified cost.

### (6) Income Taxes

The Fund has qualified and intends to qualify in the future as a "regulated investment company" and to comply with the applicable provisions of subchapter M of the Internal Revenue Code of 1986, as amended, so that it will generally not be subject to United States federal income tax.

Some Asia Pacific governments may subject the Fund's investment income and securities sales to withholding or other taxes. For the period ended June 30, 2006, \$40,267 of foreign taxes has been withheld from distributions to the Fund and has been recorded as a reduction of dividend income.

### (7) Distributable Earnings

The Fund intends to make distributions of its income at least annually in amounts at least equal to the amount necessary to maintain its status as a registered investment company. The Fund's distributions may consist of ordinary income (net investment income and short term capital gains) and long term capital gains. Distributions to shareholders are recorded on the ex-dividend date. The Fund has not declared any distributions.

The cost, gross unrealized appreciation and unrealized depreciation of the Fund's investments for federal income tax purposes as of June 30, 2006, are as follows:

|  |    |            |
|--|----|------------|
| Cost                                       | \$ | 33,879,447 |
| Gross unrealized appreciation              | \$ | 1,137,097  |
| Gross unrealized depreciation              |    | (230,012)  |
| Net unrealized appreciation/(depreciation) | \$ | 907,085    |

### (8) Concentration of Risk

Under normal market conditions, the Fund's investments will be concentrated in common shares, preferred shares and debt securities, including convertible preferred and debt securities, issued by Asia Pacific real estate companies and REITs. The value of Fund shares may fluctuate more than the shares of a fund not concentrated in the real estate industry or in the Asia Pacific region due to economic, legal, regulatory, technological or other developments affecting the Asia Pacific real estate industry and securities market.

### (9) Foreign Securities Risk

As compared to U.S. securities, foreign securities may be issued by companies which provide less financial and other information, and which are subject to less developed and difficult to access legal systems, less stringent accounting, auditing and financial reporting standards or different governmental regulations. As compared to U.S. securities markets, foreign securities markets may have different settlement procedures, may have higher transaction costs, may be conducted in a less regulated manner, are generally smaller and may be less liquid

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and more volatile than securities markets in the U.S. The value of foreign securities may also decline or be unstable because of political, social or economic events or instability outside of the U.S.

### (10) Foreign Currency Translations

The accounting records of the Fund are maintained in U.S. dollars. Portfolio securities and other assets and liabilities denominated in a foreign currency are translated daily into U.S. dollars at the prevailing rates of exchange. Purchases and sales of securities, income receipts and expense payments are translated into U.S. dollars at the prevailing exchange rates on the respective transaction dates.

The Fund does not isolate the portion of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in their market prices. Such fluctuations are included in net realized and unrealized gain (loss) on investments. Net realized gain (loss) on foreign currency transactions represents net foreign currency gain (loss) from forward currency contracts, disposition of foreign currencies, currency gain (loss) realized between the trade and settlement dates on securities transactions, and the difference between the amount of dividends, interest and foreign withholding taxes recorded on the Fund's accounting records and the U.S. dollar equivalent amounts actually received or paid. Net unrealized foreign currency appreciation/(depreciation) arises from changes in the value of assets and liabilities, other than investments in securities, as a result of changes in exchange rates.

## Note B

### Advisory, Subadvisory and Administration Agreements and Other Transactions with Affiliates

The Fund has an advisory agreement with RMR Advisors to provide the Fund with a continuous investment program, oversee the subadvisor and generally manage the business affairs of the Fund in accordance with its investment objectives and policies. Pursuant to the agreement, RMR Advisors is compensated at an annual rate of 1% of the Fund's average daily net assets.

RMR Advisors has contractually agreed to waive a portion of its annual fee equal to 0.25% of the Fund's average daily managed assets until May 25, 2011.

RMR Advisors has entered into a subadvisory agreement with MacarthurCook Investment Managers Ltd., or MacarthurCook, to make day-to-day investment decisions and to generally manage the business affairs of the Fund in accordance with its investment objective and policies. Pursuant to the agreement, RMR Advisors, and not the Fund, will pay the subadvisor a monthly fee equal to an annual rate of 0.375% of the Fund's average daily managed assets. MacarthurCook has agreed to waive a portion of the fee payable by RMR Advisors such that until May 25, 2011, the fee payable will be equal to 0.25% of the Fund's average daily managed assets.

RMR Advisors also performs administrative functions for the Fund pursuant to an administration agreement with the Fund. RMR Advisors has entered into a subadministration agreement with State Street Bank and Trust Company, or State Street, to perform substantially all Fund accounting and other administrative services. Under the administration agreement, RMR Advisors is entitled to reimbursement of the cost of providing administrative services. The Fund reimbursed RMR advisors for \$10,309 of subadministrative fees charged by State Street for the period ended June 30, 2006.

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Each trustee who is not a director, officer or employee of RMR Advisors and who is not an "interested person" of the Fund as defined under the Investment Company Act of 1940, as amended, is considered to be a "disinterested trustee". Disinterested trustees are each paid by the Fund an annual fee plus fees for board and committee meetings. The Fund incurred \$2,406 of trustee fees and expenses during the period ended June 30, 2006.

The Fund's board of trustees and separately the disinterested trustees authorized the Fund to make reimbursement payments to RMR Advisors for costs related to the Fund's compliance and internal audit programs. The Fund incurred \$2,946 of compliance and internal audit expense during the period ended June 30, 2006. The Fund also participates in pooled insurance programs with RMR Advisors and other funds managed by RMR Advisors and makes payments of allocated portions of related premiums. The Fund incurred \$1,908 of insurance expense during the period ended June 30, 2006.

### **Note C**

#### **Securities Transactions**

During the period ended June 30, 2006, there were purchases and sales transactions (excluding short-term securities) of \$30,670,187 and \$0, respectively. Brokerage commissions on securities transactions amounted to \$50,339 during the period ended June 30, 2006.

**RMR Real Estate Fund**  
**RMR Hospitality and Real Estate Fund**  
**RMR F.I.R.E. Fund**  
**RMR Preferred Dividend Fund**  
**RMR Asia Pacific Real Estate Fund**  
**June 30, 2006**

For the purposes of the following, RMR Real Estate Fund (RMR), RMR Hospitality and Real Estate Fund (RHR), RMR F.I.R.E. Fund (RFR), RMR Preferred Dividend Fund (RDR) and RMR Asia Pacific Real Estate Fund (RAP) are each referred to as a "Fund" or collectively as the "Funds".

**Consideration of the Investment Advisory and Investment Sub-Advisory Agreements for RAP**

RMR Advisors serves as the investment advisor to RAP, and MacarthurCook Investment Managers Limited ("MacarthurCook") serves as the sub-advisor to RAP. On April 20, 2006, the RAP board of trustees (the "board") entered into investment advisory and investment sub-advisory agreements for a period of two years to expire on April 19, 2008.

*Investment Advisory Agreement.* In making their determination to approve the RAP investment advisory agreement, the board, including the disinterested trustees, considered all of the factors described below.

The board considered the anticipated benefits to RAP shareholders from appointing RMR Advisors as investment advisor. The board's considerations included, among others: the nature, scope and quality of services that RMR Advisors was expected to provide to RAP; the advisory and other fees to be paid; the fact that RMR Advisors has agreed to waive a portion of its fee during the first five years of the RAP's existence in order to reduce RAP's operating expenses; the quality and depth of personnel of RMR Advisors' organization; the capacity and future commitment of RMR Advisors to perform its duties; the financial condition and anticipated profitability of RMR Advisors; the experience and expertise of RMR Advisors as an investment adviser; the level of fees to be paid to RMR Advisors as compared to similar funds; the potential for economies of scale; and any indirect benefits expected to be derived by RMR Advisors' relationship with RAP.

The board considered the level and depth of knowledge of RMR Advisors. In evaluating the quality of services to be provided by RMR Advisors, the board took into account its familiarity with RMR Advisors' management through board meetings, conversations and reports of other funds managed by RMR Advisors. The board also considered the historical performance of the other funds managed by RMR Advisors. The board also took into account RMR Advisors' compliance policies and procedures.

The board compared the proposed advisory fees and the estimated total expense ratio of RAP with various comparative fund data. The board considered RAP's investment objective. The board also considered the RAP's model portfolio composition and investment strategy.

The board considered the potential economies of scale that may be realized if the assets of RAP grow. The board noted that shareholders might benefit from lower operating expenses as a result of an increasing amount of assets being spread over RAP's fixed expenses.

In considering the approval of the investment advisory agreement, the board, including the disinterested trustees, did not identify any single factor as controlling. Based on the board's evaluation of all the factors that it deemed to be relevant, the board, including the disinterested trustees of the board, concluded that: RMR Advisors has demonstrated that it possesses the capability and resources to perform the duties required of it under the investment advisory agreement for the Fund; RMR Advisors maintains an appropriate compliance

program; and the proposed advisory fee rate is fair and reasonable, given the scope and quality of the services to be rendered by RMR Advisors.

*Investment Sub-Advisory Agreement.* In making their determination to approve the RAP investment sub-advisory agreement, the board, including the disinterested trustees, considered all of the factors described below.

The board considered the anticipated benefits to RAP shareholders from appointing MacarthurCook as investment sub-advisor. The board's considerations included, among others: the nature, scope and quality of services that MacarthurCook was expected to provide; the sub-advisory fees to be paid by RMR Advisors to MacarthurCook; the fact that MacarthurCook has agreed to waive a portion of its fee during the first five years of RAP's existence; the quality and depth of personnel of MacarthurCook's organization; the capacity and future commitment of MacarthurCook to perform its duties; and the experience and expertise of MacarthurCook as an investment adviser.

The board considered the level and depth of knowledge of MacarthurCook, noting that MacarthurCook specialized in the area of real estate investment management. The board also took into account MacarthurCook's compliance policies and procedures.

The board compared the proposed sub-advisory fees and the estimated total expense ratio of RAP with various comparative fund data. The board considered RAP's investment objective. The board also took into consideration the performance of a model portfolio on which RAP's initial holdings would be based as well as the performance of other funds managed by MacarthurCook.

The board noted that sub-advisory fees under the investment sub-advisory agreement would be paid by RMR Advisors and not by RAP and therefore were the product of arm's-length negotiations between RMR Advisors and MacarthurCook. For these reasons, the anticipated profitability to MacarthurCook from its relationship with RAP was not a material factor in the board's deliberations. For similar reasons, the board did not consider the potential economies of scale in MacarthurCook's management of RAP to be a material factor in its consideration.

In considering the approval of the investment sub-advisory agreement, the board, including the disinterested trustees, did not identify any single factor as controlling. Based on the board's evaluation of all the factors that it deemed to be relevant, the board, including the disinterested trustees of the board, concluded that: MacarthurCook possesses the capability and resources to perform the duties required of it under the investment sub-advisory agreement; MacarthurCook maintains an appropriate compliance program; and the proposed sub-advisory fee rate is fair and reasonable, given the scope and quality of the services to be rendered by MacarthurCook.

#### **Privacy Policy**

Each of the Funds is committed to maintain shareholder privacy and to safeguard shareholder nonpublic personal information.

The Funds do not receive any nonpublic personal information relating to shareholders who purchase Fund shares through an intermediary that acts as the record owner of the shares. If a shareholder is the record owner of any Fund's shares, that Fund may receive nonpublic personal information on shareholder account documents or otherwise and also has access to specific information regarding shareholder Fund share transactions, either directly or through the Fund's transfer agent.

The Funds do not disclose any nonpublic personal information about shareholders or any former shareholders to anyone, except as permitted by law or as is necessary to service shareholder accounts. The Funds restrict



access to nonpublic personal information about shareholders to employees of the Funds and RMR Advisors with a legitimate business need for the information.

#### **Proxy Voting Policies and Procedures**

A description of the policies and procedures that are used to vote proxies relating to each Fund's portfolio securities is available: (1) without charge, upon request, by calling us at 1-866-790-8165; and (2) as an exhibit to each Fund's annual report on Form N-CSR, which is available on the website of the U.S. Securities and Exchange Commission (the "Commission") at <http://www.sec.gov>. Information regarding how proxies received by each Fund during the most recent 12 month period ended June 30, 2006, have been voted is available (1) without charge, on request, by calling us at 1-866-790-3165, or (2) by visiting the Commission's website at <http://www.sec.gov> and accessing each Fund's Form N-PX.

#### **Procedures for the Submission of Confidential and Anonymous Concerns or Complaints about Accounting, Internal Accounting Controls or Auditing Matters**

The Funds are committed to compliance with all applicable securities laws and regulations, accounting standards, accounting controls and audit practices and have established procedures for handling concerns or complaints about accounting, internal accounting controls or auditing matters. Any shareholder or other interested party who desires to communicate with our independent trustees or any other trustees, individually or as a group, may do so by filling out a report at the "Contact Us" section of our website ([www.rmrffunds.com](http://www.rmrffunds.com)), by calling our toll-free confidential message system at 866-511-5038, or by writing to the party for whom the communication is intended, care of our director of internal audit, RMR Funds, 400 Centre Street, Newton, MA 02458. Our director of internal audit will then deliver any communication to the appropriate party or parties.

#### **Portfolio Holdings Reports**

Each Fund files its complete schedule of portfolio holdings with the Commission for the first and third quarters of each fiscal year on Form N-Q, which are available on the Commission's website at <http://www.sec.gov>. The Funds' Forms N-Q may also be reviewed and copied at the Commission's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling the Commission at 1-800-SEC-0330. Each Fund provides additional data at its website at [www.rmrffunds.com](http://www.rmrffunds.com).

#### **Certifications**

Each Fund's principal executive officer and principal financial officer certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 and filed with the Fund's N-CSR are available on the Securities and Exchange Commission's website <http://www.sec.gov>.

**[WWW.RMRFUNDS.COM](http://WWW.RMRFUNDS.COM)**



**Item 2. Code of Ethics.**

*The information is only required for the annual report on Form N-CSR.*

**Item 3. Audit Committee Financial Expert.**

*The information is only required for the annual report on Form N-CSR.*

**Item 4. Principal Accountant Fees and Services.**

*The information is only required for the annual report on Form N-CSR.*

**Item 5. Audit Committee of Listed Registrant.**

*The information is only required for the annual report on Form N-CSR.*

**Item 6. Schedule of Investments.**

The information required under Item 6 is included as part of the report to shareholders filed under Item 1 of this Form N-CSR.

**Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.**

*The information is only required for the annual report on Form N-CSR.*

**Item 8. Portfolio Managers of Closed-End Management Investment Companies.**

*The information is only required for the annual report on Form N-CSR.*

**Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.**

During the period ended June 30, 2006, there were no purchases made by or on behalf of the registrant or any "affiliated purchaser" as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (17 CFR 240.10b-18(a)(3)), of shares of the registrant's equity securities that are registered by the registrant pursuant to Section 12 of the Exchange Act.

**Item 10. Submission of Matters to a Vote of Security Holders.**

There have been no material changes to the procedures by which shareholders may recommend nominees to the registrant's board of trustees.

**Item 11. Controls and Procedures.**

- (a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) are effective, as of a date within 90 days of the filing date of this report, based on their evaluation of these controls and procedures.
- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

**Item 12. Exhibits.**

- (a) (2) Certifications of principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the 1940 Act are attached hereto.
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(b)

Certifications of principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(b) under the 1940 Act and Section 906 of the Sarbanes-Oxley Act of 2002 are attached hereto.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RMR F.I.R.E. FUND

By:

/s/ THOMAS M. O'BRIEN

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Thomas M. O'Brien

President

Date: August 21, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By:

/s/ THOMAS M. O'BRIEN

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Thomas M. O'Brien

President

Date: August 21, 2006

By:

/s/ MARK L. KLEIFGES

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Mark L. Kleifges

Treasurer

Date: August 21, 2006

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RMR Asia Pacific Real Estate Fund Financial Statements continued

RMR Asia Pacific Real Estate Fund Financial Statements continued

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