

RMR REAL ESTATE FUND  
Form N-CSR  
August 28, 2008

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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: 811-21241

**RMR REAL ESTATE 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)**

**Adam D. Portnoy, President**  
RMR Real Estate Fund  
400 Centre Street  
Newton, Massachusetts 02458

**Copy to:**

**Thomas A. DeCapo, Esq.**  
Skadden, Arps, Slate, Meagher &  
Flom LLP  
One Beacon Street  
Boston, Massachusetts 02108

**Christina T. Simmons, Esq.**  
State Street Bank and Trust Company  
4 Copley Place, 5<sup>th</sup> Floor  
Boston, Massachusetts 02116

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

Date of fiscal year end: December 31

Date of reporting period: June 30, 2008

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**Item 1. Reports to Shareholders.**

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**SEMI ANNUAL REPORT**  
**JUNE 30, 2008**



**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**  
**RMR Asia Real Estate Fund**  
**RMR Dividend Capture 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. EACH FUND'S DECLARATION OF TRUST CONTAINS PROVISIONS WHICH LIMIT OWNERSHIP OF FUND SHARES BY ANY PERSON OR GROUP OF PERSONS ACTING TOGETHER AND LIMIT ANY PERSONS ABILITY TO CONTROL A FUND OR TO CONVERT A FUND TO AN OPEN END FUND. FOR MORE INFORMATION ABOUT ANY OF OUR FUNDS PLEASE VISIT [WWW.RMRFUNDS.COM](http://WWW.RMRFUNDS.COM) OR CALL OUR INVESTOR RELATIONS GROUP AT (866)-790-3165.

#### **NOTICE CONCERNING LIMITED LIABILITY**

THE AGREEMENTS AND DECLARATIONS OF TRUST OF 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, RMR ASIA REAL ESTATE FUND AND RMR DIVIDEND CAPTURE 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", "RMR ASIA PACIFIC REAL ESTATE FUND", "RMR ASIA REAL ESTATE FUND" AND "RMR DIVIDEND CAPTURE FUND" REFER TO THE TRUSTEES UNDER THE AGREEMENTS AND 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, 2008**

August 27, 2008

*To our shareholders,*

We are pleased to present you with our 2008 semi-annual report for our seven closed end 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 20;

RMR F.I.R.E. Fund (AMEX: RFR), which began operations in November 2004, beginning on page 38;

RMR Preferred Dividend Fund (AMEX: RDR), which began operations in May 2005, beginning on page 56;

RMR Asia Pacific Real Estate Fund (AMEX: RAP), which began operations in May 2006, beginning on page 72;

RMR Asia Real Estate Fund (AMEX: RAF), which began operations in May 2007, beginning on page 87; and

RMR Dividend Capture Fund (AMEX: RCR), which began operations in December 2007, beginning on page 102.

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

Sincerely,

Adam D. Portnoy  
President



**RMR Real Estate Fund**

**June 30, 2008**

*To our shareholders,*

In the pages that follow, you will find data summarizing our financial results for the six months ended June 30, 2008, and our financial position as of June 30, 2008.

**Relevant Market Conditions**

***Real Estate Industry Fundamentals.*** Despite a slowing economy and negative sentiment regarding the direction of the financial markets, real estate fundamentals remained stable during the first half of 2008. Occupancy levels held up and rents continued to increase, albeit at a slower pace. Property sales, however, slowed substantially as a result of tighter lending standards and wide differences between buyers and sellers regarding valuations. With limited transactions taking place, it is hard to estimate how much commercial property values have declined. Some estimates put the figure somewhere between negative 10% to negative 15%. What is clear, however, is that property values are no longer at levels seen in early 2007. Over the next six to twelve months, we expect downward pricing pressure to continue on commercial real estate.

For the balance of the year, we believe the economy will likely continue to struggle due to higher food and energy prices, lack of employment growth and a weak housing market. Lending will continue to be restricted, hampering overall economic growth as financial institutions continue to strengthen their balance sheets.

***Real Estate Industry Technicals.*** Throughout the first half of the year, the REIT market continued to exhibit high volatility. REITs started the year on a negative note, down almost 12% in mid-January, and rebounded sharply during March and April (up 6% during each month) following the Fed's and J.P. Morgan's rescue of Bear Stearns. Concern about additional write-offs from financial institutions sent the REIT market, along with other financial services companies, into negative territory during the month of June. REITs were down 11% in June and finished the first half of the year down 3.5%. Despite the volatility, REIT dedicated funds saw \$3 billion of inflows during the first six months of the year, an encouraging sign after outflows of more than \$9 billion from the period March to December 2007.

**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, including REITs. Our secondary investment objective is capital appreciation. There can be no assurances that we will meet our investment objectives.

During the six months ended June 30, 2008, our total return on net asset value, or NAV (including NAV changes and assuming a hypothetical reinvestment of distributions at NAV), was negative 8.1%. During that same period, the total return for the MSCI US REIT Total Return Index (an unmanaged index of REIT common stocks) was negative 3.5% and the total return for the Merrill Lynch REIT Preferred Index (an unmanaged index of REIT preferred stocks) was 7.6%. We believe these two indices are relevant to us because



our investments, excluding short term investments, as of June 30, 2008, included 61.9% REIT common stocks and 22.5% 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 six months ended June 30, 2008 was negative 11.9%.

Our investment allocation to the apartment REITs contributed positively to the fund's performance, perhaps because this subsector has benefited from a downturn in the housing market, which has resulted in more people renting rather than buying homes. Our holdings in the hotel real estate subsector detracted from performance based on expectations of lower earnings growth.

**Recent Developments**

Recently, credit markets, including the market for auction rate securities, such as the Fund's \$50 million of preferred shares, have experienced a liquidity crisis. To date, no auctions for the Fund's preferred shares have failed; however, an affiliate of the Fund's lead broker dealer for its preferred shares has purchased a significant amount of the Fund's preferred shares in the auctions. Please see the notes to the financial statements for more information.

Because of the decline in NAV during the last 15 months and the Fund's relatively small size, the Fund's Board of Trustees is currently considering actions to reduce its expenses and otherwise enhance value for the Fund's shareholders. To this end, on August 26, 2008 we filed a preliminary joint proxy statement / prospectus with the Securities and Exchange Commission in connection with a proposed combination of the Fund with two other closed end RMR funds (RMR Hospitality and Real Estate Fund and RMR F.I.R.E. Fund). Both are managed by our advisor, RMR Advisors, Inc. If the combinations receive all shareholder approvals that are required and proceed, all three funds will become one new fund, RMR Real Estate Income Fund, a newly formed Delaware statutory trust which also will be managed by our advisor. The process of seeking approvals and completing the proposed combinations may take several months, and the combinations may or may not occur for various reasons.

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

Sincerely,

Adam D. Portnoy  
President

August 27, 2008

**Portfolio holdings by sub-sector as a percentage of investments  
(as of June 30, 2008)\***

|                            |       |
|----------------------------|-------|
| REITs                      |       |
| Health care                | 19%   |
| Hospitality                | 18%   |
| Diversified                | 15%   |
| Others, less than 10% each | 32%   |
|                            | <hr/> |
| Total REITs                | 84%   |
| Other                      | 16%   |
|                            | <hr/> |
| Total investments          | 100%  |
|                            | <hr/> |

\*

These percentages represent the Fund's portfolio holdings by sub-sector as a percentage of total portfolio holdings and do not match with the percentages included in the Portfolio of Investments schedule which represent the Fund's portfolio holdings by sub-sector as a percentage of the Fund's net assets.

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**RMR Real Estate Fund****Portfolio of Investments** June 30, 2008 (unaudited)

| Company                                 | Shares  | Value      |
|---|---------|------------|
| <hr/>                                   |         |            |
| Common Stocks 110.5%                    |         |            |
| Real Estate Investment Trusts 101.3%    |         |            |
| <i>Apartments 12.8%</i>                 |         |            |
| Apartment Investment & Management Co.   | 14,615  | \$ 497,787 |
| Associated Estates Realty Corp.         | 40,000  | 428,400    |
| AvalonBay Communities, Inc.             | 14,000  | 1,248,240  |
| BRE Properties, Inc.                    | 10,000  | 432,800    |
| Equity Residential                      | 49,000  | 1,875,230  |
| Essex Property Trust, Inc.              | 6,000   | 639,000    |
| Home Properties, Inc.                   | 88,800  | 4,267,728  |
| Mid-America Apartment Communities, Inc. | 5,000   | 255,200    |
| Post Properties, Inc.                   | 5,000   | 148,750    |
|   |         | <hr/>      |
|   |         | 9,793,135  |
| <hr/>                                   |         |            |
| <i>Diversified 23.1%</i>                |         |            |
| CapLease, Inc.                          | 56,000  | 419,440    |
| Colonial Properties Trust               | 10,000  | 200,200    |
| Duke Realty Corp.                       | 70,000  | 1,571,500  |
| DuPont Fabros Technology, Inc.          | 7,500   | 139,800    |
| Franklin Street Properties Corp.        | 3,000   | 37,920     |
| Lexington Corporate Properties Trust    | 383,800 | 5,231,194  |
| Liberty Property Trust                  | 29,000  | 961,350    |
| Mission West Properties, Inc.           | 5,000   | 54,800     |
| National Retail Properties, Inc.        | 352,700 | 7,371,430  |
| Vornado Realty Trust                    | 19,000  | 1,672,000  |
| Washington Real Estate Investment Trust | 300     | 9,015      |
|   |         | <hr/>      |
|   |         | 17,668,649 |
| <hr/>                                   |         |            |
| <i>Health Care 25.9%</i>                |         |            |
| Cogdell Spencer, Inc.                   | 16,500  | 268,125    |
| HCP, Inc.                               | 39,080  | 1,243,135  |
| Health Care REIT, Inc.                  | 162,600 | 7,235,700  |
| LTC Properties, Inc.                    | 20,000  | 511,200    |
| Medical Properties Trust, Inc.          | 94,520  | 956,542    |
| Nationwide Health Properties, Inc.      | 242,154 | 7,625,429  |
| OMEGA Healthcare Investors, Inc.        | 96,000  | 1,598,400  |
| Universal Health Realty Income Trust    | 13,000  | 390,000    |
|   |         | <hr/>      |
|   |         | 19,828,531 |
| <hr/>                                   |         |            |
| <i>Hospitality 6.6%</i>                 |         |            |
| Ashford Hospitality Trust, Inc.         | 185,500 | 857,010    |
| Entertainment Properties Trust          | 22,000  | 1,087,680  |
| FelCor Lodging Trust, Inc.              | 49,700  | 521,850    |
| Hersha Hospitality Trust                | 129,300 | 976,215    |
| LaSalle Hotel Properties                | 17,200  | 432,236    |
| Sunstone Hotel Investors, Inc.          | 25,000  | 415,000    |
| Supertel Hospitality, Inc.              | 161,000 | 798,560    |
|   |         | <hr/>      |

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5,088,551

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

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*Industrial 10.1%*

|                                     |         |    |                 |
|-------------------------------------|---------|----|-----------------|
| AMB Property Corp.                  | 4,000   | \$ | 201,520         |
| DCT Industrial Trust, Inc.          | 64,500  |    | 534,060         |
| EastGroup Properties, Inc.          | 14,000  |    | 600,600         |
| First Industrial Realty Trust, Inc. | 211,240 |    | 5,802,763       |
| ProLogis                            | 11,000  |    | 597,850         |
|                                     |         |    | <hr/> 7,736,793 |

*Manufactured Homes 1.8%*

|                       |        |  |           |
|-----------------------|--------|--|-----------|
| Sun Communities, Inc. | 75,900 |  | 1,383,657 |
|-----------------------|--------|--|-----------|

*Mortgage 0.6%*

|                          |        |  |               |
|--------------------------|--------|--|---------------|
| Alesco Financial, Inc.   | 19,000 |  | 38,000        |
| Anthracite Capital, Inc. | 2,000  |  | 14,080        |
| Gramercy Capital Corp.   | 37,388 |  | 433,327       |
|                          |        |  | <hr/> 485,407 |

*Office 9.4%*

|                                   |         |  |                 |
|-----------------------------------|---------|--|-----------------|
| Brandywine Realty Trust           | 102,400 |  | 1,613,824       |
| Corporate Office Properties Trust | 15,500  |  | 532,115         |
| Highwoods Properties, Inc.        | 55,000  |  | 1,728,100       |
| Mack-Cali Realty Corp.            | 26,500  |  | 905,505         |
| Maguire Properties, Inc.          | 48,000  |  | 584,160         |
| Parkway Properties, Inc.          | 55,000  |  | 1,855,150       |
|                                   |         |  | <hr/> 7,218,854 |

*Retail 7.6%*

|   |         |  |                 |
|---|---------|--|-----------------|
| Cedar Shopping Centers, Inc.              | 75,000  |  | 879,000         |
| Equity One, Inc.                          | 10,000  |  | 205,500         |
| Glimcher Realty Trust                     | 109,400 |  | 1,223,092       |
| Kimco Realty Corp.                        | 5,000   |  | 172,600         |
| Pennsylvania Real Estate Investment Trust | 12,000  |  | 277,680         |
| Ramco-Gershenson Properties Trust         | 9,000   |  | 184,860         |
| Realty Income Corp.                       | 54,600  |  | 1,242,696       |
| Simon Property Group, Inc.                | 15,000  |  | 1,348,350       |
| Tanger Factory Outlet Centers, Inc.       | 5,000   |  | 179,650         |
| Urstadt Biddle Properties, Inc.           | 8,900   |  | 130,474         |
|   |         |  | <hr/> 5,843,902 |

*Specialty 0.6%*

|                    |        |  |         |
|--------------------|--------|--|---------|
| Getty Realty Corp. | 32,600 |  | 469,766 |
|--------------------|--------|--|---------|

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

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|  |         |            |
|--|---------|------------|
| <i>Storage 2.8%</i>  |         |            |
| Public Storage, Inc.   | 3,000   | \$ 242,370 |
| Sovran Self Storage, Inc.                                      | 26,900  | 1,117,964  |
| U-Store-It Trust   | 65,000  | 776,750    |
|  |         | 2,137,084  |
| <hr/>  |         |            |
| <i>Total Real Estate Investment Trusts (Cost \$87,577,719)</i> |         | 77,654,329 |
| <hr/>  |         |            |
| <i>Other 9.2%</i>  |         |            |
| Abingdon Investment, Ltd. (a) (b)                              | 550,000 | 3,256,000  |
| American Capital Strategies, Ltd.                              | 23,500  | 558,595    |
| Brookfield Properties Corp.                                    | 10,000  | 177,900    |
| Iowa Telecommunication Services, Inc.                          | 50,500  | 889,305    |
| Las Vegas Sands Corp. (c)                                      | 18,000  | 853,920    |
| MCG Capital Corp.  | 41,000  | 163,180    |
| Seaspan Corp.  | 48,200  | 1,157,764  |
|  |         | 7,056,664  |
| <hr/>  |         |            |
| <i>Total Other (Cost \$10,153,829)</i>                         |         | 7,056,664  |
| <hr/>  |         |            |
| <i>Total Common Stocks (Cost \$97,731,548)</i>                 |         |            |
|  |         | 84,710,993 |
| <hr/>  |         |            |
| <i>Preferred Stocks 43.8%</i>                                  |         |            |
| <i>Real Estate Investment Trusts 36.9%</i>                     |         |            |
| <i>Apartments 1.1%</i>   |         |            |
| Apartment Investment & Management Co., Series G                | 32,800  | 813,440    |
| <hr/>  |         |            |
| <i>Diversified 2.1%</i>  |         |            |
| Colonial Properties Trust, Series D                            | 60,000  | 1,410,000  |
| Duke Realty Corp., Series O                                    | 8,000   | 190,960    |
|  |         | 1,600,960  |
| <hr/>  |         |            |
| <i>Health Care 5.8%</i>  |         |            |
| Health Care REIT, Inc., Series G                               | 20,000  | 638,400    |
| OMEGA Healthcare Investors Inc., Series D                      | 160,000 | 3,840,000  |
|  |         | 4,478,400  |
| <hr/>  |         |            |
| <i>Hospitality 22.4%</i>                                       |         |            |
| Ashford Hospitality Trust, Series A                            | 107,900 | 1,902,277  |
| Ashford Hospitality Trust, Series D                            | 100,000 | 1,772,000  |
| Eagle Hospitality Properties Trust, Inc., Series A (b)         | 28,000  | 280,000    |
| Entertainment Properties Trust, Series D                       | 111,800 | 2,158,858  |
| FelCor Lodging Trust, Inc., Series A (d)                       | 83,000  | 1,589,450  |
| FelCor Lodging Trust, Inc., Series C                           | 39,600  | 766,260    |
| Hersha Hospitality Trust, Series A                             | 92,000  | 1,895,200  |
| LaSalle Hotel Properties, Series D                             | 100,000 | 1,959,000  |
| Strategic Hotels & Resorts, Inc., Series A                     | 75,000  | 1,335,000  |
| Strategic Hotels & Resorts, Inc., Series B                     | 64,500  | 1,161,000  |
| Sunstone Hotel Investors, Inc., Series A                       | 129,100 | 2,388,350  |
|  |         | 17,207,395 |
| <hr/>  |         |            |

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



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|   |         |               |
|---|---------|---------------|
| <i>Industrial 0.6%</i>  |         |               |
| First Industrial Realty Trust, Series J                                   | 20,000  | \$ 420,000    |
| <hr/>   |         |               |
| <i>Office 1.6%</i>  |         |               |
| Corporate Office Properties Trust, Series H                               | 2,000   | 43,940        |
| Corporate Office Properties Trust, Series J                               | 22,000  | 477,400       |
| Kilroy Realty Corp., Series E   | 500     | 11,490        |
| Kilroy Realty Corp., Series F   | 30,000  | 660,750       |
|   |         | <hr/>         |
|   |         | 1,193,580     |
| <hr/>   |         |               |
| <i>Retail 3.3%</i>  |         |               |
| Cedar Shopping Centers, Inc., Series A                                    | 88,600  | 2,161,840     |
| Glimcher Realty Trust, Series F   | 20,000  | 399,800       |
|   |         | <hr/>         |
|   |         | 2,561,640     |
| <hr/>   |         |               |
| <i>Total Real Estate Investment Trusts (Cost \$33,795,564)</i>            |         | 28,275,415    |
| <hr/>   |         |               |
| <i>Other 6.9%</i>   |         |               |
| Hilltop Holdings, Inc., Series A  | 280,000 | 5,320,000     |
| <hr/>   |         |               |
| <i>Total Other (Cost \$6,016,675)</i>                                     |         | 5,320,000     |
| <hr/>   |         |               |
| <i>Total Preferred Stocks (Cost \$39,812,239)</i>                         |         | 33,595,415    |
| <hr/>   |         |               |
| <i>Other Investment Companies 9.4%</i>                                    |         |               |
| Alpine Total Dynamic Dividend Fund  | 126,200 | 1,877,856     |
| Cohen & Steers Premium Income Realty Fund, Inc.                           | 31,950  | 480,528       |
| Cohen & Steers REIT and Preferred Income Fund, Inc.                       | 38,426  | 733,937       |
| Cornerstone Strategic Value Fund, Inc.                                    | 2,500   | 13,625        |
| Eaton Vance Enhanced Equity Income Fund II                                | 30,100  | 516,516       |
| LMP Real Estate Income Fund, Inc.   | 80,160  | 1,226,448     |
| Neuberger Berman Real Estate Securities Income Fund, Inc.                 | 150,731 | 1,409,335     |
| The Zweig Total Return Fund, Inc.   | 220,568 | 974,910       |
| Ultra Real Estate ProShares   | 400     | 11,240        |
| <hr/>   |         |               |
| <i>Total Other Investment Companies (Cost \$9,642,697)</i>                |         | 7,244,395     |
| <hr/>   |         |               |
| <i>Short-Term Investments 0.4%</i>  |         |               |
| <i>Other Investment Companies 0.4%</i>                                    |         |               |
| Dreyfus Cash Management, Institutional Shares, 2.66% (e) (Cost \$310,743) | 310,743 | 310,743       |
| <hr/>   |         |               |
| <i>Total Investments 164.1% (Cost \$147,497,227)</i>                      |         | 125,861,546   |
| <hr/>   |         |               |
| <i>Other assets less liabilities 1.1%</i>                                 |         | 834,092       |
| <i>Preferred Shares, at liquidation preference (65.2%)</i>                |         | (50,000,000)  |
| <hr/>   |         |               |
| <i>Net Assets applicable to common shareholders 100%</i>                  |         | \$ 76,695,638 |
| <hr/>   |         |               |

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



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Notes to Portfolio of Investments

- (a) Rule 144A securities. Securities restricted for resale to Qualified Institutional Buyers (4.2% of net assets).
- (b) As of June 30, 2008, the Fund held securities fair valued in accordance with policies adopted by the board of trustees aggregating \$3,536,000 and 2.8% of market value.
- (c) As of June 30, 2008, this security had not paid a distribution.
- (d) Convertible into common stock.
- (e) Rate reflects 7 day yield as of June 30, 2008.

*See notes to financial statements.*

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

## Statement of Assets and Liabilities

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**June 30, 2008 (unaudited)**


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*Assets*

|  |                |
|--|----------------|
| Investments in securities, at value (cost \$147,497,227) | \$ 125,861,546 |
| Cash   | 300            |
| Dividends and interest receivable                        | 1,022,051      |
| Other assets   | 4,339          |
|  | <hr/>          |
| Total assets   | 126,888,236    |
|  | <hr/>          |

*Liabilities*

|  |         |
|--|---------|
| Advisory fee payable                     | 66,304  |
| Distributions payable – preferred shares | 40,160  |
| Accrued expenses and other liabilities   | 86,134  |
|  | <hr/>   |
| Total liabilities                        | 192,598 |
|  | <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*


---

|  |               |
|--|---------------|
|  | \$ 76,695,638 |
|  | <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  | 96,475,287   |
| Undistributed net investment income   | 77,834       |
| Accumulated net realized gain on investment transactions  | 1,771,374    |
| Net unrealized depreciation on investments  | (21,635,681) |
|   | <hr/>        |

*Net assets attributable to common shares*


---

|  |               |
|--|---------------|
|  | \$ 76,695,638 |
|  | <hr/>         |

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


---

|  |          |
|--|----------|
|  | \$ 11.24 |
|  | <hr/>    |

*See notes to financial statements.*


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

## Statement of Operations

**Six Months Ended June 30, 2008 (unaudited)***Investment Income*

|  |              |
|--|--------------|
| Dividends (cash distributions received or due, net of foreign taxes withheld of \$420) | \$ 5,486,414 |
| Interest   | 19,053       |
|  | <hr/>        |
| Total investment income  | 5,505,467    |
|  | <hr/>        |

*Expenses*

|                                     |           |
|-------------------------------------|-----------|
| Advisory                            | 575,125   |
| Audit and legal                     | 317,816   |
| Preferred share remarketing         | 63,082    |
| Administrative                      | 46,627    |
| Shareholder reporting               | 43,693    |
| Custodian                           | 40,616    |
| Compliance and internal audit       | 17,344    |
| Trustees' fees and expenses         | 8,900     |
| Other                               | 41,631    |
|                                     | <hr/>     |
| Total expenses                      | 1,154,834 |
| Less: expense waived by the Advisor | (169,154) |
|                                     | <hr/>     |
| Net expenses                        | 985,680   |
|                                     | <hr/>     |

|                       |           |
|-----------------------|-----------|
| Net investment income | 4,519,787 |
|                       | <hr/>     |

*Realized and unrealized loss on investments*

|  |                |
|--|----------------|
| Net realized loss on investments   | (235,896)      |
| Net change in unrealized appreciation/(depreciation) on investments                | (9,995,006)    |
|  | <hr/>          |
| Net realized and unrealized loss on investments                                    | (10,230,902)   |
|  | <hr/>          |
| Distributions to preferred shareholders from net investment income                 | (1,020,580)    |
|  | <hr/>          |
| Net decrease in net assets attributable to common shares resulting from operations | \$ (6,731,695) |
|  | <hr/>          |

*See notes to financial statements.*

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

Statements of Changes in Net Assets

|  | <b>Six Months<br/>Ended<br/>June 30,<br/>2008<br/>(unaudited)</b> | <b>Year Ended<br/>December 31,<br/>2007</b> |
|--|---|---|
| <i>Increase (decrease) in net assets resulting from operations</i>   |   |   |
| Net investment income  | \$ 4,519,787  | \$ 7,481,138                                |
| Net increase from payments by affiliates   |   | 2,070                                       |
| Net realized gain (loss) on investments  | (235,896)   | 3,140,623                                   |
| Net change in unrealized appreciation/(depreciation) on investments  | (9,995,006)   | (41,493,993)                                |
| Distributions to preferred shareholders from:  |   |   |
| Net investment income  | (1,020,580)   | (1,161,670)                                 |
| Net realized gain on investments   |   | (1,482,830)                                 |
|  | <u>(6,731,695)</u>  | <u>(33,514,662)</u>                         |
| Net decrease in net assets attributable to common shares resulting from operations   |   |   |
|  | <u>(6,731,695)</u>  | <u>(33,514,662)</u>                         |
| Distributions to common shareholders from:   |   |   |
| Net investment income  | (3,412,000)   | (6,354,978)                                 |
| Net realized gain on investments   |   | (8,111,902)                                 |
|  | <u>(3,412,000)</u>  | <u>(14,466,880)</u>                         |
| Total decrease in net assets attributable to common shares   | (10,143,695)  | (47,981,542)                                |
| <i>Net assets attributable to common shares</i>  |   |   |
| Beginning of period  | 86,839,333  | 134,820,875                                 |
|  | <u>86,839,333</u>   | <u>134,820,875</u>                          |
| End of period (including undistributed/(distributions in excess of) net investment income of \$77,834 and \$(9,373), respectively) | \$ 76,695,638   | \$ 86,839,333                               |
|  | <u>\$ 76,695,638</u>  | <u>\$ 86,839,333</u>                        |
| <i>Common shares issued and repurchased</i>  |   |   |
| Shares outstanding, beginning of period  | 6,824,000   | 6,824,000                                   |
| Shares issued  |   |   |
|  | <u>6,824,000</u>  | <u>6,824,000</u>                            |
| Shares outstanding, end of period  | 6,824,000   | 6,824,000                                   |
|  | <u>6,824,000</u>  | <u>6,824,000</u>                            |

See notes to financial statements.

## RMR Real Estate Fund Financial Highlights

Selected Data For A Common Share Outstanding Throughout Each Period

|   | Six Months Ended<br>June 30,<br>2008<br>(unaudited) | Year Ended<br>December 31,<br>2007 | Year Ended<br>December 31,<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 |
|---|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|---|
| <i>Per Common Share Operating Performance (b)</i>                             |   |                                    |                                    |                                    |                                    |   |
| Net asset value, beginning of period  | \$ 12.73  | \$ 19.76                           | \$ 15.63                           | \$ 16.61                           | \$ 14.35                           | \$ 14.33(c)   |
| <i>Income from Investment Operations</i>                                      |   |                                    |                                    |                                    |                                    |   |
| Net investment income (d)   | .66(e)  | 1.10                               | .99                                | .64                                | .47                                | .10   |
| Net realized and unrealized appreciation/(depreciation) on investments        | (1.50)(e)   | (5.62)                             | 4.69                               | (.08)                              | 3.11                               | (.05)   |
| Distributions to preferred shareholders (common stock equivalent basis) from: |   |                                    |                                    |                                    |                                    |   |
| Net investment income   | (.15)(e)  | (.17)                              | (.23)                              | (.10)                              | (.05)                              |   |
| Net realized gain on investments  | (e)   | (.22)                              | (.12)                              | (.14)                              | (.05)                              |   |
| Net increase (decrease) in net asset value from operations                    | (.99)   | (4.91)                             | 5.33                               | .32                                | 3.48                               | .05   |
| Less: Distributions to common shareholders from:                              |   |                                    |                                    |                                    |                                    |   |
| Net investment income   | (.50)(e)  | (.93)                              | (.79)                              | (.54)                              | (.53)                              |   |
| Net realized gain on investments  | (e)   | (1.19)                             | (.41)                              | (.76)                              | (.57)                              |   |
| Common share offering costs charged to capital                                |   |                                    |                                    |                                    |                                    | (.03)   |
| Preferred share offering costs charged to capital                             |   |                                    |                                    |                                    | (.12)                              |   |
| Net asset value, end of period  | \$ 11.24  | \$ 12.73                           | \$ 19.76                           | \$ 15.63                           | \$ 16.61                           | \$ 14.35  |
| Market price, beginning of period   | \$ 11.03  | \$ 17.48                           | \$ 13.15                           | \$ 14.74                           | \$ 15.00                           | \$ 15.00  |
| Market price, end of period   | \$ 10.07  | \$ 11.03                           | \$ 17.48                           | \$ 13.15                           | \$ 14.74                           | \$ 15.00  |
| <i>Total Return (f)(g)</i>  |   |                                    |                                    |                                    |                                    |   |
| Total investment return based on:   |   |                                    |                                    |                                    |                                    |   |
| Market price (h)  | (4.47)%   | (26.19)%                           | 43.77%                             | (1.96)%                            | 6.42%                              | 0.00%   |
| Net asset value (h)   | (8.11)%   | (26.28)%                           | 35.27%                             | 2.10%                              | 24.73%                             | 0.14%   |

*Ratios/Supplemental Data:*

Ratio to average net assets attributable to common shares of:

|   |              |       |       |       |       |           |
|---|--------------|-------|-------|-------|-------|-----------|
| Net investment income, before total preferred share distributions (d) | 10.56%(e)(i) | 6.16% | 5.60% | 4.02% | 3.22% | 27.45%(i) |
| Total preferred share distributions                                   | 2.38%(i)     | 2.18% | 1.97% | 1.47% | 0.67% | 0.00%(i)  |
| Net investment income, net of preferred share distributions (d)       | 8.18%(e)(i)  | 3.98% | 3.63% | 2.55% | 2.55% | 27.45%(i) |
| Expenses, net of fee waivers  | 2.30%(i)     | 1.47% | 1.50% | 1.50% | 1.69% | 2.40%(i)  |

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|  |    |          |    |        |    |         |    |         |    |         |    |          |
|--|----|----------|----|--------|----|---------|----|---------|----|---------|----|----------|
| Expenses, before fee waivers   |    | 2.70%(i) |    | 1.82%  |    | 1.86%   |    | 1.87%   |    | 2.05%   |    | 2.65%(i) |
| Portfolio Turnover Rate  |    | 2.51%    |    | 51.01% |    | 36.20%  |    | 22.15%  |    | 35.52%  |    | 17.49%   |
| Net assets attributable to common shares, end of period (000s)       | \$ | 76,696   | \$ | 86,839 | \$ | 134,821 | \$ | 106,670 | \$ | 113,357 | \$ | 95,776   |
| Preferred shares, liquidation preference (\$25,000 per share) (000s) | \$ | 50,000   | \$ | 50,000 | \$ | 50,000  | \$ | 50,000  | \$ | 50,000  | \$ | 50,000   |
| Asset coverage per preferred share (j)                               | \$ | 63,348   | \$ | 68,420 | \$ | 92,411  | \$ | 78,335  | \$ | 81,679  | \$ |          |

- (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 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 \$15.00 per share.
- (d) Amounts are net of expenses waived by RMR Advisors.
- (e) As discussed in Note A (8) to the financial statements, these amounts are subject to change to the extent 2008 distributions by the issuers of the Fund's investments are characterized as capital gains and return of capital.
- (f) The impact of the net increase from payments by affiliates is less than \$0.005/share.
- (g) Total returns for periods of less than one year are not annualized.
- (h) 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.
- (i) Annualized.
- (j) Asset coverage per share equals net assets attributable to common shares plus the liquidation preference of the preferred shares divided by the total number of preferred shares outstanding at the end of the period.

*See notes to financial statements.*

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

**June 30, 2008 (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, or the 1940 Act, as a 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, 2008 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 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 (8), 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 average of the closing bid and ask prices 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 4:00:02 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. 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 plus interest accrued, which approximates market value.

(5) Fair Value Measurements

The Fund has adopted the provisions of Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements, or FAS 157, effective January 1, 2008. In accordance with FAS 157, fair value is defined as the price that the Fund would receive upon selling an

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investment in a timely transaction to an independent buyer in the principal or most advantageous market for the investment. FAS 157 established a three tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk; for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

Level 1 quoted prices in active markets for identical investments

Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.)

Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The valuation techniques used by the Fund to measure fair value during the six months ended June 30, 2008 maximized the use of observable inputs and minimized the use of unobservable inputs. The Fund utilized broker quotes, company financial information and other market indicators to value the securities whose prices were not readily available.

The following is a summary of the inputs used as of June 30, 2008, in valuing the Fund's investments carried at value:

| <b>Valuation Inputs</b>                     | <b>Investments in Securities</b> |
|---|----------------------------------|
| Level 1 Quoted prices                       | \$ 122,325,546                   |
| Level 2 Other significant observable inputs | 280,000                          |
| Level 3 Significant unobservable inputs     | 3,256,000                        |
| Total                                       | \$ 125,861,546                   |



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Following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining value:

|   |    | <b>Investments in<br/>Securities<br/>Characterized<br/>as Level 3</b> |
|---|----|---|
| Balance as of 12/31/07  | \$ | 4,378,000   |
| Accrued discounts/premiums  |    |   |
| Realized gain/loss and change in unrealized appreciation/depreciation                         |    | (1,122,000)   |
| Net purchases/sales   |    |   |
| Net transfers in and/or out of Level 3  |    |   |
|   |    |   |
| Balance, as of 06/30/08   | \$ | 3,256,000   |
|   |    |   |
| Net change in unrealized appreciation/depreciation from investments still held as of 06/30/08 | \$ | (1,122,000)   |
|   |    |   |

### (6) 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 an identified cost basis.

### (7) 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. However, the Fund may be subject to a 4% excise tax to the extent the Fund does not distribute substantially all taxable earnings each year.

Some foreign governments may subject the Fund's investment income and securities sales to withholding or other taxes. For the six months ended June 30, 2008, \$420 of foreign taxes has been withheld from distributions to the Fund and has been recorded as a reduction of dividend income.

### (8) 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 July 11, 2008, the Fund declared regular monthly distributions of \$0.10 per common share payable in July, August and September 2008. 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.

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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 receives 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 2008 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 2008 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, 2008, are as follows:

|  |    |              |
|--|----|--------------|
| Cost                                       | \$ | 147,497,227  |
| Gross unrealized appreciation              | \$ | 7,678,991    |
| Gross unrealized depreciation              |    | (29,314,672) |
| Net unrealized appreciation/(depreciation) | \$ | (21,635,681) |

### (9) 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 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 is not considered a liability.

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 from December 18, 2003, until December 18, 2008. The Fund incurred net advisory fees of \$405,971 during the six months ended June 30, 2008. The amount of fees waived by the Advisor was \$169,154 for the six months ended June 30, 2008.

RMR Advisors also performs administrative functions for 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 \$46,627 of subadministrative fees charged by State Street for the six months ended June 30, 2008.

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 1940 Act is considered to be a "disinterested trustee". Disinterested trustees are each paid by the Fund an annual fee plus attendance fees for board and committee meetings. The Fund incurred \$8,900 of trustee fees and expenses during the six months ended June 30, 2008.

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 \$17,344 of compliance and internal audit expense during the six months ended June 30, 2008. 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 \$7,409 of insurance expense during the six months ended June 30, 2008.

## **Note C**

### **Securities Transactions**

During the six months ended June 30, 2008, there were purchases and sales transactions (excluding short term securities) of \$3,398,213 and \$6,311,719 respectively. Brokerage commissions on securities transactions amounted to \$12,718 during the six months ended June 30, 2008.

## **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 1940 Act, of at least 200%, the preferred shares will be subject to redemption in 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 4.13% per annum as of June 30, 2008.

To date, no auctions for preferred securities of the Fund have failed to attract sufficient clearing bids. However, an affiliate of the Fund's lead broker-dealer for its preferred securities has purchased a significant amount of the Fund's preferred securities in the auctions. If this affiliate of the Fund's lead broker-dealer had not been supporting the Fund's auctions, the auctions likely would have failed and holders of the Fund's

preferred shares would not have been able to sell their preferred shares in the auctions. There can be no assurance that this or any other affiliate of the Fund's lead broker-dealer would purchase Fund preferred shares in any future auction of Fund preferred securities or that the Fund will not have any auction for its preferred securities fail. If an auction of the Fund's preferred shares should fail, the dividend rate for the next succeeding dividend period is set according to a pre-determined formula, and the resulting rate may be higher than the rate which the Fund would otherwise pay as a result of a successful auction. In addition, if an auction fails, holders of the Fund's preferred shares may not be able to sell their preferred shares in that auction. If auctions for the Fund's preferred shares fail, or if market conditions generally frustrate the Fund's ability to enhance investment results through the investment of capital attributable to its outstanding preferred shares, such factors may necessitate a change in the form and/or amount of investment leverage used by the Fund. The Fund has no current intention to change the form or degree of investment leverage that it uses. The use of alternative forms of leverage and/or a reduction in the degree of investment leverage used by the Fund in its investment program could result in reduced investment returns for common shareholders as compared to the returns that historically have been achieved by the Fund through the use of preferred share leverage in favorable market conditions. The Fund proactively manages compliance with asset coverage and other financial ratio requirements applicable to the preferred shares. In order to facilitate compliance with such requirements, and without further notice of its intention to do so, the Fund may from time to time purchase or otherwise acquire its outstanding preferred shares in the open market, in other nondiscriminatory secondary market transactions, pursuant to tender offers or other offers to repurchase preferred shares, or in other permissible purchase transactions, and also may from time to time call or redeem preferred shares in accordance with their terms.

**Note E**

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

The annual meeting of Fund shareholders was held on April 7, 2008. Following is a summary of the proposal 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 and Preferred Shares   |                  |                       |                        |
| Election of John L. Harrington as an Independent Trustee until the 2011 annual meeting.   | 6,299,696        | 95,660                |                        |
| The following trustees' terms of office as trustee continued after the Fund's annual meeting: Barry M. Portnoy, Gerard M. Martin, Frank J. Bailey and Arthur G. Koumantzelis. |                  |                       |                        |

## RMR Hospitality and Real Estate Fund

June 30, 2008

*To our shareholders,*

In the pages that follow, you will find data summarizing our financial results for the six months ended June 30, 2008, and our financial position as of June 30, 2008.

### Relevant Market Conditions

**Hospitality Industry Fundamentals.** Operating fundamentals for hotels experienced a greater than previously anticipated slowdown during the first half of the year. Coming into the year, industry-wide expectations for annual growth in revenue per available room, or RevPar, were in the range of 5% to 7%. However, with a slowing economy, higher fuel costs and planned reduced airline capacity, RevPar expectations are now generally flat for the full year 2008.

**Real Estate Industry Fundamentals.** Despite a slowing economy and negative sentiment regarding the direction of the financial markets, real estate fundamentals remained stable during the first half of 2008. Occupancy levels held up and rents continued to increase, albeit at a slower pace. Property sales, however, slowed substantially as a result of tighter lending standards and wide differences between buyers and sellers regarding valuations. With limited transactions taking place, it is hard to estimate how much commercial property values have declined. Some estimates put the figure somewhere between negative 10% to negative 15%. What is clear, however, is that property values are no longer at levels seen in early 2007. Over the next six to twelve months, we expect downward pricing pressure to continue on commercial real estate.

For the balance of the year, we believe the economy will likely continue to struggle due to higher food and energy prices, lack of employment growth and a weak housing market. Lending will continue to be restricted, hampering overall economic growth as financial institutions continue to strengthen their balance sheets.

**Real Estate Industry Technicals.** Throughout the first half of the year, the REIT market continued to exhibit high volatility. REITs started the year on a negative note, down almost 12% in mid-January, and rebounded sharply during March and April (up 6% during each month) following the Fed's and J.P. Morgan's rescue of Bear Stearns. Concern about additional write-offs from financial institutions sent the REIT market, along with other financial services companies, into negative territory during the month of June. REITs were down 11% in June and finished the first half of the year down 3.5%. Despite the volatility, REIT dedicated funds saw \$3 billion of inflows during the first six months of the year, an encouraging sign after outflows of more than \$9 billion from the period March to December 2007.

### 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 six months ended June 30, 2008, our total return on net asset value, or NAV (including NAV changes and assuming a hypothetical reinvestment of distributions at NAV), was negative 8.7%. During that same period, the total return for the MSCI US REIT Total Return Index (an unmanaged index of REIT common stocks) was negative 3.5% and the total return for the Merrill Lynch REIT Preferred Index (an unmanaged index of REIT preferred stocks) was 7.6%. We believe these two indices are relevant to us because our investments, excluding short term investments, as of June 30, 2008, included 51.4% REIT common stocks and 30.8% 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 six months ended June 30, 2008 was negative 11.9%.

As a result of the Fund's erosion in NAV and income from its investments during 2007 and 2008, the Fund's Board decided to lower the distribution rate to common shareholders in April in an effort to bring the distribution more in line with the Fund's earnings potential. During the past two years, the Fund's performance also has been impacted by the cost of litigation with a shareholder. This litigation has since been resolved.

### **Recent Developments**

The Fund had recently been involved in litigation with one of its shareholders. The parties to this litigation entered into a settlement agreement in June 2008, and on July 1, 2008, the court granted the parties' joint motion to dismiss this litigation, effectively ending the litigation and its continuing costs to the Fund.

Recently, credit markets, including the market for auction rate securities, such as the Fund's \$28 million of preferred shares, have experienced a liquidity crisis. To date, no auctions for the Fund's preferred shares have failed; however, an affiliate of the Fund's lead broker dealer for its preferred shares has purchased a significant amount of the Fund's preferred shares in the auctions. Please see the notes to the financial statements for more information.

Because of the decline in NAV during the last 15 months and the Fund's relatively small size, the the Fund's Board of Trustees is currently considering actions to reduce its expenses and otherwise enhance value for the Fund's shareholders. To this end, on August 26, 2008 we filed a preliminary joint proxy statement / prospectus with the Securities and Exchange Commission in connection with a proposed combination of the Fund with two other closed end RMR funds (RMR Real Estate Fund and RMR F.I.R.E. Fund). Both are managed by our advisor, RMR Advisors, Inc. If the combinations receive all shareholder approvals that are required and proceed, all three funds will become one new fund, RMR Real Estate Income Fund, a newly formed Delaware statutory trust which also will be managed by our advisor. The process of seeking approvals and completing the proposed combinations may take several months, and the combinations may or may not occur for various reasons.

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

Sincerely,

Adam D. Portnoy  
President

August 27, 2008

**Portfolio holdings by sub-sector as a percentage of investments  
(as of June 30, 2008)\***

|                            |       |
|----------------------------|-------|
| Hospitality real estate    | 34%   |
| Health care real estate    | 15%   |
| Office real estate         | 10%   |
| Diversified real estate    | 10%   |
| Others, less than 10% each | 31%   |
|                            | <hr/> |
| Total investments          | 100%  |
|                            | <hr/> |
| REITs                      | 85%   |
| Other                      | 15%   |
|                            | <hr/> |
| Total investments          | 100%  |
|                            | <hr/> |

\*

These percentages represent the Fund's portfolio holdings by sub-sector as a percentage of total portfolio holdings and do not match with the percentages included in the Portfolio of Investments schedule which represent the Fund's portfolio holdings by sub-sector as a percentage of the Fund's net assets.

**RMR Hospitality and Real Estate Fund****Portfolio of Investments** June 30, 2008 (unaudited)

| Company                                    | Shares  | Value      |
|--|---------|------------|
| <i>Common Stocks 98.0%</i>                 |         |            |
| <i>Real Estate Investment Trusts 89.9%</i> |         |            |
| <i>Apartments 5.7%</i>                     |         |            |
| Apartment Investment & Management Co.      | 25,539  | \$ 869,858 |
| Associated Estates Realty Corp.            | 5,600   | 59,976     |
| BRE Properties, Inc.                       | 6,000   | 259,680    |
| Equity Residential                         | 8,000   | 306,160    |
| Essex Property Trust, Inc.                 | 2,000   | 213,000    |
| Home Properties, Inc.                      | 7,500   | 360,450    |
|  |         | 2,069,124  |
| <i>Diversified 15.2%</i>                   |         |            |
| CapLease, Inc.                             | 41,404  | 310,116    |
| Colonial Properties Trust                  | 55,900  | 1,119,118  |
| Cousins Properties, Inc.                   | 14,400  | 332,640    |
| Franklin Street Properties Corp.           | 3,000   | 37,920     |
| iStar Financial, Inc.                      | 6,000   | 79,260     |
| Lexington Corporate Properties Trust       | 128,800 | 1,755,544  |
| Liberty Property Trust                     | 20,000  | 663,000    |
| Mission West Properties, Inc.              | 3,000   | 32,880     |
| National Retail Properties, Inc.           | 56,850  | 1,188,165  |
| Washington Real Estate Investment Trust    | 300     | 9,015      |
|  |         | 5,527,658  |
| <i>Health Care 19.4%</i>                   |         |            |
| Care Investment Trust, Inc.                | 6,900   | 65,067     |
| HCP, Inc.                                  | 16,770  | 533,454    |
| Health Care REIT, Inc.                     | 61,640  | 2,742,980  |
| LTC Properties, Inc.                       | 10,000  | 255,600    |
| Medical Properties Trust, Inc.             | 36,020  | 364,522    |
| Nationwide Health Properties, Inc.         | 86,000  | 2,708,140  |
| OMEGA Healthcare Investors, Inc.           | 7,700   | 128,205    |
| Universal Health Realty Income Trust       | 7,600   | 228,000    |
|  |         | 7,025,968  |
| <i>Hospitality 15.1%</i>                   |         |            |
| Ashford Hospitality Trust, Inc.            | 140,000 | 646,800    |
| Entertainment Properties Trust             | 18,800  | 929,472    |
| FelCor Lodging Trust, Inc.                 | 39,500  | 414,750    |
| Hersha Hospitality Trust                   | 38,100  | 287,655    |
| Host Hotels & Resorts, Inc.                | 44,000  | 600,600    |
| LaSalle Hotel Properties                   | 31,199  | 784,031    |
| Strategic Hotels & Resorts, Inc.           | 12,000  | 112,440    |
| Sunstone Hotel Investors, Inc.             | 23,000  | 381,800    |
| Supertel Hospitality, Inc.                 | 267,130 | 1,324,965  |
|  |         | 5,482,513  |



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

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|  |         |            |
|--|---------|------------|
| <i>Industrial 10.8%</i>  |         |            |
| AMB Property Corp.   | 1,000   | \$ 50,380  |
| DCT Industrial Trust, Inc.                                     | 16,600  | 137,448    |
| EastGroup Properties, Inc.                                     | 6,000   | 257,400    |
| First Industrial Realty Trust, Inc.                            | 104,160 | 2,861,275  |
| ProLogis   | 11,000  | 597,850    |
|  |         | <hr/>      |
|  |         | 3,904,353  |
| <hr/>  |         |            |
| <i>Manufactured Homes 0.8%</i>                                 |         |            |
| Sun Communities, Inc.  | 15,450  | 281,654    |
| <hr/>  |         |            |
| <i>Mortgage 0.6%</i>   |         |            |
| Gramercy Capital Corp.   | 14,696  | 170,327    |
| JER Investors Trust, Inc.                                      | 10,000  | 63,000     |
|  |         | <hr/>      |
|  |         | 233,327    |
| <hr/>  |         |            |
| <i>Office 9.3%</i>   |         |            |
| Brandywine Realty Trust  | 49,400  | 778,544    |
| Corporate Office Properties Trust                              | 11,500  | 394,795    |
| Douglas Emmett, Inc.   | 8,300   | 182,351    |
| Highwoods Properties, Inc.                                     | 40,900  | 1,285,078  |
| Parkway Properties, Inc.                                       | 22,200  | 748,806    |
|  |         | <hr/>      |
|  |         | 3,389,574  |
| <hr/>  |         |            |
| <i>Retail 10.2%</i>  |         |            |
| Cedar Shopping Centers, Inc.                                   | 22,000  | 257,840    |
| Developers Diversified Realty Corp.                            | 2,000   | 69,420     |
| Equity One, Inc.   | 3,000   | 61,650     |
| Glimcher Realty Trust  | 27,400  | 306,332    |
| Pennsylvania Real Estate Investment Trust                      | 44,000  | 1,018,160  |
| Ramco-Gershenson Properties Trust                              | 12,000  | 246,480    |
| Realty Income Corp.  | 54,200  | 1,233,592  |
| Simon Property Group, Inc.                                     | 3,000   | 269,670    |
| Tanger Factory Outlet Centers, Inc.                            | 5,000   | 179,650    |
| Urstadt Biddle Properties, Inc.                                | 2,900   | 42,514     |
|  |         | <hr/>      |
|  |         | 3,685,308  |
| <hr/>  |         |            |
| <i>Specialty 1.4%</i>  |         |            |
| Getty Realty Corp.   | 34,000  | 489,940    |
| <hr/>  |         |            |
| <i>Storage 1.4%</i>  |         |            |
| Sovran Self Storage, Inc.                                      | 4,100   | 170,396    |
| U-Store-It Trust   | 29,100  | 347,745    |
|  |         | <hr/>      |
|  |         | 518,141    |
| <hr/>  |         |            |
| <i>Total Real Estate Investment Trusts (Cost \$38,412,413)</i> |         | 32,607,560 |
| <hr/>  |         |            |

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

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|   |         |              |
|---|---------|--------------|
| <i>Other 8.1%</i>                                     |         |              |
| Abingdon Investment, Ltd. (a)(b)                      | 200,000 | \$ 1,184,000 |
| American Capital Strategies, Ltd.                     | 3,500   | 83,195       |
| Brookfield Properties Corp.                           | 5,000   | 88,950       |
| DHT Maritime, Inc.                                    | 16,000  | 160,480      |
| Iowa Telecommunication Services, Inc.                 | 20,800  | 366,288      |
| MCG Capital Corp.                                     | 11,000  | 43,780       |
| Seaspan Corp.   | 33,400  | 802,268      |
| Wyndham Worldwide Corp. (c)                           | 11,000  | 197,010      |
| <hr/>   |         |              |
| <i>Total Other (Cost \$3,924,354)</i>                 |         | 2,925,971    |
| <hr/>   |         |              |
| <i>Total Common Stocks (Cost \$42,336,767)</i>        |         | 35,533,531   |
| <hr/>   |         |              |
| <i>Preferred Stocks 54.4%</i>                         |         |              |
| <i>Real Estate Investment Trusts 53.9%</i>            |         |              |
| <i>Apartments 1.5%</i>                                |         |              |
| Apartment Investment & Management Co., Series U       | 24,000  | 558,000      |
| <hr/>   |         |              |
| <i>Diversified 2.5%</i>                               |         |              |
| Digital Realty Trust, Inc., Series A                  | 15,000  | 346,200      |
| Duke Realty Corp., Series O                           | 4,000   | 95,480       |
| LBA Realty LLC, Series B                              | 30,000  | 468,750      |
| <hr/>   |         |              |
|   |         | 910,430      |
| <hr/>   |         |              |
| <i>Health Care 6.9%</i>                               |         |              |
| Health Care REIT, Inc., Series F                      | 40,000  | 936,000      |
| Health Care REIT, Inc., Series G                      | 20,000  | 638,400      |
| LTC Properties, Inc., Series F                        | 40,000  | 922,800      |
| <hr/>   |         |              |
|   |         | 2,497,200    |
| <hr/>   |         |              |
| <i>Hospitality 32.3%</i>                              |         |              |
| Ashford Hospitality Trust, Series A                   | 46,000  | 810,980      |
| Ashford Hospitality Trust, Series D                   | 70,000  | 1,240,400    |
| Eagle Hospitality Properties Trust, Inc., Series A(b) | 28,000  | 280,000      |
| FelCor Lodging Trust, Inc., Series C                  | 60,000  | 1,161,000    |
| Hersha Hospitality Trust, Series A                    | 52,000  | 1,071,200    |
| Host Marriott Corp., Series E                         | 100,000 | 2,500,000    |
| Innkeepers USA Trust, Series C                        | 27,000  | 333,450      |
| LaSalle Hotel Properties, Series D                    | 50,000  | 979,500      |
| LaSalle Hotel Properties, Series E                    | 62,200  | 1,299,980    |
| LaSalle Hotel Properties, Series G                    | 10,000  | 184,400      |
| Strategic Hotels & Resorts, Inc., Series A            | 10,000  | 178,000      |
| Strategic Hotels & Resorts, Inc., Series C            | 40,000  | 768,000      |
| Sunstone Hotel Investors, Inc., Series A              | 50,000  | 925,000      |
| <hr/>   |         |              |
|   |         | 11,731,910   |
| <hr/>   |         |              |

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

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|  |           |              |
|--|-----------|--------------|
| <i>Office 8.5%</i>   |           |              |
| Alexandria Real Estate Equities, Inc., Series C                | 60,000    | \$ 1,476,000 |
| SL Green Realty Corp., Series D                                | 70,000    | 1,610,000    |
|  |           | 3,086,000    |
| <hr/>  |           |              |
| <i>Retail 2.2%</i>   |           |              |
| Cedar Shopping Centers, Inc., Series A                         | 32,000    | 780,800      |
|  |           | 19,564,340   |
| <hr/>  |           |              |
| <i>Total Real Estate Investment Trusts (Cost \$23,265,491)</i> |           |              |
| <hr/>  |           |              |
| <i>Other 0.5%</i>  |           |              |
| Hilltop Holdings, Inc., Series A                               | 9,600     | 182,400      |
|  |           | 182,400      |
| <hr/>  |           |              |
| <i>Total Other (Cost \$201,581)</i>                            |           |              |
| <hr/>  |           |              |
| <i>Total Preferred Stocks (Cost \$23,467,072)</i>              |           |              |
| <hr/>  |           |              |
| <i>Debt Securities 12.8%</i>                                   |           |              |
| <i>Hospitality 12.8%</i>                                       |           |              |
| American Real Estate Partners LP, 8.125%, 06/01/2012           | 2,000,000 | 1,920,000    |
| FelCor Lodging LP, 8.50%, 06/01/2011 (d)                       | 1,600,000 | 1,564,000    |
| Six Flags Operations, Inc., 12.25%, 07/15/2016 (a)             | 1,232,000 | 1,136,520    |
|  |           | 4,620,520    |
| <hr/>  |           |              |
| <i>Total Debt Securities (Cost \$4,815,623)</i>                |           |              |
| <hr/>  |           |              |
| <i>Other Investment Companies 9.9%</i>                         |           |              |
| Alpine Total Dynamic Dividend Fund                             | 69,100    | 1,028,208    |
| Cohen & Steers Premium Income Realty Fund, Inc.                | 16,962    | 255,108      |
| Cohen & Steers REIT and Preferred Income Fund, Inc.            | 14,500    | 276,950      |
| Eaton Vance Enhanced Equity Income Fund II                     | 22,700    | 389,532      |
| LMP Real Estate Income Fund, Inc.                              | 39,379    | 602,499      |
| Neuberger Berman Real Estate Securities Income Fund, Inc.      | 66,952    | 626,001      |
| The Zweig Total Return Fund, Inc.                              | 94,700    | 418,574      |
|  |           | 3,596,872    |
| <hr/>  |           |              |
| <i>Total Other Investment Companies (Cost \$4,657,275)</i>     |           |              |
| <hr/>  |           |              |

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

| Company   | Shares or<br>Principal<br>Amount | Value        |
|---|----------------------------------|--------------|
| <i>Short-Term Investments</i> 0.7%  |                                  |              |
| <i>Other Investment Companies</i> 0.7%                                    |                                  |              |
| Dreyfus Cash Management, Institutional Shares, 2.66% (e) (Cost \$267,571) | 267,571 \$                       | 267,571      |
| <hr/>   |                                  |              |
| Total Investments 175.8% (Cost \$75,544,308)                              |                                  | 63,765,234   |
| <hr/>   |                                  |              |
| Other assets less liabilities 1.4%  |                                  | 516,037      |
| Preferred Shares, at liquidation preference (77.2)%                       |                                  | (28,000,000) |
| <hr/>   |                                  |              |
| Net Assets applicable to common shareholders 100%                         | \$                               | 36,281,271   |

Notes to Portfolio of Investments

- (a) Rule 144A securities. Securities restricted for resale to Qualified Institutional Buyers (6.4% of net assets).
- (b) As of June 30, 2008, the Fund held securities fair valued in accordance with policies adopted by the board of trustees aggregating \$1,464,000 and 2.3% of market value.
- (c) A hospitality company.
- (d) Also a Real Estate Investment Trust.
- (e) Rate reflects 7 day yield as of June 30, 2008.

*See notes to financial statements.*

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

## Statement of Assets and Liabilities

**June 30, 2008 (unaudited)***Assets*

|   |               |
|---|---------------|
| Investments in securities, at value (cost \$75,544,308) | \$ 63,765,234 |
| Cash  | 370           |
| Dividends and interest receivable                       | 735,591       |
| Other assets  | 3,812         |
|   | <hr/>         |
| Total assets  | 64,505,007    |
|   | <hr/>         |

*Liabilities*

|  |         |
|--|---------|
| Advisory fee payable                     | 33,464  |
| Distributions payable - preferred shares | 32,278  |
| Accrued expenses and other liabilities   | 157,994 |
|  | <hr/>   |
| Total liabilities                        | 223,736 |
|  | <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*

|  |               |
|--|---------------|
|  | \$ 36,281,271 |
|  | <hr/>         |

*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  | 46,967,809   |
| Undistributed net investment income   | 39,496       |
| Accumulated net realized gain on investment transactions  | 1,050,555    |
| Net unrealized depreciation on investments  | (11,779,074) |
|   | <hr/>        |

*Net assets attributable to common shares*

|  |               |
|--|---------------|
|  | \$ 36,281,271 |
|  | <hr/>         |

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

|  |          |
|--|----------|
|  | \$ 14.60 |
|  | <hr/>    |

*See notes to financial statements.*

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

## Statement of Operations

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**Six Months Ended June 30, 2008 (unaudited)**


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*Investment Income*

|   |              |
|---|--------------|
| Dividends (cash distributions received or due,<br>net of foreign taxes withheld of \$210) | \$ 2,678,693 |
| Interest  | 252,996      |
|   | <hr/>        |
| Total investment income   | 2,931,689    |
|   | <hr/>        |

*Expenses*

|                                     |           |
|-------------------------------------|-----------|
| Advisory                            | 290,194   |
| Audit and legal                     | 641,534   |
| Administrative                      | 46,512    |
| Preferred share remarketing         | 35,325    |
| Custodian                           | 29,951    |
| Compliance and internal audit       | 17,344    |
| Shareholder reporting               | 15,067    |
| Trustees' fees and expenses         | 8,900     |
| Other                               | 45,248    |
|                                     | <hr/>     |
| Total expenses                      | 1,130,075 |
| Less: expense waived by the Advisor | (85,351)  |
|                                     | <hr/>     |
| Net expenses                        | 1,044,724 |
|                                     | <hr/>     |
| Net investment income               | 1,886,965 |
|                                     | <hr/>     |

*Realized and unrealized gain (loss) on investments*

|  |                |
|--|----------------|
| Net realized gain on investments   | 56,318         |
| Net change in unrealized appreciation/(depreciation) on investments                | (4,760,956)    |
|  | <hr/>          |
| Net realized and unrealized loss on investments                                    | (4,704,638)    |
|  | <hr/>          |
| Distributions to preferred shareholders from net investment income                 | (607,454)      |
|  | <hr/>          |
| Net decrease in net assets attributable to common shares resulting from operations | \$ (3,425,127) |
|  | <hr/>          |

*See notes to financial statements.*

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

## Statements of Changes in Net Assets

|   | <b>Six Months<br/>Ended<br/>June 30, 2008<br/>(unaudited)</b> | <b>Year Ended<br/>December 31<br/>2007</b> |
|---|---|--|
| <i>Increase (decrease) in net assets resulting from operations</i>                              |   |  |
| Net investment income   | \$ 1,886,965  | \$ 1,567,243                               |
| Net increase from payments by affiliates  |   | 1,036                                      |
| Net realized gain on investments  | 56,318  | 1,434,411                                  |
| Net change in unrealized appreciation/(depreciation) on investments                             | (4,760,956)   | (18,455,574)                               |
| Distributions to preferred shareholders from:   |   |  |
| Net investment income   | (607,454)   | (318,275)                                  |
| Net realized gain on investments  |   | (1,138,397)                                |
|   | <hr/>   | <hr/>                                      |
| Net decrease in net assets attributable to common shares resulting from operations              | (3,425,127)   | (16,909,556)                               |
|   | <hr/>   | <hr/>                                      |
| Distributions to common shareholders from:  |   |  |
| Net investment income   | (1,240,015)   | (1,274,968)                                |
| Net realized gain on investments  |   | (5,186,032)                                |
|   | <hr/>   | <hr/>                                      |
| Total decrease in net assets attributable to common shares                                      | (4,665,142)   | (23,370,556)                               |
| <i>Net assets attributable to common shares</i>   |   |  |
| Beginning of period   | 40,946,413  | 64,316,969                                 |
|   | <hr/>   | <hr/>                                      |
| End of period (including undistributed net investment income of \$39,496 and \$0, respectively) | \$ 36,281,271   | \$ 40,946,413                              |
|   | <hr/>   | <hr/>                                      |
| <i>Common shares issued and repurchased</i>   |   |  |
| Shares outstanding, beginning of period   | 2,485,000   | 2,485,000                                  |
| Shares issued   |   |  |
|   | <hr/>   | <hr/>                                      |
| Shares outstanding, end of period   | 2,485,000   | 2,485,000                                  |
|   | <hr/>   | <hr/>                                      |

*See notes to financial statements.*



## RMR Hospitality and Real Estate Fund

## Financial Highlights

Selected Data For A Common Share Outstanding Throughout Each Period

|   | Six Months Ended<br>June 30, 2008<br>(unaudited) | Year Ended<br>December 31,<br>2007 | Year Ended<br>December 31,<br>2006 | Year Ended<br>December 31,<br>2005 | For the Period<br>April 27,<br>2004(a) to<br>December 31,<br>2004 |
|---|--|------------------------------------|------------------------------------|------------------------------------|---|
| <i>Per Common Share Operating Performance (b)</i>                             |  |                                    |                                    |                                    |   |
| Net asset value, beginning of period  | \$ 16.48   | \$ 25.88                           | \$ 21.88                           | \$ 22.94                           | \$ 19.28(c)   |
| <i>Income from Investment Operations</i>                                      |  |                                    |                                    |                                    |   |
| Net investment income (d)   | .76(e)   | .63                                | 1.08                               | 1.13                               | .71   |
| Net realized and unrealized appreciation/(depreciation) on investments        | (1.90)(e)  | (6.84)                             | 4.95                               | (.19)                              | 3.95  |
| Distributions to preferred shareholders (common stock equivalent basis) from: |  |                                    |                                    |                                    |   |
| Net investment income   | (.24)(e)   | (.13)                              | (.30)                              | (.16)                              | (.06)   |
| Net realized gain on investments  | (e)  | (.46)                              | (.23)                              | (.11)                              | (.01)   |
| Net increase (decrease) in net asset value from operations                    | (1.38)   | (6.80)                             | 5.50                               | .67                                | 4.59  |
| Less: Distributions to common shareholders from:                              |  |                                    |                                    |                                    |   |
| Net investment income   | (.50)(e)   | (.51)                              | (.85)                              | (.96)                              | (.65)   |
| Net realized gain on investments  | (e)  | (2.09)                             | (.65)                              | (.65)                              | (.10)   |
| Common share offering costs charged to capital                                |  |                                    |                                    |                                    | (.04)   |
| Preferred share offering costs charged to capital                             |  |                                    |                                    | (.12)                              | (.14)   |
| Net asset value, end of period  | \$ 14.60   | \$ 16.48                           | \$ 25.88                           | \$ 21.88                           | \$ 22.94  |
| Market price, beginning of period   | \$ 14.38   | \$ 22.95                           | \$ 18.21                           | \$ 19.98                           | \$ 20.00  |
| Market price, end of period   | \$ 13.04   | \$ 14.38                           | \$ 22.95                           | \$ 18.21                           | \$ 19.98  |
| <i>Total Return (f)(g)</i>  |  |                                    |                                    |                                    |   |
| Total investment return based on:   |  |                                    |                                    |                                    |   |
| Market price (h)  | (6.06)%  | (28.11)%                           | 35.54%                             | (0.73)%                            | 3.93%   |
| Net asset value (h)   | (8.68)%  | (28.15)%                           | 25.89%                             | 2.54%                              | 23.16%  |
| <i>Ratios/Supplemental Data:</i>  |  |                                    |                                    |                                    |   |
| Ratio to average net assets attributable to common shares of:                 |  |                                    |                                    |                                    |   |
| Net investment income, before total preferred share distributions (d)         | 9.33%(e)(i)                                      | 2.72%                              | 4.50%                              | 5.04%                              | 4.96%(i)  |
| Total preferred share distributions   | 3.00%(i)   | 2.53%                              | 2.23%                              | 1.20%                              | 0.50%(i)  |
| Net investment income, net of preferred share distributions (d)               | 6.33%(e)(i)                                      | 0.19%                              | 2.27%                              | 3.84%                              | 4.46%(i)  |
| Expenses, net of fee waivers  | 5.17%(i)   | 5.40%                              | 3.13%                              | 1.80%                              | 1.86%(i)  |
| Expenses, before fee waivers  | 5.59%(i)   | 5.77%                              | 3.49%                              | 2.14%                              | 2.18%(i)  |
| Portfolio Turnover Rate   | 7.67%  | 41.36%                             | 45.70%                             | 23.95%                             | 20.83%  |
|   | \$ 36,281  | \$ 40,946                          | \$ 64,317                          | \$ 54,377                          | \$ 57,005   |

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Net assets attributable to common shares,  
end of period (000s)

|   |    |        |    |        |    |        |    |        |    |         |
|---|----|--------|----|--------|----|--------|----|--------|----|---------|
| Preferred shares, liquidation preference<br>(\$25,000 per share) (000s) | \$ | 28,000 | \$ | 28,000 | \$ | 28,000 | \$ | 28,000 | \$ | 17,000  |
| Asset coverage per preferred share (j)                                  | \$ | 57,394 | \$ | 61,569 | \$ | 82,426 | \$ | 73,551 | \$ | 108,830 |

- (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 (8) to the financial statements, these amounts are subject to change to the extent 2008 distributions by the issuers of the Fund's investments are characterized as capital gains and return of capital.
- (f) The impact of the net increase in payments by affiliates is less than \$0.005/share.
- (g) Total returns for periods of less than one year are not annualized.
- (h) 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.
- (i) Annualized.
- (j) Asset coverage per share equals net assets attributable to common shares plus the liquidation preference of the preferred shares divided by the total number of preferred shares outstanding at the end of the period.

*See notes to financial statements.*

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

**June 30, 2008 (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, or the 1940 Act, as a 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, 2008 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 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 (8), 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 average of the closing bid and ask prices 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 4:00:02 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. 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 plus interest accrued, which approximates market value.

(5) Fair Value Measurements

The Fund has adopted the provisions of Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements, or FAS 157, effective January 1, 2008. In accordance with FAS 157, fair value is defined as the price that the Fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market for

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the investment. FAS 157 established a three tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk; for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

Level 1 quoted prices in active markets for identical investments

Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.)

Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The valuation techniques used by the Fund to measure fair value during the six months ended June 30, 2008 maximized the use of observable inputs and minimized the use of unobservable inputs. The Fund utilized broker quotes, company financial information and other market indicators to value the securities whose prices were not readily available.

The following is a summary of the inputs used as of June 30, 2008, in valuing the Fund's investments carried at value:

| <b>Valuation Inputs</b> |                                     | <b>Investments in Securities</b> |            |
|-------------------------|-------------------------------------|----------------------------------|------------|
| Level 1                 | Quoted prices                       | \$                               | 62,301,234 |
| Level 2                 | Other significant observable inputs |                                  | 280,000    |
| Level 3                 | Significant unobservable inputs     |                                  | 1,184,000  |
| Total                   |                                     | \$                               | 63,765,234 |

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Following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining value:

|   |    | <b>Investments in<br/>Securities<br/>Characterized<br/>as Level 3</b> |
|---|----|---|
| Balance as of 12/31/07  | \$ | 1,592,000   |
| Accrued discounts/premiums  |    |   |
| Realized gain/loss and change in unrealized appreciation/depreciation                         |    | (408,000)   |
| Net purchases/sales   |    |   |
| Net transfers in and/or out of Level 3  |    |   |
|   |    |   |
| Balance, as of 06/30/08   | \$ | 1,184,000   |
|   |    |   |
| Net change in unrealized appreciation/depreciation from investments still held as of 06/30/08 | \$ | (408,000)   |
|   |    |   |

### (6) 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 an identified cost basis.

### (7) 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. However, the Fund may be subject to a 4% excise tax to the extent the Fund does not distribute substantially all taxable earnings each year.

Some foreign governments may subject the Fund's investment income and securities sales to withholding or other taxes. For the six months ended June 30, 2008, \$210 of foreign taxes have been withheld from distributions to the Fund and recorded as a reduction of dividend income.

### (8) 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 July 11, 2008, the Fund declared regular monthly distributions of \$0.083 per common share payable in July, August and September 2008. 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.

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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 receives 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 2008 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 2008 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, 2008, are as follows:

|  |    |              |
|--|----|--------------|
| Cost                                       | \$ | 75,544,308   |
| Gross unrealized appreciation              | \$ | 3,372,742    |
| Gross unrealized depreciation              |    | (15,151,816) |
| Net unrealized appreciation/(depreciation) | \$ | (11,779,074) |

### (9) 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 is not considered a liability.

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 from April 27, 2004 until April 27, 2009. The Fund incurred net advisory fees of \$204,843 during the six months ended June 30, 2008. The amount of fees waived by the Advisor was \$85,351 for the six months ended June 30, 2008.

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 \$46,512 of subadministrative fees charged by State Street for the six months ended June 30, 2008.

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 1940 Act is considered to be a "disinterested trustee". Disinterested trustees are each paid by the Fund an annual fee plus attendance fees for board and committee meetings. The Fund incurred \$8,900 of trustee fees and expenses during the six months ended June 30, 2008.

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 \$17,344 of compliance and internal audit expense during the six months ended June 30, 2008. 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 \$6,388 of insurance expense during the six months ended June 30, 2008.

#### **Note C**

##### **Securities Transactions**

During the six months ended June 30, 2008, there were purchases and sales transactions (excluding short term securities) of \$5,612,914 and \$5,182,518 respectively. Brokerage commissions on securities transactions amounted to \$11,870 during the six months ended June 30, 2008.

#### **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 1940 Act, of at least 200%, the preferred shares will be subject to redemption in 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 4.15% per annum as of June 30, 2008.

To date, no auctions for preferred securities of the Fund have failed to attract sufficient clearing bids. However, an affiliate of the Fund's lead broker-dealer for its preferred securities has purchased a significant amount of the Fund's preferred securities in the auctions. If this affiliate of the Fund's lead broker-dealer had not been supporting the Fund's auctions, the auctions likely would have failed and holders of the Fund's preferred shares would not have been able to sell their preferred shares in the auctions. There can be no

assurance that this or any other affiliate of the Fund's lead broker-dealer would purchase Fund preferred shares in any future auction of Fund preferred securities or that the Fund will not have any auction for its preferred securities fail. If an auction of the Fund's preferred shares should fail, the dividend rate for the next succeeding dividend period is set according to a pre-determined formula, and the resulting rate may be higher than the rate which the Fund would otherwise pay as a result of a successful auction. In addition, if an auction fails, holders of the Fund's preferred shares may not be able to sell their preferred shares in that auction. If auctions for the Fund's preferred shares fail, or if market conditions generally frustrate the Fund's ability to enhance investment results through the investment of capital attributable to its outstanding preferred shares, such factors may necessitate a change in the form and/or amount of investment leverage used by the Fund. The Fund has no current intention to change the form or degree of investment leverage that it uses. The use of alternative forms of leverage and/or a reduction in the degree of investment leverage used by the Fund in its investment program could result in reduced investment returns for common shareholders as compared to the returns that historically have been achieved by the Fund through the use of preferred share leverage in favorable market conditions. The Fund proactively manages compliance with asset coverage and other financial ratio requirements applicable to the preferred shares. In order to facilitate compliance with such requirements, and without further notice of its intention to do so, the Fund may from time to time purchase or otherwise acquire its outstanding preferred shares in the open market, in other nondiscriminatory secondary market transactions, pursuant to tender offers or other offers to repurchase preferred shares, or in other permissible purchase transactions, and also may from time to time call or redeem preferred shares in accordance with their terms..

**Note E**

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

The annual meeting of Fund shareholders was held on April 7, 2008. Following is a summary of the proposal 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 and Preferred Shares   |                  |                       |                        |
| Election of John L. Harrington as an Independent Trustee until the 2011 annual meeting.   | 1,984,910        | 213,309               |                        |
| The following trustees' terms of office as trustee continued after the Fund's annual meeting: Barry M. Portnoy, Gerard M. Martin, Frank J. Bailey and Arthur G. Koumantzelis. |                  |                       |                        |

**Note F**

**Litigation and Legal Fees**

The Fund had recently been involved in litigation with its shareholder, Bulldog Investors General Partnership. The purpose of this litigation was to enforce provisions of the Fund's declaration of trust which generally limits ownership of the Fund to not more than 9.8% of the Fund's outstanding shares. The parties to this litigation entered into a settlement agreement in June 2008, and on July 1, 2008 the court granted the parties' joint motion to dismiss this litigation, effectively ending the litigation. During the six month period ended June 30, 2008, the Fund incurred approximately \$401,133 of expenses in connection with the Bulldog litigation and related matters.



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

**June 30, 2008**

*To our shareholders,*

In the pages that follow, you will find data summarizing our financial results for the six months ended June 30, 2008, and our financial position as of June 30, 2008.

**Relevant Market Conditions**

***Financial Services Industry Fundamentals.*** The financial markets are in disarray. The Fed has engaged in various activities to provide support to these markets. For example, since the beginning of the year, it has lowered the federal funds rate 225 basis points to 2%, injected liquidity into the market by introducing three new lending facilities and orchestrated the rescue of Bear Stearns in mid March. Equity markets recovered in April partly because market participants believed that the Fed would serve as a backstop for financial institutions. Inflation, however, continued to remove billions of dollars from the economy because of higher food and gas prices; it appears that the anticipated boost to the economy from the government's recent federal income tax rebate program instead went mostly to pay for the higher cost of living.

The housing market continued to deteriorate in the first half of the year despite the Fed's efforts to inject liquidity into the financial markets and the government's tax rebates to the boost consumer spending. Banks with exposure to the housing market in the form of mortgage backed securities and other derivatives have been plagued with write-downs because the values of these securities have continued to decline. Financial Industry capital adequacy ratios have also deteriorated, forcing banks to raise expensive capital to shore up their balance sheets. In an effort to preserve capital, banks have been reluctant to lend, adding more downward pressure to an already weak economy.

***Real Estate Industry Fundamentals.*** Despite a slowing economy and negative sentiment regarding the direction of the financial markets, real estate fundamentals remained relatively stable during the first half of 2008. Occupancy levels held up and rents generally continued to increase, albeit at a slower pace. Property sales, however, slowed substantially as a result of tighter lending standards and wide differences between buyers and sellers regarding valuations. With limited transactions taking place, it is hard to estimate how much commercial property values have declined. Some estimates put the figure somewhere between negative 10% to negative 15%. What is clear, however, is that property values are no longer at levels seen in early 2007.

For the balance of the year, we believe the economy will likely continue to struggle due to higher food and energy prices, lack of employment growth and a weak housing market. Lending will continue to be restricted, hampering overall economic growth as financial institutions continue to strengthen their balance sheets.

***Real Estate Industry Technicals.*** Throughout the first half of the year, the REIT market continued to exhibit high volatility. REITs started the year on a negative note, down almost 12% in mid-January, and rebounded sharply during March and April (up 6% during each month) following the Fed's and J.P. Morgan's

rescue of Bear Stearns. Concern about additional write-offs from financial institutions sent the REIT market, along with other financial services companies, into negative territory during the month of June. REITs were down 11% in June and finished the first half of the year down 3.5%. Despite the volatility, REIT dedicated funds saw \$3 billion of inflows during the first six months of the year, an encouraging sign after outflows of more than \$9 billion from the period March to December 2007.

### **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, 2008, our total return on net asset value, or NAV (including NAV changes and assuming a hypothetical reinvestment of distributions at NAV), was negative 16.1%. During the same period, the S&P 500 Financial Sector Index (an unmanaged index of financial services common stocks) total return was negative 29.7%, the total return for the MSCI US REIT Total Return Index (an unmanaged index of REIT common stocks) was negative 3.5% and the Merrill Lynch REIT Preferred Index (an unmanaged index of REIT preferred stocks) was 7.6%. We believe these three indices are relevant to us because our investments, excluding short term investments, as of June 30, 2008, included 12% financial services stocks, 35% REIT common stocks and 43% 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 six months ended June 30, 2008 was negative 11.9%.

The fund's negative performance during the first half of the year was greatly influenced by our concentration in financial institutions, which were down significantly in the first half of the year. As a result of the Fund's erosion in NAV and income from its investments during 2007 and into 2008, the Fund's Board decided to lower the distribution rate to common shareholders in April in an effort to bring the distribution more in line with the Fund's earnings potential. Also, in August of 2008 we redeemed \$3.5 million of our outstanding preferred shares in order to maintain leverage ratios in light of the decline in the Fund's NAV.

### **Recent Developments**

Recently, credit markets, including the market for auction rate securities, such as the Fund's \$12.5 million preferred shares, have experienced a liquidity crisis. To date, no auctions for the Fund's preferred shares have failed; however, an affiliate of the Fund's lead broker dealer for its preferred shares has purchased a significant amount of the Fund's preferred shares in the auctions. Please see the notes to the financial statements for more information.

Because of the decline in NAV during the last 15 months and the Fund's relatively small size, the Fund's Board of Trustees is currently considering actions to reduce expenses and otherwise enhance value for the Fund's shareholders. To this end, on August 26, 2008 we filed a preliminary joint proxy statement / prospectus with the Securities and Exchange Commission in connection with a proposed combination of the Fund with two other closed end RMR funds (RMR Real Estate Fund and RMR Hospitality and Real Estate Fund). Both are managed by our advisor, RMR Advisors, Inc. If the combinations receive all shareholder approvals that are required and proceed, all three funds will become one new fund, RMR Real Estate Income Fund, a newly formed Delaware statutory trust which also will be managed by our advisor. The process of seeking approvals and completing the proposed combinations may take several months, and the combinations may or may not occur for various reasons.

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

Sincerely,

Adam D. Portnoy  
President

August 27, 2008



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

June 30, 2008

**Portfolio holdings by sub-sector as a percentage of investments  
(as of June 30, 2008) \***

|                           |       |
|---------------------------|-------|
| Banks & Thrifts           | 6%    |
| Other Financial Services  | 6%    |
| Hospitality REITs         | 16%   |
| Apartment REITs           | 13%   |
| Healthcare REITs          | 12%   |
| Diversified REITs         | 11%   |
| Other REITs less than 10% | 26%   |
| Other                     | 10%   |
|                           | <hr/> |
| Total investments         | 100%  |
|                           | <hr/> |
| Real Estate               | 78%   |
| Financial Services        | 12%   |
| Other                     | 10%   |
|                           | <hr/> |
| Total investments         | 100%  |
|                           | <hr/> |

\*

These percentages represent the Fund's portfolio holdings by sub-sector as a percentage of total portfolio holdings and do not match with the percentages included in the Portfolio of Investments schedule which represent the Fund's portfolio holdings by sub-sector as a percentage of the Fund's total net assets.

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| Company  | Shares | Value      |
|--|--------|------------|
| <b>Common Stocks 90.4%</b>                         |        |            |
| <i>Financial Services 16.8%</i>                    |        |            |
| <i>Banks 9.4%</i>                                  |        |            |
| Bank of America Corp.                              | 10,000 | \$ 238,700 |
| Fifth Third Bancorp                                | 3,000  | 30,540     |
| First Commonwealth Financial Corp.                 | 28,000 | 261,240    |
| First Horizon National Corp.                       | 11,400 | 84,702     |
| Firstmerit Corp.                                   | 12,800 | 208,768    |
| FNB Corp.  | 28,500 | 335,730    |
| KeyCorp  | 7,000  | 76,860     |
| National City Corp.                                | 12,400 | 59,148     |
| Regions Financial Corp.                            | 4,000  | 43,640     |
| Trustco Bank Corp. NY                              | 23,400 | 173,628    |
| U.S. Bancorp                                       | 1,000  | 27,890     |
|  |        | 1,540,846  |
| <i>Thriffs 2.5%</i>                                |        |            |
| Beverly Hills Bancorp, Inc.                        | 58     | 98         |
| Flagstar Bancorp, Inc.                             | 25,000 | 75,250     |
| IndyMac Bancorp, Inc.                              | 5,500  | 3,410      |
| New York Community Bancorp, Inc.                   | 18,200 | 324,688    |
|  |        | 403,446    |
| <i>Other Financial Services 4.9%</i>               |        |            |
| American Capital Strategies, Ltd.                  | 2,000  | 47,540     |
| Centerline Holding Co.                             | 44,200 | 73,814     |
| Fannie Mae   | 13,000 | 253,630    |
| Friedman Billings Ramsey Group, Inc. *             | 54,000 | 81,000     |
| MCG Capital Corp.                                  | 32,000 | 127,360    |
| Visa, Inc. Class A(a)                              | 2,730  | 221,976    |
|  |        | 805,320    |
| <b>Total Financial Services (Cost \$8,472,515)</b> |        | 2,749,612  |
| <i>Real Estate 66.0%</i>                           |        |            |
| <i>Apartments 7.0%</i>                             |        |            |
| AvalonBay Communities, Inc. *                      | 3,000  | 267,480    |
| BRE Properties, Inc. *                             | 4,000  | 173,120    |
| Home Properties, Inc. *                            | 300    | 14,418     |
| Mid-America Apartment Communities, Inc. *          | 9,600  | 489,984    |
| UDR, Inc. *  | 9,000  | 201,420    |
|  |        | 1,146,422  |

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

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*Diversified 11.1%*

|  |        |            |
|--|--------|------------|
| CapLease, Inc. *                       | 15,000 | \$ 112,350 |
| Colonial Properties Trust *            | 15,780 | 315,915    |
| Cousins Properties, Inc. *             | 6,900  | 159,390    |
| Duke Realty Corp. *                    | 7,500  | 168,375    |
| DuPont Fabros Technology, Inc. *       | 2,500  | 46,600     |
| Franklin Street Properties Corp. *     | 3,000  | 37,920     |
| iStar Financial, Inc. *                | 16,000 | 211,360    |
| Lexington Corporate Properties Trust * | 56,400 | 768,732    |
| National Retail Properties, Inc. *     | 143    | 2,989      |
|  |        | <hr/>      |
|  |        | 1,823,631  |

*Health Care 15.2%*

|                                      |        |           |
|--------------------------------------|--------|-----------|
| Care Investment Trust, Inc. *        | 8,550  | 80,627    |
| HCP, Inc. *                          | 8,850  | 281,518   |
| Health Care REIT, Inc. *             | 11,904 | 529,728   |
| Healthcare Realty Trust, Inc. *      | 18,500 | 439,745   |
| Medical Properties Trust, Inc. *     | 24,365 | 246,574   |
| Nationwide Health Properties, Inc. * | 26,400 | 831,336   |
| OMEGA Healthcare Investors, Inc. *   | 5,000  | 83,250    |
|                                      |        | <hr/>     |
|                                      |        | 2,492,778 |

*Hospitality 5.5%*

|                                   |        |         |
|-----------------------------------|--------|---------|
| Ashford Hospitality Trust, Inc. * | 51,000 | 235,620 |
| DiamondRock Hospitality Co. *     | 14,000 | 152,460 |
| FelCor Lodging Trust, Inc. *      | 14,359 | 150,770 |
| Host Hotels & Resorts, Inc. *     | 10,000 | 136,500 |
| LaSalle Hotel Properties *        | 5,400  | 135,702 |
| Sunstone Hotel Investors, Inc. *  | 5,000  | 83,000  |
|                                   |        | <hr/>   |
|                                   |        | 894,052 |

*Industrial 7.0%*

|                                       |        |           |
|---------------------------------------|--------|-----------|
| DCT Industrial Trust, Inc. *          | 5,200  | 43,056    |
| First Industrial Realty Trust, Inc. * | 40,200 | 1,104,294 |
|                                       |        | <hr/>     |
|                                       |        | 1,147,350 |

*Manufactured Homes 3.0%*

|                         |        |         |
|-------------------------|--------|---------|
| Sun Communities, Inc. * | 27,000 | 492,210 |
|-------------------------|--------|---------|

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

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|  |         |            |
|--|---------|------------|
| <i>Mortgage 4.9%</i>                           |         |            |
| Alesco Financial, Inc. *                       | 142,400 | \$ 284,800 |
| Anthracite Capital, Inc. *                     | 15,000  | 105,600    |
| Gramercy Capital Corp. *                       | 14,394  | 166,826    |
| JER Investors Trust, Inc. *                    | 10,000  | 63,000     |
| Newcastle Investment Corp. *                   | 26,500  | 185,765    |
|  |         | <hr/>      |
|  |         | 805,991    |
| <hr/>  |         |            |
| <i>Office 6.3%</i>                             |         |            |
| BioMed Realty Trust, Inc. *                    | 7,000   | 171,710    |
| Boston Properties, Inc. *                      | 2,000   | 180,440    |
| Brookfield Properties Corp.                    | 5,000   | 88,950     |
| Parkway Properties, Inc. *                     | 300     | 10,119     |
| SL Green Realty Corp. *                        | 7,000   | 579,040    |
|  |         | <hr/>      |
|  |         | 1,030,259  |
| <hr/>  |         |            |
| <i>Retail 4.3%</i>                             |         |            |
| CBL & Associates Properties, Inc. *            | 3,000   | 68,520     |
| Developers Diversified Realty Corp. *          | 3,000   | 104,130    |
| Equity One, Inc. *                             | 3,000   | 61,650     |
| Glimcher Realty Trust *                        | 19,300  | 215,774    |
| Realty Income Corp. *                          | 200     | 4,552      |
| Simon Property Group, Inc. *                   | 2,000   | 179,780    |
| Tanger Factory Outlet Centers, Inc. *          | 2,000   | 71,860     |
|  |         | <hr/>      |
|  |         | 706,266    |
| <hr/>  |         |            |
| <i>Specialty 1.0%</i>                          |         |            |
| Getty Realty Corp. *                           | 4,000   | 57,640     |
| Resource Capital Corp. *                       | 15,588  | 112,390    |
|  |         | <hr/>      |
|  |         | 170,030    |
| <hr/>  |         |            |
| <i>Storage 0.7%</i>                            |         |            |
| U-Store-It Trust *                             | 8,900   | 106,355    |
|  |         | <hr/>      |
|  |         | 10,815,344 |
| <hr/>  |         |            |
| <i>Total Real Estate (Cost \$16,533,329)</i>   |         |            |
|  |         | 10,815,344 |
| <hr/>  |         |            |
| <i>Other 7.6%</i>                              |         |            |
| Abingdon Investment, Ltd. (b)(c)               | 100,000 | 592,000    |
| Iowa Telecommunication Services, Inc.          | 37,500  | 660,375    |
|  |         | <hr/>      |
|  |         | 1,252,375  |
| <hr/>  |         |            |
| <i>Total Other (Cost \$1,631,150)</i>          |         |            |
|  |         | 1,252,375  |
| <hr/>  |         |            |
| <i>Total Common Stocks (Cost \$26,636,994)</i> |         |            |
|  |         | 14,817,331 |
| <hr/>  |         |            |

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

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Preferred Stocks 85.9%

Real Estate 80.7%

Apartments 17.4%

|   |        |    |           |
|---|--------|----|-----------|
| Apartment Investment & Management Co., Series U * | 32,500 | \$ | 755,625   |
| Apartment Investment & Management Co., Series V * | 27,700 |    | 631,560   |
| Apartment Investment & Management Co., Series Y * | 65,000 |    | 1,467,700 |

---

2,854,885

Diversified 10.4%

|  |        |  |         |
|--|--------|--|---------|
| Cousins Properties, Inc., Series B *   | 20,000 |  | 435,600 |
| Digital Realty Trust, Inc., Series A * | 20,000 |  | 461,600 |
| Duke Realty Corp., Series O *          | 4,000  |  | 95,480  |
| LBA Realty LLC, Series B *             | 45,000 |  | 703,125 |

---

1,695,805

Health Care 6.6%

|   |        |  |         |
|---|--------|--|---------|
| Health Care REIT, Inc., Series F *          | 26,900 |  | 629,460 |
| OMEGA Healthcare Investors Inc., Series D * | 19,000 |  | 456,000 |

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1,085,460

Hospitality 24.2%

|  |        |  |           |
|--|--------|--|-----------|
| Ashford Hospitality Trust, Series D *                    | 32,000 |  | 567,040   |
| Eagle Hospitality Properties Trust, Inc., Series A * (c) | 14,000 |  | 140,000   |
| Entertainment Properties Trust, Series B *               | 40,000 |  | 839,600   |
| FelCor Lodging Trust, Inc., Series C *                   | 64,000 |  | 1,238,400 |
| Grace Acquisition I, Inc., Series B * (c)                | 50,000 |  | 500,000   |
| Host Marriott Corp., Series E *                          | 10,000 |  | 250,000   |
| Strategic Hotels & Resorts, Inc., Series A *             | 10,000 |  | 178,000   |
| Strategic Hotels & Resorts, Inc., Series B *             | 13,700 |  | 246,600   |

---

3,959,640

Manufactured Homes 0.8%

|                                  |       |  |         |
|----------------------------------|-------|--|---------|
| Hilltop Holdings, Inc., Series A | 6,900 |  | 131,100 |
|----------------------------------|-------|--|---------|

Mortgage 5.9%

|  |        |  |         |
|--|--------|--|---------|
| Anthracite Capital, Inc., Series D *       | 6,000  |  | 85,200  |
| Gramercy Capital Corp., Series A *         | 20,000 |  | 349,800 |
| HomeBanc Corp., Series A *                 | 10,000 |  | 100     |
| MFA Mortgage Investments, Inc., Series A * | 13,800 |  | 274,758 |
| RAIT Investment Trust, Series B *          | 20,300 |  | 263,900 |

---

973,758

Office 4.7%

|   |        |  |         |
|---|--------|--|---------|
| Alexandria Real Estate Equities, Inc., Series C * | 31,600 |  | 777,360 |
|---|--------|--|---------|

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



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|   |         |               |
|---|---------|---------------|
| <i>Retail 10.7%</i>   |         |               |
| CBL & Associates Properties, Inc., Series D *                             | 10,000  | \$ 204,300    |
| Glimcher Realty Trust, Series F *   | 26,500  | 529,735       |
| Glimcher Realty Trust, Series G *   | 41,000  | 674,450       |
| Taubman Centers, Inc., Series G *   | 15,000  | 351,000       |
|   |         | 1,759,485     |
| <hr/>   |         |               |
| <i>Total Real Estate (Cost \$16,810,622)</i>                              |         | 13,237,493    |
| <hr/>   |         |               |
| <i>Financial Services 5.2%</i>  |         |               |
| Corts-UNUM Provident Financial Trust                                      | 38,000  | 847,780       |
| <hr/>   |         |               |
| <i>Total Financial Services (Cost \$982,300)</i>                          |         | 847,780       |
| <hr/>   |         |               |
| <i>Total Preferred Stocks (Cost \$17,792,922)</i>                         |         |               |
| <hr/>   |         |               |
| <i>Other Investment Companies 12.7%</i>                                   |         |               |
| Alpine Total Dynamic Dividend Fund  | 29,960  | 445,805       |
| Cohen & Steers Premium Income Realty Fund, Inc.                           | 13,350  | 200,784       |
| Cohen & Steers REIT and Preferred Income Fund, Inc.                       | 8,000   | 152,800       |
| Cornerstone Strategic Value Fund, Inc.                                    | 32,528  | 177,278       |
| Eaton Vance Enhanced Equity Income Fund II                                | 13,100  | 224,796       |
| LMP Real Estate Income Fund, Inc.   | 12,411  | 189,888       |
| Neuberger Berman Real Estate Securities Income Fund, Inc.                 | 45,507  | 425,490       |
| The Zweig Total Return Fund, Inc.   | 60,850  | 268,957       |
| <hr/>   |         |               |
| <i>Total Other Investment Companies (Cost \$2,878,562)</i>                |         | 2,085,798     |
| <hr/>   |         |               |
| <i>Short-Term Investments 0.7%</i>  |         |               |
| <i>Other Investment Companies 0.7%</i>                                    |         |               |
| Dreyfus Cash Management, Institutional Shares, 2.66% (d) (Cost \$118,450) | 118,450 | 118,450       |
| <hr/>   |         |               |
| <i>Total Investments 189.7% (Cost \$47,426,928)</i>                       |         | 31,106,852    |
| <hr/>   |         |               |
| <i>Other assets less liabilities 7.9%</i>                                 |         | 1,290,686     |
| <i>Preferred Shares, at liquidation preference (97.6)%</i>                |         | (16,000,000)  |
| <hr/>   |         |               |
| <i>Net Assets applicable to common shareholders 100%</i>                  |         | \$ 16,397,538 |
| <hr/>   |         |               |

Notes to Portfolio of Investments

- \*
- Real Estate Investment Trust, or REIT.
- (a) As of June 30, 2008, this security had not paid a distribution.
- (b) Rule 144A securities. Securities restricted for resale to Qualified Institutional Buyers (3.6% of net assets).
- (c) As of June 30, 2008, the Fund held securities fair valued in accordance with policies adopted by the board of trustees aggregating \$1,232,000 and 4.0% of market value.
- (d) Rate reflects 7 day yield as of June 30, 2008.

See notes to financial statements.



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

## Statement of Assets and Liabilities

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**June 30, 2008 (unaudited)**


---

*Assets*

|   |               |
|---|---------------|
| Investments in securities, at value (cost \$47,426,928) | \$ 31,106,852 |
| Cash  | 316           |
| Receivable for securities sold                          | 997,715       |
| Dividends and interest receivable                       | 375,464       |
| Other assets  | 4,674         |
|   | <hr/>         |
| Total assets  | 32,485,021    |
|   | <hr/>         |

*Liabilities*

|  |        |
|--|--------|
| Advisory fee payable                     | 17,050 |
| Distributions payable - preferred shares | 12,819 |
| Accrued expenses and other liabilities   | 57,614 |
|  | <hr/>  |
| Total liabilities                        | 87,483 |
|  | <hr/>  |

*Preferred shares, at liquidation preference*

|  |            |
|--|------------|
| Auction preferred shares, Series W;<br>\$.001 par value per share; 640 shares issued and<br>outstanding at \$25,000 per share liquidation preference | 16,000,000 |
|  | <hr/>      |

*Net assets attributable to common shares*


---

\$ 16,397,538

---

*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  | 35,173,277   |
| Undistributed net investment income   | 219,668      |
| Accumulated net realized loss on investments  | (2,676,815)  |
| Net unrealized depreciation on investments  | (16,320,076) |
|   | <hr/>        |

*Net assets attributable to common shares*


---

\$ 16,397,538

---

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


---

\$ 11.05

---

*See notes to financial statements.*


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

## Statement of Operations

**Six Months Ended June 30, 2008 (unaudited)***Investment Income*

|  |              |
|--|--------------|
| Dividends (cash distributions received or due, net of foreign taxes withheld of \$210) | \$ 1,604,608 |
| Interest   | 7,443        |
|  | <hr/>        |
| Total investment income  | 1,612,051    |
|  | <hr/>        |

*Expenses*

|                                     |          |
|-------------------------------------|----------|
| Advisory                            | 151,605  |
| Audit and legal                     | 170,694  |
| Administrative                      | 45,022   |
| Custodian                           | 26,152   |
| Preferred share remarketing         | 25,233   |
| Compliance and internal audit       | 17,344   |
| Shareholder reporting               | 13,494   |
| Trustees' fees and expenses         | 8,465    |
| Other                               | 34,037   |
|                                     | <hr/>    |
| Total expenses                      | 492,046  |
| Less: expense waived by the Advisor | (44,590) |
|                                     | <hr/>    |
| Net expenses                        | 447,456  |
|                                     | <hr/>    |

|                       |           |
|-----------------------|-----------|
| Net investment income | 1,164,595 |
|                       | <hr/>     |

*Realized and unrealized loss on investments*

|  |                |
|--|----------------|
| Net realized loss on investments   | (989,085)      |
| Net change in unrealized appreciation/(depreciation) on investments                | (3,000,615)    |
|  | <hr/>          |
| Net realized and unrealized loss on investments                                    | (3,989,700)    |
|  | <hr/>          |
| Distributions to preferred shareholders from net investment income                 | (345,144)      |
|  | <hr/>          |
| Net decrease in net assets attributable to common shares resulting from operations | \$ (3,170,249) |
|  | <hr/>          |

*See notes to financial statements.*

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

## Statements of Changes in Net Assets

|  | <b>Six Months Ended<br/>June 30,<br/>2008<br/>(unaudited)</b> | <b>Year Ended<br/>December 31,<br/>2007</b> |
|--|---|---|
| <i>Increase (decrease) in net assets resulting from operations</i>                                     |   |   |
| Net investment income  | \$ 1,164,595  | \$ 2,324,696                                |
| Net increase from payments by affiliates   |   | 1,036                                       |
| Net realized loss on investments   | (989,085)   | (1,594,800)                                 |
| Net change in unrealized appreciation/(depreciation) on investments                                    | (3,000,615)   | (13,570,100)                                |
| Distributions to preferred shareholders from:  |   |   |
| Net investment income  | (345,144)   | (585,177)                                   |
| Net realized gain on investments   |   | (449,891)                                   |
|  | <u>(3,170,249)</u>  | <u>(13,874,236)</u>                         |
| Net decrease in net assets attributable to common shares resulting from operations                     |   |   |
|  | <u>(3,170,249)</u>  | <u>(13,874,236)</u>                         |
| Distributions to common shareholders from:   |   |   |
| Net investment income  | (869,624)   | (1,469,630)                                 |
| Net realized gain on investments   |   | (1,130,338)                                 |
| <i>Capital shares transactions</i>   |   |   |
| Cost of preferred shares repurchased   | (2,000,000)   | (2,000,000)                                 |
|  | <u>(2,000,000)</u>  | <u>(2,000,000)</u>                          |
| Net decrease from capital transactions   | (2,000,000)   | (2,000,000)                                 |
| Liquidation preference of preferred shares repurchased   | 2,000,000   | 2,000,000                                   |
|  | <u>2,000,000</u>  | <u>2,000,000</u>                            |
| Total decrease in net assets attributable to common shares   | (4,039,873)   | (16,474,204)                                |
| <i>Net assets attributable to common shares</i>  |   |   |
| Beginning of period  | 20,437,411  | 36,911,615                                  |
|  | <u>20,437,411</u>   | <u>36,911,615</u>                           |
| End of period (including undistributed net investment income of \$219,668 and \$269,841, respectively) | \$ 16,397,538   | \$ 20,437,411                               |
|  | <u>\$ 16,397,538</u>  | <u>\$ 20,437,411</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  | 1,484,000   | 1,484,000                                   |
|  | <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 Ended<br>June 30,<br>2008<br>(unaudited) | Year Ended<br>December 31,<br>2007 | Year Ended<br>December 31,<br>2006 | Year Ended<br>December 31,<br>2005 | For the Period<br>November 22,<br>2004 (a) to<br>December 31,<br>2004 |
|---|---|------------------------------------|------------------------------------|------------------------------------|---|
| <i>Per Common Share Operating Performance (b)</i>                             |   |                                    |                                    |                                    |   |
| Net asset value, beginning of period  | \$ 13.77  | \$ 24.87                           | \$ 22.07                           | \$ 23.99                           | \$ 24.03(c)   |
| <i>Income from Investment Operations</i>                                      |   |                                    |                                    |                                    |   |
| Net investment income (d)   | .78(e)  | 1.57                               | 1.71                               | 1.28                               | .10   |
| Net realized and unrealized appreciation/(depreciation) on investments        | (2.68)(e)   | (10.23)                            | 3.49                               | (1.01)                             | .17   |
| Distributions to preferred shareholders (common stock equivalent basis) from: |   |                                    |                                    |                                    |   |
| Net investment income   | (.23)(e)  | (.39)                              | (.47)                              | (.28)                              | (.02)   |
| Net realized gain on investments  | (e)   | (.30)                              | (.18)                              | (.15)                              |   |
| Net increase (decrease) in net asset value from operations                    | (2.13)  | (9.35)                             | 4.55                               | (.16)                              | .25   |
| Less: Distributions to common shareholders from:                              |   |                                    |                                    |                                    |   |
| Net investment income   | (.59)(e)  | (.99)                              | (1.27)                             | (1.09)                             |   |
| Net realized gain on investments  | (e)   | (.76)                              | (.48)                              | (.67)                              |   |
| Common share offering costs charged to capital                                |   |                                    |                                    |                                    | (.04)   |
| Preferred share offering costs charged to capital                             |   |                                    |                                    |                                    | (.25)   |
| Net asset value, end of period  | \$ 11.05  | \$ 13.77                           | \$ 24.87                           | \$ 22.07                           | \$ 23.99  |
| Market price, beginning of period   | \$ 12.80  | \$ 22.20                           | \$ 18.99                           | \$ 24.05                           | \$ 25.00  |
| Market price, end of period   | \$ 9.68   | \$ 12.80                           | \$ 22.20                           | \$ 18.99                           | \$ 24.05  |
| <i>Total Return (f)(g)</i>  |   |                                    |                                    |                                    |   |
| Total investment return based on:   |   |                                    |                                    |                                    |   |
| Market price (h)  | (20.57)%  | (36.29)%                           | 27.44%                             | (14.00)%                           | (3.80)%   |
| Net asset value (h)   | (16.12)%  | (39.40)%                           | 21.54%                             | (0.64)%                            | (0.17)%   |
| <i>Ratios/Supplemental Data:</i>  |   |                                    |                                    |                                    |   |
| Ratio to average net assets attributable to common shares of:                 |   |                                    |                                    |                                    |   |
| Net investment income, before total preferred share distributions (d)         | 11.90%(e)(i)  | 7.41%                              | 7.42%                              | 5.64%                              | 3.92%(i)  |
| Total preferred share distributions   | 3.53%(i)  | 3.30%                              | 2.78%                              | 1.88%                              | 0.58%(i)  |
| Net investment income, net of preferred share distributions (d)               | 8.37%(e)(i)   | 4.11%                              | 4.64%                              | 3.76%                              | 3.34%(i)  |
| Expenses, net of fee waivers  | 4.57%(i)  | 2.68%                              | 2.39%                              | 2.63%                              | 3.45%(i)  |
| Expenses, before fee waivers  | 5.03%(i)  | 3.09%                              | 2.78%                              | 3.03%                              | 3.73%(i)  |
| Portfolio Turnover Rate   | 7.22%   | 63.84%                             | 59.48%                             | 64.96%                             | 0.00%   |
| Net assets attributable to common shares, end of period (000s)                | \$ 16,398   | \$ 20,437                          | \$ 36,912                          | \$ 32,745                          | \$ 35,594   |
| Preferred shares, liquidation preference (\$25,000 per share) (000s)          | \$ 16,000   | \$ 18,000                          | \$ 20,000                          | \$ 20,000                          | \$ 20,000   |
| Asset coverage per preferred share(j)   | \$ 50,621   | \$ 53,385                          | \$ 71,140                          | \$ 65,931                          | \$ 69,493   |

(a) Commencement of operations.

(b)

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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 (8) to the financial statements, these amounts are subject to change to the extent 2008 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) The impact of the net increase in payments by affiliates is less than \$0.005/share.
- (h) 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.
- (i) Annualized.
- (j) Asset coverage per share equals net assets attributable to common shares plus the liquidation preference of the preferred shares divided by the total number of preferred shares outstanding at the end of the period.

*See notes to financial statements.*

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

**June 30, 2008 (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, or the 1940 Act, as a 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, 2008 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 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 (8), 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 average of closing bid and ask prices 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 4:00:02 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. 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 plus interest accrued, which approximates market value.

(5) Fair Value Measurements

The Fund has adopted the provisions of Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements, or FAS 157, effective January 1, 2008. In accordance with FAS 157, fair value is defined as the price that the Fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market for



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the investment. FAS 157 established a three tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk; for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three tier hierarchy of inputs is summarized in the three broad levels listed below.

Level 1 quoted prices in active markets for identical investments

Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.)

Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The valuation techniques used by the Fund to measure fair value during the six months ended June 30, 2008 maximized the use of observable inputs and minimized the use of unobservable inputs. The Fund utilized broker quotes, company financial information and other market indicators to value the securities whose prices were not readily available.

The following is a summary of the inputs used as of June 30, 2008 in valuing the Fund's investments carried at value:

| <b>Valuation Inputs</b>                     | <b>Investments in Securities</b> |
|---|----------------------------------|
| Level 1 Quoted prices                       | \$ 29,874,852                    |
| Level 2 Other significant observable inputs | 640,000                          |
| Level 3 Significant unobservable inputs     | 592,000                          |
| Total                                       | \$ 31,106,852                    |

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Following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining value:

|   |    | <b>Investments in<br/>Securities<br/>Characterized<br/>as Level 3</b> |
|---|----|---|
| Balance as of 12/31/07  | \$ | 796,000   |
| Accrued discounts/premiums  |    |   |
| Realized gain/loss and change in unrealized appreciation/depreciation                         |    | (204,000)   |
| Net purchases/sales   |    |   |
| Net transfers in and/or out of Level 3  |    |   |
|   |    |   |
| Balance, as of 06/30/08   | \$ | 592,000   |
|   |    |   |
| Net change in unrealized appreciation/depreciation from investments still held as of 06/30/08 | \$ | (204,000)   |
|   |    |   |

### (6) 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 an identified cost basis.

### (7) 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. However, the Fund may be subject to a 4% excise tax to the extent the Fund does not distribute substantially all taxable earnings each year.

Some foreign governments may subject the Fund's investment income and securities sales to withholding or other taxes. For the six months ended June 30, 2008, \$210 of foreign taxes has been withheld from distributions to the Fund and has been recorded as a reduction of dividend income.

### (8) 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 July 11, 2008, the Fund declared regular monthly distributions of \$.098 per common share payable in July, August and September 2008. 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.

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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 receives 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 2008 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 2008 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, 2008, are as follows:

|  |    |              |
|--|----|--------------|
| Cost                                       | \$ | 47,426,928   |
|  |    | <hr/>        |
| Gross unrealized appreciation              | \$ | 440,098      |
| Gross unrealized depreciation              |    | (16,760,174) |
|  |    | <hr/>        |
| Net unrealized appreciation/(depreciation) | \$ | (16,320,076) |
|  |    | <hr/>        |

### (9) Concentration of Risk

Under normal market conditions, the Fund's investments are 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 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 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 is not considered a liability.

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 from November 22, 2004, until November 22, 2009. The Fund incurred net advisory fees of \$151,605 during the six months ended June 30, 2008. The amount of fees waived by the Advisor was \$44,590 for the six months ended June 30, 2008.

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 \$45,022 of subadministrative fees charged by State Street for the six months ended June 30, 2008.

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 1940 Act is considered to be a "disinterested trustee". Disinterested trustees are each paid by the Fund an annual fee plus attendance fees for board and committee meetings. The Fund incurred \$8,465 of trustee fees and expenses during the six months ended June 30, 2008.

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 \$17,344 of compliance and internal audit expense during the six months ended June 30, 2008. 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 \$7,281 of insurance expense during the six months ended June 30, 2008.

## Note C

### Securities Transactions

During the six months ended June 30, 2008, there were purchases and sales transactions (excluding short term securities) of \$2,554,268 and \$5,307,393 respectively. Brokerage commissions on securities transactions amounted to \$6,083 during the six months ended June 30, 2008.

## Note D

### Preferred Shares

In December 2004, the Fund issued 800 Series W auction preferred shares with a liquidation preference of \$25,000 per share plus an amount equal to accumulated but unpaid distributions. On December 27, 2007 and January 17, 2008, the Fund redeemed a total of 160 preferred shares with a liquidation preference of \$4,000,000. The Fund has further redeemed 40, 40 and 60 preferred shares on August 5, 2008, August 12, 2008 and August 19, 2008, respectively, with a total liquidation preference of \$3,500,000. 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 1940 Act, of at least 200%, the preferred shares will be subject to redemption in 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 4.12% per annum as of June 30, 2008.

To date, no auctions for preferred securities of the Fund have failed to attract sufficient clearing bids. However, an affiliate of the Fund's lead broker-dealer for its preferred securities has purchased a significant amount of the Fund's preferred securities in the auctions. If this affiliate of the Fund's lead broker-dealer had not been supporting the Fund's auctions, the auctions likely would have failed and holders of the Fund's preferred shares would not have been able to sell their preferred shares in the auctions. There can be no assurance that this or any other affiliate of the Fund's lead broker-dealer would purchase Fund preferred shares in any future auction of Fund preferred securities or that the Fund will not have any auction for its preferred securities fail. If an auction of the Fund's preferred shares should fail, the dividend rate for the next succeeding dividend period is set according to a pre-determined formula, and the resulting rate may be higher than the rate which the Fund would otherwise pay as a result of a successful auction. In addition, if an auction fails, holders of the Fund's preferred shares may not be able to sell their preferred shares in that auction. If auctions for the Fund's preferred shares fail, or if market conditions generally frustrate the Fund's ability to enhance investment results through the investment of capital attributable to its outstanding preferred shares, such factors may necessitate a change in the form and/or amount of investment leverage used by the Fund. The Fund has no current intention to change the form or degree of investment leverage that it uses. The use of alternative forms of leverage and/or a reduction in the degree of investment leverage used by the Fund in its investment program could result in reduced investment returns for common shareholders as compared to the returns that historically have been achieved by the Fund through the use of preferred share leverage in favorable market conditions. The Fund proactively manages compliance with asset coverage and other financial ratio requirements applicable to the preferred shares. In order to facilitate compliance with such requirements, and without further notice of its intention to do so, the Fund may from time to time purchase or otherwise acquire its outstanding preferred shares in the open market, in other nondiscriminatory secondary market transactions, pursuant to tender offers or other offers to repurchase preferred shares, or in other permissible purchase transactions, and also may from time to time call or redeem preferred shares in accordance with their terms.

**Note E**

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

The annual meeting of Fund shareholders was held on April 7, 2008. Following is a summary of the proposal 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> |
|---|------------------|-----------------------|------------------------|
| <b>Common and Preferred Shares</b>  |                  |                       |                        |
| Election of John L. Harrington as an Independent Trustee until the 2011 annual meeting.   | 1,338,319        | 54,250                |                        |
| The following trustees' terms of office as trustee continued after the Fund's annual meeting: Barry M. Portnoy, Gerard M. Martin, Frank J. Bailey and Arthur G. Koumantzelis. |                  |                       |                        |
| 55  |                  |                       |                        |

## RMR Preferred Dividend Fund

June 30, 2008

*To our shareholders,*

In the pages that follow, you will find data summarizing our financial results for the six months ended June 30, 2008, and our financial position as of June 30, 2008.

### Relevant Market Conditions

**Preferred Securities Market Overview.** The issuance of non-REIT preferred securities during the first half of 2008 continued to be strong, particularly from financial institutions, as banks continued to improve their capital bases. This heavy issuance by the larger financial companies served to depress secondary market prices and precluded REITs from issuing preferred securities. Nevertheless, the REIT Preferred Index ended the first half of 2008 up 7.6%, outperforming the broader market indices.

**Real Estate Industry Fundamentals.** Despite a slowing economy and negative sentiment regarding the direction of the financial markets, real estate fundamentals remained stable during the first half of 2008. Occupancy levels held up and rents continued to increase, albeit at a slower pace. Property sales, however, slowed substantially as a result of tighter lending standards and wide differences between buyers and sellers regarding valuations. With limited transactions taking place, it is hard to estimate how much commercial property values have declined. Some estimates put the figure somewhere between negative 10% to negative 15%. What is clear, however, is that property values are no longer at levels seen in early 2007.

For the balance of the year, we believe the economy will likely continue to struggle due to higher food and energy prices, lack of employment growth and a weak housing market. Lending will continue to be restricted, hampering overall economic growth as financial institutions continue to strengthen their balance sheets.

**Real Estate Industry Technicals.** Throughout the first half of the year, the REIT market continued to exhibit high volatility. REITs started the year on a negative note, down almost 12% in mid-January, and rebounded sharply during March and April (up 6% during each month) following the Fed's and J.P. Morgan's rescue of Bear Stearns. Concern about additional write-offs from financial institutions sent the REIT market, along with other financial services companies, into negative territory during the month of June. REITs were down 11% in June and finished the first half of the year down 3.5%. Despite the volatility, REIT dedicated funds saw \$3 billion of inflows during the first six months of the year, an encouraging sign after outflows of more than \$9 billion from the period March to December 2007.

### 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 six months ended June 30, 2008, our total return on net asset value, or NAV (including NAV changes and assuming a hypothetical reinvestment of distributions at NAV), was negative 6.4%. During that same period, the total return for the Merrill Lynch REIT Preferred Index (an unmanaged index of REIT preferred stocks) was 7.6%. We believe this index is relevant to us because our investments as of June 30, 2008, excluding short term investments, included 73% REIT preferred stocks. The S&P 500 Index (an unmanaged index published as Standard and Poor's Composite Index of 500 Stocks) total return for the six months ended June 30, 2008 was negative 11.9%.

The fund's negative performance during the first half of the year was greatly influenced by our concentration in the preferred securities of hotel REITs. This subsector witnessed a rapid deterioration in operating fundamentals in the first half of the year because of the slowdown in the U.S. economy and the expectation of its continuation. As a result of the Fund's erosion in NAV and income from its investments during 2007 and into 2008, the Fund's board of trustees decided to lower the distribution rate to common shareholders in April in an effort to bring the distribution more in line with the Fund's earnings potential. Also, in August we redeemed \$5 million of our outstanding preferred shares because of the decline in the Fund's NAV.

#### **Recent Developments**

Recently, credit markets, including the market for auction rate securities such as the Fund's \$17.5 million of preferred shares, have experienced a liquidity crisis. To date, no auctions for the Fund's preferred shares have failed; however, an affiliate of the Fund's lead broker dealer for its preferred shares has purchased a significant amount of the Fund's preferred shares in the auctions. Please see the notes to the financial statements for more information.

Because of the decline in NAV during the last 15 months and the Fund's relatively small size, the Fund's Board of Trustees is currently considering actions to reduce expenses and otherwise enhance value for the Fund's shareholders. These potential actions include combining the Fund with one or more other RMR closed end funds that have similar investment programs.

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

Sincerely,

Adam D. Portnoy  
President  
August 27, 2008

**RMR Preferred Dividend Fund**

June 30, 2008

**Portfolio holdings by sub-sector as a percentage of investments  
(as of June 30, 2008)\***

|                         |       |
|-------------------------|-------|
| Hospitality real estate | 28%   |
| Office real estate      | 13%   |
| Diversified real estate | 9%    |
| Other, less than 10%    | 50%   |
|                         | <hr/> |
| Total investments       | 100%  |
|                         | <hr/> |
| REITs                   | 75%   |
| Other                   | 25%   |
|                         | <hr/> |
| Total investments       | 100%  |
|                         | <hr/> |

\*

These percentages represent the Fund's portfolio holdings by sub-sector as a percentage of total portfolio holdings and do not match with the percentages included in the Portfolio of Investments schedule which represent the Fund's portfolio holdings by sub-sector as a percentage of the Fund's net assets.



**RMR Preferred Dividend Fund****Portfolio of Investments** June 30, 2008 (unaudited)

| Company  | Shares  | Value        |
|--|---------|--------------|
| <b>Preferred Stocks 156.8%</b>                         |         |              |
| <b>Real Estate Investment Trusts 137.0%</b>            |         |              |
| <i>Apartments 14.3%</i>                                |         |              |
| Apartment Investment & Management Co., Series G        | 56,400  | \$ 1,398,720 |
| Apartment Investment & Management Co., Series T        | 10,000  | 232,500      |
| Associated Estates Realty Corp., Series B              | 39,800  | 923,360      |
| Mid-America Apartment Communities, Inc., Series H      | 41,400  | 989,046      |
|  |         | 3,543,626    |
| <i>Diversified 15.4%</i>                               |         |              |
| Colonial Properties Trust, Series D                    | 10,000  | 235,000      |
| Cousins Properties, Inc., Series B                     | 17,000  | 370,260      |
| Digital Realty Trust, Inc., Series A                   | 56,200  | 1,297,096    |
| Duke Realty Corp., Series O                            | 4,000   | 95,480       |
| LBA Realty LLC, Series B                               | 25,000  | 390,625      |
| Lexington Realty Trust, Series B                       | 69,000  | 1,428,300    |
|  |         | 3,816,761    |
| <i>Health Care 4.6%</i>                                |         |              |
| LTC Properties, Inc., Series F                         | 4,000   | 92,280       |
| OMEGA Healthcare Investors Inc., Series D              | 43,200  | 1,036,800    |
|  |         | 1,129,080    |
| <i>Hospitality 53.2%</i>                               |         |              |
| Ashford Hospitality Trust, Series A                    | 58,000  | 1,022,540    |
| Ashford Hospitality Trust, Series D                    | 7,200   | 127,584      |
| Eagle Hospitality Properties Trust, Inc., Series A (a) | 95,000  | 950,000      |
| Entertainment Properties Trust, Series B               | 9,100   | 191,009      |
| Entertainment Properties Trust, Series D               | 30,000  | 579,300      |
| FelCor Lodging Trust, Inc., Series C                   | 167,400 | 3,239,190    |
| Grace Acquisition I, Inc., Series B (a)                | 83,800  | 838,000      |
| Grace Acquisition I, Inc., Series C (a)                | 18,900  | 189,000      |
| Hersha Hospitality Trust, Series A                     | 99,500  | 2,049,700    |
| Host Marriott Corp., Series E                          | 15,000  | 375,000      |
| LaSalle Hotel Properties, Series E                     | 70,000  | 1,463,000    |
| Strategic Hotels & Resorts, Inc., Series A             | 13,000  | 231,400      |
| Strategic Hotels & Resorts, Inc., Series B             | 39,100  | 703,800      |
| Strategic Hotels & Resorts, Inc., Series C             | 27,200  | 522,240      |
| Sunstone Hotel Investors, Inc., Series A               | 36,500  | 675,250      |
|  |         | 13,157,013   |
| <i>Mortgage 13.3%</i>                                  |         |              |
| Accredited Mortgage Loan REIT Trust, Series A          | 1,500   | 14,250       |
| American Home Mortgage Investment Corp., Series A      | 74,300  | 2,972        |
| Anthracite Capital, Inc., Series C                     | 3,000   | 54,480       |
| Anthracite Capital, Inc., Series D                     | 51,000  | 724,200      |
| Gramercy Capital Corp., Series A                       | 20,000  | 349,800      |
| MFA Mortgage Investments, Inc., Series A               | 40,000  | 796,400      |
| Newcastle Investment Corp., Series B                   | 28,000  | 413,000      |
| NorthStar Realty Finance Corp., Series A               | 20,000  | 280,000      |
| NorthStar Realty Finance Corp., Series B               | 36,000  | 475,200      |
| RAIT Financial Trust, Series C                         | 12,700  | 177,800      |

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3,288,102

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*Office 23.9%*

|   |        |           |
|---|--------|-----------|
| Alexandria Real Estate Equities, Inc., Series C | 60,000 | 1,476,000 |
| BioMed Realty Trust, Inc., Series A             | 35,000 | 700,000   |
| Corporate Office Properties Trust, Series G     | 5,900  | 139,181   |
| DRA CRT Acquisition Corp., Series A             | 40,060 | 671,005   |
| Kilroy Realty Corp., Series E                   | 600    | 13,788    |
| Kilroy Realty Corp., Series F                   | 44,100 | 971,302   |
| Parkway Properties, Inc., Series D              | 41,000 | 1,037,300 |
| SL Green Realty Corp., Series D                 | 40,000 | 920,000   |

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5,928,576

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

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| Company  | Shares or<br>Principal<br>Amount | Value            |
|--|----------------------------------|------------------|
| <i>Preferred Stocks continued</i>                              |                                  |                  |
| <i>Real Estate Investment Trusts continued</i>                 |                                  |                  |
| <i>Retail 12.3%</i>  |                                  |                  |
| Cedar Shopping Centers, Inc., Series A                         | 42,000                           | \$ 1,024,800     |
| Glimcher Realty Trust, Series F                                | 30,000                           | 599,700          |
| Glimcher Realty Trust, Series G                                | 15,000                           | 246,750          |
| Kimco Realty Corp., Series G                                   | 5,000                            | 118,850          |
| Taubman Centers, Inc., Series G                                | 45,000                           | 1,053,000        |
|  |                                  | <u>3,043,100</u> |
| <i>Total Real Estate Investment Trusts (Cost \$44,168,292)</i> |                                  | 33,906,258       |
| <i>Other 19.8%</i>   |                                  |                  |
| Ford Motor Co., 6/15/43 Series                                 | 9,400                            | 122,388          |
| General Motors Corp., 5/15/48 Series                           | 26,100                           | 324,423          |
| Great Atlantic & Pacific Tea Co., 8/01/39 Series               | 87,800                           | 2,222,218        |
| Hilltop Holdings, Inc., Series A                               | 97,200                           | 1,846,800        |
| Red Lion Hotels Corp., 2/19/44 Series                          | 15,925                           | 394,940          |
| <i>Total Other (Cost \$5,749,755)</i>                          |                                  | 4,910,769        |
| <i>Total Preferred Stocks (Cost \$49,918,047)</i>              |                                  | 38,817,027       |
| <i>Common Stocks 9.4%</i>                                      |                                  |                  |
| <i>Real Estate Investment Trusts 3.0%</i>                      |                                  |                  |
| <i>Diversified 0.8%</i>  |                                  |                  |
| Colonial Properties Trust                                      | 9,800                            | 196,196          |
| <i>Health Care 0.9%</i>  |                                  |                  |
| Care Investment Trust, Inc.                                    | 10,600                           | 99,958           |
| Medical Properties Trust, Inc.                                 | 11,275                           | 114,103          |
|  |                                  | <u>214,061</u>   |
| <i>Mortgage 1.1%</i>   |                                  |                  |
| Alesco Financial, Inc.   | 142,500                          | 285,000          |
| <i>Storage 0.2%</i>  |                                  |                  |
| U-Store-It Trust   | 4,450                            | 53,178           |
| <i>Total Real Estate Investment Trusts (Cost \$1,967,837)</i>  |                                  | 748,435          |
| <i>Other 6.4%</i>  |                                  |                  |
| Abingdon Investment, Ltd. (b)                                  | 150,000                          | 888,000          |
| American Capital Strategies, Ltd.                              | 10,700                           | 254,339          |
| Iowa Telecommunication Services, Inc.                          | 24,500                           | 431,445          |
| <i>Total Other (Cost \$2,462,395)</i>                          |                                  | 1,573,784        |

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|   |  |           |
|---|--|-----------|
| <i>Total Common Stocks (Cost \$4,430,232)</i> |  | 2,322,219 |
|---|--|-----------|

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*Debt Securities 18.1%*

|  |              |           |
|--|--------------|-----------|
| Ford Motor Co., 7.75%, 06/15/2043              | \$ 2,210,000 | 1,160,250 |
| Ford Motor Co., 8.90%, 01/15/2032              | 557,000      | 356,480   |
| General Motors Corp., 8.375%, 07/15/2033       | 2,000,000    | 1,185,000 |
| Six Flags Operations, Inc., 12.25%, 07/15/2016 | 1,918,000    | 1,769,355 |

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|   |  |           |
|---|--|-----------|
| <i>Total Debt Securities (Cost \$5,840,942)</i> |  | 4,471,085 |
|---|--|-----------|

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

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|   |         |              |
|---|---------|--------------|
| <i>Other Investment Companies</i> 4.3%                                    |         |              |
| Alpine Total Dynamic Dividend Fund  | 32,295  | \$ 480,550   |
| Cornerstone Strategic Value Fund, Inc.                                    | 31,200  | 170,040      |
| LMP Real Estate Income Fund, Inc.   | 4,260   | 65,178       |
| Neuberger Berman Real Estate Securities Income Fund, Inc.                 | 30,217  | 282,529      |
| The Zweig Total Return Fund, Inc.   | 17,750  | 78,455       |
| <hr/>   |         |              |
| <i>Total Other Investment Companies (Cost \$1,561,224)</i>                |         | 1,076,752    |
| <hr/>   |         |              |
| <i>Short-Term Investments</i> 0.8%  |         |              |
| <i>Other Investment Companies</i> 0.8%                                    |         |              |
| Dreyfus Cash Management, Institutional Shares, 2.66% (c) (Cost \$202,256) | 202,256 | 202,256      |
| <hr/>   |         |              |
| <i>Total Investments</i> 189.4% (Cost \$61,952,701)                       |         | 46,889,339   |
| <hr/>   |         |              |
| Other assets less liabilities 1.5%  |         | 358,945      |
| Preferred Shares, at liquidation preference (90.9)%                       |         | (22,500,000) |
| <hr/>   |         |              |
| Net Assets applicable to common shareholders 100%                         | \$      | 24,748,284   |
| <hr/>   |         |              |

Notes to Portfolio of Investments

- (a) As of June 30, 2008, the Fund held securities fair valued in accordance with policies adopted by the board of trustees aggregating \$2,865,000 and 6.1% of market value.
- (b) Rule 144A securities. Securities restricted for resale to Qualified Institutional Buyers (10.7% of net assets).
- (c) Rate reflects 7 day yield as of June 30, 2008.

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

## RMR Preferred Dividend Fund

### Financial Statements

#### Statement of Assets and Liabilities

**June 30, 2008 (unaudited)**

#### Assets

|   |               |
|---|---------------|
| Investments in securities, at value (cost \$61,952,701) | \$ 46,889,339 |
| Cash  | 211           |
| Dividends and interest receivable                       | 510,226       |
| Other assets  | 3,697         |
|   | <hr/>         |
| Total assets  | 47,403,473    |
|   | <hr/>         |

#### Liabilities

|  |         |
|--|---------|
| Distributions payable – preferred shares | 35,001  |
| Advisory fee payable                     | 12,078  |
| Accrued expenses and other liabilities   | 108,110 |
|  | <hr/>   |
| Total liabilities                        | 155,189 |
|  | <hr/>   |

#### Preferred shares, at liquidation preference

|  |            |
|--|------------|
| 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/>      |

#### Net assets attributable to common shares

\$ 24,748,284

---

#### Composition of net assets

|   |              |
|---|--------------|
| Common shares, \$.001 par value per share;<br>unlimited number of shares authorized,<br>2,658,120 shares issued and outstanding | \$ 2,658     |
| Additional paid-in capital  | 48,894,295   |
| Distributions in excess of net investment income  | (355,599)    |
| Accumulated net realized loss on investment transactions  | (8,729,708)  |
| Net unrealized depreciation on investments  | (15,063,362) |
|   | <hr/>        |

#### Net assets attributable to common shares

\$ 24,748,284

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#### Net asset value per share attributable to common shares (based on 2,658,120 common shares outstanding)

\$ 9.31

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See notes to financial statements.

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

## Statement of Operations

**Six Months Ended June 30, 2008 (unaudited)***Investment Income*

|  |              |
|--|--------------|
| Dividends (cash distributions received or due) | \$ 2,241,036 |
| Interest                                       | 347,434      |

|                         |           |
|-------------------------|-----------|
| Total investment income | 2,588,470 |
|-------------------------|-----------|

*Expenses*

|                               |         |
|-------------------------------|---------|
| Advisory                      | 211,460 |
| Audit and legal               | 175,960 |
| Administrative                | 45,022  |
| Preferred share remarketing   | 28,387  |
| Custodian                     | 25,596  |
| Shareholder reporting         | 23,830  |
| Compliance and internal audit | 17,344  |
| Trustees' fees and expenses   | 8,761   |
| Other                         | 34,910  |

|                                     |           |
|-------------------------------------|-----------|
| Total expenses                      | 571,270   |
| Less: expense waived by the Advisor | (136,827) |

|              |         |
|--------------|---------|
| Net expenses | 434,443 |
|--------------|---------|

|                       |           |
|-----------------------|-----------|
| Net investment income | 2,154,027 |
|-----------------------|-----------|

*Realized and unrealized loss on investments*

|   |             |
|---|-------------|
| Net realized loss on investments                                    | (2,303,462) |
| Net change in unrealized appreciation/(depreciation) on investments | (1,049,861) |

|   |             |
|---|-------------|
| Net realized and unrealized loss on investments | (3,353,323) |
|---|-------------|

|  |           |
|--|-----------|
| Distributions to preferred shareholders from net investment income | (476,019) |
|--|-----------|

|  |                |
|--|----------------|
| Net decrease in net assets attributable to common shares resulting from operations | \$ (1,675,315) |
|--|----------------|

*See notes to financial statements.*

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

## Statements of Changes in Net Assets

|   | Six Months Ended<br>June 30,<br>2008<br>(unaudited) | Year Ended<br>December 31,<br>2007 |
|---|---|------------------------------------|
| <i>Increase (decrease) in net assets resulting from operations</i>  |   |                                    |
| Net investment income   | \$ 2,154,027  | \$ 4,256,273                       |
| Net realized loss on investments  | (2,303,462)   | (6,417,769)                        |
| Net change in unrealized appreciation/(depreciation) on investments   | (1,049,861)   | (13,284,067)                       |
| Distributions to preferred shareholders from:   |   |                                    |
| Net investment income   | (476,019)   | (1,178,280)                        |
| Net realized gain on investments  |   | (11,673)                           |
|   | <u>(1,675,315)</u>                                  | <u>(16,635,516)</u>                |
| Net decrease in net assets attributable to common shares resulting from operations                                  |   |                                    |
|   | <u>(1,675,315)</u>                                  | <u>(16,635,516)</u>                |
| Distributions to common shareholders from:  |   |                                    |
| Net investment income   | (1,593,279)   | (3,518,321)                        |
| Net realized gain on investments  |   | (46,460)                           |
| Return of capital   |   | (1,170,113)                        |
| <i>Capital shares transactions</i>  |   |                                    |
| Net proceeds from reinvestment of distributions   | 131,106   | 516,595                            |
|   | <u>131,106</u>                                      | <u>516,595</u>                     |
| Net increase from capital transactions  |   |                                    |
|   | <u>131,106</u>                                      | <u>516,595</u>                     |
| Total decrease in net assets attributable to common shares  | (3,137,488)   | (20,853,815)                       |
| <i>Net assets attributable to common shares</i>   |   |                                    |
| Beginning of period   | 27,885,772  | 48,739,587                         |
|   | <u>27,885,772</u>                                   | <u>48,739,587</u>                  |
| End of period (including distributions in excess of net investment income of \$355,599 and \$440,328, respectively) | \$ 24,748,284                                       | \$ 27,885,772                      |
|   | <u>\$ 24,748,284</u>                                | <u>\$ 27,885,772</u>               |
| <i>Common shares issued and repurchased</i>   |   |                                    |
| Shares outstanding, beginning of period   | 2,646,538   | 2,613,188                          |
| Shares issued   |   |                                    |
| Shares issued (reinvestment of distributions)   | 11,582  | 33,350                             |
|   | <u>11,582</u>                                       | <u>33,350</u>                      |
| Shares outstanding, end of period   | 2,658,120   | 2,646,538                          |
|   | <u>2,658,120</u>                                    | <u>2,646,538</u>                   |

See notes to financial statements.



## RMR Preferred Dividend Fund

### Financial Highlights

Selected Data For A Common Share Outstanding Throughout Each Period

|   | Six Months Ended<br>June 30,<br>2008<br>(unaudited) | Year Ended<br>December 31,<br>2007 | Year Ended<br>December 31,<br>2006 | For the Period<br>May 25,<br>2005(a) to<br>December 31,<br>2005 |
|---|---|------------------------------------|------------------------------------|---|
| <i>Per Common Share Operating Performance</i>                                 |   |                                    |                                    |   |
| Net asset value, beginning of period  | \$ 10.54  | \$ 18.65                           | \$ 17.53                           | \$ 19.09(b)   |
| <i>Income from Investment Operations</i>                                      |   |                                    |                                    |   |
| Net investment income (c)(d)  | .81(e)  | 1.62                               | 1.90                               | .93   |
| Net realized and unrealized appreciation/(depreciation) on investments        | (1.26)(e)   | (7.48)                             | 1.43                               | (1.22)  |
| Distributions to preferred shareholders (common stock equivalent basis) from: |   |                                    |                                    |   |
| Net investment income   | (.18)(e)  | (.45)                              | (.35)                              | (.14)   |
| Net realized gain on investments  | (e)   | (f)                                | (.06)                              | (.02)   |
| Net increase (decrease) in net asset value from operations                    | (.63)   | (6.31)                             | 2.92                               | (.45)   |
| Less: Distributions to common shareholders from:                              |   |                                    |                                    |   |
| Net investment income   | (.60)(e)  | (1.33)                             | (1.55)                             | (.77)   |
| Net realized gain on investments  | (e)   | (.02)                              | (.25)                              | (.13)   |
| Return of capital   | (e)   | (.45)                              |                                    |   |
| Common share offering costs charged to capital                                |   |                                    |                                    | (.04)   |
| Preferred share offering costs charged to capital                             |   |                                    |                                    | (.17)   |
| Net asset value, end of period  | \$ 9.31   | \$ 10.54                           | \$ 18.65                           | \$ 17.53  |
| Market price, beginning of period   | \$ 11.80  | \$ 20.75                           | \$ 16.35                           | \$ 20.00  |
| Market price, end of period   | \$ 9.01   | \$ 11.80                           | \$ 20.75                           | \$ 16.35  |
| <i>Total Return (g)</i>   |   |                                    |                                    |   |
| Total investment return based on:   |   |                                    |                                    |   |
| Market price (h)  | (16.92)%  | (35.90)%                           | 39.90%                             | 14.10%  |
| Net asset value (h)   | (6.37)%   | (35.94)%                           | 17.48%                             | 3.50%   |
| <i>Ratios/Supplemental Data:</i>  |   |                                    |                                    |   |
| Ratio to average net assets attributable to common shares of:                 |   |                                    |                                    |   |
| Net investment income, before total preferred share distributions (d)         | 15.74%(e)(i)  | 10.40%                             | 10.47%                             | 8.22%(i)  |
| Total preferred share distributions   | 3.48%(i)  | 2.91%                              | 2.23%                              | 1.40%(i)  |
| Net investment income, net of preferred share distributions (d)               | 12.26%(e)(i)  | 7.49%                              | 8.24%                              | 6.82%(i)  |
| Expenses, net of fee waivers  | 3.17%(i)  | 1.88%                              | 1.45%                              | 1.54%(i)  |
| Expenses, before fee waivers  | 4.17%(i)  | 2.73%                              | 2.26%                              | 2.29%(i)  |
| Portfolio Turnover Rate   | 0.16%   | 47.76%                             | 23.60%                             | 5.60%   |
|   | \$ 24,748   | \$ 27,886                          | \$ 48,740                          | \$ 45,380   |

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Net assets attributable to common shares,  
end of period (000s)

|   |    |        |    |        |    |        |    |        |
|---|----|--------|----|--------|----|--------|----|--------|
| Preferred shares, liquidation preference<br>(\$25,000 per share) (000s) | \$ | 22,500 | \$ | 22,500 | \$ | 22,500 | \$ | 22,500 |
| Asset coverage per preferred share (j)                                  | \$ | 52,498 | \$ | 55,984 | \$ | 79,156 | \$ | 75,422 |

- (a) Commencement of operations.
- (b) 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.
- (c) Based on average shares outstanding.
- (d) Amounts are net of expenses waived by RMR Advisors.
- (e) As discussed in Note A (8) to the financial statements, these amounts are subject to change to the extent 2008 distributions by the issuers of the Fund's investments are characterized as capital gains and return of capital.
- (f) Amount is less than \$.005/share
- (g) Total returns for periods of less than one year are not annualized.
- (h) 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.
- (i) Annualized.
- (j) Asset coverage per share equals net assets attributable to common shares plus the liquidation preference of the preferred shares divided by the total number of preferred shares outstanding at the end of the period.

*See notes to financial statements.*

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

**June 30, 2008 (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, or the 1940 Act, as a 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, 2008 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 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 (8), 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 average of closing bid and ask prices 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 4:00:02 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. 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 plus interest accrued, which approximates market value.

(5) Fair Value Measurements

The Fund has adopted the provisions of Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements, or FAS 157, effective January 1, 2008. In accordance with FAS 157, fair value is defined as the price that the Fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market for

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the investment. FAS 157 established a three tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk; for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

Level 1 quoted prices in active markets for identical investments

Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.)

Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The valuation techniques used by the Fund to measure fair value during the six months ended June 30, 2008 maximized the use of observable inputs and minimized the use of unobservable inputs. The Fund utilized broker quotes, company financial information and other market indicators to value the securities whose prices were not readily available.

The following is a summary of the inputs used as of June 30, 2008, in valuing the Fund's investments carried at value:

| <b>Valuation Inputs</b>                     | <b>Investments in Securities</b> |
|---|----------------------------------|
| Level 1 Quoted prices                       | \$ 44,024,339                    |
| Level 2 Other significant observable inputs | 1,977,000                        |
| Level 3 Significant unobservable inputs     | 888,000                          |
| Total                                       | \$ 46,889,339                    |

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Following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining value:

|   |    | <b>Investments in<br/>Securities<br/>Characterized<br/>as Level 3</b> |
|---|----|---|
| Balance as of 12/31/07  | \$ | 1,194,000   |
| Accrued discounts/premiums  |    |   |
| Realized gain/loss and change in unrealized<br>appreciation/depreciation                            |    | (306,000)   |
| Net purchases/sales   |    |   |
| Net transfers in and/or out of Level 3  |    |   |
|   |    |   |
| Balance, as of 06/30/08   | \$ | 888,000   |
|   |    |   |
| Net change in unrealized<br>appreciation/depreciation from investments<br>still held as of 06/30/08 | \$ | (306,000)   |
|   |    |   |

### (6) 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 an identified cost basis.

### (7) 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. However, the Fund may be subject to a 4% excise tax to the extent the Fund does not distribute substantially all taxable earnings each year.

### (8) 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 July 11, 2008, the Fund declared regular monthly distributions of \$0.10 per common share payable in July, August and September 2008. 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 receives 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

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the issuers do not report their tax characterization until subsequent to year end. Final characterization of the Fund's 2008 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 2008 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, 2008, are as follows:

|  |    |              |
|--|----|--------------|
| Cost                                       | \$ | 61,952,701   |
| Gross unrealized appreciation              | \$ | 59,696       |
| Gross unrealized depreciation              |    | (15,123,058) |
| Net unrealized appreciation/(depreciation) | \$ | (15,063,362) |

### (9) Concentration of Risk

Under normal market conditions, the Fund's investments are concentrated in preferred securities issued by 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.

### (10) Common Shares

The Fund issued 11,582 common shares during the six months ended June 30, 2008 and 33,350 common shares during the year ended December 31, 2007, for a total consideration of \$131,106 and \$516,595 respectively, pursuant to its dividend reinvestment plan.

## 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 is not considered a liability.

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 from May 25, 2005 until May 24, 2010. The Fund incurred net advisory fees of \$74,633 during the six months ended June 30, 2008. The amount of fees waived by the Advisor was \$136,827 for the six months ended June 30, 2008.

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 \$45,022 of subadministrative fees charged by State Street for the six months ended June 30, 2008.

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 1940 Act is considered to be a "disinterested trustee". Disinterested trustees are each paid by the Fund an annual fee plus attendance fees for board and committee meetings. The Fund incurred \$8,761 of trustee fees and expenses during the six months ended June 30, 2008.

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 \$17,344 of compliance and internal audit expense during the six months ended June 30, 2008. 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 \$6,227 of insurance expense during the six months ended June 30, 2008.

## Note C

### Securities Transactions

During the six months ended June 30, 2008, there were purchases and sales transactions (excluding short term securities) of \$100,000 and \$78,214 respectively. Brokerage commissions on securities transactions amounted to \$308 during the six months ended June 30, 2008.

## Note D

### Preferred Shares

In July 2005, the Fund issued 900 Series M auction preferred shares with a liquidation preference of \$25,000 per share plus an amount equal to accumulated but unpaid distributions. On August 15, 2008 and August 22, 2008, the Fund redeemed 40 and 160 preferred shares, respectively, with a total liquidation preference of \$5,000,000. 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 1940 Act, of at least 200%, the preferred shares will be subject to redemption in 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 3.90% per annum as of June 30, 2008.

To date, no auctions for preferred securities of the Fund have failed to attract sufficient clearing bids. However, an affiliate of the Fund's lead broker-dealer for its preferred securities has purchased a significant

amount of the Fund's preferred securities in the auctions. If this affiliate of the Fund's lead broker-dealer had not been supporting the Fund's auctions, the auctions likely would have failed and holders of the Fund's preferred shares would not have been able to sell their preferred shares in the auctions. There can be no assurance that this or any other affiliate of the Fund's lead broker-dealer would purchase Fund preferred shares in any future auction of Fund preferred securities or that the Fund will not have any auction for its preferred securities fail. If an auction of the Fund's preferred shares should fail, the dividend rate for the next succeeding dividend period is set according to a pre-determined formula, and the resulting rate may be higher than the rate which the Fund would otherwise pay as a result of a successful auction. In addition, if an auction fails, holders of the Fund's preferred shares may not be able to sell their preferred shares in that auction. If auctions for the Fund's preferred shares fail, or if market conditions generally frustrate the Fund's ability to enhance investment results through the investment of capital attributable to its outstanding preferred shares, such factors may necessitate a change in the form and/or amount of investment leverage used by the Fund. The Fund has no current intention to change the form or degree of investment leverage that it uses. The use of alternative forms of leverage and/or a reduction in the degree of investment leverage used by the Fund in its investment program could result in reduced investment returns for common shareholders as compared to the returns that historically have been achieved by the Fund through the use of preferred share leverage in favorable market conditions. The Fund proactively manages compliance with asset coverage and other financial ratio requirements applicable to the preferred shares. In order to facilitate compliance with such requirements, and without further notice of its intention to do so, the Fund may from time to time purchase or otherwise acquire its outstanding preferred shares in the open market, in other nondiscriminatory secondary market transactions, pursuant to tender offers or other offers to repurchase preferred shares, or in other permissible purchase transactions, and also may from time to time call or redeem preferred shares in accordance with their terms.

**Note E**

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

The annual meeting of Fund shareholders was held on April 7, 2008. Following is a summary of the proposal 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 and Preferred Shares   |                  |                       |                        |
| Election of John L. Harrington as an Independent Trustee until the 2011 annual meeting.   | 2,513,054        | 63,018                |                        |
| The following trustees' terms of office as trustee continued after the Fund's annual meeting: Barry M. Portnoy, Gerard M. Martin, Frank J. Bailey and Arthur G. Koumantzelis. |                  |                       |                        |



**RMR Asia Pacific Real Estate Fund**

**June 30, 2008**

*To our shareholders,*

In the pages that follow, you will find data summarizing our financial results for the six months ended June 30, 2008, and our financial position as of June 30, 2008.

**Relevant Market Conditions**

**Real Estate Industry Fundamentals.** In 2008, we expect commercial real estate fundamentals in the Asia Pacific region to remain generally healthy due to limited new supply. Office market vacancy rates are expected to remain low in Hong Kong, Singapore and Tokyo. Although there may be some slowing in the second half of 2008 and early 2009 due to the declines in export industries, resilient national income growth in most countries, except for Japan, should lead to growing retail sales and rising rental values for retail property. The industrial real estate sector is robust due to the development of logistics networks in the emerging countries. Residential real estate prices are expected to increase in the longer term due to rising incomes and urbanization dynamics which is driving demand in China and India.

Economic growth for the remainder of 2008 is expected to remain strong relative to the rest of the world. For 2008, The International Monetary Fund expects 8.0% GDP growth for developing Asia and 1.5% for Japan. Rising inflation due to high food and energy prices and slowing exports may be short term risks to the rapid economic growth throughout the region.

Real estate companies in the region are generally conservatively financed. However, the credit tightening by lenders across the globe may be problematic for some Asia Pacific based real estate companies in 2008.

**Real Estate Industry Technicals.** We expect continued strong demand for real estate investments in the Asia Pacific region. High personal savings rates and attractive real estate yields are expected to lead to increasing values for real estate companies in the region, especially real estate companies that pay a regular dividend, such as REITs. With the exception of Australia, property yields in the region typically are 2-3% higher than long term government bond yields. The number of REITs in the region continues to grow, with several countries currently considering initiating REIT legislation, such as the Philippines, India and China.

**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 six months ended June 30, 2008, our total return on net asset value, or NAV, was negative 30.7%. During that same period, the total return for the EPRA NAREIT Asia Index (an unmanaged index of Asia Pacific real estate common stocks) was negative 24.2%. We believe this index is relevant to us because all our investments as of June 30, 2008, 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 six months ended June 30, 2008 was negative 11.8%.

### **Recent Developments**

Because of the decline in NAV during the last 15 months and the Fund's relatively small size, the Fund's Board of Trustees is currently considering actions to reduce expenses and otherwise enhance value for the Fund's shareholders. These potential actions include combining the Fund with one or more other RMR closed end funds that have similar investment programs.

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

Sincerely,

Adam D. Portnoy  
President

August 27, 2008

**Portfolio holdings by sub-sector as a percentage of investments  
(as of June 30, 2008)\***

|                        |       |
|------------------------|-------|
| Diversified            | 57%   |
| Office                 | 18%   |
| Hospitality            | 13%   |
| Others, less than 10%  | 10%   |
| Short term investments | 2%    |
|                        | <hr/> |
| Total investments      | 100%  |
|                        | <hr/> |
| Real Estate            | 98%   |
| Short term investments | 2%    |
|                        | <hr/> |
| Total investments      | 100%  |
|                        | <hr/> |

**Portfolio holdings by country (as of June 30, 2008)\***

|                        |       |
|------------------------|-------|
| Hong Kong              | 36%   |
| Japan                  | 33%   |
| Australia              | 16%   |
| Others, less than 10%  | 13%   |
| Short term investments | 2%    |
|                        | <hr/> |
| Total                  | 100%  |
|                        | <hr/> |

\*

These percentages represent the Fund's portfolio holdings by sub-sector as a percentage of total portfolio holdings and do not match with the percentages included in the Portfolio of Investments schedule which represent the Fund's portfolio holdings by sub-sector as a percentage of the Fund's net assets.

**RMR Asia Pacific Real Estate Fund****Portfolio of Investments** June 30, 2008 (unaudited)

| Company                                   | Shares    | Value      |
|---|-----------|------------|
| <i>Common Stocks 94.4%</i>                |           |            |
| <i>Australia 15.8%</i>                    |           |            |
| <i>Apartments 1.0%</i>                    |           |            |
| Peet, Ltd.                                | 124,040   | \$ 247,335 |
| <i>Diversified 8.8%</i>                   |           |            |
| Abacus Property Group                     | 285,000   | 314,197    |
| Charter Hall Group                        | 345,000   | 348,924    |
| Dexus Property Group *                    | 315,000   | 416,725    |
| FKP Property Group                        | 49,000    | 230,172    |
| Mirvac Group *                            | 106,000   | 300,786    |
| Valad Property Group                      | 877,761   | 563,782    |
|   |           | 2,174,586  |
| <i>Office 6.0%</i>                        |           |            |
| Commonwealth Property Office Fund *       | 655,000   | 775,475    |
| Cromwell Group                            | 953,898   | 708,702    |
|   |           | 1,484,177  |
| <i>Total Australia (Cost \$5,529,498)</i> |           | 3,906,098  |
| <i>Hong Kong 35.9%</i>                    |           |            |
| <i>Diversified 16.3%</i>                  |           |            |
| Agile Property Holdings, Ltd.             | 320,000   | 279,073    |
| China Overseas Land & Investment, Ltd.    | 292,000   | 461,373    |
| China Resources Land, Ltd.                | 336,000   | 465,395    |
| Hongkong Land Holdings, Ltd.              | 207,000   | 877,680    |
| Hysan Development Co., Ltd.               | 183,000   | 502,254    |
| Kerry Properties, Ltd.                    | 45,500    | 238,959    |
| KWG Property Holding, Ltd.                | 433,000   | 310,982    |
| New World China Land, Ltd.                | 450,000   | 233,159    |
| Shun TAK Holdings, Ltd.                   | 300,000   | 280,868    |
| The Wharf (Holdings), Ltd                 | 92,000    | 385,238    |
|   |           | 4,034,981  |
| <i>Hospitality 13.4%</i>                  |           |            |
| Regal Real Estate Investment Trust *      | 1,573,000 | 324,798    |
| Sun Hung Kai Properties, Ltd.             | 221,000   | 2,998,724  |
|   |           | 3,323,522  |
| <i>Office 0.9%</i>                        |           |            |
| Champion Real Estate Investment Trust *   | 475,000   | 219,917    |
| <i>Retail 5.3%</i>                        |           |            |
| Hang Lung Properties, Ltd.                | 410,000   | 1,314,566  |

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*Total Hong Kong (Cost \$9,482,179)*

8,892,986

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

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Japan 33.3%

Diversified 22.7%

|   |        |    |           |
|---|--------|----|-----------|
| Aeon Mall Co., Ltd.                     | 32,000 | \$ | 946,273   |
| Kenedix Realty Investment Corp. *       | 37     |    | 219,522   |
| Mitsubishi Estate Co., Ltd.             | 76,000 |    | 1,739,229 |
| Mitsui Fudosan Co., Ltd.                | 63,000 |    | 1,346,800 |
| Shoei Co., Ltd.                         | 25,000 |    | 292,885   |
| Sumitomo Realty & Development Co., Ltd. | 55,000 |    | 1,092,904 |

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5,637,613

Office 10.6%

|  |     |  |         |
|--|-----|--|---------|
| Japan Excellent, Inc. *                | 45  |  | 219,099 |
| Nippon Building Fund, Inc. *           | 56  |  | 659,227 |
| Nomura Real Estate Office Fund, Inc. * | 24  |  | 180,591 |
| NTT Urban Development Corp.            | 665 |  | 870,509 |
| Orix REIT, Inc. *                      | 30  |  | 182,229 |
| Tokyu REIT, Inc. *                     | 63  |  | 512,021 |

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2,623,676

Total Japan (Cost \$8,861,294)

8,261,289

Malaysia 0.6%

Diversified 0.6%

|                               |         |  |         |
|-------------------------------|---------|--|---------|
| KLCC Property Holdings Berhad | 191,000 |  | 158,996 |
|-------------------------------|---------|--|---------|

Total Malaysia (Cost \$175,892)

158,996

Philippines 1.2%

Diversified 1.2%

|                      |           |  |         |
|----------------------|-----------|--|---------|
| Filinvest Land, Inc. | 8,000,000 |  | 124,736 |
| Megaworld Corp.      | 6,000,000 |  | 163,047 |

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287,783

Total Philippines (Cost \$586,433)

287,783

Singapore 7.6%

Diversified 7.6%

|   |         |  |         |
|---|---------|--|---------|
| Ascendas Real Estate Investment Trust * | 352,000 |  | 571,769 |
| Capitaland, Ltd.                        | 112,000 |  | 469,222 |
| CDL Hospitality Trusts *                | 216,000 |  | 279,416 |
| Singapore Land, Ltd.                    | 26,000  |  | 119,055 |
| Suntec Real Estate Investment Trust *   | 230,000 |  | 229,907 |
| Yanlord Land Group, Ltd.                | 150,000 |  | 203,962 |

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1,873,331

Total Singapore (Cost \$2,074,419)

1,873,331

Total Common Stocks (Cost \$26,709,715)

23,380,483

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



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Warrants 3.8%

India 2.3%

|   |        |    |         |
|---|--------|----|---------|
| Ansal Properties & Infrastructure, Ltd., Macquarie Bank, Ltd., expiring 1/17/12 (a) | 44,000 | \$ | 70,840  |
| DLF, Ltd., Macquarie Bank, Ltd., expiring 6/26/12 (a)                               | 19,500 |    | 179,595 |
| Unitech, Ltd., Macquarie Bank, Ltd., expiring 6/24/08 (a)                           | 83,000 |    | 330,340 |

---

Total India (Cost \$1,187,188) 580,775

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Taiwan 1.5%

|  |        |  |         |
|--|--------|--|---------|
| Chong Hong Construction, Macquarie Bank, Ltd., expiring 5/13/08 (a)            | 87,000 |  | 220,980 |
| Farglary Land Development Co., Ltd., Macquarie Bank, Ltd, expiring 1/17/12 (a) | 45,000 |  | 140,400 |

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Total Taiwan (Cost \$434,569) 361,380

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Total Warrants (Cost \$1,621,757) 942,155

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Short-Term Investments 1.7%

Other Investment Companies 1.7%

|   |         |  |         |
|---|---------|--|---------|
| Dreyfus Cash Management, Institutional Shares, 2.66% (b) Cost \$415,440 | 415,440 |  | 415,440 |
|---|---------|--|---------|

---

Total Investments 99.9% (Cost \$28,746,912) 24,738,078

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Other assets less liabilities 0.1% 28,466

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Net Assets 100% \$ 24,766,544

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Notes to Portfolio of Investments

- \*
- Company is organized as a real estate investment trust as defined by the laws of its country of domicile.
- (a) As of June 30, 2008, this security had not paid a distribution.
- (b) Rate reflects 7 day yield as of June 30, 2008.

See notes to financial statements.

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

Statement of Assets and Liabilities

**June 30, 2008 (unaudited)**

*Assets*

|   |               |
|---|---------------|
| Investments in securities, at value (cost \$28,746,912) | \$ 24,738,078 |
| Cash  | 351           |
| Foreign currency, at value (cost \$23,861)              | 23,854        |
| Dividends and interest receivable                       | 150,355       |
| Other assets  | 122           |
|   | <hr/>         |
| Total assets  | 24,912,760    |
|   | <hr/>         |

*Liabilities*

|   |         |
|---|---------|
| Advisory fee payable                        | 16,449  |
| Payable for investment securities purchased | 12      |
| Accrued expenses and other liabilities      | 129,755 |
|   | <hr/>   |
| Total liabilities                           | 146,216 |
|   | <hr/>   |

|                   |               |
|-------------------|---------------|
| <i>Net assets</i> | \$ 24,766,544 |
|                   | <hr/>         |

*Composition of net assets*

|  |             |
|--|-------------|
| \$.001 par value per share; unlimited number of shares authorized, 1,755,000 shares issued and outstanding | \$ 1,755    |
| Additional paid-in capital   | 33,409,785  |
| Distributions in excess of net investment income   | (2,682,542) |
| Accumulated net realized loss on investments and foreign currency transactions                             | (1,954,211) |
| Net unrealized depreciation on investments and foreign currency transactions                               | (4,008,243) |
|  | <hr/>       |

|                   |               |
|-------------------|---------------|
| <i>Net assets</i> | \$ 24,766,544 |
|                   | <hr/>         |

|   |          |
|---|----------|
| <i>Net asset value per share (based on 1,755,000 common shares outstanding)</i> | \$ 14.11 |
|   | <hr/>    |

*See notes to financial statements.*

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Statement of Operations

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**Six Months Ended June 30, 2008 (unaudited)**

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*Investment Income*

|   |            |
|---|------------|
| Dividends (cash distributions received or due, net of foreign taxes withheld of \$40,984) | \$ 408,073 |
| Interest  | 11,221     |
|   | <hr/>      |
| Total investment income   | 419,294    |
|   | <hr/>      |

*Expenses*

|                                     |          |
|-------------------------------------|----------|
| Advisory                            | 143,182  |
| Audit and legal                     | 59,918   |
| Custodian                           | 48,625   |
| Administrative                      | 46,196   |
| Shareholder reporting               | 24,338   |
| Compliance and internal audit       | 17,344   |
| Trustees' fees and expenses         | 8,900    |
| Other                               | 43,056   |
|                                     | <hr/>    |
| Total expenses                      | 391,559  |
| Less: expense waived by the Advisor | (35,796) |
|                                     | <hr/>    |

Net expenses 355,763

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Net investment income 63,531

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*Realized and unrealized loss on investments and foreign currency transactions*

|   |             |
|---|-------------|
| Net realized loss on investments  | (1,945,827) |
| Net realized loss on foreign currency transactions  | (231)       |
| Net change in unrealized appreciation/(depreciation) on investments and foreign currency transactions | (9,060,855) |
|   | <hr/>       |

Net decrease in net assets resulting from operations \$ (10,943,382)

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*See notes to financial statements.*

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Statements of Changes in Net Assets

|   | <b>Six Months Ended<br/>June 30,<br/>2008<br/>(unaudited)</b> | <b>Year Ended<br/>December 31<br/>2007</b> |
|---|---|--|
| <i>Increase (decrease) in net assets resulting from operations</i>  |   |  |
| Net investment income   | \$ 63,531   | \$ 203,750                                 |
| Net realized gain (loss) on investments   | (1,946,058)   | 6,437,332                                  |
| Net change in unrealized appreciation/(depreciation) on investments and foreign currency transactions                   | (9,060,855)   | (1,965,895)                                |
|   | <u>(10,943,382)</u>   | <u>4,675,187</u>                           |
| Distributions to common shareholders from:  |   |  |
| Net investment income   |   | (6,911,460)                                |
| Net realized gain on investments  |   | (3,565,890)                                |
|   |   | <u>(10,477,350)</u>                        |
| Total decrease in net assets  | (10,943,382)  | (5,802,163)                                |
| <i>Net assets</i>   |   |  |
| Beginning of period   | 35,709,926  | 41,512,089                                 |
|   | <u>35,709,926</u>   | <u>41,512,089</u>                          |
| End of period (including distributions in excess of net investment income of \$2,682,542 and \$2,746,073, respectively) | \$ 24,766,544   | \$ 35,709,926                              |
|   | <u>24,766,544</u>   | <u>35,709,926</u>                          |
| <i>Common shares issued and repurchased</i>   |   |  |
| Shares outstanding, beginning of period   | 1,755,000   | 1,755,000                                  |
| Shares issued   |   |  |
|   | <u>1,755,000</u>  | <u>1,755,000</u>                           |
| Shares outstanding, end of period   | 1,755,000   | 1,755,000                                  |
|   | <u>1,755,000</u>  | <u>1,755,000</u>                           |

See notes to financial statements.

## RMR Asia Pacific Real Estate Fund

### Financial Highlights

Selected Data For A Common Share Outstanding Throughout Each Period

|  | Six Months Ended<br>June 30,<br>2008<br>(unaudited) | Year Ended<br>December 31,<br>2007 | For the Period<br>May 25,<br>2006(a) to<br>December 31,<br>2006 |
|--|---|------------------------------------|---|
| <i>Per Common Share Operating Performance (b)</i>                      |   |                                    |   |
| Net asset value, beginning of period                                   | \$ 20.35  | \$ 23.65                           | \$ 19.08(c)   |
| <i>Income from Investment Operations</i>                               |   |                                    |   |
| Net investment income (d)  | .04   | .12                                | .21   |
| Net realized and unrealized appreciation/(depreciation) on investments | (6.28)  | 2.55                               | 4.40  |
| Net increase (decrease) in net asset value from operations             | (6.24)  | 2.67                               | 4.61  |
| Less: Distributions to common shareholders from:                       |   |                                    |   |
| Net investment income  |   | (3.94)                             |   |
| Net realized gain on investments                                       |   | (2.03)                             |   |
| Common share offering costs charged to capital                         |   |                                    | (.04)   |
| Net asset value, end of period   | \$ 14.11  | \$ 20.35                           | \$ 23.65  |
| Market price, beginning of period                                      | \$ 16.95  | \$ 23.41                           | \$ 20.00  |
| Market price, end of period  | \$ 12.60  | \$ 16.95                           | \$ 23.41  |
| <i>Total Return (e)</i>  |   |                                    |   |
| Total investment return based on:                                      |   |                                    |   |
| Market price (f)   | (25.66)%  | (2.99)%                            | 17.05%  |
| Net asset value (f)  | (30.66)%  | 11.80%                             | 23.95%  |

#### Ratios/Supplemental Data:

Ratio to average net assets attributable to common shares of:

|  |           |           |           |
|--|-----------|-----------|-----------|
| Net investment income (d)                                      | 0.44%(g)  | 0.45%     | 1.64%(g)  |
| Expenses, net of fee waivers                                   | 2.48%(g)  | 1.78%     | 2.25%(g)  |
| Expenses, before fee waivers                                   | 2.73%(g)  | 2.03%     | 2.50%(g)  |
| Portfolio Turnover Rate  | 32.54%    | 68.69%    | 27.61%    |
| Net assets attributable to common shares, end of period (000s) | \$ 24,767 | \$ 35,710 | \$ 41,512 |

(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 shares sold to the public and no sales load or offering costs on 40,000 common shares sold to affiliates of the RMR Advisors for \$20 per share.

(d)

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Amounts are net of expenses waived by RMR Advisors.

(e)

Total returns for periods of less than one year are not annualized.

(f)

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.

(g)

Annualized.

*See notes to financial statements.*

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## RMR Asia Pacific Real Estate Fund

### Notes to Financial Statements

June 30, 2008 (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, or the 1940 Act, 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 and registration of the Fund's common shares under the Securities Act of 1933.

##### (2) Interim Financial Statements

The accompanying June 30, 2008 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 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.

##### (4) Portfolio Valuation

Investment securities of the Fund are valued at the latest sales price reflected on the consolidated tape of the 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 average of the closing bid and ask prices 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 plus interest accrued, which 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.

(5) Fair Value Measurements

The Fund has adopted the provisions of Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements, or FAS 157, effective January 1, 2008. In accordance with FAS 157, fair value is defined as the price that the Fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market for the investment. FAS 157 established a three tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk; for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

Level 1 quoted prices in active markets for identical investments

Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.)

Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The valuation techniques used by the Fund to measure fair value during the six months ended June 30, 2008 maximized the use of observable inputs and minimized the use of unobservable inputs. When the S&P 500 Index fluctuates significantly from the previous day close, we believe that the closing price in the local market may no longer represent the fair value of foreign securities at the time of the U.S. market close. Accordingly, in such circumstances, we report holdings in such foreign securities at their fair values as determined by an independent security pricing service. The service uses a multi-factor model that includes such information as the issue's local closing price, relevant general and sector indices, currency fluctuations, depository receipts, and futures, as applicable. The model generates an adjustment factor for each security that is applied to the local closing price to adjust it for post closing events, resulting in the security's reported fair value.

The following is a summary of the inputs used as of June 30, 2008 in valuing the Fund's investments carried at value:

| <b>Valuation Inputs</b>                     | <b>Investments in Securities</b> |
|---|----------------------------------|
| Level 1 Quoted prices                       | \$ 415,440                       |
| Level 2 Other significant observable inputs | 24,322,638                       |
| Level 3 Significant unobservable inputs     |                                  |
| <b>Total</b>                                | <b>\$ 24,738,078</b>             |

There were no investments in securities characterized as Level 3 as of December 31, 2007 or June 30, 2008.

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### (6) 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.

### (7) 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. However, the Fund may be subject to a 4% excise tax to the extent the Fund does not distribute substantially all taxable earnings each year.

Some Asia Pacific governments may subject the Fund's investment income and securities sales to withholding or other taxes. For the six months ended June 30, 2008, \$40,984 of foreign taxes have been withheld from distributions to the Fund and recorded as a reduction of dividend income.

### (8) Distributable Earnings

The Fund earns income, net of expenses, daily on its investments. It is the policy of the Fund to make distributions of its income at least annually in amounts at least equal to the amount necessary to maintain its status as a regulated investment company. 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.

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, 2008, are as follows:

|  |                |
|--|----------------|
| Cost                                       | \$ 28,746,912  |
| Gross unrealized appreciation              | \$ 1,240,212   |
| Gross unrealized depreciation              | (5,249,046)    |
| Net unrealized appreciation/(depreciation) | \$ (4,008,834) |

### (9) Concentration of Risk

Under normal market conditions, the Fund's investments are 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.

### (10) 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



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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 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.

### (11) Foreign Currency Transactions

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 the market prices of investments. 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 managed 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 from May 25, 2006 until May 25, 2011. The Fund incurred net advisory fees of \$107,386 during the six months ended June 30, 2008. The amount of fees waived by the Advisor was \$35,796 for the six months ended June 30, 2008.

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 objectives and policies. Pursuant to the agreement, RMR Advisors, and not the Fund, pays 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 \$46,196 of subadministrative fees charged by State Street for the six months ended June 30, 2008.

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 1940 Act is considered to be a "disinterested trustee". Disinterested trustees are each paid by the Fund an annual fee plus attendance fees for board and committee meetings. The Fund incurred \$8,900 of trustee fees and expenses during the six months ended June 30, 2008.

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 \$17,344 of compliance and internal audit expense during the six months ended June 30, 2008. 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 \$10,865 of insurance expense during the six months ended June 30, 2008.

## Note C

### Securities Transactions

During the six months ended June 30, 2008, there were purchases and sales transactions (excluding short-term securities) of \$9,842,904 and \$17,619,828 respectively. Brokerage commissions on securities transactions amounted to \$47,995 during the six months ended June 30, 2008.

## Note D

### Submission of Proposals to a Vote of Shareholders

The annual meeting of Fund shareholders was held on April 7, 2008. Following is a summary of the proposal submitted to shareholders for vote at the meeting and votes cast:

| Proposal  | Votes for | Votes withheld | Votes abstained |
|---|-----------|----------------|-----------------|
| Election of John L. Harrington as an Independent Trustee until the 2011 annual meeting.   | 1,480,071 | 39,471         |                 |
| The following trustees' terms of office as trustee continued after the Fund's annual meeting: Barry M. Portnoy, Gerard M. Martin, Frank J. Bailey and Arthur G. Koumantzelis. |           |                |                 |

## Note E

### Portfolio Management Changes

On July 17, 2008, Roberto Versace was appointed a co-portfolio manager for the Fund. Mr. Versace replaces Craig Turnbull who resigned from MacarthurCook on June 27, 2008. Craig Dunstan remains a co-portfolio manager for the Fund. Mr. Versace has been a Fund Manager at MacarthurCook since July 2007. From September 2005 to June 2007, Mr. Versace was employed by the global investment and advisory firm Babcock & Brown as part of its Global Real Estate Team. From September 2000 to June 2004, Mr. Versace was an analyst with Colonial First State Global Asset Management, the largest manager of Australian sourced funds.

**RMR Asia Real Estate Fund**

**June 30, 2008**

*To our shareholders,*

In the pages that follow, you will find data summarizing our financial results for the six months ended June 30, 2008, and our financial position as of June 30, 2008.

**Relevant Market Conditions**

**Real Estate Industry Fundamentals.** In 2008, we expect commercial real estate fundamentals in the Asia region to remain generally healthy due to limited new supply. Office market vacancy rates are expected to remain low in Hong Kong, Singapore and Tokyo. Although there may be some slowing in the second half of 2008 and early 2009 due to decline in export industries, resilient national income growth in most countries, except for Japan, should lead to growing retail sales and rising rental values for retail property. The industrial real estate sector is robust due to the development of logistics networks in the emerging countries. Residential real estate prices are expected to increase in the longer term due to rising incomes and urbanization dynamics which is driving demand in China and India.

Economic growth in the remainder of 2008 is expected to remain strong relative to the rest of the world. For 2008, The International Monetary Fund expects 8.0% GDP growth for developing Asia and 1.5% for Japan. Rising inflation due to high food and energy prices and slowing exports may be short term risk to the rapid economic growth throughout the region.

Real estate companies in the region are generally conservatively financed. However, the credit tightening by lenders across the globe may be problematic for some Asia based real estate companies in 2008.

**Real Estate Industry Technicals.** We expect continued strong demand for real estate investments in the Asia region. High personal savings rates and attractive real estate yields are expected to lead to increasing values for real estate companies in the region, especially real estate companies that pay a regular dividend, such as REITs. Property yields in the region typically are 2-3% higher than long term government bond yields. The number of REITs in the region continues to grow, with several countries currently considering initiating REIT legislation, such as the Philippines, India and China.

**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 six months ended June 30, 2008, our total return on net asset value, or NAV, was negative 24.5%. During that same period, the total return for the EPRA NAREIT Asia Index (an unmanaged index of Asia Pacific real estate common stocks) was negative 24.2%. We believe this index is relevant to us because all our investments as of June 30, 2008, 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 six months ended June 30, 2008 was negative 11.9%.

**Recent Developments**

Because of the decline in NAV during the last 15 months and the Fund's relatively small size, the Fund's Board of Trustees is currently considering actions to reduce expenses and otherwise enhance value for the Fund's shareholders. These potential actions include combining the Fund with one or more other RMR closed end funds that have similar investment programs.

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

Sincerely,

Adam D. Portnoy  
President

August 27, 2008

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**Portfolio holdings by sub-sector as a percentage of investments  
(as of June 30, 2008)\***

|                        |       |
|------------------------|-------|
| Diversified            | 69%   |
| Hospitality            | 11%   |
| Other, less than 10%   | 19%   |
| Short term investments | 1%    |
|                        | <hr/> |
| Total investments      | 100%  |
|                        | <hr/> |
| Real Estate            | 99%   |
| Short term investments | 1%    |
|                        | <hr/> |
| Total investments      | 100%  |
|                        | <hr/> |

**Portfolio holdings by country (as of June 30, 2008)\***

|                        |       |
|------------------------|-------|
| Hong Kong              | 45%   |
| Japan                  | 34%   |
| Singapore              | 11%   |
| Other, less than 10%   | 9%    |
| Short term investments | 1%    |
|                        | <hr/> |
| Total                  | 100%  |
|                        | <hr/> |

\*

These percentages represent the Fund's portfolio holdings by sub-sector as a percentage of total portfolio holdings and do not match with the percentages included in the Portfolio of Investments schedule which represent the Fund's portfolio holdings by sub-sector as a percentage of the Fund's net assets.

**RMR Asia Real Estate Fund****Portfolio of Investments** June 30, 2008 (unaudited)

| Company                                    | Shares    | Value             |
|--|-----------|-------------------|
| <b>Common Stocks 95.0%</b>                 |           |                   |
| <i>Hong Kong 42.8%</i>                     |           |                   |
| <i>Diversified 22.7%</i>                   |           |                   |
| Agile Property Holdings, Ltd.              | 918,000   | \$ 800,590        |
| China Overseas Land & Investment, Ltd.     | 600,000   | 948,027           |
| China Resources Land, Ltd.                 | 1,015,000 | 1,405,880         |
| Henderson Land Development Co., Ltd.       | 104,000   | 648,228           |
| Hongkong Land Holdings, Ltd.               | 865,000   | 3,667,600         |
| Hysan Development Co., Ltd.                | 1,025,000 | 2,813,171         |
| Kerry Properties, Ltd.                     | 195,000   | 1,024,111         |
| KWG Property Holding, Ltd.                 | 1,060,000 | 761,294           |
| New World China Land, Ltd.                 | 1,650,000 | 854,917           |
| Shun TAK Holdings, Ltd.                    | 585,000   | 547,693           |
| The Wharf (Holdings), Ltd.                 | 296,000   | 1,239,463         |
|  |           | 14,710,974        |
| <i>Hospitality 14.5%</i>                   |           |                   |
| Regal Real Estate Investment Trust *       | 2,166,000 | 447,242           |
| Sun Hung Kai Properties, Ltd.              | 659,000   | 8,941,896         |
|  |           | 9,389,138         |
| <i>Office 1.2%</i>                         |           |                   |
| Champion Real Estate Investment Trust *    | 1,735,000 | 803,277           |
| <i>Retail 4.4%</i>                         |           |                   |
| Hang Lung Properties, Ltd.                 | 880,000   | 2,821,508         |
| <b>Total Hong Kong (Cost \$31,564,439)</b> |           | <b>27,724,897</b> |
| <i>Japan 40.4%</i>                         |           |                   |
| <i>Diversified 29.7%</i>                   |           |                   |
| Aeon Mall Co., Ltd.                        | 53,000    | 1,567,265         |
| Kenedix Realty Investment Corp. *          | 110       | 652,635           |
| Mitsubishi Estate Co., Ltd.                | 353,500   | 8,089,702         |
| Mitsui Fudosan Co., Ltd.                   | 220,000   | 4,703,112         |
| Shoei Co., Ltd.                            | 76,960    | 901,617           |
| Sumitomo Realty & Development Co., Ltd.    | 169,000   | 3,358,196         |
|  |           | 19,272,527        |

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

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|  |            |            |
|--|------------|------------|
| <i>Office 10.7%</i>                            |            |            |
| Japan Excellent, Inc. *                        | 120        | \$ 584,263 |
| Nippon Building Fund, Inc. *                   | 210        | 2,472,101  |
| Nomura Real Estate Office Fund, Inc. *         | 71         | 534,247    |
| NTT Urban Development Corp.                    | 1,400      | 1,832,651  |
| Orix REIT, Inc. *                              | 80         | 485,944    |
| Tokyu REIT, Inc. *                             | 127        | 1,032,170  |
|  |            | 6,941,376  |
| <hr/>  |            |            |
| <i>Total Japan (Cost \$35,694,917)</i>         |            | 26,213,903 |
| <hr/>  |            |            |
| <i>Malaysia 0.8%</i>                           |            |            |
| <i>Diversified 0.8%</i>                        |            |            |
| KLCC Property Holdings Berhad                  | 616,000    | 512,784    |
| SP Setia Berhad                                | 9,000      | 8,098      |
|  |            | 520,882    |
| <hr/>  |            |            |
| <i>Total Malaysia (Cost \$718,304)</i>         |            | 520,882    |
| <hr/>  |            |            |
| <i>Philippines 1.3%</i>                        |            |            |
| <i>Diversified 1.3%</i>                        |            |            |
| Filinvest Land, Inc.                           | 23,500,000 | 366,410    |
| Megaworld Corp.                                | 17,963,000 | 488,136    |
|  |            | 854,546    |
| <hr/>  |            |            |
| <i>Total Philippines (Cost \$2,595,327)</i>    |            | 854,546    |
| <hr/>  |            |            |
| <i>Singapore 9.7%</i>                          |            |            |
| <i>Diversified 9.7%</i>                        |            |            |
| Allgreen Properties, Ltd.                      | 742,000    | 539,914    |
| Ascendas Real Estate Investment Trust *        | 1,020,000  | 1,656,830  |
| Capitaland, Ltd.                               | 330,000    | 1,382,529  |
| CDL Hospitality Trusts *                       | 835,000    | 1,080,152  |
| Singapore Land, Ltd.                           | 105,000    | 480,798    |
| Suntec Real Estate Investment Trust *          | 640,000    | 639,741    |
| Yanlord Land Group, Ltd.                       | 390,000    | 530,300    |
|  |            | 6,310,264  |
| <hr/>  |            |            |
| <i>Total Singapore (Cost \$7,385,867)</i>      |            | 6,310,264  |
| <hr/>  |            |            |
| <i>Total Common Stocks (Cost \$77,958,854)</i> |            | 61,624,492 |
| <hr/>  |            |            |

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

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Warrants 3.5%

India 2.0%

|  |         |    |         |
|--|---------|----|---------|
| Ansal Properties & Infrastructure, Ltd., Macquarie Bank, Ltd., expiring<br>1/17/12 (a) | 93,000  | \$ | 149,730 |
| DLF, Ltd., Macquarie Bank, Ltd., expiring 6/26/12 (a)                                  | 48,000  |    | 442,080 |
| Unitech, Ltd., Macquarie Bank, Ltd., expiring 6/24/08 (a)                              | 180,000 |    | 716,400 |

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Total India (Cost \$2,583,216) 1,308,210

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Taiwan 1.5%

|   |         |  |         |
|---|---------|--|---------|
| Chong Hong Construction, Macquarie Bank, Ltd., expiring 5/13/08 (a)               | 210,000 |  | 533,400 |
| Farglary Land Development Co., Ltd., Macquarie Bank, Ltd, expiring<br>1/17/12 (a) | 142,000 |  | 443,040 |

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Total Taiwan (Cost \$1,152,937) 976,440

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Total Warrants (Cost \$3,736,153) 2,284,650

---

Short-Term Investments 1.5%

Other Investment Companies 1.5%

|   |         |  |         |
|---|---------|--|---------|
| Dreyfus Cash Management, Institutional Shares, 2.66% (b) (Cost \$967,888) | 967,888 |  | 967,888 |
|---|---------|--|---------|

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Total Investments 100.0% (Cost \$82,662,895) 64,877,030

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Other assets less liabilities 0.0% 14,825

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Net Assets 100% \$ 64,891,855

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Notes to Portfolio of Investments

\*

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

(a)

As of June 30, 2008, this security had not paid a distribution.

(b)

Rate reflects 7 day yield as of June 30, 2008.

See notes to financial statements.

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

Statement of Assets and Liabilities

**June 30, 2008 (unaudited)**

*Assets*

|   |               |
|---|---------------|
| Investments in securities, at value (cost \$82,662,895) | \$ 64,877,030 |
| Cash  | 437           |
| Foreign currency, at value (cost \$82,254)              | 82,230        |
| Dividends and interest receivable                       | 116,831       |
| Other assets  | 5,777         |
|   | <hr/>         |
| Total assets  | 65,082,305    |
|   | <hr/>         |

*Liabilities*

|   |         |
|---|---------|
| Advisory fee payable                        | 43,142  |
| Payable for investment securities purchased | 41      |
| Accrued expenses and other liabilities      | 147,267 |
|   | <hr/>   |
| Total liabilities                           | 190,450 |
|   | <hr/>   |

|                   |               |
|-------------------|---------------|
| <i>Net assets</i> | \$ 64,891,855 |
|                   | <hr/>         |

*Composition of net assets*

|  |              |
|--|--------------|
| \$.001 par value per share; unlimited number of shares authorized, 4,755,000 shares issued and outstanding | \$ 4,755     |
| Additional paid-in capital   | 90,630,245   |
| Distributions in excess of net investment income   | (1,104,072)  |
| Accumulated net realized loss on investments and foreign currency transactions                             | (6,854,495)  |
| Net unrealized depreciation on investments and foreign currency transactions                               | (17,784,578) |
|  | <hr/>        |

|                   |               |
|-------------------|---------------|
| <i>Net assets</i> | \$ 64,891,855 |
|                   | <hr/>         |

|   |          |
|---|----------|
| <i>Net asset value per share (based on 4,755,000 common shares outstanding)</i> | \$ 13.65 |
|   | <hr/>    |

*See notes to financial statements.*

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Statement of Operations

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Six Months Ended June 30, 2008 (unaudited)

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*Investment Income*

|   |            |
|---|------------|
| Dividends (cash distributions received or due, net of foreign taxes withheld of \$32,320) | \$ 782,733 |
| Interest  | 14,542     |
|   | <hr/>      |
| Total investment income   | 797,275    |
|   | <hr/>      |

*Expenses*

|                                     |          |
|-------------------------------------|----------|
| Advisory                            | 371,789  |
| Custodian                           | 84,182   |
| Audit and legal                     | 60,575   |
| Administrative                      | 45,030   |
| Shareholder reporting               | 22,836   |
| Compliance and internal audit       | 17,344   |
| Trustees' fees and expenses         | 8,900    |
| Other                               | 36,391   |
|                                     | <hr/>    |
| Total expenses                      | 647,047  |
| Less: expense waived by the Advisor | (92,947) |
|                                     | <hr/>    |
| Net expenses                        | 554,100  |
|                                     | <hr/>    |
| Net investment income               | 243,175  |
|                                     | <hr/>    |

*Realized and unrealized gain (loss) on investments and foreign currency transactions*

|   |                 |
|---|-----------------|
| Net realized loss on investments  | (6,020,364)     |
| Net realized loss on foreign currency transactions  | (2,446)         |
| Net change in unrealized appreciation/(depreciation) on investments and foreign currency transactions | (15,339,959)    |
|   | <hr/>           |
| Net decrease in net assets resulting from operations  | \$ (21,119,594) |
|   | <hr/>           |

*See notes to financial statements.*

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Statements of Changes in Net Assets

|   | Six Months Ended<br>June 30,<br>2008<br>(unaudited) | For the Period<br>May 25,<br>2007(a) to<br>December 31,<br>2007 |
|---|---|---|
| <i>Increase (decrease) in net assets resulting from operations</i>  |   |   |
| Net investment income   | \$ 243,175  | \$ 166,556  |
| Net realized loss on investments  | (6,022,810)   | (681,238)   |
| Net change in unrealized appreciation/(depreciation) on investments and foreign currency transactions                   | (15,339,959)  | (2,444,619)   |
|   | <u>(21,119,594)</u>                                 | <u>(2,959,301)</u>  |
| Net decrease in net assets resulting from operations  |   |   |
| Distributions to common shareholders from:  |   |   |
| Net investment income   |   | (1,664,250)   |
| <i>Capital shares transactions</i>  |   |   |
| Net proceeds from sale of common shares   |   | 90,535,000  |
|   |   | <u>90,535,000</u>   |
| Net increase from capital transactions  |   |   |
|   |   | <u>90,535,000</u>   |
| Total increase (decrease) in net assets   | (21,119,594)  | 85,911,449  |
| <i>Net assets</i>   |   |   |
| Beginning of period   | 86,011,449  | 100,000   |
|   | <u>86,011,449</u>                                   | <u>100,000</u>  |
| End of period (including distributions in excess of net investment income of \$1,104,072 and \$1,347,247, respectively) | \$ 64,891,855                                       | \$ 86,011,449   |
|   | <u>64,891,855</u>                                   | <u>86,011,449</u>   |
| <i>Common shares issued and repurchased</i>   |   |   |
| Shares outstanding, beginning of period   | 4,755,000   | 5,000   |
| Shares issued   |   | 4,750,000   |
|   |   | <u>4,750,000</u>  |
| Shares outstanding, end of period   | 4,755,000   | 4,755,000   |
|   | <u>4,755,000</u>                                    | <u>4,755,000</u>  |

(a) Commencement of operations.  
See notes to financial statements.

## RMR Asia Real Estate Fund Financial Highlights

Selected Data For A Common Share Outstanding Throughout Each Period

|  | Six Months Ended<br>June 30,<br>2008<br>(unaudited) | For the Period<br>May 25,<br>2007(a) to<br>December 31,<br>2007 |
|--|---|---|
| <i>Per Common Share Operating Performance</i>                          |   |   |
| Net asset value, beginning of period                                   | \$ 18.09  | \$ 19.06(c)   |
| <i>Income from Investment Operations</i>                               |   |   |
| Net investment income (d)  | .05   | .04   |
| Net realized and unrealized appreciation/(depreciation) on investments | (4.49)  | (.62)   |
| Net decrease in net asset value from operations                        | (4.44)  | (.58)   |
| Less: Distributions to common shareholders from:                       |   |   |
| Net investment income  |   | (.35)   |
| Common share offering costs charged to capital                         |   | (.04)   |
| Net asset value, end of period   | \$ 13.65  | \$ 18.09  |
| Market price, beginning of period                                      | \$ 15.07  | \$ 20.00  |
| Market price, end of period  | \$ 11.66  | \$ 15.07  |
| <i>Total Return (e)</i>  |   |   |
| Total investment return based on:                                      |   |   |
| Market price (f)   | (22.63)%  | (22.91)%  |
| Net asset value (f)  | (24.54)%  | (3.24)%   |
| <i>Ratios/Supplemental Data:</i>                                       |   |   |
| Ratio to average net assets attributable to common shares of: (g)      |   |   |
| Net investment income (d)  | 0.65%   | 0.32%   |
| Expenses, net of fee waivers   | 1.49%   | 1.40%   |
| Expenses, before fee waivers   | 1.74%   | 1.65%   |
| Portfolio Turnover Rate  | 27.85%  | 16.99%  |
| Net assets attributable to common shares, end of period (000s)         | \$ 64,892   | \$ 86,011   |

- (a) Commencement of operations.
- (b) Based on average shares outstanding.
- (c) Net asset value at May 25, 2007, reflects the deduction of the average sales load and offering costs of \$0.94 per share paid by the holders of common shares from the \$20.00 offering price. We paid a sales load of \$0.90 per share on 4,750,000 common shares sold to the public.
- (d) Amounts are net of expenses waived by RMR Advisors.
- (e) Total returns for periods of less than one year are not annualized.
- (f) 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

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ex-dividend date. The total return based 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.

(g)

Annualized.

*See notes to financial statements.*

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

**June 30, 2008 (unaudited)**

**Note A**

(1) Organization

RMR Asia Real Estate Fund, or the Fund, was organized as a Massachusetts business trust on January 18, 2007, and is registered under the Investment Company Act of 1940, or the 1940 Act, as amended, as a non-diversified closed-end management investment company. The Fund had no operations prior to May 25, 2007, 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, 2007, the Fund sold 4,750,000 common shares in an initial public offering. Proceeds to the Fund were \$90,535,000 after deducting underwriting commissions and \$190,000 of offering expenses.

(2) Interim Financial Statements

The accompanying June 30, 2008 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 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.

(4) Portfolio Valuation

Investment securities of the Fund are valued at the latest sales price reflected on the consolidated tape of the 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 average of the closing bid and ask prices 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 plus interest accrued, which 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.

(5) Fair Value Measurements

The Fund has adopted the provisions of Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements, or FAS 157, effective January 1, 2008. In accordance with FAS 157, fair value is defined as the price that the Fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market for the investment. FAS 157 established a three tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk; for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad Levels listed below.

Level 1 quoted prices in active markets for identical investments

Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.)

Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The valuation techniques used by the Fund to measure fair value during the six months ended June 30, 2008 maximized the use of observable inputs and minimized the use of unobservable inputs. When the S&P 500 Index fluctuates significantly from the previous day close, we believe that the closing price in the local market may no longer represent the fair value of foreign securities at the time of the U.S. market close. Accordingly, in such circumstances, we report holdings in such foreign securities at their fair values as determined by an independent security pricing service. The service uses a multi-factor model that includes such information as the issue's local closing price, relevant general and sector indices, currency fluctuations, depository receipts, and futures, as applicable. The model generates an adjustment factor for each security that is applied to the local closing price to adjust it for post closing events, resulting in the security's reported fair value.

The following is a summary of the inputs used as of June 30, 2008 in valuing the Fund's investments carried at value:

| <b>Valuation Inputs</b>                     | <b>Investments in Securities</b> |
|---|----------------------------------|
| Level 1 Quoted prices                       | \$ 967,888                       |
| Level 2 Other significant observable inputs | 63,909,142                       |
| Level 3 Significant unobservable inputs     |                                  |
| Total                                       | \$ 64,877,030                    |

There were no investments in securities characterized as Level 3 as of December 31, 2007 or June 30, 2008.

(6) 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 an identified cost basis.

(7) 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. However, the Fund may be subject to a 4% excise tax to the extent the Fund does not distribute substantially all taxable earnings each year.

Some Asian governments may subject the Fund's investment income and securities sales to withholding or other taxes. For the six months ended June 30, 2008, \$32,320 of foreign taxes have been withheld from distributions to the Fund and recorded as a reduction of dividend income.

(8) Distributable Earnings

The Fund earns income, net of expenses, daily on its investments. It is the policy of the Fund to make distributions of its income at least annually in amounts at least equal to the amount necessary to maintain its status as a regulated investment company. 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.

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, 2008, are as follows:

|  |    |              |
|--|----|--------------|
| Cost                                       | \$ | 82,662,895   |
|  |    | <hr/>        |
| Gross unrealized appreciation              | \$ | 199,985      |
| Gross unrealized depreciation              |    | (17,985,850) |
|  |    | <hr/>        |
| Net unrealized appreciation/(depreciation) | \$ | (17,785,865) |
|  |    | <hr/>        |

(9) Concentration of Risk

Under normal market conditions, the Fund's investments are concentrated in common shares, preferred shares and debt securities, including convertible preferred and debt securities, issued by Asian 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 Asian region due to economic, legal, regulatory, technological or other developments affecting the Asian real estate industry and securities market.

(10) 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



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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 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.

### (11) Foreign Currency Transactions

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 the market prices of investments. 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 managed 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 from May 25, 2007 until May 25, 2012. The Fund incurred net advisory fees of \$278,842 during the six months ended June 30, 2008. The amount of fees waived by the Advisor was \$92,947 for the six months ended June 30, 2008.

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 objectives and policies. Pursuant to the agreement, RMR Advisors, and not the Fund, pays 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, 2012, 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 \$45,030 of subadministrative fees charged by State Street for the six months ended June 30, 2008.

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 1940 Act is considered to be a "disinterested trustee". Disinterested trustees are each paid by the Fund an annual fee plus attendance fees for board and committee meetings. The Fund incurred \$8,900 of trustee fees and expenses during the six months ended June 30, 2008.

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 \$17,344 of compliance and internal audit expense during the six months ended June 30, 2008. 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 \$7,078 of insurance expense during the six months ended June 30, 2008.

## Note C

### Securities Transactions

During the six months ended June 30, 2008, there were purchases and sales transactions (excluding short term securities) of \$20,968,472 and \$22,622,306 respectively. Brokerage commissions on securities transactions amounted to \$92,271 during the six months ended June 30, 2008.

## Note D

### Submission of Proposals to a Vote of Shareholders

The annual meeting of Fund shareholders was held on April 7, 2008. Following is a summary of the proposal submitted to shareholders for vote at the meeting and votes cast:

| Proposal  | Votes for | Votes withheld | Votes abstained |
|---|-----------|----------------|-----------------|
| Election of John L. Harrington as an Independent Trustee until the 2011 annual meeting  | 4,564,949 | 21,446         |                 |
| The following trustees' terms of office as trustee continued after the Fund's annual meeting: Barry M. Portnoy, Gerard M. Martin, Frank J. Bailey and Arthur G. Koumantzelis. |           |                |                 |

## Note E

### Portfolio Management Changes

On July 17, 2008, Roberto Versace was appointed a co-portfolio manager for the Fund. Mr. Versace replaces Craig Turnbull who resigned from MacarthurCook on June 28, 2008. Craig Dunstan remains a co-portfolio manager for the Fund. Mr. Versace has been a Fund Manager at MacarthurCook since July 2007. From September 2005 to June 2007, Mr. Versace was employed by the global investment and advisory firm Babcock & Brown as part of its Global Real Estate Team. From September 2000 to June 2004, Mr. Versace was an analyst with Colonial First State Global Asset Management, the largest manager of Australian sourced funds.

**RMR Dividend Capture Fund**

**June 30, 2008**

*To our shareholders,*

In the pages that follow, you will find data summarizing our financial results for the six months ended June 30, 2008, and our financial position as of June 30, 2008.

I am pleased to report that the Fund has now completed its first six months of operation since its launch in December of 2007. Following the IPO, we raised an additional \$10 million in auction rate preferred securities in February 2008, effectively leveraging the Fund 29%.

**Relevant Market Conditions**

*Closed-End Fund Market.*

The closed-end fund market remained volatile during the first half of 2008. Despite several attempts by the Fed to inject liquidity into the capital markets generally in the form of lower rates and new lending facilities, credit availability remained tight as banks reduced lending in an effort to conserve cash. The auction rate securities market which had been a major source of leverage to closed end funds, collapsed in February, as banks decided not support the auctions.

After reaching \$27.6 billion in full year 2007, closed end IPOs dried up in the first half of 2008, with only one offering brought to the market in January for a total raise of \$120 million.

*Real Estate Industry Fundamentals.*

Despite a slowing economy and negative sentiment regarding the direction of the financial markets, real estate fundamentals remained stable during the first half of 2008. Occupancy levels held up and rents continued to increase, albeit at a slower pace. Property sales, however, slowed substantially as a result of tighter lending standards and wide differences between buyers and sellers regarding valuations. With limited transactions taking place, it is hard to estimate how much commercial property values have declined. Some estimates put the figure somewhere between negative 10% to negative 15%. What is clear, however, is that property values are no longer at levels seen in early 2007.

For the balance of the year, we believe the economy will likely continue to struggle due to higher food and energy prices, lack of employment growth and a weak housing market. Lending will continue to be restricted, hampering overall economic growth as financial institutions continue to strengthen their balance sheets.

*Real Estate Industry Technicals.*

Throughout the first half of the year, the REIT market continued to exhibit high volatility. REITs started the year on a negative note, down almost 12% in mid-January, and rebounded sharply during March and April (up 6% during each month) following the Fed's and J.P. Morgan's rescue of Bear Stearns. Concern about additional write-offs from financial institutions sent the REIT market, along with other financial services companies, into negative territory during the month of June. REITs were down 11% in June and finished the

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first half of the year down 3.5%. Despite the volatility, REIT dedicated funds saw \$3 billion of inflows during the first six months of the year, an encouraging sign after outflows of more than \$9 billion from the period March to December 2007.

### **Fund Strategies, Techniques and Performance**

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

During the six months ended June 30, 2008, our total return on net asset value, or NAV (including NAV changes and assuming a hypothetical reinvestment of distributions at NAV), was negative 5.7%. During that same period, the total return for the MSCI US REIT Total Return Index (an unmanaged index of REIT common stocks) was negative 3.5% and the total return for the Fund Data U.S. All Taxable ex-Foreign Equity Index (a market cap weighted Index of closed-end funds) was negative 5.9%. We believe these two indices are relevant to us because our investments, excluding short term investments, as of June 30, 2008, included 46% in REIT common stocks and 52% in common stocks of closed-end funds. The S&P 500 Index (an unmanaged index published as Standard and Poor's Composite Index of 500 common stocks) total return for the six months ended June 30, 2008 was negative 11.9%.

### **Recent Developments**

Recently, credit markets, including the market for auction rate securities such as the Fund's \$10 million in preferred shares, have experienced a liquidity crisis. To date, no auctions for the Fund's preferred shares have failed; however, an affiliate of the Fund's lead broker dealer for its preferred shares has purchased a significant amount of the Fund's preferred shares in the auctions. Please see notes to the financial statements for more information.

Because of the decline in NAV during the last 15 months and the Fund's relatively small size, the Fund's Board of Trustees is currently considering actions to reduce expenses and otherwise enhance value for the Fund's shareholders. These potential actions include combining the Fund with one or more other RMR closed end funds that have similar investment programs.

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

Sincerely,

Adam D. Portnoy  
President  
August 27, 2008

**Portfolio holdings by sub-sector as a percentage of investments (as of June 30, 2008)\***

|                            |       |
|----------------------------|-------|
| Investment companies       | 52%   |
| Hospitality real estate    | 15%   |
| Office real estate         | 11%   |
| Others, less than 10% each | 22%   |
|                            | <hr/> |
| Total investments          | 100%  |
|                            | <hr/> |
| REITs                      | 46%   |
| Investment companies       | 52%   |
| Other                      | 2%    |
|                            | <hr/> |
| Total investments          | 100%  |
|                            | <hr/> |

\*

These percentages represent the Fund's portfolio holdings by sub-sector as a percentage of total portfolio holdings and do not match with the percentages included in the Portfolio of Investments schedule which represent the Fund's portfolio holdings by sub-sector as a percentage of the Fund's net assets.

**RMR Dividend Capture Fund****Portfolio of Investments** June 30, 2008 (unaudited)

| Company  | Shares  | Value      |
|--|---------|------------|
| <i>Common Stocks 70.7%</i>                                     |         |            |
| <i>Real Estate Investment Trusts 67.9%</i>                     |         |            |
| <i>Diversified 10.8%</i>                                       |         |            |
| CapLease, Inc.   | 123,725 | \$ 926,700 |
| Lexington Corporate Properties Trust                           | 50,883  | 693,536    |
| National Retail Properties, Inc.                               | 33,270  | 695,343    |
|  |         | 2,315,579  |
| <i>Health Care 4.3%</i>  |         |            |
| Medical Properties Trust, Inc.                                 | 91,053  | 921,456    |
| <i>Hospitality 15.6%</i>                                       |         |            |
| Ashford Hospitality Trust, Inc.                                | 148,030 | 683,899    |
| DiamondRock Hospitality Co.                                    | 90,000  | 980,100    |
| FelCor Lodging Trust, Inc.                                     | 70,945  | 744,922    |
| Hersha Hospitality Trust                                       | 121,200 | 915,060    |
|  |         | 3,323,981  |
| <i>Industrial 3.8%</i>   |         |            |
| First Industrial Realty Trust, Inc.                            | 29,730  | 816,683    |
| <i>Manufactured Homes 4.1%</i>                                 |         |            |
| Sun Communities, Inc.  | 48,317  | 880,819    |
| <i>Mortgage 1.8%</i>   |         |            |
| Gramercy Capital Corp.   | 32,262  | 373,917    |
| <i>Office 6.2%</i>   |         |            |
| Brandywine Realty Trust  | 15,000  | 236,400    |
| Parkway Properties, Inc.                                       | 32,000  | 1,079,360  |
|  |         | 1,315,760  |
| <i>Retail 21.3%</i>  |         |            |
| CBL & Associates Properties, Inc.                              | 25,200  | 575,568    |
| Cedar Shopping Centers, Inc.                                   | 81,550  | 955,766    |
| Developers Diversified Realty Corp.                            | 29,400  | 1,020,474  |
| Glimcher Realty Trust  | 54,100  | 604,838    |
| Pennsylvania Real Estate Investment Trust                      | 14,500  | 335,530    |
| Ramco-Gershenson Properties Trust                              | 51,251  | 1,052,695  |
|  |         | 4,544,871  |
| <i>Total Real Estate Investment Trusts (Cost \$17,394,989)</i> |         | 14,493,066 |
| <i>Other 2.8%</i>  |         |            |
| DHT Maritime, Inc.   | 60,000  | 601,800    |

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|                                     |         |
|-------------------------------------|---------|
| <i>Total Other (Cost \$657,282)</i> | 601,800 |
|-------------------------------------|---------|

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|  |            |
|--|------------|
| <i>Total Common Stocks (Cost \$18,052,271)</i> | 15,094,866 |
|--|------------|

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

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| Company  | Shares | Value         |
|--|--------|---------------|
| <i>Other Investment Companies 75.0%</i>                                  |        |               |
| Blackrock Enhanced Dividend Achievers Trust                              | 80,766 | \$ 810,083    |
| Blackrock Limited Duration Income Trust                                  | 56,150 | 859,095       |
| Blackrock Preferred and Equity Advantage Trust                           | 49,836 | 759,002       |
| Cohen & Steers Advantage Income Realty Fund, Inc.                        | 58,000 | 857,240       |
| Cohen & Steers Premium Income Realty Fund, Inc.                          | 47,376 | 712,535       |
| Cohen & Steers REIT and Preferred Income Fund, Inc.                      | 39,000 | 744,900       |
| Cohen & Steers REIT and Utility Income Fund, Inc.                        | 65,384 | 1,146,836     |
| DWS Dreman Value Income Edge Fund, Inc.                                  | 79,070 | 1,058,747     |
| DWS RREEF Real Estate Fund II, Inc.                                      | 94,150 | 1,084,608     |
| Eaton Vance Enhanced Equity Income Fund                                  | 51,871 | 906,705       |
| Eaton Vance Enhanced Equity Income Fund II                               | 20,100 | 344,916       |
| Eaton Vance Senior Floating-Rate Fund                                    | 20,000 | 286,000       |
| Flaherty & Crumrine/ Claymore Preferred Securities Income Fund, Inc.     | 55,744 | 777,072       |
| ING Global Equity Dividend & Premium Opportunity Fund                    | 14,800 | 234,284       |
| LMP Capital and Income Fund, Inc.  | 60,144 | 929,225       |
| LMP Real Estate Income Fund, Inc.  | 52,172 | 798,232       |
| Neuberger Berman Real Estate Securities Income Fund, Inc.                | 84,540 | 790,449       |
| Nicholas-Applegate Convertible & Income Fund II                          | 53,804 | 621,436       |
| Nuveen Floating Rate Income Fund   | 31,885 | 344,358       |
| Nuveen Real Estate Income Fund   | 3,700  | 54,760        |
| Pioneer Floating Rate Trust  | 53,431 | 735,745       |
| The Zweig Total Return Fund, Inc.  | 84,877 | 375,156       |
| Western Asset Emerging Markets Debt Fund, Inc.                           | 45,473 | 786,228       |
| <i>Total Other Investment Companies (Cost \$17,049,942)</i>              |        | 16,017,612    |
| <i>Short-Term Investments 0.4%</i>                                       |        |               |
| <i>Other Investment Companies 0.4%</i>                                   |        |               |
| Dreyfus Cash Management, Institutional Shares, 2.66% (a) (Cost \$92,284) | 92,284 | 92,284        |
| <i>Total Investments 146.1% (Cost \$35,194,497)</i>                      |        | 31,204,762    |
| Other assets less liabilities 0.7%                                       |        | 152,392       |
| Preferred Shares, at liquidation preference (46.8)%                      |        | (10,000,000)  |
| Net Assets applicable to common shareholders 100%                        |        | \$ 21,357,154 |

Notes to Portfolio of Investments

(a) Rate reflects 7 day yield as of June 30, 2008.

See notes to financial statements.



**RMR Dividend Capture Fund**  
**Financial Statements**

## Statement of Assets and Liabilities

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**June 30, 2008 (unaudited)**


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*Assets*

|   |               |
|---|---------------|
| Investments in securities, at value (cost \$35,194,497) | \$ 31,204,762 |
| Cash  | 217           |
| Dividends and interest receivable                       | 251,647       |
| Other assets  | 4,511         |
|   | <hr/>         |
| Total assets  | 31,461,137    |
|   | <hr/>         |

*Liabilities*

|  |         |
|--|---------|
| Advisory fee payable                     | 27,772  |
| Distributions payable - preferred shares | 8,068   |
| Accrued expenses and other liabilities   | 68,143  |
|  | <hr/>   |
| Total liabilities                        | 103,983 |
|  | <hr/>   |

*Preferred shares, at liquidation preference*

|  |            |
|--|------------|
| Auction preferred shares, Series F; \$.001 par value per share;<br>400 shares issued and outstanding at<br>\$25,000 per share liquidation preference | 10,000,000 |
|  | <hr/>      |

*Net assets attributable to common shares*


---

\$ 21,357,154

---

*Composition of net assets*

|   |             |
|---|-------------|
| Common shares, \$.001 par value per share;<br>unlimited number of shares authorized,<br>1,255,000 shares issued and outstanding | \$ 1,255    |
| Additional paid-in capital  | 23,700,745  |
| Undistributed net investment income   | 743,630     |
| Accumulated net realized gain on investment transactions  | 901,259     |
| Net unrealized depreciation on investments  | (3,989,735) |
|   | <hr/>       |

*Net assets attributable to common shares*


---

\$ 21,357,154

---

*Net asset value per share attributable to common shares*  
*(based on 1,255,000 common shares outstanding)*


---

\$ 17.02

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*See notes to financial statements.*


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**RMR Dividend Capture Fund**  
**Financial Statements** continued

## Statement of Operations

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**Six Months Ended June 30, 2008 (unaudited)**


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*Investment Income*

|  |              |
|--|--------------|
| Dividends (cash distributions received or due) | \$ 1,794,235 |
| Interest                                       | 59,564       |
|  | <hr/>        |
| Total investment income                        | 1,853,799    |
|  | <hr/>        |

*Expenses*

|                               |         |
|-------------------------------|---------|
| Advisory                      | 156,547 |
| Administrative                | 49,418  |
| Audit and legal               | 46,775  |
| Custodian                     | 23,808  |
| Shareholder reporting         | 17,745  |
| Compliance and internal audit | 17,344  |
| Trustees' fees and expenses   | 8,900   |
| Other                         | 30,396  |
|                               | <hr/>   |
| Total expenses                | 350,933 |
|                               | <hr/>   |

|                       |           |
|-----------------------|-----------|
| Net investment income | 1,502,866 |
|                       | <hr/>     |

*Realized and unrealized gain (loss) on investments*

|   |             |
|---|-------------|
| Net realized gain on investments                                    | 814,114     |
| Net change in unrealized appreciation/(depreciation) on investments | (3,131,690) |
|   | <hr/>       |

|   |             |
|---|-------------|
| Net realized and unrealized loss on investments | (2,317,576) |
|   | <hr/>       |

|  |           |
|--|-----------|
| Distributions to preferred shareholders from net investment income | (172,044) |
|  | <hr/>     |

|  |              |
|--|--------------|
| Net decrease in net assets attributable to common shares resulting from operations | \$ (986,754) |
|  | <hr/>        |

*See notes to financial statements.*

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**RMR Dividend Capture Fund**  
**Financial Statements** continued

## Statements of Changes in Net Assets

|  | Six Months Ended<br>June 30,<br>2008<br>(unaudited) | For the Period<br>December 18,<br>2007(a) to<br>December 31,<br>2007 |
|--|---|--|
| <i>Increase (decrease) in net assets resulting from operations</i>                                     |   |  |
| Net investment income  | \$ 1,502,866  | \$ 241,148   |
| Net realized gain on investments   | 814,114   | 87,145   |
| Net change in unrealized appreciation/(depreciation) on investments                                    | (3,131,690)   | (858,045)  |
| Distributions to preferred shareholders from:  |   |  |
| Net investment income  | (172,044)   |  |
|  | <hr/>   | <hr/>  |
| Net decrease in net assets attributable to common shares resulting from operations                     | (986,754)   | (529,752)  |
|  | <hr/>   | <hr/>  |
| Distributions to common shareholders from:   |   |  |
| Net investment income  | (838,340)   |  |
| <i>Capital shares transactions</i>   |   |  |
| Net proceeds from sale of common shares  |   | 23,872,000   |
| Net proceeds from sale of preferred shares   | 9,740,000   |  |
|  | <hr/>   | <hr/>  |
| Net increase from capital transactions   | 9,740,000   | 23,872,000   |
| Less: Liquidation preference of preferred shares issued  | (10,000,000)  |  |
|  | <hr/>   | <hr/>  |
| Total increase (decrease) in net assets attributable to common shares                                  | (2,085,094)   | 23,342,248   |
| <i>Net assets attributable to common shares</i>  |   |  |
| Beginning of period  | 23,442,248  | 100,000  |
|  | <hr/>   | <hr/>  |
| End of period (including undistributed net investment income of \$743,630 and \$251,148, respectively) | \$ 21,357,154                                       | \$ 23,442,248  |
|  | <hr/>   | <hr/>  |
| <i>Common shares issued and repurchased</i>  |   |  |
| Shares outstanding, beginning of period  | 1,255,000   | 5,000  |
| Shares issued  |   | 1,250,000  |
|  | <hr/>   | <hr/>  |
| Shares outstanding, end of period  | 1,255,000   | 1,255,000  |
|  | <hr/>   | <hr/>  |

(a) Commencement of operations.

See notes to financial statements.

## RMR Dividend Capture Fund

### Financial Highlights

Selected Data For A Common Share Outstanding Throughout Each Period

|   | Six Months Ended<br>June 30,<br>2008<br>(unaudited) | For the Period<br>December 18,<br>2007(a) to<br>December 31,<br>2007 |
|---|---|--|
| <i>Per Common Share Operating Performance (b)</i>                             |   |  |
| Net asset value, beginning of period  | \$ 18.68  | \$ 19.14(c)  |
| <i>Income from Investment Operations</i>                                      |   |  |
| Net investment income   | 1.20(d)   | .19  |
| Net realized and unrealized appreciation/(depreciation) on investments        | (1.92)(d)   | (.61)  |
| Distributions to preferred shareholders (common stock equivalent basis) from: |   |  |
| Net investment income   | (.14)(d)  |  |
| Net decrease in net asset value from operations                               | (.86)   | (.42)  |
| Less: Distributions to common shareholders from:                              |   |  |
| Net investment income   | (.67)(d)  |  |
| Common share offering costs charged to capital                                |   | (.04)  |
| Preferred share offering costs charged to capital                             | (.13)   |  |
| Net asset value, end of period  | \$ 17.02  | \$ 18.68   |
| Market price, beginning of period   | \$ 20.00  | \$ 20.00   |
| Market price, end of period   | \$ 17.29  | \$ 20.00   |
| <i>Total Return (e)</i>   |   |  |
| Total investment return based on:   |   |  |
| Market price (f)  | (10.13)%  | 0.00%  |
| Net asset value (f)   | (5.65)%   | (2.20)%  |

*Ratios/Supplemental Data:*

|  |           |           |
|--|-----------|-----------|
| Ratio to average net assets attributable to common shares (g) of:    |           |           |
| Net investment income, before total preferred share distributions    | 12.73%(d) | 30.71%    |
| Total preferred share distributions                                  | 1.46%     | 0.00%     |
| Net investment income, net of preferred share distributions          | 11.27%(d) | 30.71%    |
| Expenses   | 2.97%     | 10.21%    |
| Portfolio Turnover Rate  | 97.60%    | 0.00%     |
| Net assets attributable to common shares, end of period (000s)       | \$ 21,357 | \$ 23,442 |
| Preferred shares, liquidation preference (\$25,000 per share) (000s) | \$ 10,000 | \$        |
| Asset coverage per preferred share (h)                               | \$ 78,393 | \$        |

- (a) Commencement of operations.
- (b) Based on average shares outstanding.
- (c)

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Net asset value at December 12, 2007, reflects the deduction of the average sales load and offering costs of \$0.90 per share paid by the holders of common shares from the \$20.00 offering price. We paid a sales load of \$0.94 per share on 1,200,000 shares sold to the public and no sales load or offering costs on 50,000 common shares sold to affiliates of RMR Advisors for \$20.00 per share.

- (d) As discussed in Note A (8) to the financial statements, these amounts are subject to change to the extent 2008 distributions by the issuers of the Fund's investments are characterized as capital gains and return of capital.
- (e) Total returns for periods of less than one year are not annualized.
- (f) 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.
- (g) Annualized.
- (h) Asset coverage per share equals net assets attributable to common shares plus the liquidation preference of the preferred shares divided by the total number of preferred shares outstanding at the end of the period.

*See notes to financial statements.*

## **RMR Dividend Capture Fund Notes to Financial Statements**

**June 30, 2008 (unaudited)**

### **Note A**

#### (1) Organization

RMR Dividend Capture Fund, or the Fund, was organized as a Massachusetts business trust on June 14, 2007, and is registered under the Investment Company Act of 1940, as amended, or the 1940 Act, as a non-diversified closed-end management investment company. The Fund had no operations prior to December 18, 2007, 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 December 18, 2007, the Fund sold 1,250,000 common shares in an initial public offering including 50,000 shares sold to affiliates of RMR Advisors. Proceeds to the Fund were \$23,872,000 after deducting underwriting commissions and \$48,000 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, 2008 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 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 (8), 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 average of the closing bid and ask prices 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 4:00:02 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. 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 plus interest accrued, which approximates market value.

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### (5) Fair Value Measurements

The Fund has adopted the provisions of Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements, or FAS 157, effective January 1, 2008. In accordance with FAS 157, fair value is defined as the price that the Fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market for the investment. FAS 157 established a three tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk; for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad Levels listed below.

Level 1 quoted prices in active markets for identical investments

Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.)

Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The valuation techniques used by the Fund to measure fair value during the six months ended June 30, 2008 maximized the use of observable inputs and minimized the use of unobservable inputs. The Fund did not fair value any of its securities.

The following is a summary of the inputs used as of June 30, 2008 in valuing the Fund's investments carried at value:

| <b>Valuation Inputs</b>                     | <b>Investments in Securities</b> |
|---|----------------------------------|
| Level 1 Quoted prices                       | \$ 31,204,762                    |
| Level 2 Other significant observable inputs |                                  |
| Level 3 Significant unobservable inputs     |                                  |
| Total                                       | \$ 31,204,762                    |

There were no investments in securities characterized as level 3 as of December 31, 2007, or June 30, 2008.

### (6) 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

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accretion of discount on short term investments, is recorded on the accrual basis. Realized gains and losses from securities transactions are recorded on an identified cost basis.

### (7) 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. However, the Fund may be subject to a 4% excise tax to the extent the Fund does not distribute substantially all taxable earnings each year.

### (8) 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 July 11, 2008, the Fund declared regular monthly distributions of \$0.167 per common share payable in July, August and September 2008. 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, and closed end investment management companies which are generally not subject to federal income taxes. Distributions that the Fund receives from these investments can be classified as ordinary income, capital gain income or return of capital by the issuers that make these distributions to the Fund. However, it is not possible to characterize distributions received from these investments during interim periods because the issuers do not report their tax characterization until subsequent to year end. Final characterization of the Fund's 2008 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 2008 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, 2008, are as follows:

|  |    |             |
|--|----|-------------|
| Cost                                       | \$ | 35,194,497  |
|  |    | <hr/>       |
| Gross unrealized appreciation              | \$ | 32,576      |
| Gross unrealized depreciation              |    | (4,022,311) |
|  |    | <hr/>       |
| Net unrealized appreciation/(depreciation) | \$ | (3,989,735) |
|  |    | <hr/>       |

### (9) 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 real estate companies and REITs and common shares of closed end investment management companies. The value of Fund shares may fluctuate more than the shares of a fund not concentrated in the real estate industry due to



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economic, legal, regulatory, technological or other developments affecting the United States real estate industry. Some of the closed end investment management companies in which the Fund invests may invest substantially all of their managed assets in one sector including real estate, and therefore carry the risk of that particular sector or industry group.

### **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 1% 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 is not considered a liability.

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 \$49,418 of subadministrative fees charged by State Street for the six months ended June 30, 2008.

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 1940 Act is considered to be a "disinterested trustee". Disinterested trustees are each paid by the Fund an annual fee plus attendance fees for board and committee meetings. The Fund incurred \$8,900 of trustee fees and expenses during the six months ended June 30, 2008.

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 \$17,344 of compliance and internal audit expense during the six months ended June 30, 2008. 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 \$5,276 of insurance expense during the six months ended June 30, 2008.

### **Note C**

#### **Securities Transactions**

During the six months ended June 30, 2008, there were purchases and sales transactions (excluding short term securities) of \$40,012,692 and \$26,979,939 respectively. Brokerage commissions on securities transactions amounted to \$98,649 during the six months ended June 30, 2008.

## Note D

### Preferred Shares

The Fund's 400 outstanding Series F 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 1940 Act, of at least 200%, the preferred shares will be subject to redemption in 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 4.15% per annum as of June 30, 2008.

To date, no auctions for preferred securities of the Fund have failed to attract sufficient clearing bids. However, an affiliate of the Fund's lead broker-dealer for its preferred securities has purchased a significant amount of the Fund's preferred securities in the auctions. If this affiliate of the Fund's lead broker-dealer had not been supporting the Fund's auctions, the auctions likely would have failed and holders of the Fund's preferred shares would not have been able to sell their preferred shares in the auctions. There can be no assurance that this or any other affiliate of the Fund's lead broker-dealer would purchase Fund preferred shares in any future auction of Fund preferred securities or that the Fund will not have any auction for its preferred securities fail. If an auction of the Fund's preferred shares should fail, the dividend rate for the next succeeding dividend period is set according to a pre-determined formula, and the resulting rate may be higher than the rate which the Fund would otherwise pay as a result of a successful auction. In addition, if an auction fails, holders of the Fund's preferred shares may not be able to sell their preferred shares in that auction. If auctions for the Fund's preferred shares fail, or if market conditions generally frustrate the Fund's ability to enhance investment results through the investment of capital attributable to its outstanding preferred shares, such factors may necessitate a change in the form and/or amount of investment leverage used by the Fund. The Fund has no current intention to change the form or degree of investment leverage that it uses. The use of alternative forms of leverage and/or a reduction in the degree of investment leverage used by the Fund in its investment program could result in reduced investment returns for common shareholders as compared to the returns that historically have been achieved by the Fund through the use of preferred share leverage in favorable market conditions. The Fund proactively manages compliance with asset coverage and other financial ratio requirements applicable to the preferred shares. In order to facilitate compliance with such requirements, and without further notice of its intention to do so, the Fund may from time to time purchase or otherwise acquire its outstanding preferred shares in the open market, in other nondiscriminatory secondary market transactions, pursuant to tender offers or other offers to repurchase preferred shares, or in other permissible purchase transactions, and also may from time to time call or redeem preferred shares in accordance with their terms.

**Note E**

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

The annual meeting of Fund shareholders was held on April 7, 2008. Following is a summary of the proposal 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 and Preferred Shares   |                  |                       |                        |
| Election of John L. Harrington as Independent Trustee<br>until the 2011 annual meeting.   | 1,040,290        | 700                   |                        |
| The following trustees' terms of office as trustee continued after the Fund's annual meeting: Barry M. Portnoy, Gerard M. Martin, Frank J. Bailey and Arthur G. Koumantzelis. |                  |                       |                        |

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**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**  
**RMR Asia Real Estate Fund**  
**RMR Dividend Capture Fund**  
**June 30, 2008**

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), RMR Asia Pacific Real Estate Fund (RAP), RMR Asia Real Estate Fund (RAF) and RMR Dividend Capture Fund (RCR) are each referred to as a "Fund" or collectively as the "Funds".

**Privacy Notice**

Each Fund advised by RMR Advisors, Inc. recognizes and respects the privacy concerns of its shareholders. The Funds do not sell your name or other information about you to anyone. The Funds collect nonpublic personal information about you in the course of doing business with shareholders and investors. "Nonpublic personal information" is personally identifiable financial information about you. For example, it includes information regarding your social security number, account balance, bank account information and purchase and redemption history.

**The Funds collect this information from the following sources:**

Information we receive from you on applications or other forms;

Information about your transactions with us and our service providers, or others; and

Information we receive from consumer reporting agencies (including credit bureaus).

**What the Funds disclose and to whom the Funds disclose information.**

The Funds only disclose nonpublic personal information the Funds collect about shareholders as permitted by law. For example, the Funds may disclose nonpublic personal information about shareholders to nonaffiliated third parties such as:

To government entities, in response to subpoenas or to comply with laws or regulations.

When you, the shareholder, direct the Funds to do so or consent to the disclosure.

To companies that perform necessary services for the Funds, such as data processing companies that the Funds use to process your transactions or maintain your account.

To protect against fraud, or to collect unpaid debts.

In connection with disputes or litigation between the Funds and the concerned shareholders.

**Information about former shareholders.**

If you decide to close your account(s) or become an inactive customer, we will adhere to the privacy policies and practices described in this notice.



**How the Funds safeguard information.**

The Funds conduct their business through directors, officers and third parties that provide services pursuant to agreements with the Funds (for example, the service providers described above). The Funds do not have any employees. The Funds restrict access to your personal and account information to those persons who need to know that information in order to provide services to you. The Funds or their service providers maintain physical, electronic and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

**Customers of other financial institutions.**

In the event that you hold shares of the Funds through a financial intermediary, including, but not limited to, a broker-dealer, bank or trust company, the privacy policy of your financial intermediary will govern how your non-public personal information will be shared with non-affiliated third parties by that entity.

**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 (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, 2008, have been voted is available (1) without charge, on request, by calling us at (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 on 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 Commission's website at <http://www.sec.gov>.

**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 Registrants.**

*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 six months ended June 30, 2008, 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.**

Effective February 20, 2008, no shareholder may give a notice to the registrant's secretary of a nomination to the registrant's board of trustees unless such shareholder holds a certificate or certificates, as the case may be, for all registrant shares owned by such shareholder, and a copy of each such certificate shall accompany such shareholder's notice to the secretary in order for such notice to be effective.

**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.
  - (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 REAL ESTATE FUND

By: /s/ ADAM D. PORTNOY

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Adam D. Portnoy

President

Date: August 28, 2008

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/ ADAM D. PORTNOY

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Adam D. Portnoy

President

Date: August 28, 2008

By: /s/ MARK L. KLEIFGES

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Mark L. Kleifges

Treasurer

Date: August 28, 2008

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