VOLITIONRX LTD
Form 10-Q
November 04, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

X . **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **September 30, 2015**

. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to _______

Commission File Number: **001-36833**

VOLITIONRX LIMITED

(Exact name of registrant as specified in its charter)

Delaware	**91-1949078**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1 Scotts Road

#24-05 Shaw Centre

Singapore 228208

(Address of principal executive offices)

+1 (646) 650-1351

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

X . Yes . No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

X . Yes . No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

.

Accelerated Filer

.

Non-Accelerated Filer

.

Smaller Reporting Company

X .

(Do not check if smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). . Yes X . No

As of November 4, 2015, there were 18,472,215 shares of the registrant s $0.001 par value common stock issued and outstanding.

VOLITIONRX LIMITED

QUARTERLY REPORT ON FORM 10-Q

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2015

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Please note that throughout this Quarterly Report, and unless otherwise noted, the words "we," "our," "us," the "Company," or "VNRX" refers to VolitionRx Limited.

PART I - FINANCIAL INFORMATION

ITEM 1.

FINANCIAL STATEMENTS

VOLITIONRX LIMITED

Condensed Consolidated Balance Sheets

(Expressed in US dollars, except share numbers)

	September 30, 2015 $ (UNAUDITED)	December 31, 2014 $
ASSETS		
Cash	6,851,526	2,138,964
Prepaid expenses	259,459	144,095
Other current assets	151,650	52,659
Total Current Assets	7,262,635	2,335,718
Property and equipment, net	853,590	288,585
Intangible assets, net	744,930	808,726
Total Assets	8,861,155	3,433,029
LIABILITIES		
Accounts payable and accrued liabilities	694,524	797,909
Management and directors fees payable	94,402	146,016
Derivative liability		1,577,640
Current portion of capital lease liability	83,326	
Deferred grant income	177,480	191,512
Current portion of grant repayable	35,978	
Total Current Liabilities	1,085,710	2,713,077
Capital lease liability, net of current portion	330,290	
Deferred grant income, net of current portion	48,658	
Grant repayable, net of current portion	255,673	351,773
Total Liabilities	1,720,331	3,064,850
STOCKHOLDERS EQUITY		
Preferred Stock		

Authorized: 1,000,000 shares of preferred stock, at $0.001 par value		
Issued and outstanding: Nil shares and Nil shares, respectively		
Common Stock		
Authorized: 100,000,000 shares of common stock, at $0.001 par value		
Issued and outstanding: 18,072,215 shares and 14,691,332 shares, respectively	18,072	14,691
Additional paid-in capital	33,540,971	19,966,771
Accumulated other comprehensive loss	(65,249)	(103,832)
Accumulated Deficit	(26,352,970)	(19,509,451)
Total Stockholders Equity	7,140,824	368,179
Total Liabilities and Stockholders Equity	8,861,155	3,433,029

(The accompanying notes are an integral part of these condensed consolidated financial statements)

VOLITIONRX LIMITED

Condensed Consolidated Statements of Operations and Comprehensive Loss

(Expressed in US dollars, except share numbers)

(unaudited)

	For the three months ended September 30, 2015 $	**For the three months ended September 30, 2014 $**	**For the nine months ended September 30, 2015 $**	**For the nine months ended September 30, 2014 $**
Revenue		14,785		14,785
Expenses				
General and administrative	141,354	129,318	511,558	249,986
Professional fees	352,599	119,510	1,141,129	412,532
Salaries and office administrative fees	611,162	457,355	1,252,105	670,518
Research and development	1,862,115	1,071,984	4,429,887	2,733,742
Total Operating Expenses	2,967,230	1,778,167	7,334,679	4,066,778
Net Operating Loss	(2,967,230)	(1,763,382)	(7,334,679)	(4,051,993)
Other Income / (Expenses)				
Grants received			146,812	143,987
Gain / (loss) on derivative re-measurement		(4,130,562)	339,744	(3,363,561)
Total Other Income / (Net Other Expenses)		(4,130,562)	486,556	(3,219,574)
Provision for income taxes	4,604		4,604	
Net Loss	(2,962,626)	(5,893,944)	(6,843,519)	(7,271,567)
Other Comprehensive Income / (Loss)				
Foreign currency translation adjustments	14,463	(19,893)	38,583	(33,731)
Total Other Comprehensive Income / (Loss)	14,463	(19,893)	38,583	(33,731)
Net Comprehensive Loss	(2,948,163)	(5,913,837)	(6,804,936)	(7,305,298)
	(0.16)	(0.44)	(0.39)	(0.56)

Net Loss per Share Basic				
Diluted	(0.16)	(0.44)	(0.39)	(0.56)
Weighted Average Shares Outstanding				
Basic	18,042,087	13,524,998	17,504,026	13,057,866
Diluted	18,042,087	13,524,998	17,504,026	13,057,866

(The accompanying notes are an integral part of these condensed consolidated financial statements)

VOLITIONRX LIMITED

Condensed Consolidated Statements of Cash Flows

(Expressed in US dollars)

(unaudited)

	For the nine months ended September 30, 2015 $	For the nine months ended September 30, 2014 $
Operating Activities		
Net loss	(6,843,519)	(7,271,567)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	164,330	99,904
Stock based compensation	980,399	311,907
Common stock and warrants issued for services	23,364	403,483
Non-operating income grants received	(146,812)	(143,987)
(Gain) / Loss on derivative re-measurement	(339,744)	3,363,561
Changes in operating assets and liabilities:		
Prepaid expenses	(121,004)	(61,483)
Other current assets	(96,421)	(88,422)
Accounts payable and accrued liabilities	(304,369)	238,446
Net Cash Used In Operating Activities	(6,683,776)	(3,148,158)
Investing Activities		
Purchases of patents	(55,000)	
Purchases of property and equipment	(270,939)	(297,607)
Net Cash Used in Investing Activities	(325,939)	(297,607)
Financing Activities		
Net proceeds from issuance of common shares	11,335,921	4,893,529
Grants received	146,812	143,987
Grants repaid	(33,174)	(33,166)
Deferred grant income	48,191	
Capital lease funding	203,051	

Net Cash Provided By Financing Activities	11,700,801	5,004,350
Effect of foreign exchange on cash	21,476	(27,622)
Increase in Cash	4,712,562	1,530,963
Cash Beginning of Period	2,138,964	888,704
Cash End of Period	6,851,526	2,419,667
Supplemental Disclosures of Cash Flow Information:		
Interest paid	4,863	10,274
Income tax paid		
Non Cash Investing and Financing Activities:		
Reduction in derivative liability	1,237,896	
Capital lease obligation for equipment purchases	413,616	

(The accompanying notes are an integral part of these condensed consolidated financial statements)

VOLITIONRX LIMITED

Notes to the Condensed Consolidated Financial Statements

September 30, 2015 and December 31, 2014

(Unaudited)

Note 1 - Condensed Financial Statements

The accompanying unaudited financial statements have been prepared by VolitionRx Limited (the Company) without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations, and cash flows at September 30, 2015, and for all periods presented herein, have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these condensed unaudited financial statements be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 2014 audited financial statements. The results of operations for the periods ended September 30, 2015 and 2014 are not necessarily indicative of the operating results for the full years.

Note 2 - Going Concern

The Company's financial statements are prepared using generally accepted accounting principles in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has incurred losses since inception of $26,352,970 and currently has no revenues, which creates substantial doubt about its ability to continue as a going concern.

The future of the Company as an operating business will depend on its ability to obtain sufficient capital contributions and/or financing as may be required to sustain its operations. Management's plan to address this need includes, (a) continued exercise of tight cost controls to conserve cash, (b) receiving additional grant funds, and (c) obtaining additional financing through debt or equity financing.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and attain profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. If the Company is unable to obtain adequate capital, it could be forced to cease operations.

Note 3 - Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with US generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company also regularly evaluates estimates and assumptions related to deferred income tax asset valuation allowances. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company s estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

Principles of Consolidation

The accompanying condensed consolidated financial statements for the period ended September 30, 2015 include the accounts of the Company and its wholly-owned subsidiaries, Singapore Volition Pte. Ltd, Belgian Volition S.A. and Hypergenomics Pte. Ltd. All significant intercompany balances and transactions have been eliminated in consolidation.

VOLITIONRX LIMITED

Notes to the Condensed Consolidated Financial Statements

September 30, 2015 and December 31, 2014

(Unaudited)

Note 3 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents. As at September 30, 2015 and December 31, 2014, the Company had $6,851,526 and $2,138,964 respectively in cash and cash equivalents. At September 30, 2015 and December 31, 2014 the Company had approximately $nil and $nil in its domestic accounts in excess of Federal Deposit Insurance Corporation insured limits, respectively. At September 30, 2015 and December 31, 2014 the Company had approximately $398,855 and $233,727 in its foreign accounts in excess of the Belgian Deposit Guarantee insured limits, respectively. At September 30, 2015 and December 31, 2014 the Company had approximately $6,181,206 and $1,879,840 in its foreign accounts in excess of the Singapore Deposit Insurance Scheme, respectively.

Basic and Diluted Net Loss Per Share

The Company computes net loss per share in accordance with ASC 260, Earnings Per Share, which requires presentation of both basic and diluted earnings per share (EPS) on the face of the income statement. Basic EPS is computed by dividing net loss available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing Diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. As at September 30, 2015, 1,996,681 dilutive warrants and 601,685 potentially dilutive options were excluded from the Diluted EPS calculation as their effect is anti-dilutive.

Foreign Currency Translation

The Company s functional currency is the Euro and its reporting currency is the United States dollar. Management has adopted ASC 830-20, Foreign Currency Matters Foreign Currency Transactions . All assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date. For revenues and expenses, the weighted average exchange rate for the period is used. Gains and losses arising on translation or settlement of foreign currency denominated transactions or balances are included in other comprehensive loss.

Recent Accounting Pronouncements

Management has considered all recent accounting pronouncements issued since the last audit of our consolidated financial statements. The Company s management believes that these recent pronouncements will not have a material effect on the Company s consolidated financial statements.

Property and Equipment

Property and equipment is stated at cost and is amortized on a straight-line basis, at the following rates:

Computer Hardware	3 years
Laboratory Equipment	5 years
Equipment held under Capital Lease	5 years
Office Furniture and Equipment	5 years

VOLITIONRX LIMITED

Notes to the Condensed Consolidated Financial Statements

September 30, 2015 and December 31, 2014

(Unaudited)

Note 4 - Property and Equipment

The Company s property and equipment consist of the following amounts as of September 30, 2015 and December 31, 2014:

	Cost	Accumulated Depreciation	September 30, 2015 Net Carrying Value
	$	$	$
Computer hardware	68,185	44,206	23,979
Laboratory equipment	329,073	95,656	233,417
Equipment held under capital lease	618,875	41,258	577,617
Office furniture and equipment	35,210	16,633	18,577
	1,051,343	197,753	853,590

	Cost	Accumulated Depreciation	December 31, 2014 Net Carrying Value
	$	$	$
Computer hardware	48,331	39,293	9,038
Laboratory equipment	313,285	53,080	260,205
Equipment held under capital lease	-	-	-
Office furniture and equipment	31,745	12,403	19,342
	393,361	104,776	288,585

On April 8, 2015 the Company entered into a five year capital lease to purchase three Tecan machines (automated liquid handling robots) for a total sum of $618,875 (€550,454).

During the nine month period ended September 30, 2015 and the year ended December 31, 2014, the Company recognized $99,851 and $47,095 in depreciation expense respectively.

VOLITIONRX LIMITED

Notes to the Condensed Consolidated Financial Statements

September 30, 2015 and December 31, 2014

(Unaudited)

Note 5 - Intangible Assets

The Company s intangible assets consist of intellectual property, principally patents, mainly acquired in the acquisition of ValiBio SA. The patents are being amortized over their remaining lives, which range from 8 to 16 years.

	Cost $	Accumulated Amortization $	September 30, 2015 Net Carrying Value $
Patents	1,148,791	403,861	744,930
	1,148,791	403,861	744,930

	Cost $	Accumulated Amortization $	December 31, 2014 Net Carrying Value $
Patents	1,173,593	364,867	808,726
	1,173,593	364,867	808,726

On February 20, 2015, the Company purchased the Nucleosomics® WO2005019826: Detection of Histone Modifications in Cell-Free Nucleosomes patent (i.e. the patent that underlies the NuQ®-M tests) from Chroma Therapeutics Limited for the sum of $55,000. Prior to this date, the Company had held the exclusive licence for the patent.

During the nine month period ended September 30, 2015, and the year ended December 31, 2014, the Company recognized $64,479 and $95,037 in amortization expense, respectively.

The Company amortizes the long-lived assets on a straight line basis with terms ranging from 8 to 20 years. The annual estimated amortization schedule over the next five years is as follows:

2015 - remaining	$21,912
2016	$87,647
2017	$87,647
2018	$87,647
2019	$87,647

The Company periodically reviews its long lived assets to ensure that their carrying value does not exceed their fair market value. The Company carried out such a review in accordance with ASC 360 as of December 31, 2014. The result of this review confirmed that the fair value of the patents exceeded their carrying value as of December 31, 2014.

VOLITIONRX LIMITED

Notes to the Condensed Consolidated Financial Statements

September 30, 2015 and December 31, 2014

(Unaudited)

Note 6 - Related Party Transactions

The Company has had agreements with a related party to rent office space, be provided with office support staff, and have consultancy services provided on behalf of the Company. See Note 11 for obligations under the agreements.

Note 7 - Common Stock

On February 6, 2015, the Company issued 2,475,000 shares of common stock at a price of $3.75 per share, for net cash proceeds of approximately $8.5 million.

On February 13, 2015, the Company issued 343,383 shares of common stock at a price of $3.75 per share, for net cash proceeds of approximately $1.2 million.

On February 23, 2015, 25,000 warrants were exercised at a price of $2.20 per share, giving cash proceeds to the Company of $55,000. As a result, a total of 25,000 shares of common stock were issued.

On March 6, 2015, 400,000 shares of common stock were issued at a price of $3.75 per share, for net cash proceeds to the Company of $1.5 million.

On June 11, 2015, 100,000 warrants were exercised at a price of $0.50 per share, giving cash proceeds to the Company of $50,000. As a result, a total of 100,000 shares of common stock were issued.

On July 20, 2015, 25,000 warrants were exercised at a price of $2.20 per share, giving cash proceeds to the Company of $55,000. As a result, a total of 25,000 shares of common stock were issued.

On September 16, 2015, 12,500 warrants were exercised at a price of $2.20 per share, giving cash proceeds to the Company of $27,500. As a result, a total of 12,500 shares of common stock were issued.

VOLITIONRX LIMITED

Notes to the Condensed Consolidated Financial Statements

September 30, 2015 and December 31, 2014

(Unaudited)

Note 8 Warrants and Options

a)

Warrants

On February 23, 2015, 25,000 warrants were exercised at a price of $2.20 per share, giving cash proceeds to the Company of $55,000. As a result, a total of 25,000 shares of common stock were issued.

On May 10, 2015, 26,685 warrants with an exercise price of $1.75 per share terminated by their terms.

On June 11, 2015, 100,000 warrants were exercised at a price of $0.50 per share, giving cash proceeds to the Company of $50,000. As a result, a total of 100,000 shares of common stock were issued.

On July 20, 2015, 25,000 warrants were exercised at a price of $2.20 per share, giving cash proceeds to the Company of $55,000. As a result, a total of 25,000 shares of common stock were issued.

On September 16, 2015, 12,500 warrants were exercised at a price of $2.20 per share, giving cash proceeds to the Company of $27,500. As a result, a total of 12,500 shares of common stock were issued.

Below is a table summarizing the warrants issued and outstanding as of September 30, 2015, which have a weighted average exercise price of $2.01 per share and a weighted average remaining contractual life of 4.7 years.

Date Issued	Number Outstanding	Exercise Price $	Contractual Life (Years)	Expiration Date	Proceeds to Company if Exercised $
03/15/11	100,000	0.50	5	3/15/2016	50,000
03/24/11	100,000	0.50	5	3/24/2016	50,000
04/01/11	100,000	0.50	5	4/1/2016	50,000
06/21/11	100,000	0.50	5	6/21/2016	50,000
07/13/11	250,000	1.05	5	07/13/16	262,500
05/11/12	344,059	2.60	4	05/10/16	894,553
03/20/13	150,000	2.47	3	03/20/16 to 12/20/19	370,500
06/10/13	29,750	2.00	5	12/10/18	59,500
08/07/13	45,000	2.40	3	08/07/16	108,000
11/25/13	456,063	2.40	5	11/25/18	1,094,551
12/31/13	64,392	2.40	5	11/25/18	154,541
01/28/14	10,000	2.40	3	01/28/17	24,000
02/26/14	1,468,475	2.20	5	02/26/19	3,230,645
09/05/14	10,000	2.40	3	09/05/17	24,000
09/26/14	24,000	3.00	3	09/26/17	72,000
11/17/14	19,000	3.75	3	11/17/17	71,250
	3,270,739				**6,566,040**

VOLITIONRX LIMITED

Notes to the Condensed Consolidated Financial Statements

September 30, 2015 and December 31, 2014

(Unaudited)

Note 8 Warrants and Options (continued)

b)

Options

On May 18, 2015, the Company granted options to purchase 20,000 shares. These options vest six months after the date of grant, and expire four years after the vesting date, with an exercise price of $3.80 per share. The Company has calculated the estimated fair market value of these options using the Black-Scholes Option Pricing model and the following assumptions: term 4.5 years, stock price $3.45, exercise price $3.80, 72.1% volatility, 1.54% risk free rate.

On May 18, 2015, the Company amended the expiry period of 630,000 stock options, originally granted on November 25, 2011. The expiration period was extended from three to four years for all 630,000 stock options.

On July 23, 2015, the Company granted options to purchase 327,000 shares, at an exercise price of $4.00 per share. All of the 327,000 options will vest on January 23, 2016 and will expire on January 23, 2020. The Company has calculated the estimated fair market value of these options using the Black-Scholes Option Pricing model and the following assumptions: term 4.5 years, stock price $3.55, exercise price $4.00, 88.3% volatility, 1.65% risk free rate.

On August 14, 2015, the Company amended the vesting date of 10,000 stock options, originally granted on August 18, 2014, from August 18, 2015 to August 16, 2015.

On August 17, 2015, the Company granted options to purchase 75,000 shares, at an exercise price of $3.75 per share. All of the 75,000 options vested on August 17, 2015 and will expire on August 17, 2020. The Company has calculated the estimated fair market value of these options using the Black-Scholes Option Pricing model and the following assumptions: term 5.0 years, stock price $3.31, exercise price $3.75, 87.9% volatility, 1.58% risk free rate.

During the nine month period ended September 30, 2015, 40,000 options expired unexercised following the cessation of a consultant s contract.

Below is a table summarizing the options issued and outstanding as of September 30, 2015, which have a weighted average exercise price of $3.50 per share and a weighted average remaining contractual life of 3.9 years.

Date Issued	Number Outstanding	Exercise Price $	Contractual Life (Years)	Expiration Date	Proceeds to Company if Exercised $
11/25/11	630,000	3.00-5.00	4.5-7.0	05/25/16-11/25/18	2,520,000
09/01/12	30,000	4.31-6.31	3.0	03/01/16-09/01/18	159,300
12/13/12	100,000	3.01	3.0	12/13/15	301,000
03/20/13	37,000	2.35-4.35	3.0	09/20/16-03/20/19	123,950
09/02/13	16,300	2.35-4.35	3.0	03/02/14-09/02/16	54,605
05/16/14	25,000	3.00-5.00	3.0-5.5	11/16/17-05/16/20	100,000
08/18/14	670,000	2.50-3.00	4.5-5.5	02/18/19-02/18/20	1,842,500
08/18/14	20,000	3.00	0.5-1.4	11/17/15	60,000
05/18/15	20,000	3.80	4.5	11/18/19	76,000
07/23/15	327,000	4.00	4.5	01/23/20	1,308,000
08/17/15	75,000	3.75	5.0	08/17/20	281,250
	1,950,300				**6,826,605**

Total remaining unrecognized compensation cost related to non-vested stock options is approximately $651,235 and is expected to be recognized over a period of two years.

VOLITIONRX LIMITED

Notes to the Condensed Consolidated Financial Statements

September 30, 2015 and December 31, 2014

(Unaudited)

Note 9 - Fair Value Measurements

On a recurring basis, we measure certain financial assets and liabilities based upon the fair value hierarchy. The following table presents information about the Company s liabilities measured at fair value as of September 30, 2015:

	Level 1	**Level 2**	**Level 3**	**Fair Value at September 30, 2015**
Liabilities				
Derivative Liability	$ -	$ -	$ -	$ -

	Level 1	**Level 2**	**Level 3**	**Fair Value at December 31, 2014**
Liabilities				
Derivative Liability	$ -	$ 1,577,640	$ -	$ 1,577,640

The fair value changes in the fair value of recurring fair value measurements using model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data (Level 2), relate solely to the derivative liability as follows:

Balance as of December 31, 2014	**$**	**1,577,640**
Exercise of warrants attached to derivative liability	$	(74,347)

Adjustment due to expiry of derivative liability	$	(1,163,549)
Fair value adjustments	$	(339,744)
Balance as of September 30, 2015	**$**	**-**

Note 10 - Derivative Financial Instruments

The balance sheet caption derivative liability consisted of derivative features embedded in exercisable warrants which had a ratchet provision within their agreements. The balance at September 30, 2015 and December 31, 2014 was $nil and $1,577,640, respectively.

The valuation of the derivative liability is determined using a Black-Scholes Model because that model embodies all of the relevant assumptions that address the features underlying these instruments. Significant assumptions used in the Black-Scholes model at September 30, 2015 and December 31, 2014 include the following:

September 30, 2015		**December 31, 2014**	
Risk-free interest rate	0%	Risk-free interest rate	1.65%
Estimated volatility	0%	Estimated volatility	232.6%
Dividend rate	None	Dividend rate	None
Estimated term in years	0	Estimated term in years	4

VOLITIONRX LIMITED

Notes to the Condensed Consolidated Financial Statements

September 30, 2015 and December 31, 2014

(Unaudited)

Note 11 Commitments and Contingencies

a) Walloon Region Grant

On March 16, 2010, the Company entered into an agreement with the Walloon Region government in Belgium wherein the Walloon Region would fund up to a maximum of $1,178,289 (€1,048,020) to help fund the research endeavors of the Company in the area of colorectal cancer. The Company had received the entirety of these funds in respect of approved expenditures as of June 30, 2014. Under the terms of the agreement, the Company is due to repay $353,487 (€314,406) of this amount by installments over the period June 30, 2014 to June 30, 2023. The Company has recorded the balance of $824,802 (€733,614) to other income in previous years as there is no obligation to repay this amount. In the event that the Company receives revenue from products or services as defined in the agreement, it is due to pay a 6 percent royalty on such revenue to the Walloon Region. The maximum amount payable to the Walloon Region, in respect of the aggregate of the amount repayable of $353,487 (€314,406) and the 6 percent royalty on revenue, is twice the amount of funding received. As at September 30, 2015, a total of $291,651 (€259,406) was outstanding to be repaid to the Walloon Region under this agreement.

b) Administrative Support Agreement

On August 6, 2010 (and as amended, effective from October 1, 2011 and March 1, 2015), the Company entered into agreements with a related party to rent office space, contract for office support staff, and have consulting services provided on behalf of the Company. From March 1, 2015, the agreements require the Company to pay $7,950 ($7,720 for January and February 2015) per month for office space and staff services as well as approximately $8,000 ($6,500 for January and February 2015) per month in fees for one senior executive. The rental of the office space and the provision of staff services under the terms of the Agreement were discontinued by mutual agreement on July 31, 2015. From September 1, 2015, the agreement for payment of fees for one senior executive was amended to $21,115 per month. The Company is also required to pay for all reasonable expenses incurred. The contract is in force for 12 months with automatic extensions of 12 months with a 3 month prior notice required for termination of the contract.

c) Lease Obligations Payable

The Company leases three Tecan machines (automated liquid handling robots) under a lease classified as a capital lease. The total cost of this leased laboratory equipment is $618,875 (€550,454). The leased equipment is amortized on a straight line basis over five years. Total accumulated amortization related to the leased equipment is $41,258 (€36,697) for the nine months ended September 30, 2015 and $nil (€nil) for the nine months ended September 30, 2014.

The following is a schedule showing the future minimum lease payments under capital leases by years and the present value of the minimum payments as of September 30, 2015.

2015	$	23,148
2016	$	92,588
2017	$	92,588
2018	$	92,588
2019	$	92,588
2020	$	44,767
Total minimum lease payments	$	438,267
Less: Amount representing interest	$	24,651
Present value of minimum lease payments	**$**	**413,616**

VOLITIONRX LIMITED

Notes to the Condensed Consolidated Financial Statements

September 30, 2015 and December 31, 2014

(Unaudited)

Note 11 Commitments and Contingencies (continued)

The Company also leases premises and facilities under operating leases with terms ranging from 12 months to 36 months. The annual non-cancelable operating lease payments on these leases are as follows:

2015	$	97,512
2016	$	92,063
2017	$	2,595
Thereafter	$	nil
Total	**$**	**192,170**

d) Bonn University Agreement

On July 11, 2012, the Company entered into a collaborative research agreement with Bonn University, Germany, relating to a program of samples testing. The agreement was for a period of two years from June 1, 2012 to May 31, 2014. The total payments made by the Company in accordance with the agreement were $438,477 (€390,000). On April 16, 2014, the Company entered into an extension of this agreement, for a period of a further two years from June 1, 2014 to May 31, 2016. The total payments to be made by the Company in accordance with the extension of the agreement are $438,477 (€390,000).

e) Hvidovre Hospital, Denmark Agreement

On August 8, 2014, the Company entered into a collaborative research agreement with Hvidovre Hospital, University of Copenhagen in Denmark, relating to a program of samples testing associated with colorectal cancer. The agreement will expire on August 8, 2016. Total payments (inclusive of local taxes) to be made by the Company under the agreement are $1,543,922 (DKR 10,245,000). On April 15, 2015, the Company amended the aforementioned collaborative research agreement with an additional commitment for samples costing $50,000, to be provided over a two year period, expiring on April 15, 2017.

f) Legal Proceedings

There are no legal proceedings which the Company believes will have a material adverse effect on its financial position.

Note 12 Subsequent Events

On October 6, 2015, 100,000 warrants were exercised at a price of $2.20 per share, giving cash proceeds to the Company of $220,000. As a result, a total of 100,000 shares of common stock were issued.

On October 28, 2015, 300,000 warrants were exercised at a price of $2.20 per share, giving cash proceeds to the Company of $660,000. As a result, a total of 300,000 shares of common stock were issued.

On October 30, 2015, the Company adopted and approved the 2015 Equity Incentive Plan for the directors, officers, employees and consultants to the Company. Pursuant to the Plan, the Company is authorized to issue 1,000,000 shares of the Company s common stock.

END NOTES TO FINANCIALS

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2015, or the Report, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this Report or incorporated by reference into this Report are forward-looking statements. These statements include, among other things, any predictions of earnings, revenues, expenses or other financial items; plans or expectations with respect to our development activities or business strategy; statements concerning industry trends; statements regarding anticipated demand for our products, or the products of our competitors, statements relating to manufacturing forecasts, and the potential impact of our relationship with contract manufacturers and original equipment manufacturers on our business; assumptions regarding the future cost and potential benefits of our research and development efforts; forecasts of our liquidity position or available cash resources; statements relating to the impact of pending litigation; and statements relating to the assumptions underlying any of the foregoing. Throughout this Report, we have attempted to identify forward-looking statements by using words such as may, believe, will, could, project, anticipate, expect, estimate, should, continue, potential, plan, forecasts, goal, seek, intend, other forms of these words or similar words or expressions or the negative thereof (although not all forward-looking statements contain these words).

We have based our forward-looking statements on our current expectations and projections about trends affecting our business and industry and other future events. Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. Forward-looking statements are subject to substantial risks and uncertainties that could cause our future business, financial condition, results of operations or performance, to differ materially from our historical results or those expressed or implied in any forward-looking statement contained in this Report. For instance, if we fail to develop and commercialize diagnostic products, we may be unable to execute our plan of operations. Other risks and uncertainties include our failure to obtain necessary regulatory clearances or approvals to distribute and market future products in the clinical IVD market; a failure by the marketplace to accept the products in our development pipeline or any other diagnostic products we might develop; we will face fierce competition and our intended products may become obsolete due to the highly competitive nature of the diagnostics market and its rapid technological change; and other risks identified elsewhere in this Report, as well as in our other filings with the Securities and Exchange Commission, or the SEC. In addition, actual results may differ as a result of additional risks and uncertainties of which we are currently unaware or which we do not currently view as material to our business. For these reasons, readers are cautioned not to place *undue reliance on any forward-looking statements.*

You should read this Report in its entirety, together with our Annual Report on Form 10-K filed with the SEC on March 18, 2015, the documents that we file as exhibits to this Report and the documents that we incorporate by reference into this Report, with the understanding that our future results may be materially different from what we currently expect. The forward-looking statements we make speak only as of the date on which they are made. We expressly disclaim any intent or obligation to update any forward-looking statements after the date hereof to conform such statements to actual results or to changes in our opinions or expectations. If we do update or correct any forward-looking statements, readers should not conclude that we will make additional updates or corrections.

Company Overview

We are a clinical stage life sciences company focused on developing bodily fluid based diagnostic tests that meet the need for accurate, fast, cost effective and scalable tests for detecting and diagnosing cancer and other diseases. We have developed over twenty blood assays to detect specific biomarkers to date that can be used individually or in combination to generate a profile which forms the basis of a test for a particular cancer or disease. We intend to commercialize our products in the future through various channels within the European Union, the United States and eventually throughout the rest of the world.

We do not anticipate earning significant revenues until such time as we are able to fully market our intended products on the clinical in-vitro diagnostics, or IVD, market. For this reason, our auditors stated in their report on our most recent audited financial statements that our losses and negative cash flow from operations raise substantial doubt that we will be able to continue as a going concern without further financing. Our ability to continue as a going concern is dependent upon our ability to successfully accomplish our plan of operations, obtain financing and eventually attain profitable operations.

Overview of Plan of Operations

Management has identified the specific processes and resources required to achieve the near and medium term objectives of the business plan, including personnel, facilities, equipment, research and testing materials including antibodies and clinical samples, and the protection of intellectual property. To date, operations have proceeded satisfactorily in relation to the business plan. However it is possible that some resources will not readily become available in a suitable form or on a timely basis or at an acceptable cost. It is also possible that the results of some processes may not be as expected and that modifications of procedures and materials may be required. Such events could result in delays to the achievement of the near and medium term objectives of the business plan, in particular the progression of clinical validation studies and regulatory approval processes for the purpose of bringing products to the IVD market. However, at this point, the most significant risk to the Company is that it will not succeed in obtaining additional financing in the medium term.

Liquidity and Capital Resources

As of September 30, 2015, the Company had cash of $6,851,526, prepayments and other current assets of $411,109 and current liabilities of $1,085,710. This represents a working capital surplus of $6,176,925.

The Company used $6,683,776 in net cash for the nine months ended September 30, 2015, compared to $3,148,158 for the nine months ended September 30, 2014. The increase in cash used year over year was primarily due to an increase in research and development expenditure and legal costs associated with our up-listing onto the NYSE MKT. Please see Results of Operations, below for more detail.

Net cash used in investing activities increased year over year by $28,332 to $325,939 in the 2015 period, mainly as a result of the purchase of the Nucleosomics® WO2005019826: Detection of Histone Modifications in Cell-Free Nucleosomes patent (i.e. the patent that underlies the NuQ®-M tests) from Chroma Therapeutics Limited for $55,000 and payments under a capital lease for three Tecan machines (automated liquid handling robots).

Net cash provided by financing activities amounted to $11,700,801 for the nine months ended September 30, 2015, compared to $5,004,350 for the nine months ended September 30, 2014. The Company raised approximately $9.7 million in net proceeds in February 2015, when approximately 2.8 million shares of common stock were issued in a public offering at the time of our up-listing to the NYSE MKT. We also raised another $1.5 million from further issuances in a private placement during the first quarter of 2015. A capital lease for three Tecan machines also financed $203,051 over this period. This resulted in an increase of cash of $4,712,562 for the nine month period to September 30, 2015, compared to an increase of $1,530,963 for the nine month period to September 30, 2014.

We intend to use our cash reserves to predominantly fund further research and development activities. We do not currently have any substantial source of revenues and expect to rely on additional future financing, through the sale of additional equity securities, but there is no assurance that we will be successful in raising further funds.

In the event that additional financing is delayed, the Company will prioritize the maintenance of its research and development personnel and facilities, primarily in Belgium, and the maintenance of its patent rights. However the completion of clinical validation studies and regulatory approval processes for the purpose of bringing products to the IVD market would be delayed. In the event of an ongoing lack of financing, we may be obliged to discontinue operations, which will adversely affect the value of our common stock.

Results of Operations

Three Months Ended September 30, 2015 and September 30, 2014

The following table sets forth the Company s results of operations for the three months ended September 30, 2015 and the comparative period for the three months ended September 30, 2014.

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Increase/ Decrease	Increase/ Decrease
Revenues	$ -	$ 14,785	$ (14,785)	(100%)
Operating Expenses	(2,967,230)	(1,778,167)	(1,189,063)	67%
Other Expenses	-	(4,130,562)	4,130,562	(100%)
Income Taxes	4,604	-	4,604	
Net Loss	$ (2,962,626)	$ (5,893,944)	$ 2,931,318	(50%)
Basic and Diluted Net Loss Per Common Share	$ (0.16)	$ (0.44)	$ 0.28	(64%)
Weighted Average Shares Outstanding				
- Basic	18,042,087	13,524,998	4,517,089	33%
- Diluted	18,042,087	13,524,998	4,517,089	33%

Revenues

The Company had no revenues from operations in the three months ended September 30, 2015, and had revenues of $14,785 from operations in the comparative period for the three months ended September 30, 2014. The Company s operations are still predominantly in the development stage.

Operating Expenses

For the three months ended September 30, 2015, the Company s operating expenses increased by $1,189,063, or 67%, in comparison to the three months ended September 30, 2014. Operating expenses are comprised of salaries and office administrative fees, research and development expenses, professional fees, and other general and administrative expenses.

Salaries and office administrative fees increased by $153,807 in the 2015 period. The increase was mainly due to the cost of additional stock option expense (relating to options granted in August 2014 and 2015), offset by a reduction in the cost of warrants issued to consultants. The incremental cost of a director appointed in June 2014 and additional compensation for senior executives of the Company also contributed to the increase. Research and development expenses increased by $790,131 in the 2015 period. An additional $577,013 was incurred on the purchase of samples, antibodies and chemicals used for testing and an additional $45,095 was spent on a study at Hvidovre Hospital in Denmark that started in August 2014. Other areas of cost increase included depreciation, patent related costs and increased stock options amortization. Professional fees increased by $233,089, which included additional fees of $53,309 for investor relations services to raise the profile of the Company and NYSE MKT registration fees of $8,750. In addition, within professional fees, legal costs increased by $86,929, due to increased contractual activity and the preparation and filing of a resale registration statement. General and administrative expenses increased by $12,036. This was mainly due to increased insurance costs and higher travel related to an increase in investor relations activity.

Other Expenses

For the three months ended September 30, 2015, the Company recognized other expenses of $nil, as compared to other expenses of $4,130,562 for the three months ended September 30, 2014, relating to a loss on the re-measurement of a derivative liability, which did not occur in the 2015 comparable period, as the derivative liability expired on February 27, 2015.

Net Loss

For the three months ended September 30, 2015, our net loss was $2,962,626 a decrease of $2,931,318, or 50%, in comparison to a net loss of $5,893,944 for the three months ended September 30, 2014. The change is a result of the factors described above.

Nine Months Ended September 30, 2015 and September 30, 2014

The following table sets forth the Company s results of operations for the nine months ended September 30, 2015 and the comparative period for the nine months ended September 30, 2014.

		Nine Months Ended September 30, 2015		Nine Months Ended September 30, 2014		Increase/ Decrease	Increase/ Decrease
Revenues	$	-	$	14,785	$	(14,785)	(100%)
Operating Expenses		(7,334,679)		(4,066,778)		(3,267,901)	80%
Other Income / (Net Other Expenses)		486,556		(3,219,574)		3,706,130	(115%)
Income Taxes		4,604		-		4,604	
Net Loss	$	(6,843,519)	$	(7,271,567)	$	428,048	(6%)
Basic and Diluted Net Loss Per Common Share	$	(0.39)	$	(0.56)	$	0.17	(30%)
Weighted Average Basic and Diluted Common Shares Outstanding							
- Basic		17,504,026		13,057,866		4,446,160	34%
- Diluted		17,504,026		13,057,866		4,446,160	34%

Revenues

The Company had no revenues from operations in the nine months ended September 30, 2015, and revenues of $14,785 from operations in the comparative period for the nine months ended September 30, 2014. The Company s operations are still predominantly in the development stage.

Operating Expenses

For the nine months ended September 30, 2015, the Company s operating expenses increased by $3,267,901, or 80%, in comparison to the nine months ended September 30, 2014. Operating expenses are comprised of salaries and office administrative fees, research and development expenses, professional fees, and other general and administrative expenses.

Salaries and office administrative fees increased by $581,587 in the 2015 period. The increase was primarily due to $429,709 of increased costs of amortization of share options issued in August 2014 and 2015, offset by a decrease in the cost of valuation of a consultant s warrants of $196,873. There was also additional compensation for senior executives of the Company and an additional director appointed in June 2014. Research and development expenses increased by $1,696,145 in the 2015 period, due to $433,177 being incurred on the Hvidovre Hospital Study in Denmark as well as $1,026,767 being expensed for samples, services, antibodies and chemicals associated with testing. Increased amortization costs of share options for research and development resources of $194,095 also contributed to the variance between the comparable periods. Professional fees increased by $728,597, which included additional fees of $138,293 for investor relations services to raise the profile of the Company and NYSE MKT listing fees of $98,333. In addition, within professional fees, legal costs increased by $405,960 year over year. Increased legal activity associated with the up-list to the NYSE MKT, capital raising activities and other contractual areas explained this change. General and administrative expenses increased by $261,572. This was mainly due to an increase in capital raising services expense of $33,494, additional insurance costs of $97,383 and increased travel and subsistence costs of $96,823, owing to increased travelling associated with investor relations and conference attendance.

Other Income / Net Other Expenses

For the nine months ended September 30, 2015, the Company recognized other income of $486,556, as compared to net other expenses of $3,219,574 for the nine months ended September 30, 2014. Other income for the nine months ended September 30, 2015 consisted of $146,812 in grant funds received from public bodies in respect of approved expenditures, where there is no obligation to repay, as well as $339,744 recorded as a result of a gain on re-measurement of a derivative liability. For the nine months ended September 30, 2014, net other expenses consisted of $143,987 in grant funds and a loss of $3,363,561 on the re-measurement of a derivative liability.

Net Loss

For the nine months ended September 30, 2015, our net loss was $6,843,519, a decrease of $428,048, or 6%, in comparison to a net loss of $7,271,567 for the nine months ended September 30, 2014. The change is a result of the factors described above.

Going Concern

We have not attained profitable operations and are dependent upon obtaining financing to pursue any extensive activities. For these reasons, our auditors stated in their report on our audited financial statements for the fiscal year ended December 31, 2014 that they have substantial doubt that we will be able to continue as a going concern without further financing.

Off-Balance Sheet Arrangements

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to stockholders.

Future Financings

We may seek to obtain additional capital through the sale of debt or equity securities, if we deem it desirable or necessary. However, we may be unable to obtain such additional capital when needed, or on terms favorable to us or our stockholders, if at all. If we raise additional funds by issuing equity securities, the percentage ownership of our stockholders will be reduced, stockholders may experience additional dilution or such equity securities may provide for rights, preferences or privileges senior to those of the holders of our common stock. If additional funds are raised through the issuance of debt securities, the terms of such securities may place restrictions on our ability to operate our business.

Critical Accounting Policies

Our financial statements and accompanying notes have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

We regularly evaluate the accounting policies and estimates that we use to prepare our financial statements. A complete summary of these policies is included in the notes to our financial statements. In general, management's estimates are based on historical experience, on information from third party professionals, and on various other assumptions that are believed to be reasonable under the facts and circumstances. Actual results could differ from those estimates made by management.

Recently Issued Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect. The Company does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

ITEM 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

ITEM 4.

CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by our company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure

Our management carried out an evaluation under the supervision and with the participation of our Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon that evaluation, our Principal Executive Officer and Principal Financial Officer have concluded, as they previously concluded as of December 31, 2014, March 31, 2015 and June 30, 2015, respectively, that our disclosure controls and procedures continue to not be effective as of September 30, 2015 because of material weaknesses in our internal control over financial reporting, as described below and in detail in our Annual Report for the year ended December 31, 2014 on Form 10-K as filed with the SEC on March 18, 2015, as well as our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2015 and June 30, 2015.

Changes in Internal Control over Financial Reporting

The Audit Committee of the Board of Directors meets regularly with our financial management and counsel, and with the independent registered public accounting firm engaged by us. Internal accounting controls and the quality of financial reporting are discussed during these meetings. The Audit Committee has discussed with the independent registered public accounting firm matters required to be discussed by the auditing standards adopted or established by the Public Company Accounting Oversight Board. In addition, the Audit Committee and the independent registered public accounting firm have discussed the independent registered public accounting firm s independence from the Company and its management, including the matters in the written disclosures required by Public Company Accounting Oversight Board Rule 3526 Communicating with Audit Committees Concerning Independence .

As at September 30, 2015, we did not maintain sufficient internal controls over financial reporting for all of the cash process, including failure to segregate cash handling and accounting functions, and did not require dual signature on some of the Company s bank accounts. We have developed, and are currently implementing, a remediation plan for this material weakness. We will continue to execute our remediation plan, which includes changing bank mandates to ensure dual authorization is present on all of our bank accounts and rationalizing the number of bank accounts held by us. The successful remediation of this material weakness will require review and evidence of the effectiveness of the related internal controls as part of our next annual assessment of our internal controls over financial reporting as of December 31, 2015.

Additionally, previously we did not implement appropriate information technology controls. For instance, the Company retains copies of all financial data and material agreements; and the main Volition trading subsidiary, Belgian Volition S.A. follows a formal off-site daily backup of data procedure, however, there was no formal off-site backup procedure in place for Volition s other subsidiaries. Consequently, the Company identified this material weakness and completed a remediation plan and automatic backups have now been implemented in the other subsidiaries of the Company. Management will review the evidence of the effectiveness of the related internal controls as part of our next annual assessment of our internal controls over financial reporting as of December 31, 2015.

Except as disclosed above, there have been no changes in our internal controls over financial reporting that occurred during the fiscal quarter ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

The Company is not required by current SEC rules to include, and does not include, an auditor's attestation report. Consequently, the Company's registered public accounting firm has not attested to management's reports on the Company's internal control over financial reporting.

Limitations of the Effectiveness of Disclosure Controls and Internal Controls

Our management, including our Principal Executive Officer and Principal Financial Officer, does not expect that our disclosure controls and internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control.

The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving our stated goals under all potential future conditions; over time, a control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II - OTHER INFORMATION

ITEM 1.

LEGAL PROCEEDINGS

In the ordinary course of business, we may be subject to claims, counter claims, suits and other litigation of the type that generally arise from the conduct of our business. We know of no material, existing or pending legal proceedings against our company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which our director, officer or any affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

ITEM 1A.

RISK FACTORS

The risk factors listed below should be considered with the information provided elsewhere in this Quarterly Report on Form 10-Q, which could materially adversely affect our business, financial condition or results of operations.

Risks Associated with our Company

We have not generated any significant revenue since our inception and we may never achieve profitability.

We are a clinical stage company and since our inception, we have not generated any significant revenue. As we continue the discovery and development of our future diagnostic products, our expenses are expected to increase significantly. Accordingly, we will need to generate significant revenue to achieve profitability. Even as we begin to market and sell our intended products, we expect our losses to continue as a result of ongoing research and development expenses, as well as increased manufacturing, sales and marketing expenses. These losses, among other things, have had and will continue to have an adverse effect on our working capital, total assets and stockholders equity. Because of the numerous risks and uncertainties associated with our product development and commercialization efforts, we are unable to predict when we will become profitable, and we may never become profitable. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. If we are unable to achieve and then maintain profitability, our business, financial condition and results of operations will be negatively affected and the market value of our common stock will decline.

We may need to raise additional capital in the future. If we are unable to secure adequate funds on terms acceptable to us, we may be unable to execute our plan of operations.

If we incur delays in commencing commercialization of our intended products or in achieving significant product revenue, or if we encounter other unforeseen adverse business developments, we may exhaust our capital resources prior to the commencement of commercialization.

We cannot be certain that additional capital will be available when needed or that our actual cash requirements will not be greater than anticipated. Financing opportunities may not be available to us, or if available, may not be available on favorable terms. The availability of financing opportunities will depend on various factors, such as market conditions and our financial condition and outlook. In addition, if we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership of our stockholders could be significantly diluted, and these newly-issued securities may have rights, preferences or privileges senior to those of existing stockholders. If we obtain additional debt financing, a substantial portion of our operating cash flow may be dedicated to the payment of principal and interest on such indebtedness, and the terms of the debt securities issued could impose significant restrictions on our operations. If we are unable to obtain financing on terms favorable to us, we may be unable to execute our plan of operations and we may be required to cease or reduce development or commercialization of any future products, sell some or all of our technology or assets or merge with another entity.

It is difficult to forecast our future performance, which may cause our financial results to fluctuate unpredictably.

Our limited operating history and the rapid evolution of the market for diagnostic products make it difficult for us to predict our future performance. A number of factors, many of which are outside of our control, may contribute to fluctuations in our financial results, such as:

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Our ability to develop or procure antibodies for clinical use in our future products;

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Our ability to translate preliminary clinical results to larger prospective screening populations;

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The demand for our intended products;

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Our ability to obtain any necessary financing;

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Our ability to market and sell our future products;

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Market acceptance of our future products and technology;

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Performance of any future strategic business partners;

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Our ability to obtain regulatory clearances or approvals;

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Changes in technology that may render our future products uncompetitive or obsolete;

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Competition with other cancer diagnostics companies; and

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Adverse changes in the healthcare industry.

Our future success depends on our ability to retain our officers and directors, scientists, and other key employees and to attract, retain and motivate qualified personnel.

Our success depends on our ability to attract, retain and motivate highly qualified management and scientific personnel. In particular, we are highly dependent on Cameron Reynolds, our President and Chief Executive Officer, our other officers and directors, scientists and key employees. The loss of any of these persons or their expertise would be difficult to replace and could have a material adverse effect on our ability to achieve our business goals. In addition, the loss of the services of any one of these persons may impede the achievement of our research, development and commercialization objectives by diverting management s attention to the identification of suitable replacements, if any. There can be no assurance that we will be successful in hiring or retaining qualified personnel and our failure to do so could have a material adverse effect on our business, financial condition and results of operations.

Recruiting and retaining qualified scientific personnel and, in the future, sales and marketing personnel will also be critical to our success. We may not be able to attract and retain these personnel on acceptable terms given the competition among pharmaceutical, biotechnology and diagnostic companies for similar personnel. We also experience competition for the hiring of scientific personnel from universities and research institutions. We do not maintain key person insurance on any of our employees. In addition, we rely on consultants and advisors, including scientific and clinical advisors, to assist us in formulating our research, development and commercialization strategies. Our consultants and advisors, however, may have other commitments or employment that may limit their availability to us.

We expect to expand our product development, research and sales and marketing capabilities, and as a result, we may encounter difficulties in managing our growth, which could disrupt our operations.

We expect to experience significant growth in the number of our consultants, advisors, and employees and the scope of our operations as we continue to develop and commercialize our current pipeline of intended products and new products. In order to manage our anticipated future growth, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities, and continue to recruit and train additional qualified personnel. Due to our limited resources, we may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. The expansion of our operations may lead to significant costs and may divert our management and business development resources. Any inability to manage growth could delay the execution of our business plan or disrupt our operations.

We have limited experience with direct sales and marketing and any failure to build and manage a direct sales and marketing team effectively could have a material adverse effect on our business.

Our products will require several dynamic and evolving sales models tailored to different worldwide markets, users and products. We have decided to focus our sales strategy on the clinical market in 2015 with the CE Marking of our first product in Europe. Pending completion of our review of the regulatory environment in the United States, including the effect of recent pronouncements regarding LDTs by the FDA, we aim initially to enter the United States market through a technology license for LDT development in a CLIA lab in the United States. We intend to progressively grow to large volumes of tests sold to centralized laboratories and eventually reach the mass diagnostics testing market. The exact nature of the ideal sales strategy will evolve as we continue to develop our intended products and seek entry into the IVD markets. We have limited experience with direct sales and marketing and any failure to build and manage a direct sales and marketing team effectively could have a material adverse effect on our business.

There are significant risks involved in building and managing our sales and marketing organization, as well as identifying and negotiating deals with the right sales and distribution partners, including risks related to our ability to:

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Identify appropriate partners;

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Negotiate beneficial partnership and distribution agreements;

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Hire qualified individuals as needed;

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Generate sufficient leads within our targeted market for our sales force;

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Provide adequate training for effective sales and marketing;

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Retain and motivate our direct sales and marketing professionals; and

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Effectively oversee geographically dispersed sales and marketing teams.

Our failure to adequately address these risks could have a material adverse effect on our ability to increase sales and use of our future products, which would cause our revenues to be lower than expected and harm our results of operations.

Our Amended and Restated Certificate of Incorporation exculpates our officers and directors from certain liability to our Company or our stockholders.

Our Amended and Restated Certificate of Incorporation contains a provision limiting the liability of our officers and directors for their acts or failures to act, except for acts involving intentional misconduct, fraud or a knowing violation of law. This limitation on liability may reduce the likelihood of derivative litigation against our officers and directors and may discourage or deter our stockholders from suing our officers and directors based upon breaches of their duties to our Company.

Our internal controls may be inadequate, which could cause our financial reporting to be unreliable and lead to misinformation being disseminated to the public.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Exchange Act Rule 13a-15(f), internal control over financial reporting is a process designed by, or under the supervision of, the principal executive and principal financial officer and effected by the board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

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pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and dispositions of assets;

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provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and/or directors; and

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provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Our internal controls may be inadequate or ineffective, which could cause our financial reporting to be unreliable and lead to misinformation being disseminated to the public. Investors relying upon this misinformation may make an uninformed investment decision. Additionally, for so long as we remain as a smaller reporting company, under current rules our accounting firm will not be required to provide an opinion regarding our internal controls over financial reporting.

We have a going concern opinion from our auditors, indicating the possibility that we may not be able to continue to operate.

Our independent registered public accountants have expressed substantial doubt about our ability to continue as a going concern. This opinion could materially limit our ability to raise additional funds by issuing new debt or equity securities or otherwise. If we fail to raise sufficient capital when needed, we will not be able to complete our proposed business plan. As a result we may have to liquidate our business and investors may lose their investments. Our ability to continue as a going concern is dependent upon our ability to successfully accomplish our plan of operations described herein, obtain financing and eventually attain profitable operations. Investors should consider our independent registered public accountant s comments when deciding whether to invest in the Company.

Risks Associated with our Business

Failure to successfully develop, manufacture, market, and sell our future products will have a material adverse effect on our business, financial condition, and results of operations.

We are in the process of developing a suite of diagnostic tests as well as additional products. To date, we have not placed any of our product prototypes on the clinical market. The successful development and commercialization of our intended products is critical to our future success. Our ability to successfully develop, manufacture, market, and sell our future products is subject to a number of risks, many of which are outside our control. There can be no assurance that we will be able to develop and manufacture products in commercial quantities at acceptable costs, successfully market any products, or generate revenues from the sale of any products. Failure to achieve any of the foregoing would have a material adverse effect on our business, financial condition, and results of operations.

Our business is dependent on our ability to successfully develop and commercialize diagnostic products. If we fail to develop and commercialize diagnostic products, we may be unable to execute our plan of operations.

Our current business strategy focuses on discovering, developing and commercializing diagnostic products. The success of our business will depend on our ability to fully develop and commercialize the diagnostic products in our current development pipeline as well as continue the discovery and development of other diagnostics products.

Prior to commercializing diagnostic products, we will be required to undertake time-consuming and costly development activities with uncertain outcomes, including conducting clinical studies and obtaining regulatory clearance or approval in the United States and in Europe. Delays in obtaining approvals and clearances could have material adverse effects on us and our ability to fully carry out our plan of operations. We have limited experience in taking products through these processes and there are considerable risks involved in these activities. The science and methods that we are employing are innovative and complex, and it is possible that our development programs will ultimately not yield products suitable for commercialization or government approval. Products that appear promising in early development may fail to be validated in subsequent studies, and even if we achieve positive results, we may still fail to obtain the necessary regulatory clearances or approvals. Few research and development projects result in commercial products, and perceived viability in early clinical studies often is not replicated in later studies. At any point, we may abandon development of a product, or we may be required to expend considerable resources obtaining additional clinical and nonclinical data, which would adversely impact the timing for generating potential revenue from those products. Further, our ability to develop and launch diagnostic tests is dependent on our receipt of substantial additional funding. If our discovery and development programs yield fewer commercial products than we expect, we may be unable to execute our business plan, and our business, financial condition and results of operations may be adversely affected.

Our failure to obtain necessary regulatory clearances or approvals on a timely basis would significantly impair our ability to distribute and market our future products on the clinical IVD market.

We are subject to regulation and supervision by the FDA in the United States, the Conformité Européenne in Europe and other regulatory bodies in other countries where we intend to sell our future products. Before we are able to place our intended products in the clinical IVD markets in the United States and Europe, we will be required to obtain approval of our future products from the FDA and receive a CE Mark, respectively. The European Union has recently proposed terms that would impose additional requirements to obtain a CE Mark, which could result in delays and further expense to us as compared to the current CE Mark approval process. It is expected that these proposed changes, if adopted, would become effective in the first half of 2016, however there is currently no definitive timeline for adoption. Delays in obtaining approvals and clearances for our products could have material adverse effects on us and our ability to fully carry out our plan of operations.

Additionally, even if we receive the required government approval of our intended products, we are still subject to continuing regulation and oversight. Under the FDA, diagnostics are considered medical devices and are subject to ongoing controls and regulations, including inspections, compliance with established manufacturing practices, device-tracking, record-keeping, advertising, labeling, packaging, and compliance with other standards. The process of complying with such regulations with respect to current and new products can be costly and time-consuming. Failure to comply with these regulations could have a material adverse effect on our business, financial condition, and results of operations. Furthermore, any FDA regulations governing our future products are subject to change at any time, which may cause delays and have material adverse effects on our operations. In Europe, IVD companies are able to self-certify that they meet the appropriate regulatory requirements but are subject to inspection for enforcement. European national agencies, such as customs authorities and/or the Departments of Health, Industry and Labor, conduct market surveillance to ensure the applicable requirements have been met for products marketed within the EU.

Recent announcements from the Federal Food and Drug Administration may impose additional regulatory obligations and costs upon our business.

On October 3, 2014, the FDA issued two draft guidance documents regarding oversight of laboratory developed tests, or LDTs, titled Framework for Regulatory Oversight of Laboratory Developed Tests (LDTs) and FDA Notification and Medical Device Reporting for Laboratory Developed Tests (LDTs). According to this guidance, the FDA plans to take a phased-in risk-based approach to regulating LDTs. The FDA plans to phase in enforcement of LDT premarket review, quality system oversight and adverse event reporting over a number of years. The FDA would require that laboratories providing LDTs, subject to certain limited exemptions, within six months after the guidance documents are finalized comply with (i) either a new notification procedure in which the laboratory must provide the FDA with certain basic information about each LDT offered by their laboratory or the FDA s device registration and listing requirements, and (ii) the medical device reporting, or MDR, requirements for LDTs offered by that laboratory. Under this new risk based approach, it is possible that some level of pre-market review may be required for our LDTs-either a 510(k) or PMA-which may require us to obtain additional clinical data.

It is unclear at this time when, or if, the draft guidance documents will be finalized and, if so, how the final framework might differ from the draft guidance. Therefore, we do not know what the additional costs and regulatory burdens will be, nor the impact of any final FDA guidance or FDA enforcement of its regulations on our business or operations.

If the FDA requires us to seek clearance or approval for any of our products (as opposed to simply licensing our technology to a CLIA lab), we may not be able to obtain such approvals on a timely basis, or at all. The cost of conducting clinical trials and otherwise developing data and information to support any applications may be significant. Failure to comply with applicable regulatory requirements of the FDA could result in enforcement action, including receiving untitled or warning letters, fines, injunctions, or civil or criminal penalties. In addition, we could be subject to a recall or seizure of current or future products, operating restrictions, partial suspension or total shutdown of production. Any such enforcement action would have a material adverse effect on our business, financial condition and operations.

If the marketplace does not accept the products in our development pipeline or any other diagnostic products we might develop, we may be unable to generate sufficient revenue to sustain and grow our business.

Our intended products may never gain significant acceptance in the research or clinical marketplace and therefore may never generate substantial revenue or profits. Physicians, hospitals, clinical laboratories, researchers or others in the healthcare industry may not use our future products unless they determine that they are an effective and cost-efficient means of detecting and diagnosing cancer. In addition, we will need to expend a significant amount of resources on marketing and educational efforts to create awareness of our future products and to encourage their acceptance and adoption. If the market for our future products does not develop sufficiently or the products are not accepted, our revenue potential will be harmed.

The cancer diagnostics market is highly competitive and subject to rapid technological change; accordingly, we will face fierce competition and our intended products may become obsolete.

The cancer diagnostics market is extremely competitive and characterized by evolving industry standards and new product enhancements. Cancer diagnostic tests are technologically innovative and require significant planning, design, development, and testing at the technological, product, and manufacturing process levels. These activities require significant capital commitments and investment. There can be no assurance that our intended products or proprietary technologies will remain competitive following the introduction of new products and technologies by competing companies within the industry. Furthermore, there can be no assurance that our competitors will not develop products that render our future products obsolete or that are more effective, accurate or can be produced at lower costs. There can be no assurance that we will be successful in the face of increasing competition from new technologies or products introduced by existing companies in the industry or by new companies entering the market.

We expect to face intense competition from companies with greater resources and experience than us, which may increase the difficulty for us to achieve significant market penetration.

The market for cancer diagnostics is intensely competitive, subject to rapid change, and significantly affected by new product introductions and other market activities of industry participants. Our competitors include large multinational corporations and their operating units, including Abbott Laboratories Inc., Cepheid Inc., Philips, GE Healthcare, Siemens, Gen-Probe Incorporated, MDxHealth SA, EpiGenomics AG, Applied Proteomics Inc., Roche Diagnostics, Exact Sciences Corporation, Sequenom, Inc. and several others. These companies have substantially greater financial, marketing and other resources than we do. Each of these companies is either publicly traded or a division of a publicly traded company, and enjoys several competitive advantages, including:

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Significantly greater name recognition;

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Established relationships with healthcare professionals, companies and consumers;

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Additional lines of products, and the ability to offer rebates or bundle products to offer higher discounts or incentives to gain a competitive advantage;

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Established supply and distribution networks; and

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Greater resources for product development, sales and marketing, and intellectual property protection.

These other companies have developed and will continue to develop new products that will compete directly with our future products. In addition, many of our competitors spend significantly greater funds for the research, development, promotion, and sale of new and existing products. These resources allow them to respond more quickly to new or emerging technologies and changes in consumer requirements. For all the foregoing reasons, we may not be able to compete successfully against our competitors.

Declining global economic or business conditions may have a negative impact on our business.

Continuing concerns over United States healthcare reform legislation and energy costs, geopolitical issues, the availability and cost of credit and government stimulus programs in the United States and other countries have contributed to increased volatility and diminished expectations for the global economy. These factors, combined with low business and consumer confidence and high unemployment precipitated a global economic slowdown and recession. If the economic climate does not improve or continues to deteriorate, our business, including our access to the RUO or clinical IVD markets for diagnostic tests, could be adversely affected, resulting in a negative impact on our business, financial condition and results of operations.

We will rely on third parties to manufacture and supply our intended products. Any problems experienced by these third parties could result in a delay or interruption in the supply of our intended products to our customers, which could have a material negative effect on our business.

We will rely on third parties to manufacture and supply our intended products. The manufacture of our intended diagnostic products will require specialized equipment and utilize complicated production processes that would be difficult, time-consuming and costly to duplicate. If the operations of third party manufacturers are interrupted or if they are unable to meet our delivery requirements due to capacity limitations or other constraints, we may be limited in our ability to fulfill our future sales orders. Any prolonged disruption in the operations of third party manufacturers could have a significant negative impact on our ability to sell our future products, could harm our reputation and could cause us to seek other third party manufacturing contracts, thereby increasing our anticipated development and commercialization costs. In addition, if we are required to change manufacturers for any reason, we will be required to verify that the new manufacturer maintains facilities and procedures that comply with quality standards required by the FDA and with all applicable regulations and guidelines. The delays associated with the verification of a new manufacturer could negatively affect our ability to develop products or receive approval of any products in a timely manner.

The manufacturing operations of our future third party manufacturers will likely be dependent upon third party suppliers, making us vulnerable to supply shortages and price fluctuations, which could harm our business.

The operations of our future third party manufacturers will likely be dependent upon third party suppliers. A supply interruption or an increase in demand beyond a supplier s capabilities could harm the ability of our future manufacturers to manufacture our intended products until new sources of supply are identified and qualified.

Reliance on these suppliers could subject us to a number of risks that could harm our business, including:

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Interruption of supply resulting from modifications to or discontinuation of a supplier s operations;

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Delays in product shipments resulting from uncorrected defects, reliability issues, or a supplier s variation in a component;

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A lack of long-term supply arrangements for key components with our suppliers;

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Inability to obtain adequate supply in a timely manner, or to obtain adequate supply on commercially reasonable terms;

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Difficulty and cost associated with locating and qualifying alternative suppliers for components in a timely manner;

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Production delays related to the evaluation and testing of products from alternative suppliers, and corresponding regulatory qualifications;

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Delay in delivery due to suppliers prioritizing other customer orders over ours;

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Damage to our brand reputation caused by defective components produced by the suppliers; and

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Fluctuation in delivery by the suppliers due to changes in demand from us or their other customers.

Any interruption in the supply of components of our future products or materials, or our inability to obtain substitute components or materials from alternate sources at acceptable prices in a timely manner, could impair our ability to meet the demand of our future customers, which would have an adverse effect on our business.

We will depend on third party distributors in the future to market and sell our future products which will subject us to a number of risks.

We will depend on third party distributors to sell, market, and service our future products in our intended markets. We are subject to a number of risks associated with reliance upon third party distributors including:

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Lack of day-to-day control over the activities of third party distributors;

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Third party distributors may not commit the necessary resources to market and sell our future products to our level of expectations;

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Third party distributors may terminate their arrangements with us on limited or no notice or may change the terms of these arrangements in a manner unfavorable to us; and

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Disagreements with our future distributors could result in costly and time-consuming litigation or arbitration which we could be required to conduct in jurisdictions with which we are not familiar.

If we fail to establish and maintain satisfactory relationships with our future third party distributors, our revenues and market share may not grow as anticipated, and we could be subject to unexpected costs which could harm our results of operations and financial condition.

If the patents that we rely on to protect our intellectual property prove to be inadequate, our ability to successfully commercialize our future products will be harmed and we may never be able to operate our business profitably.

Our success depends, in large part, on our ability to protect proprietary methods, discoveries and technologies that we develop under the patents and intellectual property laws of the United States, European Union and other countries, so that we can seek to prevent others from unlawfully using our inventions and proprietary information. We have exclusive license rights to a number of patent applications related to our diagnostic tests under development, but do not have any issued patents in the United States and only one issued patent in Europe. Additionally, we have patent applications authored by both Singapore Volition and Belgian Volition, which are also currently pending. We cannot assure you that any of the pending patent applications will result in patents being issued. In addition, due to technological changes that may affect our future products or judicial interpretation of the scope of our patents, our intended products might not, now or in the future, be adequately covered by our patents.

If third parties assert that we have infringed their patents and proprietary rights or challenge the validity of our patents and proprietary rights, we may become involved in intellectual property disputes and litigation that would be costly, time consuming, and delay or prevent the development or commercialization of our future products.

Our ability to commercialize our intended products depends on our ability to develop, manufacture, market and sell our future products without infringing the proprietary rights of third parties. Third parties may allege that our future products or our methods or discoveries infringe their intellectual property rights. Numerous United States and foreign patents and pending patent applications, which are owned by third parties, exist in fields that relate to our intended products and our underlying methodologies, discoveries and technologies.

A third party may sue us for infringing its patent rights. Likewise, we may need to resort to litigation to enforce a patent issued or licensed to us or to determine the scope and validity of third party proprietary rights. In addition, a third party may claim that we have improperly obtained or used its confidential or proprietary information. The cost to us of any litigation or other proceeding relating to intellectual property rights, even if resolved in our favor, could be substantial, and the litigation could divert our management s attention from other aspects of our business. Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources. Uncertainties resulting from the initiation and continuation of any litigation could limit our ability to continue our operations.

If we are found to infringe upon intellectual property rights of third parties, we might be forced to pay damages, potentially including treble damages. In addition to any damages we might have to pay, a court could require us to stop the infringing activity or obtain a license. Any license required under any patent may not be made available on commercially acceptable terms, if at all. In addition, such licenses are likely to be non-exclusive and, therefore, our competitors may have access to the same technology licensed to us. If we fail to obtain a required license and are unable to design around a patent, we may be unable to effectively market some or all of our future products, which could limit our ability to generate revenue or achieve profitability and possibly prevent us from generating revenue sufficient to sustain our operations.

If we are unable to protect our trade secrets, we may be unable to protect our interests in proprietary technology, processes and know-how that is not patentable or for which we have elected not to seek patent protection.

In addition to patented technology, we rely upon trade secret protection to protect our interests in proprietary know-how and for processes for which patents are difficult or impossible to obtain or enforce. We may not be able to protect our trade secrets adequately. Although we use reasonable efforts to protect our trade secrets, our employees, consultants, contractors and outside scientific advisors may unintentionally or willfully disclose our information to competitors. Enforcing a claim that a third party illegally obtained and is using any of our trade secrets is expensive and time consuming, and the outcome is unpredictable. In addition, courts outside the United States are sometimes less willing to protect trade secrets. We rely, in part, on non-disclosure and confidentiality agreements with our employees, consultants and other parties to protect our trade secrets and other proprietary technology. These agreements may be breached and we may not have adequate remedies for any breach. Moreover, others may independently develop equivalent proprietary information, and third parties may otherwise gain access to our trade secrets and proprietary knowledge. Any disclosure of confidential information into the public domain or to third parties could allow our competitors to learn our trade secrets and use the information in competition against us, which could adversely affect our competitive advantage.

Risks Associated with our Common Stock

The market prices and trading volume of our stock may be volatile.

The market price of our common stock is likely to be highly volatile and the trading volume may fluctuate and cause significant price variation to occur. We cannot assure you that the market prices of our common stock will not fluctuate or decline significantly in the future. Some of the factors that could negatively affect the prices of our shares or result in fluctuations in those prices or in trading volume of our common stock could include the following, many of which will be beyond our control:

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competition;

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additions or departures of key personnel;

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our ability to execute our business plan;

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operating results that fall below expectations;

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loss of any strategic relationship;

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industry developments;

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economic and other external factors; and

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period-to-period fluctuations in our financial results.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price and trading volume of our common stock.

Share ownership by our officers and directors make it more difficult for third parties to acquire us or effectuate a change of control that might be viewed favorably by other stockholders.

As of November 4, 2015, our executive officers and directors owned, in the aggregate, 27.61% of our outstanding shares. As a result, if the officers and directors were to oppose a third party s acquisition proposal for, or a change in control of, the Company, the officers and directors may have sufficient voting power to be able to block or at least delay such an acquisition or change in control from taking place, even if other stockholders would support such a sale or change of control.

Our corporate governance documents, and certain corporate laws applicable to us, could make a takeover attempt, which may be beneficial to our stockholders, more difficult.

Our Board of Directors, or Board, has the power, under our articles of incorporation, to issue additional shares of common stock and create and authorize the sale of one or more series of preferred stock without having to obtain stockholder approval for such action. As a result, our Board could authorize the issuance of shares of a series of preferred stock to implement a stockholders rights plan (often referred to as a poison pill) or could sell and issue preferred shares with special voting rights or conversion rights, which could deter or delay attempts by our stockholders to remove or replace management, and attempts of third parties either to engage in proxy contests or to acquire control of the Company. In addition, our charter documents:

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enable our Board to fill vacant directorships except for vacancies created by the removal of a director;

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enable our Board to amend our bylaws without stockholder approval subject to certain exceptions; and

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require compliance with an advance notice procedure with regard to business to be brought by a stockholder before an annual or special meeting of stockholders and with regard to the nomination by stockholders of candidates for election as directors.

These provisions may discourage potential acquisition proposals and could delay or prevent a change of control, including under circumstances in which our stockholders might otherwise receive a premium over the market price of our common stock.

We do not expect to pay dividends in the foreseeable future.

We do not intend to declare dividends for the foreseeable future, as we anticipate that we will reinvest any future earnings in the development and growth of our business. Therefore, investors will not receive any funds unless they sell their common stock, and stockholders may be unable to sell their shares on favorable terms or at all. We cannot assure you of a positive return on investment or that you will not lose the entire amount of your investment in our common stock.

We may in the future issue additional shares of our common stock which would reduce investors ownership interests in the Company and which may cause our stock price to decline.

Our Certificate of Incorporation and amendments thereto authorize the issuance of 100,000,000 shares of common stock, par value $0.001 per share and 1,000,000 shares of preferred stock, par value $0.001 per share. The future issuance of all or part of our remaining authorized common stock may result in substantial dilution in the percentage of our common stock held by our then existing stockholders. We may value any common stock or preferred stock issued in the future on an arbitrary basis. The issuance of common stock or preferred stock for future services or acquisitions or other corporate actions may have the effect of diluting the percentage ownership of our stockholders and, depending upon the prices at which such shares are sold or issued, on their investment in our common stock and, therefore, could have an adverse effect on any trading market for our common stock.

Future sales of our common stock could depress the market price of our common stock.

Sales of a substantial number of shares of our common stock in the public market or the perception that large sales of our shares could occur, could cause the market price of our common stock to decline or limit our future ability to raise capital through an offering of equity securities.

If equity research analysts do not publish research or reports about our business, or if they do publish such reports but issue unfavorable commentary or downgrade our common stock, the price and trading volume of our common stock could decline.

The trading market for our common stock could be affected by whether and to what extent equity research analysts publish research or reports about us and our business. We cannot predict at this time whether any research analysts will cover us and our common stock or whether they will publish research and reports on us. If one or more equity analysts cover us and publish research reports about our common stock, the price of our stock could decline if one or more securities analysts downgrade our stock or if those analysts issue other unfavorable commentary or cease publishing reports about us.

If any of the analysts who elect to cover us downgrade their recommendation with respect to our common stock, our stock price could decline rapidly. If any of these analysts ceases coverage of us, we could lose visibility in the market, which in turn could cause our common stock price or trading volume to decline and our common stock to be less liquid.

We are a smaller reporting company and we cannot be certain if the reduced disclosure requirements applicable to smaller reporting companies will make our common stock less attractive to investors.

We are currently a smaller reporting company, meaning that we are not an investment company, an asset-backed issuer, or a majority-owned subsidiary of a parent company that is not a smaller reporting company and have a public float of less than $75 million and annual revenues of less than $50 million during the most recently completed fiscal year. Smaller reporting companies are able to provide simplified executive compensation disclosures in their filings; are exempt from the provisions of Section 404(b) of the Sarbanes-Oxley Act requiring that independent registered public accounting firms provide an attestation report on the effectiveness of internal control over financial reporting; and have certain other decreased disclosure obligations in their SEC filings, including, among other things, only being required to provide two years of audited financial statements in annual reports. Decreased disclosures in our SEC filings due to our status as a smaller reporting company may make it harder for investors to analyze our results of operations and financial prospects.

ITEM 2.

UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

1.

Quarterly Issuances:

On or about July 20, 2015, 25,000 warrants were exercised at a price of $2.20 per share, giving cash proceeds to the Company of $55,000. As a result, a total of 25,000 shares of common stock were issued to one (1) U.S. Accredited Investor. The shares were issued pursuant to Section 4(2) of the Securities Act of 1933, as amended, (Securities Act), and Rule 506 of Regulation D, on the basis that the securities were offered and sold in a non-public offering to an accredited investor as defined in Rule 501 of Regulation D. The shares were registered for resale on Form S-3 (Registration No. 333-195213).

On or about September 16, 2015, 12,500 warrants were exercised at a price of $2.20 per share, giving cash proceeds to the Company of $27,500. As a result, a total of 12,500 shares of common stock were issued to one (1) U.S. Accredited Investor. The shares were issued pursuant to Section 4(2) of the Securities Act of 1933, as amended, (Securities Act), and Rule 506 of Regulation D, on the basis that the securities were offered and sold in a non-public offering to an accredited investor as defined in Rule 501 of Regulation D. The shares were registered for resale on Form S-3 (Registration No. 333-195213).

2.

Subsequent Issuances:

On or about October 6, 2015, 100,000 warrants were exercised at a price of $2.20 per share, giving cash proceeds to the Company of $220,000. As a result, a total of 100,000 shares of common stock were issued to one (1) U.S. Accredited Investor. The shares were issued pursuant to Section 4(2) of the Securities Act, and Rule 506 of Regulation D, on the basis that the securities were offered and sold in a non-public offering to an accredited investor as defined in Rule 501 of Regulation D. The shares were registered for resale on Form S-3 (Registration No. 333-195213).

On or about October 28, 2015, 300,000 warrants were exercised at a price of $2.20 per share, giving cash proceeds to the Company of $660,000. As a result, a total of 300,000 shares of common stock were issued to one (1) U.S. Accredited Investor. The shares were issued pursuant to Section 4(2) of the Securities Act, and Rule 506 of Regulation D, on the basis that the securities were offered and sold in a non-public offering to an accredited investor as defined in Rule 501 of Regulation D. The shares were registered for resale on Form S-3 (Registration No. 333-195213).

ITEM 3.

DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4.

MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5.

OTHER INFORMATION

None.

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ITEM 6.

EXHIBITS

Exhibit Number	Description	Filing
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed Herewith.
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed Herewith.
32.1	Certifications of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished Herewith.
101.INS*	XBRL Instance Document	Furnished Herewith.
101.SCH*	XBRL Taxonomy Extension Schema Document	Furnished Herewith.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document	Furnished Herewith.
101.LAB*	XBRL Taxonomy Extension Labels Linkbase Document	Furnished Herewith.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document	Furnished Herewith.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document	Furnished Herewith.

*Pursuant to Regulation S-T, this interactive data file is deemed furnished and not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

SIGNATURES

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

	VOLITIONRX LIMITED
Dated: November 4, 2015	*/s/ Cameron Reynolds* Cameron Reynolds Duly Authorized Officer, President and Principal Executive Officer
Dated: November 4, 2015	*/s/ David Kratochvil* David Kratochvil Duly Authorized Officer, Chief Financial Officer and Principal Financial and Accounting Officer

;5.40% 3.13% 1.80% 1.86%(i) Expenses, before fee waivers 5.77% 3.49% 2.14% 2.18%(i)Portfolio Turnover Rate 41.36% 45.70% 23.95% 20.83%Net assets attributable to common shares, end of period (000s) $40,946 $64,317 $54,377 $57,005 Preferred shares, liquidation preference ($25,000 per share) (000s) $28,000 $28,000 $28,000 $17,000 Asset coverage per preferred share (j) $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 (6) to the financial statements, a portion of the distributions we received on our investments are not included in investment income for financial reporting purposes.

(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 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 Hospitality and Real Estate Fund
Notes to Financial Statements

December 31, 2007

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) 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.

(3) Portfolio Valuation

Investment securities of the Fund are valued at the latest sales price whenever that price is readily available on that day; securities for which no sales were reported on that day, unless otherwise noted, are valued at the last available bid price on that day. Securities traded primarily on the NASDAQ Stock Market, or NASDAQ, are normally valued by the Fund at the NASDAQ Official Closing Price, or NOCP, provided by NASDAQ each business day. The NOCP is the most recently reported price as of 4:00:02 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, which when combined with interest accrued, approximates market value.

(4) 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.

(5) 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.

Some foreign governments may subject the Fund's investment income and securities sales to withholding or other taxes. For the year ended December 31, 2007, $210 of foreign taxes have been withheld from distributions to the Fund and recorded as a reduction of dividend income.

(6) 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 December 12, 2007, the Fund declared distributions of $0.125 per common share payable in January, February and March 2008. The Fund paid the January distribution on January 31, 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. The Fund has excluded from its investment income the portions of the distributions received from REITs classified by those REITs as capital gain income and return of capital. The Fund has included in its "net realized gain on investments" that portion of the distributions received from REITs that is classified by those REITs as capital gain income. Similarly, the Fund has credited its "net change in unrealized appreciation on investments" with that portion of the distributions received from REITs that is classified by those REITs as return of capital. The classification of distributions received from the Fund's investments were as follows:

	Year Ended December 31, 2007	Year ended December 31, 2006
Ordinary income	$ 4,084,034	$ 3,754,791
Capital gain income	2,163,301	1,114,453
Return of capital	632,360	807,737
Total distributions received	$ 6,879,695	$ 5,676,981

The Fund distinguishes between distributions to shareholders on a tax basis and a financial reporting basis. Only distributions in excess of accumulated tax basis earnings and profits are reported in the financial statements as a tax return of capital. Differences in the recognition or classification of income between the financial statements and tax earnings and profits which result in temporary over distributions for financial statement purposes are classified as distributions in excess of net investment income or accumulated net realized gains in the components of net assets on the Statement of Assets and Liabilities.

The tax character of distributions made by the Fund during the years ended December 31, 2007 and December 31, 2006, were as follows:

	Year ended December 31, 2007	Year ended December 31, 2006
Ordinary income	$ 1,698,625	$ 3,356,410
Net long term capital gains	6,219,047	1,698,682
	$ 7,917,672	$ 5,055,092

As of December 31, 2007, the components of distributable earnings on a federal income tax basis were as follows:

Undistributed ordinary income	$
Undistributed net long-term capital gains	1,003,638
Net unrealized appreciation/(depreciation)	(7,028,072)

The differences between the financial reporting basis and tax basis of undistributed net long term capital gains and net unrealized appreciation/depreciation are due to wash sales of portfolio investments.

The cost of investments for federal income tax purposes, gross unrealized appreciation and unrealized depreciation as of December 31, 2007, are as follows:

Cost	$ 75,322,144
Gross unrealized appreciation	$ 4,548,969
Gross unrealized depreciation	(11,577,041)
Net unrealized appreciation/(depreciation)	$ (7,028,072)

(7) 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.

(8) Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board, or FASB, issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109", or FIN 48. FIN 48 was effective for the fiscal years beginning after December 15, 2006. The Securities and Exchange Commission delayed the application of FIN 48 to open and closed end funds to not later than June 29, 2007. FIN 48 prescribes how the Fund should recognize, measure and present in the Fund's financial statements uncertain tax provisions that have been taken or expected to be taken in a tax return. Pursuant to FIN 48 the Fund can recognize a tax benefit only if it is "more likely than not" that a particular tax position will be sustained upon examination or audit. To the extent the "more likely than not" standard has been satisfied the benefits associated with a tax position is measured as the largest amount that is greater than 50% likely of being realized upon settlement. As required, the Fund has adopted FIN 48 effective June 29, 2007, and concluded that the effect is not material to its financial statements. Each of the tax years in the three year period ended December 31, 2007, remains subject to examination by the Internal Revenue Service.

In September 2006, FASB issued Statement of Accounting Standards No. 157, "Fair Value Measurements", or SFAS 157, which is effective for fiscal years beginning after November 15, 2007. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands required disclosures about fair value measurements. Management has evaluated the application of the Statement to the Fund, and believes the impact will be limited to expanded financial statement disclosures.

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 $513,427 during the year ended December 31, 2007. The amount of fees waived by the Advisor was $213,928 for the year ended December 31, 2007.

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

RMR Advisors also performs administrative functions for the Fund pursuant to an administration agreement with the Fund. RMR Advisors has entered into a subadministration agreement with State Street Bank and Trust Company, or State Street, to perform substantially all Fund accounting and other administrative services. Under the administration agreement, RMR Advisors is entitled to reimbursement of the cost of providing administrative services. The Fund reimbursed RMR Advisors for $108,000 of subadministrative fees charged by State Street for the year ended December 31, 2007.

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 fees for board and committee meetings. The Fund incurred $49,431 of trustee fees and expenses during the year ended December 31, 2007.

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 $29,725 of compliance and internal audit expense during the year ended December 31, 2007. 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 $15,409 of insurance expense during the year ended December 31, 2007.

During the year ended December 31, 2007, RMR Advisors reimbursed the Fund in the amount of $1,036 for trading losses incurred by the Fund due to a trading error.

Note C

Securities Transactions

During the year ended December 31, 2007, there were purchases and sales transactions (excluding short term securities) of $34,545,060 and $38,735,180 respectively. Brokerage commissions on securities transactions amounted to $48,251 during the year ended December 31, 2007.

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 5.30% per annum as of December 31, 2007.

Note E

Litigation and Legal Fees

The Fund is involved in litigation with Bulldog Investors General Partnership, a hedge fund controlled by Mr. Phillip Goldstein and various affiliated entities and persons (collectively Bulldog). The purpose of this litigation is to enforce provisions of the Fund's organizational documents which limit ownership of the Fund and that appear to have been intentionally violated by Bulldog and to recover damages from Bulldog arising from its unfair business practices. This litigation was begun by the Fund in November 2006 after extended correspondence with Bulldog. Bulldog commenced a proxy contest to elect Mr. Goldstein and another Bulldog affiliate at the Fund's 2007 annual meeting and to promote various shareholder proposals; Bulldog's nominees were not elected and its proposals were not adopted at the 2007 annual meeting in March 2007. In May 2007, Bulldog's motion to dismiss the pending litigation was denied by the Massachusetts Superior

Court. In September 2007, Bulldog's motion to remove the litigation to the federal courts was denied. In June 2007, the Fund amended its litigation against Bulldog to seek recovery of its expenses incurred in connection with Bulldog's activities. Bulldog has recently filed another motion to dismiss which the Fund is opposing. In July 2007, Bulldog made a demand upon the Fund's board of trustees pursuant to the Massachusetts Universal Demand Statute which appeared to be a prelude to a possible derivative action against the Fund or its trustees. The Fund's independent trustees investigated Bulldog's allegations and found them to be without merit. During the year ended December 31, 2007, the Fund incurred approximately $1,958,751 of expense in connection with the Bulldog litigation and related matters.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders
of RMR Hospitality and Real Estate Fund:

We have audited the accompanying statement of assets and liabilities of RMR Hospitality and Real Estate Fund (the "Fund"), including the portfolio of investments, as of December 31, 2007, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the periods indicated therein. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2007, by correspondence with the custodian. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the RMR Hospitality and Real Estate Fund at December 31, 2007, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the periods indicated therein, in conformity with U.S. generally accepted accounting principles.

Boston, Massachusetts
February 21, 2008

RMR F.I.R.E. Fund
December 31, 2007

To our shareholders,

In the pages that follow, you will find data summarizing our financial results for the year ended December 31, 2007, and our financial position as of December 31, 2007.

Relevant Market Conditions

Financial Services Industry Fundamentals. At the beginning of 2007, the world financial markets were awash with liquidity. The first indications of problems in the financial markets occurred in early 2007 when the subprime mortgage crisis began to emerge. By mid-year, the problems in the subprime mortgage markets had spread and led to a widespread liquidity and credit crisis that was felt across the global financial markets. By late 2007, banks started reporting large write-offs related to investments in subprime mortgages, structured investment vehicles and derivatives tied to a falling housing market. This led further to reductions in dividends on securities issued by many financial services companies.

As the crisis continued to unfold in late 2007, the U.S. Federal Reserve Bank along with other countries' central banks injected liquidity into financial markets. By year-end, the Fed had cut interest rates three times for a total of one percentage point. We believe the aggressive rate cuts by the Fed may prevent the U.S. economy from falling into a recession in 2008. However, the financial services sector will have a hard time, in our view, avoiding an earnings recession in 2008.

Real Estate Industry Fundamentals. During 2007, commercial real estate vacancy rates generally remained stable and rents increased modestly. Nevertheless, earnings growth from commercial real estate companies began to slow in 2007 compared to prior years because of a general slowdown in the economy. The combination of an economic slowdown, investors concerns relating to weakness in the housing market and credit tightening by lenders led to a sharp decline in valuations for all publicly traded commercial real estate companies in the second half of 2007. Almost all real estate investment trusts, or REITs, experienced a sharp drop in value in the second half of 2007 because of investors concerns regarding any company involved in the real estate business. Furthermore, some REITs that had exposure to subprime mortgages filed for bankruptcy and the value of their securities became essentially worthless after they stopped paying dividends.

In 2008, we expect commercial real estate fundamentals may weaken because of slower economic growth and lower consumer and business confidence. However, higher construction costs and tighter credit markets may limit new supply of commercial real estate and help offset some of the anticipated slowdown in commercial real estate fundamentals. Before the end of 2008, we expect that valuations of REITs that invest directly in commercial real estate may improve in reaction to the sharp decline in their stock prices at the end of 2007 and in early 2008.

Real Estate Industry Technicals. After seven years of positive returns, REITs, as measured by the MSCI U.S. REIT Index (RMS) finished 2007 down 16.7%, marking one of the sector's worst performances ever. Last year was also one of the most volatile years for REITs. During the year, the RMS posted eight of the biggest one day moves since its inception in 1995. Between March and the end of 2007, investors withdrew more than $9 billion from dedicated REIT funds.

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 2007, our total return on net asset value, or NAV (including NAV changes and assuming a hypothetical reinvestment of distributions at NAV), was negative 39.4%. During the same period the S&P 500 Financial Sector Index (an unmanaged index of financial services common stocks) total return negative 18.0%, the total return for the MSCI U.S. REIT Total Return Index (an unmanaged index of REIT common stocks) was negative 16.7% and negative 13.0%. We believe these three indices are relevant to us because our investments, excluding short term investments, as of December 31, 2007, included 18% financial services stocks, 38% REIT common stocks and 35% 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 2007 was 5.5%.

In 2007, the Fund experienced a significant decline in NAV and income earned from its investments. The Fund's negative performance was primarily because of its concentrations in bank stocks and mortgage REITs, both of which significantly declined in value. Unless market conditions improve significantly, in the coming year the Fund may be forced to reduce its dividend payment rate to adjust for its decline in earnings. Under these circumstances, the Fund may also consider other actions to reduce its expenses and enhance value for shareholders.

Recent Developments. As I am writing this letter, continued turmoil in the credit markets is becoming a concern for our Fund. In particular, the market for auction rate securities seems to be experiencing a liquidity crisis. Although we believe our Fund's $16 million of auction rate preferred securities are well protected by asset coverage, the spill over effect from other auction rate securities may make it more difficult for our Fund to remarket these securities. If this occurs, the dividend rates we pay on our preferred securities may increase or we may be forced to substitute our outstanding preferred shares with less attractive forms of leverage. Any increase in the cost of leverage or decrease in the amount of leverage could adversely impact our performance and may lead to a reduction in the dividend rate paid to common shareholders in the future.

Thank you for your continued support. For more information, please view our website at *www.rmrfunds.com*.

Sincerely,

Adam D. Portnoy
President

February 20, 2008

RMR F.I.R.E. Fund
December 31, 2007

Portfolio holdings by sub-sector as a percentage of investments
(as of December 31, 2007) *

Banks & Thrifts	12%
Other Financial Services	6%
Hospitality REITs	13%
Healthcare REITs	12%
Diversified REITs	11%
Other REITs less than 10%	36%
Other	9%
Short term investments	1%
Total investments	100%

Real Estate	73%
Financial Services	18%
Other	8%
Short term investments	1%
Total investments	100%

* 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.

Company	Shares	Value
Common Stocks 104.1%		
Financial Services 28.3%		
Banks 12.5%		
Bank of America Corp.	10,000	$ 412,600
Cullen/Frost Bankers, Inc.	3,000	151,980
Fifth Third Bancorp	3,000	75,390
First Commonwealth Financial Corp.	28,000	298,200
First Horizon National Corp.	11,400	206,910
Firstmerit Corp.	12,800	256,128
FNB Corp.	28,500	418,950
KeyCorp	7,000	164,150
National City Corp.	12,400	204,104
Regions Financial Corp.	4,000	94,600
Trustco Bank Corp. NY	23,400	232,128
U.S. Bancorp	1,000	31,740
		2,546,880
Thrifts 8.7%		
Beverly Hills Bancorp, Inc.	58	296
Capitol Federal Financial	9,605	297,755
Flagstar Bancorp, Inc.	25,000	174,250
IndyMac Bancorp, Inc.	5,500	32,725
New York Community Bancorp, Inc.	72,200	1,269,276
		1,774,302
Other Financial Services 7.1%		
American Capital Strategies, Ltd.	2,000	65,920
Centerline Holding Co.	44,200	336,804
Fannie Mae	13,000	519,740
Friedman Billings Ramsey Group, Inc. *	54,000	169,560
MCG Capital Corp.	32,000	370,880
		1,462,904
Total Financial Services (Cost $9,820,427)		5,784,086
Real Estate 68.9%		
Apartments 5.1%		
AvalonBay Communities, Inc. *	3,000	282,420
BRE Properties, Inc. *	4,000	162,120
Home Properties, Inc. *	300	13,455
Mid-America Apartment Communities, Inc. *	9,600	410,400
UDR, Inc. *	9,000	178,650
		1,047,045

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

Diversified 13.7%			
CapLease, Inc. *	15,000	$	126,300
Colonial Properties Trust *	15,780		357,102
Cousins Properties, Inc. *	6,900		152,490
DuPont Fabros Technology, Inc. *	2,500		49,000
Franklin Street Properties Corp. *	3,000		44,400
iStar Financial, Inc. *	16,000		416,800
Lexington Corporate Properties Trust *	56,400		820,056
Meruelo Maddux Properties, Inc. (a)	3,100		12,400
National Retail Properties, Inc. *	35,350		826,483
			2,805,031
Health Care 16.5%			
Care Investment Trust, Inc. *	8,550		91,827
HCP, Inc. *	16,850		586,043
Health Care REIT, Inc. *	20,904		934,200
Healthcare Realty Trust, Inc. *	18,500		469,715
LTC Properties, Inc. *	5,000		125,250
Medical Properties Trust, Inc. *	24,365		248,279
Nationwide Health Properties, Inc. *	26,400		828,168
OMEGA Healthcare Investors, Inc. *	5,000		80,250
			3,363,732
Hospitality 3.9%			
Ashford Hospitality Trust, Inc. *	51,000		366,690
Host Hotels & Resorts, Inc. *	10,000		170,400
LaSalle Hotel Properties *	5,400		172,260
Sunstone Hotel Investors, Inc. *	5,000		91,450
			800,800
Industrial 7.1%			
DCT Industrial Trust, Inc. *	5,200		48,412
First Industrial Realty Trust, Inc. *	40,200		1,390,920
			1,439,332
Manufactured Homes 2.8%			
Sun Communities, Inc. *	27,000		568,890

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

Mortgage 5.0%		
Alesco Financial, Inc. *	142,400	$ 467,072
Anthracite Capital, Inc. *	15,000	108,600
JER Investors Trust, Inc. *	10,000	107,700
Newcastle Investment Corp. *	26,500	343,440
		1,026,812
Office 9.3%		
American Financial Realty Trust *	119,000	954,380
Boston Properties, Inc. *	2,000	183,620
Brookfield Properties Corp.	5,000	96,250
Parkway Properties, Inc. *	300	11,094
SL Green Realty Corp. *	7,000	654,220
		1,899,564
Retail 3.9%		
CBL & Associates Properties, Inc. *	3,000	71,730
Developers Diversified Realty Corp. *	3,000	114,870
Equity One, Inc. *	3,000	69,090
Feldman Mall Properties, Inc. *	5,000	18,450
Glimcher Realty Trust *	19,300	275,797
Realty Income Corp. *	200	5,404
Simon Property Group, Inc. *	2,000	173,720
Tanger Factory Outlet Centers, Inc. *	2,000	75,420
		804,481
Specialty 1.2%		
Getty Realty Corp. *	4,000	106,720
Resource Capital Corp. *	15,588	145,124
		251,844
Storage 0.4%		
U-Store-It Trust *	8,900	81,524
Total Real Estate (Cost $18,078,547)		14,089,055
Other 6.9%		
Abingdon Investment, Ltd. (b)(c)	100,000	796,000
Iowa Telecommunication Services, Inc.	37,500	609,750
Total Other (Cost $1,631,150)		1,405,750
Total Common Stocks (Cost $29,530,124)		21,278,891

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

Preferred Stocks 69.6%		
Real Estate 65.1%		
Apartments 12.5%		
Apartment Investment & Management Co., Series U *	32,500	$ 679,900
Apartment Investment & Management Co., Series V *	27,700	568,681
Apartment Investment & Management Co., Series Y *	65,000	1,301,950
		2,550,531
Diversified 6.9%		
Cousins Properties, Inc., Series B *	20,000	411,800
Digital Realty Trust, Inc., Series A *	20,000	450,200
LBA Realty LLC, Series B *	45,000	551,250
		1,413,250
Health Care 5.2%		
Health Care REIT, Inc., Series F *	26,900	594,759
OMEGA Healthcare Investors Inc., Series D *	19,000	470,630
		1,065,389
Hospitality 20.3%		
Ashford Hospitality Trust, Series D *	32,000	608,000
Eagle Hospitality Properties Trust, Inc., Series A * (c)	14,000	175,000
Entertainment Properties Trust, Series B *	40,000	832,000
Equity Inns, Inc., Series B * (c)	50,000	650,000
FelCor Lodging Trust, Inc., Series C *	64,000	1,187,200
Host Marriott Corp., Series E *	10,000	251,000
Strategic Hotels & Resorts, Inc., Series A *	10,000	187,800
Strategic Hotels & Resorts, Inc., Series B *	13,700	263,725
		4,154,725
Manufactured Homes 0.7%		
Hilltop Holdings, Inc., Series A	6,900	153,007
Mortgage 6.2%		
Anthracite Capital, Inc., Series D *	6,000	94,800
Gramercy Capital Corp., Series A *	20,000	394,000
HomeBanc Corp., Series A *	10,000	700
MFA Mortgage Investments, Inc., Series A *	13,800	333,546
RAIT Investment Trust, Series B *	20,300	261,870
Thornburg Mortgage, Inc., Series C *	10,000	172,500
		1,257,416
Office 4.1%		
Alexandria Real Estate Equities, Inc., Series C *	31,600	829,500

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

Retail 9.2%			
CBL & Associates Properties, Inc., Series D *	10,000	$	196,000
Glimcher Realty Trust, Series F *	26,500		544,575
Glimcher Realty Trust, Series G *	41,000		783,100
Taubman Centers, Inc., Series G *	15,000		354,750
			1,878,425
Total Real Estate (Cost $17,659,670)			13,302,243
Financial Services 4.5%			
Corts-UNUM Provident Financial Trust	38,000		926,820
Total Financial Services (Cost $982,300)			926,820
Total Preferred Stocks (Cost $18,641,970)			14,229,063
Other Investment Companies 10.9%			
Alpine Total Dynamic Dividend Fund	29,960		507,822
Cohen & Steers Premium Income Realty Fund, Inc.	13,350		196,379
Cohen & Steers REIT and Preferred Income Fund, Inc.	8,000		151,200
Cornerstone Strategic Value Fund, Inc.	32,528		163,941
Eaton Vance Enhanced Equity Income Fund II	13,100		232,525
LMP Real Estate Income Fund, Inc.	12,411		180,208
Neuberger Berman Real Estate Securities Income Fund, Inc.	16,200		186,462
Neuberger Berman Realty Income Fund, Inc.	20,800		329,056
The Zweig Total Return Fund, Inc.	60,850		275,650
Total Other Investment Companies (Cost $2,878,564)			2,223,243
Short-Term Investments 2.1%			
Other Investment Companies 2.1%			
Dreyfus Cash Management, Institutional Shares, 4.85% (D) (Cost $426,273)	426,273		426,273
Total Investments 186.7% (Cost $51,476,931)			38,157,470
Other assets less liabilities 1.4%			279,941
Preferred Shares, at liquidation preference (88.1)%			(18,000,000)
Net Assets applicable to common shareholders 100%		$	20,437,411

Notes to Portfolio of Investments

*
Real Estate Investment Trust, or REIT

(a)
As of December 31, 2007, this security had not paid a distribution.

(b)
144A securities. Securities restricted for resale to Qualified Institutional Buyers (3.9% of net assets). These securities are considered to be liquid.

(c)
As of December 31, 2007, the Fund held securities fair valued in accordance with policies adopted by the Board of Trustees, aggregating $1,621,000 and 4.2% of market value.

(d)
Rate reflects 7 day yield as of December 31, 2007.

See notes to financial statements.

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

Statement of Assets and Liabilities

December 31, 2007

Assets		
Investments in securities, at value (cost $51,476,931)	$	38,157,470
Cash		3,836
Dividends and interest receivable		699,105
Total assets		38,860,411
Liabilities		
Distributions payable common shares		216,664
Advisory fee payable		21,396
Distributions payable preferred shares		18,900
Accrued expenses and other liabilities		166,040
Total liabilities		423,000
Preferred shares, at liquidation preference		
Auction preferred shares, Series W; $.001 par value per share; 720 shares issued and outstanding at $25,000 per share liquidation preference		18,000,000
Net assets attributable to common shares	$	20,437,411
Composition of net assets		
Common shares, $.001 par value per share; unlimited number of shares authorized, 1,484,000 shares issued and outstanding	$	1,484
Additional paid-in capital		35,173,277
Undistributed net investment income		269,841
Accumulated net realized loss on investment transactions		(1,687,730)
Net unrealized depreciation on investments		(13,319,461)
Net assets attributable to common shares	$	20,437,411
Net asset value per share attributable to common shares (based on 1,484,000 common shares outstanding)	$	13.77

See notes to financial statements.

RMR F.I.R.E. Fund

Financial Statements continued

Statement of Operations

For the Year Ended December 31, 2007

Investment Income		
Dividends (Cash distributions, net of capital gain ($831,001) and return of capital ($342,929) distributions, received or due, net of foreign taxes withheld of $210)	$	3,051,614
Interest		113,111
Total investment income		3,164,725
Expenses		
Advisory		436,342
Audit and legal		156,577
Administrative		108,000
Custodian		79,681
Preferred share remarketing		50,407
Compliance and internal audit		29,284
Trustees' fees and expenses		21,431
Shareholder reporting		15,842
Other		70,801
Total expenses		968,365
Less: expense waived by the Advisor		(128,336)
Net expenses		840,029
Net investment income		2,324,696
Realized and unrealized loss on investments		
Net realized loss on investments		(1,594,800)
Net increase from payments by affiliates		1,036
Net change in unrealized appreciation/(depreciation) on investments		(13,570,100)
Net realized and unrealized loss on investments		(15,163,864)
Distributions to preferred shareholders from net investment income		(585,177)
Distributions to preferred shareholders from net realized gain on investments		(449,891)
Net decrease in net assets attributable to common shares resulting from operations	$	(13,874,236)

See notes to financial statements.

RMR F.I.R.E. Fund

Financial Statements continued

Statements of Changes in Net Assets

	Year Ended December 31, 2007	Year Ended December 31, 2006
Increase (decrease) in net assets resulting from operations		
Net investment income	$ 2,324,696	$ 2,537,768
Net increase from payments by affiliates	1,036	
Net realized gain (loss) on investments	(1,594,800)	2,091,017
Net change in unrealized appreciation/(depreciation) on investments	(13,570,100)	3,090,835
Distributions to preferred shareholders from:		
Net investment income	(585,177)	(690,977)
Net realized gain on investments	(449,891)	(261,999)
Net increase (decrease) in net assets attributable to common shares resulting from operations	(13,874,236)	6,766,644
Distributions to common shareholders from:		
Net investment income	(1,469,630)	(1,885,168)
Net realized gains on investments	(1,130,338)	(714,800)
Capital shares transactions		
Cost of preferred shares repurchased	(2,000,000)	
Net decrease from capital transactions	(2,000,000)	
Liquidation preference of preferred shares repurchased	2,000,000	
Total increase (decrease) in net assets attributable to common shares	(16,474,204)	4,166,676
Net assets attributable to common shares		
Beginning of year	36,911,615	32,744,939
End of year (including undistributed net investment income of $269,841 and $0, respectively)	$ 20,437,411	$ 36,911,615
Common shares issued and repurchased		
Shares outstanding, beginning of year	1,484,000	1,484,000
Shares issued		
Shares outstanding, end of year	1,484,000	1,484,000

See notes to financial statements.

Selected Data For A Common Share Outstanding Throughout Each Period

	Year Ended December 31, 2007	Year Ended December 31, 2006	Year Ended December 31, 2005	For the Period November 22, 2004 (a) to December 31, 2004
Per Common Share Operating Performance (b)				
Net asset value, beginning of period	$ 24.87	$ 22.07	$ 23.99	$ 24.03(c)
Income from Investment Operations				
Net investment income (d)(e)	1.57	1.71	1.28	.10
Net realized and unrealized appreciation/(depreciation) on investments(e)	(10.23)	3.49	(1.01)	.17
Distributions to preferred shareholders (common stock equivalent basis) from:				
Net investment income (e)	(.39)	(.47)	(.28)	(.02)
Net realized gain on investments (e)	(.30)	(.18)	(.15)	
Net increase (decrease) in net asset value from operations	(9.35)	4.55	(.16)	.25
Less: Distributions to common shareholders from:				
Net investment income (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	$ 13.77	$ 24.87	$ 22.07	$ 23.99
Market price, beginning of period	$ 22.20	$ 18.99	$ 24.05	$ 25.00
Market price, end of period	$ 12.80	$ 22.20	$ 18.99	$ 24.05
Total Return (f)(g)				
Total investment return based on:				
Market price (h)	*(36.29)%*	*27.44%*	*(14.00)%*	*(3.80)%*
Net asset value (h)	*(39.40)%*	*21.54%*	*(0.64)%*	*(0.17)%*
Ratios/Supplemental Data:				
Ratio to average net assets attributable to common shares of:				
Net investment income, before total preferred share distributions (d)(e)	7.41%	7.42%	5.64%	3.92%(i)
Total preferred share distributions	3.30%	2.78%	1.88%	0.58%(i)
Net investment income, net of preferred share distributions(d) (e)	4.11%	4.64%	3.76%	3.34%(i)
Expenses, net of fee waivers	2.68%	2.39%	2.63%	3.45%(i)
Expenses, before fee waivers	3.09%	2.78%	3.03%	3.73%(i)
Portfolio Turnover Rate	63.84%	59.48%	64.96%	0.00%
Net assets attributable to common shares, end of period (000s)	$ 20,437	$ 36,912	$ 32,745	$ 35,594
Preferred shares, liquidation preference ($25,000 per share) (000s)	$ 18,000	$ 20,000	$ 20,000	$ 20,000
Asset coverage per preferred share(j)	$ 53,385	$ 71,140	$ 65,931	$ 69,493

(a) Commencement of operations.

(b) Based on average shares outstanding.

(c) Net asset value at November 22, 2004, reflects the deduction of the average sales load and offering costs of $0.97 per share paid by the holders of common share from the $25.00 offering price. We paid a sales load and offering cost of $1.125 per share on 1,280,000 common shares sold to the public and no sales load or offering costs on 200,000 common shares sold to affiliates of RMR Advisors for $25 per share.

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

(e) As discussed in Note A (6) to the financial statements, a portion of the distributions we received on our investments are not included in investment income for financial reporting purposes.

(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 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 F.I.R.E. Fund
Notes to Financial Statements

December 31, 2007

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, 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) 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.

(3) Portfolio Valuation

Investment securities of the Fund are valued at the latest sales price whenever that price is readily available on that day; securities for which no sales were reported on that day, unless otherwise noted, are valued at the last available bid price on that day. Securities traded primarily on the NASDAQ Stock Market, or NASDAQ, are normally valued by the Fund at the NASDAQ Official Closing Price, or NOCP, provided by NASDAQ each business day. The NOCP is the most recently reported price as of 4:00:02 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, which when combined with interest accrued, approximates market value.

(4) 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 identified cost basis.

(5) 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.

Some foreign governments may subject the Fund's investment income and securities sales to withholding or other taxes. For the year ended December 31, 2007, $210 of foreign taxes have been withheld from distributions to the Fund and recorded as a reduction of dividend income.

(6) 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 December 12, 2007, the Fund declared distributions of $0.146 per common share payable in January, February and March 2008. The Fund paid its January distribution on January 31, 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. The Fund has excluded from its investment income the portions of the distributions received from REITs classified by those REITs as capital gain income and return of capital. The Fund has included in its "net realized gain on investments" that portion of the distributions received from REITs that is classified by those REITs as capital gain income. Similarly, the Fund has credited its "net change in unrealized appreciation on investments" with that portion of the distributions received from REITs that is classified by those REITs as return of capital. The classification of distributions received from the Fund's investments were as follows:

	Year ended December 31, 2007	Year ended December 31, 2006
Ordinary income	$ 3,051,614	$ 3,287,880
Capital gain income	831,001	662,485
Return of capital	342,929	419,306
Total distributions received	$ 4,225,544	$ 4,369,671

The Fund distinguishes between distributions to shareholders on a tax basis and a financial reporting basis. Only distributions in excess of accumulated tax basis earnings and profits are reported in the financial statements as a tax return of capital. Differences in the recognition or classification of income between the financial statements and tax earnings and profits which result in temporary over distributions for financial statement purposes are classified as distributions in excess of net investment income or accumulated net realized gains in the components of net assets on the Statement of Assets and Liabilities.

The tax character of distributions made by the Fund during the years ended December 31, 2007 and December 31, 2006, were as follows:

	Year ended December 31, 2007	Year ended December 31, 2006
Ordinary income	$ 2,291,228	$ 3,122,947
Net long term capital gains	1,343,808	429,997
	$ 3,635,036	$ 3,552,944

As of December 31, 2007, the components of distributable earnings on a federal income tax basis were as follows:

Undistributed ordinary income	$ 269,889
Accumulated capital and other losses	(1,629,794)
Net unrealized appreciation/(depreciation)	(13,378,434)

On December 31, 2007, the Fund had a net capital loss carry forward for federal income tax purposes of $1,159,105 all of which expires in the year 2015.

Under current tax law, certain capital and net foreign currency losses realized after October 31 within the taxable year may be deferred and treated as occurring on the first day of the following tax year. For the tax year ended December 31, 2007, the Fund elected to defer net capital losses of $470,689 arising between November 1, 2007 and December 31, 2007.

The differences between the financial reporting basis and tax basis of undistributed ordinary income, undistributed net long term capital gains and net unrealized appreciation/depreciation are due to wash sales of portfolio investments.

The cost of investments for federal income tax purposes, gross unrealized appreciation and unrealized depreciation as of December 31, 2007, are as follows:

Cost	$ 51,535,904
Gross unrealized appreciation	$ 600,764
Gross unrealized depreciation	(13,979,198)
Net unrealized appreciation/(depreciation)	$ (13,378,434)

(7) Concentration of Risk

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

(8) Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board, or FASB, issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109", or FIN 48. FIN 48 was effective for the fiscal years beginning after December 15, 2006. The Securities and Exchange Commission delayed the application of FIN 48 to open and closed end funds to not later than June 29, 2007. FIN 48 prescribes how the Fund should recognize, measure and present in the Fund's financial statements uncertain tax provisions that have been taken or expected to be taken in a tax return. Pursuant to FIN 48 the Fund can recognize a tax benefit only if it is "more likely than not" that a particular tax position will be sustained upon examination or audit. To the extent the "more likely than not" standard has been satisfied the benefits associated with a tax position is measured as the largest amount that is greater than 50% likely of being realized upon settlement. As required, the Fund has adopted FIN 48 effective June 29, 2007, and concluded that the effect is not material to its financial statements. Each of the tax years in the three year period ended December 31, 2007, remains subject to examination by the Internal Revenue Service.

In September 2006, FASB issued Statement of Accounting Standards No. 157, "Fair Value Measurements", or SFAS 157, which is effective for fiscal years beginning after November 15, 2007. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands required disclosures about fair value measurements. Management has evaluated the application of the Statement to the Fund, and believes the impact will be limited to expanded financial statement disclosures.

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 $308,006 during the year ended December 31, 2007. The amount of fees waived by the Advisor was $128,336 for the year ended December 31, 2007.

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

RMR Advisors also performs administrative functions for the Fund pursuant to an administration agreement with the Fund. RMR Advisors has entered into a subadministration agreement with State Street Bank and Trust Company, or State Street, to perform substantially all Fund accounting and other administrative services. Under the administration agreement, RMR Advisors is entitled to reimbursement of the cost of providing administrative services. The Fund reimbursed RMR Advisors for $108,000 of subadministrative fees charged by State Street for the year ended December 31, 2007.

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 fees for board and committee meetings. The Fund incurred $21,431 of trustee fees and expenses during the year ended December 31, 2007.

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 $29,284 of compliance and internal audit expense during the year ended December 31, 2007. 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 $17,892 of insurance expense during the year ended December 31, 2007.

During the year ended December 31, 2007, RMR Advisors reimbursed the Fund in the amount of $1,036 for trading losses incurred by the Fund due to a trading error.

Note C

Securities Transactions

During the year ended December 31, 2007, there were purchases and sales transactions (excluding short term securities) of $31,280,077 and $33,012,094 respectively. Brokerage commissions on securities transactions amounted to $49,373 during the year ended December 31, 2007.

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, the Fund redeemed 80 preferred shares with a liquidation preference of $2,000,000. 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 5.40% per annum as of December 31, 2007. On January 17, 2008, the Fund redeemed an additional 80 preferred shares with a liquidation preference of $2,000,000.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders
of RMR F.I.R.E. Fund:

We have audited the accompanying statement of assets and liabilities of RMR F.I.R.E. Fund (the "Fund"), including the portfolio of investments, as of December 31, 2007, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the periods indicated therein. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2007, by correspondence with the custodian. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the RMR F.I.R.E. Fund at December 31, 2007, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the periods indicated therein, in conformity with U.S. generally accepted accounting principles.

Boston, Massachusetts
February 21, 2008

RMR Preferred Dividend Fund

December 31, 2007

To our shareholders,

In the pages that follow, you will find data summarizing our financial results for the year ended December 31, 2007, and our financial position as of December 31, 2007.

Relevant Market Conditions

Preferred Securities Market Overview. During 2007, the U.S. preferred securities market suffered one of the worst annual returns in years. Preferred securities issued by real estate investment trusts, or REITs, were especially negatively affected by the subprime mortgage crisis which began in early 2007. Several mortgage REITs with exposure to subprime mortgages filed for bankruptcy and the value of their preferred securities became essentially worthless after they stopped paying preferred dividends. Several commercial REITs also saw the price of their preferred securities decline in 2007.

The issuance of new preferred securities by non-REITs was strong throughout the year but intensified in the fourth quarter as financial institutions priced large deals in an effort to increase their equity capital. This issuance of highly rated and high dividend paying securities effective depressed the value of outstanding REIT preferred securities; and the issuance of new preferred securities by REITs declined significantly by mid-year because the terms had become very expensive for the issuers.

Real Estate Industry Fundamentals. During 2007, commercial real estate vacancy rates generally remained stable and rents increased modestly. Nevertheless, earnings growth from commercial real estate companies began to slow in 2007 compared to prior years because of a general slowdown in the economy. The combination of an economic slowdown, investors concerns relating to weakness in the housing market and credit tightening by lenders led to a sharp decline in valuations for all publicly traded commercial real estate companies in the second half of 2007. Almost all REITs experienced a sharp drop in value in the second half of 2007 because of investors concerns regarding any company involved in the real estate business.

In 2008, we expect commercial real estate fundamentals may weaken because of slower economic growth and lower consumer and business confidence. However, higher construction costs and tighter credit markets may limit new supply of commercial real estate and help offset some of the anticipated slowdown in commercial real estate fundamentals. Before the end of 2008, we expect that valuations of REITs that invest directly in commercial real estate may improve in reaction to the sharp decline in their stock prices at the end of 2007 and in early 2008.

Real Estate Industry Technicals. After seven years of positive returns, REITs, as measured by the MSCI U.S. REIT Index (RMS) finished 2007 down 16.7%, marking one of the sector's worst performances ever. Last year was also one of the most volatile years for REITs. During the year, the RMS posted eight of the biggest one day moves since its inception in 1995. Between March and the end of 2007, investors withdrew more than $9 billion from dedicated REIT funds.

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 2007 our total return on net asset value, or NAV (including NAV changes and assuming a hypothetical reinvestment of distributions at NAV), was negative 35.94%. During that same period, the total return for the Merrill Lynch REIT Preferred Index (an unmanaged index of REIT preferred stocks) was negative 13.0%. We believe this index is relevant to us because our investments as of December 31, 2007, excluding short term investments, included 70% 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 2007 was 5.5%.

In 2007, the Fund experienced a significant decline in NAV and income earned from its investments. The Fund's negative performance was primarily because of its concentrations in preferred securities issued by mortgage REITs, which significantly declined in value. Unless market conditions improve significantly, in the coming year the Fund may be forced to reduce its dividend payment rate to adjust for the decline in earnings. Under these circumstances, the Fund may also consider other actions to reduce expenses and enhance value for shareholders.

Recent Developments

As I am writing this letter, continued turmoil in the credit markets is becoming a concern for our Fund. In particular, the market for auction rate securities seems to be experiencing a liquidity crisis. Although we believe our Fund's $22.5 million of auction rate preferred securities are well protected by asset coverage, the spill over effect from other auction rate securities may make it more difficult for our Fund to remarket these securities. If this occurs, the dividend rates we pay on our preferred securities may increase or we may be forced to substitute our outstanding preferred shares with less attractive forms of leverage. Any increase in the cost of leverage or decrease in the amount of leverage could adversely impact our performance and may lead to a reduction in the dividend rate paid to common shareholders in the future.

Thank you for your continued support. For more information, please view our website at *www.rmrfunds.com.*

Sincerely,

Adam D. Portnoy
President
February 20, 2008

RMR Preferred Dividend Fund

December 31, 2007

Portfolio holdings by sub-sector as a percentage of investments
(as of December 31, 2007)*

Hospitality real estate	27%
Office real estate	12%
Other, less than 10%	60%
Short term investments	1%
Total investments	100%
REITs	72%
Other	27%
Short term investments	1%
Total investments	100%

* 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 December 31, 2007

Company	Shares		Value
Preferred Stocks 144.1%			
Real Estate Investment Trusts 125.0%			
Apartments 12.6%			
Apartment Investment & Management Co., Series G	56,400	$	1,376,160
Apartment Investment & Management Co., Series T	10,000		208,400
Associated Estates Realty Corp., Series B	39,800		940,275
Mid-America Apartment Communities, Inc., Series H	41,400		996,498
			3,521,333
Diversified 12.9%			
Colonial Properties Trust, Series D	10,000		239,400
Cousins Properties, Inc., Series B	17,000		350,030
Digital Realty Trust, Inc., Series A	56,200		1,265,062
LBA Realty LLC, Series B	25,000		306,250
Lexington Realty Trust, Series B	69,000		1,438,650
			3,599,392
Health Care 4.2%			
LTC Properties, Inc., Series F	4,000		88,440
OMEGA Healthcare Investors Inc., Series D	43,200		1,070,064
			1,158,504
Hospitality 49.1%			
Ashford Hospitality Trust, Series A	58,000		1,087,500
Ashford Hospitality Trust, Series D	7,200		136,800
Eagle Hospitality Properties Trust, Inc., Series A (a)	95,000		1,187,500
Entertainment Properties Trust, Series B (a)	9,100		189,280
Entertainment Properties Trust, Series D	30,000		561,000
Equity Inns, Inc., Series B (a)	83,800		1,089,400
Equity Inns, Inc., Series C (a)	18,900		245,700
FelCor Lodging Trust, Inc., Series C	167,400		3,105,270
Hersha Hospitality Trust, Series A	99,500		2,129,300
Host Marriott Corp., Series E	15,000		376,500
LaSalle Hotel Properties, Series E	70,000		1,337,000
Strategic Hotels & Resorts, Inc., Series A	13,000		244,140
Strategic Hotels & Resorts, Inc., Series B	39,100		752,675
Strategic Hotels & Resorts, Inc., Series C	27,200		530,400
Sunstone Hotel Investors, Inc., Series A	36,500		712,845
			13,685,310
Mortgage 13.7%			
Accredited Mortgage Loan REIT Trust, Series A	1,500		15,525
American Home Mortgage Investment Corp., Series A	74,300		5,944
Anthracite Capital, Inc., Series C	3,000		56,370
Anthracite Capital, Inc., Series D	51,000		805,800
Gramercy Capital Corp., Series A	20,000		394,000
MFA Mortgage Investments, Inc., Series A	40,000		966,800
Newcastle Investment Corp., Series B	28,000		501,200
NorthStar Realty Finance Corp., Series A	20,000		331,000
NorthStar Realty Finance Corp., Series B	36,000		572,760
RAIT Financial Trust, Series C	12,700		180,340

		3,829,739
Office 21.5%		
Alexandria Real Estate Equities, Inc., Series C	60,000	1,575,000
BioMed Realty Trust, Inc., Series A	35,000	715,750
Corporate Office Properties Trust, Series G	5,900	128,325
DRA CRT Acquisition Corp., Series A	40,060	723,083
Kilroy Realty Corp., Series E	600	13,500
Kilroy Realty Corp., Series F	44,100	970,200
Parkway Properties, Inc., Series D	41,000	953,250
SL Green Realty Corp., Series D	40,000	914,000
		5,993,108

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

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Company	**Shares or Principal Amount**	**Value**
Preferred Stocks continued		
Real Estate Investment Trusts continued		
Retail 11.0%		
Cedar Shopping Centers, Inc., Series A	42,000	$ 987,000
Glimcher Realty Trust, Series F	30,000	616,500
Glimcher Realty Trust, Series G	15,000	286,500
Kimco Realty Corp., Series G	5,000	114,300
Taubman Centers, Inc., Series G	45,000	1,064,250
		3,068,550
Total Real Estate Investment Trusts (Cost $45,498,524)		34,855,936
Other 19.1%		
Ford Motor Co., 6/15/43 Series	9,400	152,844
General Motors Corp., 5/15/48 Series	26,100	417,600
Great Atlantic & Pacific Tea Co., 8/01/39 Series	87,800	2,232,754
Hilltop Holdings, Inc., Series A	97,200	2,155,410
Red Lion Hotels Corp., 2/19/44 Series	15,925	378,378
Total Other (Cost $5,749,754)		5,336,986
Total Preferred Stocks (Cost $51,248,278)		40,192,922
Common Stocks 10.6%		
Real Estate Investment Trusts 3.6%		
Diversified 0.8%		
Colonial Properties Trust	9,800	221,774
Health Care 0.8%		
Care Investment Trust, Inc.	10,600	113,844
Medical Properties Trust, Inc.	11,275	114,892
		228,736
Mortgage 1.6%		
Alesco Financial, Inc.	142,500	467,400
Retail 0.1%		
Feldman Mall Properties, Inc.	5,000	18,450
Storage 0.3%		
U-Store-It Trust	8,900	81,524
Total Real Estate Investment Trusts (Cost $2,186,862)		1,017,884
Other 7.0%		
Abingdon Investment, Ltd. (a)(b)	150,000	1,194,000
American Capital Strategies, Ltd.	10,700	352,672
Iowa Telecommunication Services, Inc.	24,500	398,370
Total Other (Cost $2,470,362)		1,945,042
Total Common Stocks (Cost $4,657,224)		2,962,926
Debt Securities 20.3%		
Ford Motor Co., 7.75%, 06/15/2043	$ 2,210,000	1,547,000
Ford Motor Co., 8.90%, 01/15/2032	557,000	431,675
General Motors Corp., 8.375%, 07/15/2033	2,000,000	1,610,000
Six Flags, Inc., 9.75%, 04/15/2013 2,740,000		2,055,000
Total Debt Securities (Cost $6,538,318)		5,643,675

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

Other Investment Companies 4.3%			
Alpine Total Dynamic Dividend Fund	32,295	$	547,400
Cornerstone Strategic Value Fund, Inc.	31,200		157,248
Eaton Vance Enhanced Equity Income Fund II	800		14,200
LMP Real Estate Income Fund, Inc.	4,260		61,855
Neuberger Berman Real Estate Securities Income Fund, Inc.	15,000		172,650
Neuberger Berman Realty Income Fund, Inc.	10,800		170,856
The Zweig Total Return Fund, Inc.	17,750		80,408
Total Other Investment Companies (Cost $1,573,821)			1,204,617
Short-Term Investments 0.9%			
Other Investment Companies 0.9%			
Dreyfus Cash Management, Institutional Shares, 4.85% (c) (Cost $243,976)	243,976		243,976
Total Investments 180.2% (Cost $64,261,617)			50,248,116
Other assets less liabilities 0.5%			137,656
Preferred Shares, at liquidation preference (80.7)%			(22,500,000)
Net Assets 100%		$	27,885,772

Notes to Portfolio of Investments

(a)
As of December 31, 2007, the Fund held securities fair valued in accordance with policies adopted by the Board of Trustees, aggregating $3,905,880 and 7.77% of market value.

(b)
144A securities. Securities restricted for resale to Qualified Institutional Buyers (4.3% of net assets). These securities are considered to be liquid.

(c)
Rate reflects 7 day yield as of December 31, 2007.

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

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RMR Preferred Dividend Fund
Financial Statements

Statement of Assets and Liabilities

December 31, 2007

Assets		
Investments in securities, at value (cost $64,261,617)	$	50,248,116
Cash		3,772
Dividends and interest receivable		738,592
Other assets		129
Total assets		50,990,609
Liabilities		
Distributions payable common shares		396,453
Distributions payable preferred shares		43,875
Advisory fee payable		13,282
Accrued expenses and other liabilities		151,227
Total liabilities		604,837
Preferred shares, at liquidation preference		
Auction preferred shares, Series M; $.001 par value per share; 900 shares issued and outstanding at $25,000 per share liquidation preference		22,500,000
Net assets attributable to common shares	$	27,885,772
Composition of net assets		
Common shares, $.001 par value per share; unlimited number of shares authorized, 2,646,538 shares issued and outstanding	$	2,647
Additional paid-in capital		48,763,200
Distributions in excess of net investment income		(440,328)
Accumulated net realized loss on investment transactions		(6,426,246)
Net unrealized depreciation on investments		(14,013,501)
Net assets attributable to common shares	$	27,885,772
Net asset value per share attributable to common shares (based on 2,646,538 common shares outstanding)	$	10.54

See notes to financial statements.

RMR Preferred Dividend Fund

Financial Statements continued

Statement of Operations

For the Year Ended December 31, 2007		
Investment Income		
Dividends (Cash distributions, net of capital gain ($819,039) and return of capital ($325,218) distributions, received or due)	$	4,267,199
Interest		758,575
Total investment income		5,025,774
Expenses		
Advisory		539,056
Audit and legal		195,459
Administrative		108,007
Preferred share remarketing		56,709
Custodian		55,347
Shareholder reporting		31,359
Compliance and internal audit		30,947
Trustees' fees and expenses		21,431
Other		79,987
Total expenses		1,118,302
Less: expense waived by the Advisor		(348,801)
Net expenses		769,501
Net investment income		4,256,273
Realized and unrealized loss on investments		
Net realized loss on investments		(6,417,769)
Net change in unrealized appreciation/(depreciation) on investments		(13,284,067)
Net realized and unrealized loss on investments		(19,701,836)
Distributions to preferred shareholders from net investment income		(1,178,280)
Distributions to preferred shareholders from net realized gain on investments		(11,673)
Net decrease in net assets attributable to common shares resulting from operations	$	(16,635,516)

See notes to financial statements.

RMR Preferred Dividend Fund
Financial Statements continued

Statements of Changes in Net Assets

	Year Ended December 31, 2007	Year Ended December 31, 2006
Increase (decrease) in net assets resulting from operations		
Net investment income	$ 4,256,273	$ 4,931,552
Net realized gain (loss) on investments	(6,417,769)	832,486
Net change in unrealized appreciation/(depreciation) on investments	(13,284,067)	2,897,321
Distributions to preferred shareholders from:		
Net investment income	(1,178,280)	(902,855)
Net realized gain on investments	(11,673)	(147,481)
Net increase (decrease) in net assets attributable to common shares resulting from operations	(16,635,516)	7,611,023
Distributions to common shareholders from:		
Net investment income	(3,518,321)	(4,028,697)
Net realized gain on investments	(46,460)	(658,083)
Return of capital	(1,170,113)	
Capital shares transactions		
Net proceeds from reinvestment of distributions	516,595	435,418
Net increase from capital transactions	516,595	435,418
Total increase (decrease) in net assets attributable to common shares	(20,853,815)	3,359,661
Net assets attributable to common shares		
Beginning of year	48,739,587	45,379,926
End of year (including distributions in excess of net investment income of $(440,328) and $0, respectively)	$ 27,885,772	$ 48,739,587
Common shares issued and repurchased		
Shares outstanding, beginning of year	2,613,188	2,589,311
Shares issued		
Shares issued (reinvestment of distributions)	33,350	23,877
Shares outstanding, end of year	2,646,538	2,613,188

See notes to financial statements.

RMR Preferred Dividend Fund
Financial Highlights

Selected Data For A Common Share Outstanding Throughout Each Period

	Year Ended December 31, 2007	Year Ended December 31, 2006	For the Period May 25, 2005(a) to December 31, 2005
Per Common Share Operating Performance			
Net asset value, beginning of period	$ 18.65	$ 17.53	$ 19.09 (b)
Income from Investment Operations			
Net investment income (c)(d)(e)	1.62	1.90	.93
Net realized and unrealized appreciation/(depreciation) on investments (e)	(7.48)	1.43	(1.22)
Distributions to preferred shareholders (common stock equivalent basis) from:			
Net investment income (e)	(.45)	(.35)	(.14)
Net realized gain on investments (e)	(f)	(.06)	(.02)
Net increase (decrease) in net asset value from operations	(6.31)	2.92	(.45)
Less: Distributions to common shareholders from:			
Net investment income (e)	(1.33)	(1.55)	(.77)
Net realized gain on investments (e)	(.02)	(.25)	(.13)
Return of capital	(0.45)		
Common share offering costs charged to capital			(.04)
Preferred share offering costs charged to capital			(.17)
Net asset value, end of period	$ 10.54	$ 18.65	$ 17.53
Market price, beginning of period	$ 20.75	$ 16.35	$ 20.00
Market price, end of period	$ 11.80	$ 20.75	$ 16.35
Total Return (g)			
Total investment return based on:			
Market price (h)	(35.90)%	39.90%	14.10%
Net asset value (h)	(35.94)%	17.48%	3.50%
Ratios/Supplemental Data:			
Ratio to average net assets attributable to common shares of:			
Net investment income, before total preferred share distributions (d)(e)	10.40%	10.47%	8.22% (i)
Total preferred share distributions	2.91%	2.23%	1.40% (i)
Net investment income, net of preferred share distributions (d)(e)	7.49%	8.24%	6.82% (i)
Expenses, net of fee waivers	1.88%	1.45%	1.54% (i)
Expenses, before fee waivers	2.73%	2.26%	2.29% (i)
Portfolio Turnover Rate	47.76%	23.60%	5.60%
Net assets attributable to common shares, end of period (000s)	$ 27,886	$ 48,740	$ 45,380
Preferred shares, liquidation preference ($25,000 per share) (000s)	$ 22,500	$ 22,500	$ 22,500

Asset coverage per preferred share (j)	$	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 (6) to the financial statements, a portion of the distributions we received on our investments are not included in investment income for financial reporting purposes.

(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 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

December 31, 2007

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 non-diversified closed-end management investment company. The Fund had no operations until May 25, 2005, other than matters relating to the Fund's establishment and registration of the Fund's common shares under the Securities Act of 1933.

(2) 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.

(3) Portfolio Valuation

Investment securities of the Fund are valued at the latest sales price whenever that price is readily available on that day; securities for which no sales were reported on that day, unless otherwise noted, are valued at the last available bid price on that day. Securities traded primarily on the NASDAQ Stock Market, or NASDAQ, are normally valued by the Fund at the NASDAQ Official Closing Price, or NOCP, provided by NASDAQ each business day. The NOCP is the most recently reported price as of 4:00:02 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, which when combined with interest accrued, approximates market value.

(4) 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.

(5) Federal 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.

(6) 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 December 12, 2007, the Fund declared distributions of $0.15 per common share payable in January, February and March 2008. The Fund paid its January distribution on January 31, 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. The Fund has excluded from its investment income the portions of the distributions received from REITs classified by those REITs as capital gain income and return of capital. The Fund has included in its "net realized gain on investments" that portion of the distributions received from REITs that is classified by those REITs as capital gain income. Similarly, the Fund has credited its "net change in unrealized appreciation on investments" with that portion of the distributions received from REITs that is classified by those REITs as return of capital. The classification of distributions received from the Fund's investments were as follows:

	Year Ended December 31, 2007	Year ended December 31, 2006
Ordinary income	$ 4,267,199	$ 4,838,453
Capital gain income	819,039	807,195
Return of capital	325,218	70,154
Total distributions received	$ 5,411,456	$ 5,715,802

The Fund distinguishes between distributions to shareholders on a tax basis and a financial reporting basis. Only distributions in excess of accumulated tax basis earnings and profits are reported in the financial statements as a tax return of capital. Differences in the recognition or classification of income between the financial statements and tax earnings and profits which result in temporary over distributions for financial statement purposes are classified as distributions in excess of net investment income or accumulated net realized gains in the components of net assets on the Statement of Assets and Liabilities.

The tax character of distributions made by the Fund during the years ended December 31, 2007 and December 31, 2006, were as follows:

	Year Ended December 31, 2007	Year ended December 31, 2006
Ordinary income	$ 4,696,601	$ 5,034,390
Net long term capital gains	58,133	702,726
Return of capital	1,170,113	
	$ 5,924,847	$ 5,737,116

As of December 31, 2007, the components of distributable earnings on a federal income tax basis were as follows:

Undistributed ordinary income	$
Accumulated capital and other losses	(6,426,246)
Net unrealized appreciation/(depreciation)	(14,013,501)

On December 31, 2007, the Fund had a net capital loss carry forward for federal income tax purposes of $6,426,246 all of which expires in the year 2015.

The differences between the financial reporting basis and tax basis of undistributed ordinary income, undistributed net long term capital gains and net unrealized appreciation are due to wash sales of portfolio investments.

The cost, gross unrealized appreciation and unrealized depreciation of the Fund's investments for federal income tax purposes as of December 31, 2007, are as follows:

Cost	$ 64,261,617
Gross unrealized appreciation	118,057
Gross unrealized depreciation	(14,131,558)
Net unrealized appreciation/(depreciation)	$ (14,013,501)

(7) Concentration of Risk

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

(8) Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board, or FASB, issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109", or FIN 48. FIN 48 was effective for the fiscal years beginning after December 15, 2006. The Securities and Exchange Commission delayed the application of FIN 48 to open and closed end funds to not later than June 29, 2007. FIN 48 prescribes how the Fund should recognize, measure and present in the Fund's financial statements uncertain tax provisions that have been taken or expected to be taken in a tax return. Pursuant to FIN 48 the Fund can recognize a tax benefit only if it is "more likely than not" that a particular tax position will be sustained upon examination or audit. To the extent the "more likely than not" standard has been satisfied the benefits associated with a tax position is measured as the largest amount that is greater than 50% likely of being realized upon settlement. As required, the Fund has adopted FIN 48 effective June 29, 2007, and concluded that the effect is not material to its financial statements. Each of the tax years in the three year period ended December 31, 2007, remains subject to examination by the Internal Revenue Service.

In September 2006, FASB issued Statement of Accounting Standards No. 157, "Fair Value Measurements", or SFAS 157, which is effective for fiscal years beginning after November 15, 2007. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands required disclosures about fair value measurements. Management has evaluated the application of the Statement to the Fund and believes the impact will be limited to expanded financial statement disclosures.

(9) Common Shares

The Fund issued 33,350 and 23,877 common shares during the years ended December 31, 2007 and December 31, 2006, respectively, for a total consideration of $516,595 and $435,418 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 $190,255 during the year ended December 31, 2007. The amount of fees waived by the Advisor was $348,801 for the year ended December 31, 2007.

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 $108,007 of subadministrative fees charged by State Street for the year ended December 31, 2007.

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 fees for board and committee meetings. The Fund incurred $21,431 of trustee fees and expenses during the year ended December 31, 2007.

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 $30,947 of compliance and internal audit expense during the year ended December 31, 2007. 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 $15,044 of insurance expense during the year ended December 31, 2007.

Note C

Securities Transactions

During the year ended December 31, 2007, there were purchases and sales transactions (excluding short term securities) of $30,691,587 and $29,508,154 respectively. Brokerage commissions on securities transactions amounted to $117,849 during the year ended December 31, 2007.

Note D

Preferred Shares

The Fund's 900 outstanding Series M auction preferred shares have a liquidation preference of $25,000 per share plus an amount equal to accumulated 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 5.40% per annum as of December 31, 2007.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders
of RMR Preferred Dividend Fund:

We have audited the accompanying statement of assets and liabilities of RMR Preferred Dividend Fund (the "Fund"), including the portfolio of investments, as of December 31, 2007, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the periods indicated therein. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2007, by correspondence with the custodian. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the RMR Preferred Dividend Fund at December 31, 2007, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the periods indicated therein, in conformity with U.S. generally accepted accounting principles.

Boston, Massachusetts
February 21, 2008

RMR Asia Pacific Real Estate Fund
December 31, 2007

To our shareholders,

In the pages that follow, you will find data summarizing our financial results for the year ended December 31, 2007, and our financial position as of December 31, 2007.

Relevant Market Conditions

Real Estate Industry Fundamentals. In 2008, we expect commercial real estate fundamentals in the Asia Pacific region to remain healthy due to strong leasing demand. Office market vacancy rates are expected to remain low in Hong Kong, Singapore and Tokyo. Strong national income growth in all countries, except for Japan, should lead to growing retail sales and rising rents for retail property. The industrial real estate sector is expected to do well because logistics networks are developing in emerging countries. Residential real estate prices are expected to increase because of rising incomes and the urbanization process underway in China and India.

Economic growth in the coming year is expected to remain strong. The International Monetary Fund expects 8.6% GDP growth for developing Asia and 1.5% for Japan. Real estate companies in the region are generally conservatively financed. However, the credit tightening by lenders across the globe may slow the rate of growth for some real estate companies in 2008.

Real Estate Industry Technicals. We expect continued strong demand for real estate investments in the Asia Pacific region in the coming year. High personal savings rates and attractive real estate yields are expected to result in increasing stock values for real estate companies in the region, especially real estate companies that pay a regular dividend, such as real estate investment trusts, or 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, and several countries are currently considering initiating REIT legislation, including 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.

Although the Fund's primary investment objective is capital appreciation (rather than pay high income), it made two one time distributions to shareholders in 2007. In September and December, the Fund paid shareholders $1.52 per share and $4.45 per share, respectively. This combined $5.97 per share of distributions in 2007 represents a 30% return on investment based on the Fund's IPO price of $20.00 per share in May 2006.

During 2007, our total return on net asset value, or NAV, was 11.8%. During that same period, the total return for the EPRA NAREIT Asia Index (an unmanaged index of Asia Pacific real estate common stocks) was 11.6%. We believe this index is relevant to us because all our investments as of December 31, 2007, excluding short term investments, were in securities of real estate companies in countries covered by this index. The S&P 500 Index (an unmanaged index published as Standard and Poor's Composite Index of 500 common stocks) total return for the same period was 5.5%.

Thank you for your continued support. For more information, please view our website at *www.rmrfunds.com*.

Sincerely,

Adam D. Portnoy
President

February 20, 2008

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Portfolio holdings by sub-sector as a percentage of investments (as of December 31, 2007)*

Diversified	63%
Office	13%
Hospitality	10%
Others, less than 10%	13%
Short term investments	1%
Total investments	100%
Real Estate	99%
Short term investments	1%
Total investments	100%

Portfolio holdings by country (as of December 31, 2007)*

Hong Kong	37%
Japan	30%
Australia	14%
Others, less than 10%	18%
Short term investments	1%
Total	100%

* 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 December 31, 2007

Company	Shares	Value
Common Stocks 115.7%		
Australia 17.0%		
Apartments 0.7%		
Peet, Ltd.	76,110	$ 267,314
Diversified 11.3%		
Abacus Property Group	490,000	750,777
Charter Hall Group	400,000	874,538
GPT Group *	137,000	485,983
Trinity Group	550,000	1,110,733
Valad Property Group	728,725	825,416
		4,047,447
Office 4.8%		
Commonwealth Property Office Fund *	150,000	203,488
Cromwell Group	953,898	912,952
Macquarie Goodman Group	137,000	588,232
		1,704,672
Retail 0.2%		
Centro Properties Group	70,000	62,078
Total Australia (Cost $7,006,089)		6,081,511
Hong Kong 44.7%		
Diversified 19.9%		
Agile Property Holdings, Ltd.	440,000	802,421
China New Town Development Co. Ltd (a)	277,500	113,741
China Overseas Land & Investment Ltd	105,000	217,342
China Resources Land, Ltd.	336,000	742,894
Guangzhou R&F Properties Co., Ltd., Class H	135,200	482,027
Henderson Land Development Co., Ltd.	86,717	817,970
Hongkong Land Holdings, Ltd.	178,838	883,460
Hysan Development Co., Ltd.	180,000	514,787
Kerry Properties, Ltd.	45,500	367,623
New World China Land, Ltd.	590,000	534,960
Shenzhen Investment, Ltd.	657,692	470,660
Shun TAK Holdings, Ltd.	340,000	534,588
SPG Land Holdings Ltd (a)	360,000	322,723
The Wharf (Holdings) Ltd.	57,000	298,984
		7,104,180

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

Hospitality 11.9%		
Regal Real Estate Investment Trust *	2,399,400	$ 661,593
Sun Hung Kai Properties, Ltd.	169,000	3,584,862
		4,246,455
Office 3.9%		
Champion Real Estate Investment Trust *	2,378,532	1,394,040
Retail 9.0%		
Hang Lung Properties, Ltd.	690,900	3,207,554
Total Hong Kong (Cost $11,394,422)		15,952,229
Japan 37.2%		
Apartments 1.1%		
Nippon Residential Investment Corp. *	85	383,476
Diversified 28.9%		
Aeon Mall Co., Ltd.	49,593	1,309,577
Mitsubishi Estate Co., Ltd.	194,000	4,680,034
Mitsui Fudosan Co., Ltd.	101,359	2,204,739
Shoei Co., Ltd.	39,000	528,192
Sumitomo Realty & Development Co., Ltd.	65,120	1,611,751
		10,334,293
Office 7.2%		
Japan Excellent, Inc. *	25	200,958
Nippon Building Fund, Inc. *	74	1,039,968
NTT Urban Development Corp.	816	1,322,078
		2,563,004
Total Japan (Cost $12,815,832)		13,280,773
Malaysia 3.0%		
Diversified 3.0%		
KLCC Property Holdings Berhad	515,000	545,056
SP Setia Berhad	349,500	526,311
		1,071,367
Total Malaysia (Cost $1,006,755)		1,071,367

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

Philippines 2.3%			
Diversified 2.3%			
Filinvest Land, Inc.	5,800,000	$	191,109
Megaworld Corp.	6,972,507		633,480
			824,589
Total Philippines (Cost $573,697)			824,589
Singapore 11.5%			
Diversified 10.9%			
Allco Commercial Real Estate Investment Trust *	750,000		466,324
Allgreen Properties, Ltd.	300,000		310,535
Ascendas India Trust *	254,000		225,864
Capitaland, Ltd.	360,000		1,568,099
CDL Hospitality Trusts *	453,836		740,918
Keppel Land, Ltd.	117,000		591,726
			3,903,466
Retail 0.6%			
CapitaRetail China Trust *	128,366		191,731
Total Singapore (Cost $4,210,557)			4,095,197
Total Common Stocks (Cost $37,007,352)			41,305,666
Warrants 5.0%			
India 5.0%			
Ansal Properties & Infrastructure, Ltd., Macquarie Bank, Ltd., expiring 1/17/12 (a)	44,000		474,320
Unitech, Ltd., Macquarie Bank, Ltd., expiring 6/24/08 (a)	106,000		1,315,460
Total India (Cost $1,046,871)			1,789,780
Total Warrants (Cost $1,046,871)			1,789,780
Rights 0.0%			
Hong Kong 0.0%			
The Wharf (Holdings) Ltd., expiring 1/08/08 (a) (Cost $0)	7,125		9,777
Short-Term Investments 1.1%			
Other Investment Companies 1.1%			
Dreyfus Cash Management, Institutional Shares, 4.85% (b) (Cost $383,872)	383,872		383,872
Total Investments 121.8% (Cost $38,438,095)			43,489,095
Other assets less liabilities (21.8)%			(7,779,169)
Net Assets 100%		$	35,709,926

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 December 31, 2007, this security had not paid a distribution.

(b) Rate reflects 7 day yield as of December 31, 2007.

See notes to financial statements.

RMR Asia Pacific Real Estate Fund
Financial Statements

Statement of Assets and Liabilities

December 31, 2007		
Assets		
Investments in securities, at value (cost $38,438,095)	$	43,489,095
Cash		295
Foreign currency, at value (cost 5,325)		5,325
Dividends and interest receivable		144,598
Total assets		43,639,313
Liabilities		
Distributions payable		7,809,750
Advisory fee payable		27,354
Accrued expenses and other liabilities		92,283
Total liabilities		7,929,387
Net assets	$	35,709,926
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		(2,746,073)
Accumulated net realized loss on investments and foreign currency transactions		(8,153)
Net unrealized appreciation on investments and foreign currency transactions		5,052,612
Net assets	$	35,709,926
Net asset value per share (based on 1,755,000 common shares outstanding)	$	20.35

See notes to financial statements.

Statement of Operations

For the Year Ended December 31, 2007		
Investment Income		
Dividends (Cash distributions received or due, net of foreign taxes withheld of $127,583)	$	993,447
Interest		22,279
Total investment income		1,015,726
Expenses		
Advisory		457,355
Audit and legal		119,304
Administrative		107,769
Custodian		82,123
Compliance and internal audit		30,040
Excise tax		28,052
Trustees' fees and expenses		22,355
Shareholder reporting		21,770
Other		57,547
Total expenses		926,315
Less: expense waived by the Advisor		(114,339)
Net expenses		811,976
Net investment income		203,750
Realized and unrealized gain (loss) on investment and foreign currency transactions		
Net realized gain on investments (net of foreign capital gain taxes of $10,336)		6,448,736
Net realized loss on foreign currency transactions		(11,404)
Net change in unrealized appreciation/(depreciation) on investments and foreign currency transactions		(1,965,895)
Net increase in net assets resulting from operations	$	4,675,187

See notes to financial statements.

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Statements of Changes in Net Assets

	Year Ended December 31, 2007	For the Period May 25, 2006(a) to December 31, 2006
Increase in net assets resulting from operations		
Net investment income	$ 203,750	$ 353,151
Net realized gain on investment and foreign currency transactions	6,437,332	647,831
Net change in unrealized appreciation/(depreciation) on investments and foreign currency transactions	(1,965,895)	7,018,507
Net increase in net assets resulting from operations	4,675,187	8,019,489
Distributions to common shareholders from:		
Net investment income	(6,911,460)	
Net realized gain on investments	(3,565,890)	
Capital shares transactions		
Net proceeds from sale of common shares		33,392,600
Net increase from capital transactions		33,392,600
Total increase (decrease) in net assets	(5,802,163)	41,412,089
Net assets		
Beginning of year	41,512,089	100,000
End of year (including undistributed (distributions in excess of) net investment income of $(2,746,073) and $857,421, respectively)	$ 35,709,926	$ 41,512,089
Common shares issued and repurchased		
Shares outstanding, beginning of year	1,755,000	5,000
Shares issued		1,750,000
Shares outstanding, end of year	1,755,000	1,755,000

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

RMR Asia Pacific Real Estate Fund
Financial Highlights

Selected Data For A Common Share Outstanding Throughout Each Period

	Year Ended December 31, 2007	For the Period May 25, 2006(a) to December 31, 2006
Per Common Share Operating Performance (b)		
Net asset value, beginning of period	$ 23.65	$ 19.08(c)
Income from Investment Operations		
Net investment income (d)	.12	.21
Net realized and unrealized appreciation/(depreciation) on investments	2.55	4.40
Net increase in net asset value from operations	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	$ 20.35	$ 23.65
Market price, beginning of period	$ 23.41	$ 20.00
Market price, end of period	$ 16.95	$ 23.41
Total Return (e)		
Total investment return based on:		
Market price (f)	(2.99)%	17.05%
Net asset value (f)	11.80%	23.95%
Ratios/Supplemental Data:		
Ratio to average net assets attributable to common shares of:		
Net investment income (d)	0.45%	1.64%(g)
Expenses, net of fee waivers	1.78%	2.25%(g)
Expenses, before fee waivers	2.03%	2.50%(g)
Portfolio Turnover Rate	68.69%	27.61%
Net assets attributable to common shares, end of period (000s)	$ 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) 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 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.

RMR Asia Pacific Real Estate Fund
Notes to Financial Statements

December 31, 2007

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, of 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, and the sale of 5,000 common shares for $100,000 to RMR Advisors, Inc., or RMR Advisors. On May 25, 2006, the Fund sold 1,750,000 common shares in an initial public offering including 40,000 shares sold to affiliates of RMR Advisors. Proceeds to the Fund were $33,392,600 after deducting underwriting commission and $68,400 of offering expenses. There was no underwriting commission or offering expenses paid on shares sold to the affiliates of RMR Advisors.

(2) 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.

(3) 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 last available bid price on that day. Any of the Fund's securities which are not readily marketable, which are not traded or which have other characteristics of illiquidity are valued by the Fund at fair value as determined in good faith under the supervision of the Fund's board of trustees. Numerous factors may be considered when determining fair value of a security, including cost at date of purchase, type of security, the nature and duration of restrictions on disposition of the security and whether the issuer of the security being fair valued has other securities of the same type outstanding. Short term debt securities with less than 60 days until maturity may be valued at cost, which when combined with interest accrued, approximates market value.

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

(4) 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.

(5) 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.

Some Asia Pacific governments may subject the Fund's investment income and securities sales to withholding or other taxes. For the year ended December 31, 2007, $127,583 of foreign taxes have been withheld from distributions to the Fund and has been recorded as a reduction of dividend income and $10,336 of foreign taxes have been withheld from the proceeds of sale of securities and recorded as a reduction of net realized gains on investments

(6) 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 registered investment company. On December 12, 2007, the Fund declared a special distribution of $4.45 per common share that was paid on January 31, 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.

The Fund distinguishes between distributions to shareholders on a tax basis and a financial reporting basis. Only distributions in excess of accumulated tax basis earnings and profits are reported in the financial statements as a tax return of capital. Differences in the recognition or classification of income between the financial statements and tax earnings and profits which result in temporary over distributions for financial statement purposes are classified as distributions in excess of net investment income or accumulated net realized gains in the components of net assets on the Statement of Assets and Liabilities.

The tax character of distributions made by the Fund during the year ended December 31, 2007, is as follows:

		Year Ended December 31, 2007
Ordinary income	$	9,007,262
Net long term capital gains		1,470,088
	$	10,477,350

As of December 31, 2007, the components of distributable earnings on a federal income tax basis were as follows:

Undistributed ordinary income	$	
Accumulated capital and other losses		(1,626,006)
Net unrealized appreciation/(depreciation)		4,105,216

Under current tax law, certain capital or net foreign currency losses and net passive foreign investment company mark to market losses realized after October 31 within the taxable year may be deferred and treated as occurring on the first day of the following tax year. For the tax year ended December 31, 2007, the Fund elected to defer net passive foreign investment company losses of $1,626,006 arising between November 1, 2007 and December 31, 2007.

The differences between the financial reporting basis and tax basis of accumulated capital and other losses and unrealized appreciation/depreciation are due to mark to market and adjustments to the Fund's investments in passive foreign investment companies and wash sales of portfolio investments.

The cost, gross unrealized appreciation and unrealized depreciation of the Fund's investments for federal income tax purposes as of December 31, 2007, are as follows:

Cost	$	39,385,491
Gross unrealized appreciation		6,211,825
Gross unrealized depreciation		(2,108,221)
Net unrealized appreciation/(depreciation)	$	4,103,604

(7) Concentration of Risk

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

(8) Foreign Securities Risk

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

(9) 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.

(10) Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board, or FASB, issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109", or FIN 48. FIN 48 was effective for the fiscal years beginning after December 15, 2006. The Securities and Exchange Commission delayed the application of FIN 48 to open and closed end funds to not later than June 29, 2007. FIN 48 prescribes how the Fund should recognize, measure and present in the Fund's financial statements uncertain tax provisions that have been taken or expected to be taken in a tax return. Pursuant to FIN 48 the Fund can recognize a tax benefit only if it is "more likely than not" that a particular tax position will be sustained upon examination or audit. To the extent the "more likely than not" standard has been satisfied the benefits associated with a tax position is measured as the largest amount that is greater than 50% likely of being realized upon settlement. As required, the Fund has adopted FIN 48 effective June 29, 2007, and concluded that the effect is not material to its financial statements. Each of the tax years in the three year period ended December 31, 2007, remains subject to examination by the Internal Revenue Service.

In September 2006, FASB issued Statement of Accounting Standards No. 157, "Fair Value Measurements", or SFAS 157, which is effective for fiscal years beginning after November 15, 2007. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands required disclosures about fair value measurements. Management has evaluated the application of the Statement to the Fund and believes the impact will be limited to expanded financial statement disclosures.

Note B

Advisory, Subadvisory and Administration Agreements and Other Transactions with Affiliates

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

RMR Advisors has contractually agreed to waive a portion of its annual fee equal to 0.25% of the Fund's average daily net assets from May 25, 2006 until May 25, 2011. The Fund incurred net advisory fees of $343,016 during the year ended December 31, 2007. The amount of fees waived by the Advisor was $114,339 for the year ended December 31, 2007.

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, will pay the subadvisor a monthly fee equal to an annual rate of 0.375% of the Fund's average daily net 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 net 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 $107,769 of subadministrative fees charged by State Street for the year ended December 31, 2007.

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 fees for board and committee meetings. The Fund incurred $22,355 of trustee fees and expenses during the year ended December 31, 2007.

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 $30,040 of compliance and internal audit expense during the year ended December 31, 2007. 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 $22,261 of insurance expense during the year ended December 31, 2007.

Note C

Securities Transactions

During the year ended December 31, 2007, there were purchases and sales transactions (excluding short term securities) of $31,329,360 and $34,005,674 respectively. Brokerage commissions on securities transactions amounted to $139,872 during the year ended December 31, 2007.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders
of RMR Asia Pacific Real Estate Fund:

We have audited the accompanying statement of assets and liabilities of RMR Asia Pacific Real Estate Fund (the "Fund"), including the portfolio of investments, as of December 31, 2007, and the related statement of operations for the year then ended and the statements of changes in net assets and the financial highlights for each of the periods indicated therein. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2007, by correspondence with the custodian. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of RMR Asia Pacific Real Estate Fund at December 31, 2007, the results of its operations for the year then ended and the changes in its net assets and the financial highlights for each of the periods indicated therein, in conformity with U.S. generally accepted accounting principles.

Boston, Massachusetts
February 21, 2008

RMR Asia Real Estate Fund

December 31, 2007

To our shareholders,

In the pages that follow, you will find data summarizing our financial results for the period from May 25, 2007, the date we commenced operations, through December 31, 2007, and our financial position as of December 31, 2007.

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

Relevant Market Conditions

Real Estate Industry Fundamentals. In 2008, we expect commercial real estate fundamentals in the Asian region to remain healthy due to strong leasing demand. Office market vacancy rates are expected to remain low in Hong Kong, Singapore and Tokyo. Strong national income growth in all countries, except for Japan, should lead to growing retail sales and rising rents for retail property. The industrial real estate sector is expected to do well because logistics networks are developing in emerging countries. Residential real estate prices are expected to increase because of rising incomes and the urbanization process underway in China and India.

Economic growth in the coming year is expected to remain strong throughout Asia. The International Monetary Fund expects 8.6% GDP growth for developing Asia and 1.5% for Japan. Real estate companies in the region are generally conservatively financed. However, credit tightening by lenders across the globe may slow the rate of growth for some real estate companies in the region in 2008.

Real Estate Industry Technicals. We expect continued strong demand for real estate investments in the Asia region in the coming year. High personal savings rates and attractive real estate yields are expected to lead to increasing stock values for real estate companies in the region, especially real estate companies that pay a regular dividend, such as real estate investment trusts, or 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, and several countries are considering initiating REIT legislation, including 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.

Although the Fund's primary investment objective is capital appreciation (rather than pay high income) and the Fund has operated for less than one year, it made a one time distribution of $0.35 per share to shareholders in December 2007. This distribution represents an annualized return on investment of about 3% based on the Fund's IPO price of $20.00 per share in May 2007.

During the period from May 25, 2007 through December 31, 2007, our total return on net asset value, or NAV, was negative 3.24%. 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 1.3%. We believe this index is relevant to us because all our investments as of December 31, 2007, excluding short term investments, were in securities of real estate companies in countries covered by this index. The S&P 500 Index (an unmanaged index published as Standard and Poor's Composite Index of 500 common stocks) total return for the same period was negative 3.30%.

Thank you for your continued support. For more information, please view our website at *www.rmrfunds.com.*

Sincerely,

Adam D. Portnoy
President

February 20, 2008

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Portfolio holdings by sub-sector as a percentage of investments (as of December 31, 2007)*

Diversified	69%
Hospitality	11%
Other, less than 10%	19%
Short term investments	1%
Total investments	100%

Real Estate	99%
Short term investments	1%
Total investments	100%

Portfolio holdings by country (as of December 31, 2007)*

Hong Kong	45%
Japan	34%
Singapore	11%
Other, less than 10%	9%
Short term investments	1%
Total	100%

* 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 December 31, 2007

Company	Shares		Value
Common Stocks 97.3%			
Hong Kong 46.2%			
Diversified 27.6%			
Agile Property Holdings, Ltd.	935,000	$	1,705,145
China New Town Development Co. Ltd (a)	550,000		225,433
China Overseas Land & Investment Ltd	160,000		331,187
China Resources Land, Ltd.	1,015,000		2,244,158
Great Eagle Holdings, Ltd.	200,000		747,685
Guangzhou R&F Properties Co., Ltd., Class H	280,000		998,282
Henderson Land Development Co., Ltd.	333,000		3,141,066
Hongkong Land Holdings, Ltd.	985,000		4,865,900
Hysan Development Co., Ltd.	1,122,000		3,208,839
Kerry Properties, Ltd.	90,000		727,166
New World China Land, Ltd.	1,092,000		990,130
Shenzhen Investment, Ltd.	2,000,000		1,431,246
Shimao Property Holdings, Ltd.	330,000		841,358
Shun TAK Holdings, Ltd.	585,000		919,807
SPG Land Holdings Ltd (a)	800,000		717,162
The Wharf (Holdings) Ltd.	120,000		629,441
			23,724,005
Hospitality 11.5%			
Regal Real Estate Investment Trust *	2,500,000		689,333
Sun Hung Kai Properties, Ltd.	433,000		9,184,882
			9,874,215
Office 0.3%			
Champion Real Estate Investment Trust *	490,000		287,185
Retail 6.8%			
Hang Lung Properties, Ltd.	1,174,000		5,450,381
The Link REIT *	190,000		412,291
			5,862,672
Total Hong Kong (Cost $32,345,857)			39,748,077
Japan 34.3%			
Apartments 1.6%			
New City Residence Investment Corp. *	110		451,954
Nippon Residential Investment Corp. *	210		947,411
			1,399,365

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

Diversified 26.5%			
Aeon Mall Co., Ltd.	61,000	$	1,610,795
Mitsubishi Estate Co., Ltd.	506,000		12,206,687
Mitsui Fudosan Co., Ltd.	220,000		4,785,391
Shoei Co., Ltd.	76,960		1,042,300
Sumitomo Realty & Development Co., Ltd.	125,000		3,093,810
			22,738,983
Office 6.2%			
Japan Excellent, Inc. *	50		401,916
Japan Real Estate Investment Corp. *	35		438,616
Nippon Building Fund, Inc. *	210		2,951,260
NTT Urban Development Corp.	950		1,539,184
			5,330,976
Total Japan (Cost $39,293,371)			29,469,324
Malaysia 3.3%			
Diversified 3.3%			
KLCC Property Holdings Berhad	1,349,000		1,427,729
SP Setia Berhad	924,000		1,391,448
			2,819,177
Total Malaysia (Cost $3,139,244)			2,819,177
Philippines 2.7%			
Diversified 2.7%			
Filinvest Land, Inc.	20,500,000		675,469
Megaworld Corp.	17,963,000		1,632,011
			2,307,480
Total Philippines (Cost $2,518,367)			2,307,480
Singapore 10.8%			
Diversified 10.8%			
Allgreen Properties, Ltd.	1,965,000		2,034,006
Ascendas India Trust	464,000		412,602
Capitaland, Ltd.	360,000		1,568,099
CDL Hospitality Trusts *	1,319,000		2,153,357
City Developments, Ltd.	158,000		1,558,651
Keppel Land, Ltd.	220,000		1,112,647
Singapore Land, Ltd.	87,000		483,518
			9,322,880
Total Singapore (Cost $10,251,230)			9,322,880

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

Total Common Stocks (Cost $87,548,069)		$	83,666,938
Warrants 3.8%			
India 3.8%			
Ansal Properties & Infrastructure, Ltd., Macquarie Bank, Ltd., expiring 1/17/12 (a)	93,000		1,002,540
Unitech, Ltd., Macquarie Bank, Ltd., expiring 6/24/08 (a)	180,000		2,233,800
Total India (Cost $1,821,137)			3,236,340
Total Warrants (Cost $1,821,137)			3,236,340
Rights 0.0%			
Hong Kong 0.0%			
The Wharf (Holdings) Ltd., expiring 1/08/08 (a) (Cost $0)	15,000		20,584
Short-Term Investments 0.9%			
Other Investment Companies 0.9%			
Dreyfus Cash Management, Institutional Shares, 4.85% (b) (Cost $794,217)	794,217		794,217
Total Investments 102.0% (Cost $90,163,423)			87,718,079
Other assets less liabilities (2.0)%			(1,706,630)
Net Assets 100%		$	86,011,449

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 December 31, 2007, this security had not paid a distribution.

(b) Rate reflects 7 day yield as of December 31, 2007.

See notes to financial statements.

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RMR Asia Real Estate Fund
Financial Statements

Statement of Assets and Liabilities

December 31, 2007		
Assets		
Investments in securities, at value (cost $90,163,423)	$	87,718,079
Cash		675
Foreign currency, at value (cost $14,079)		14,079
Dividends and interest receivable		109,343
Total assets		87,842,176
Liabilities		
Distributions payable		1,664,250
Advisory fee payable		56,061
Accrued expenses and other liabilities		110,416
Total liabilities		1,830,727
Net assets	$	86,011,449
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		(1,347,247)
Accumulated net realized loss on investment and foreign currency transactions		(831,685)
Net unrealized depreciation on investments and foreign currency transactions		(2,444,619)
Net assets	$	86,011,449
Net asset value per share (based on 4,755,000 common shares outstanding)	$	18.09

See notes to financial statements.

Statement of Operations

For the Period May 25, 2007(a) to December 31, 2007

Investment Income		
Dividends (cash distributions received or due, net of foreign taxes withheld of $42,380)	$	769,997
Interest		122,310
Total investment income		892,307
Expenses		
Advisory		516,710
Audit and legal		82,740
Custodian		81,903
Administrative		63,793
Shareholder reporting		32,235
Compliance and internal audit		17,781
Trustees' fees and expenses		16,129
Other		43,637
Total expenses		854,928
Less: expense waived by the Advisor		(129,177)
Net expenses		725,751
Net investment income		166,556
Realized and unrealized gain (loss) on investment and foreign currency transactions		
Net realized loss on investments		(705,999)
Net realized gain on foreign currency transactions		24,761
Net change in unrealized appreciation/(depreciation) on investments and foreign currency transactions		(2,444,619)
Net decrease in net assets resulting from operations	$	(2,959,301)

(a) Commencement of operations.

See notes to financial statements.

Statement of Changes in Net Assets

		For the Period May 25, 2007(a) to December 31, 2007
Increase (decrease) in net assets resulting from operations		
Net investment income	$	166,556
Net realized loss on investment and foreign currency transactions		(681,238)
Net change in unrealized appreciation/(depreciation) on investments and foreign currency transactions		(2,444,619)
Net decrease in net assets resulting from operations		(2,959,301)
Distributions to common shareholders from:		
Net investment income		(1,664,250)
Capital shares transactions		
Net proceeds from sale of common shares		90,535,000
Net increase from capital transactions		90,535,000
Total increase in net assets		85,911,449
Net assets		
Beginning of year		100,000
End of year (including distributions in excess of net investment income of $(1,347,247)	$	86,011,449
Common shares issued and repurchased		
Shares outstanding, beginning of year		5,000
Shares issued		4,750,000
Shares outstanding, end of year		4,755,000

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

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RMR Asia Real Estate Fund
Financial Highlights

Selected Data For A Common Share Outstanding Throughout Each Period

	For the Period May 25, 2007(a) to December 31, 2007
Per Common Share Operating Performance (b)	
Net asset value, beginning of period	$ 19.06(c)
Income from Investment Operations	
Net investment income (d)	.04
Net realized and unrealized appreciation/(depreciation) on investments	(.62)
Net decrease in net asset value from operations	(.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	$ 18.09
Market price, beginning of period	$ 20.00
Market price, end of period	$ 15.07
Total Return (e)	
Total investment return based on:	
Market price (f)	(22.91)%
Net asset value (f)	(3.24)%
Ratios/Supplemental Data:	
Ratio to average net assets attributable to common shares of: (g)	
Net investment income (d)	0.32%
Expenses, net of fee waivers	1.40%
Expenses, before fee waivers	1.65%
Portfolio Turnover Rate	16.99%
Net assets attributable to common shares, end of period (000s)	$ 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 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

December 31, 2007

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, as amended, or the 1940 Act, 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) 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.

(3) 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 last available bid price on that day. Any of the Fund's securities which are not readily marketable, which are not traded or which have other characteristics of illiquidity are valued by the Fund at fair value as determined in good faith under the supervision of the Fund's board of trustees. Numerous factors may be considered when determining fair value of a security, including cost at date of purchase, type of security, the nature and duration of restrictions on disposition of the security and whether the issuer of the security being fair valued has other securities of the same type outstanding. Short term debt securities with less than 60 days until maturity may be valued at cost, which when combined with interest accrued, approximates market value.

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

(4) 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.

(5) 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.

Some Asian governments may subject the Fund's investment income and securities sales to withholding or other taxes. For the period ended December 31, 2007, $42,380 of foreign taxes has been withheld from distributions to the Fund and has been recorded as a reduction of dividend income.

(6) 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 registered investment company. On December 12, 2007, the Fund declared a special distribution of $0.35 per common share that was paid on January 31, 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.

The Fund distinguishes between distributions to shareholders on a tax basis and a financial reporting basis. Only distributions in excess of accumulated tax basis earnings and profits are reported in the financial statements as a tax return of capital. Differences in the recognition or classification of income between the financial statements and tax earnings and profits which result in temporary over distributions for financial statement purposes are classified as distributions in excess of net investment income or accumulated net realized gains in the components of net assets on the Statement of Assets and Liabilities.

The tax character of distributions made by the Fund during the period ended December 31, 2007 was as follows:

	Period ended December 31, 2007
Ordinary income	$ 1,664,250

As of December 31, 2007, the components of distributable earnings on a federal income tax basis were as follows:

Undistributed ordinary income	$
Accumulated capital and other losses	(1,705,277)
Net unrealized depreciation	(2,864,049)

The differences between the financial reporting basis and tax basis of undistributed ordinary income and unrealized depreciation is due to the mark to market and adjustments to the Fund's investments in passive foreign investment companies.

As of December 31, 2007, the Fund had a net capital loss carry forward for federal income tax purposes of $831,685 all of which expires in the year 2015.

Under current tax law, certain capital net foreign currency losses and net passive foreign investment company mark to market losses realized after October 31 within the taxable year may be deferred and treated as occurring on the first day of the following tax year. For the tax period ended December 31, 2007, the Fund elected to defer net passive foreign investment company losses of $873,592 arising between November 1, 2007 and December 31, 2007.

The cost, gross unrealized appreciation and unrealized depreciation of the Fund's investments for federal income tax purposes as of December 31, 2007, are as follows:

Cost	$	90,582,853
Gross unrealized appreciation	$	9,490,802
Gross unrealized depreciation		(12,355,576)
Net unrealized appreciation/(depreciation)	$	(2,864,774)

(7) Concentration of Risk

Under normal market conditions, the Fund's investments will be concentrated in common shares, preferred shares and debt securities, including convertible preferred and debt securities, issued by 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.

(8) Foreign Securities Risk

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

(9) 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.

(10) Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board, or FASB, issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109", or FIN 48. FIN 48 was effective for the fiscal years beginning after December 15, 2006. The Securities and Exchange Commission delayed the application of FIN 48 to open and closed end funds to not later than June 29, 2007. FIN 48 prescribes how the Fund should recognize, measure and present in the Fund's financial statements uncertain tax provisions that have been taken or expected to be taken in a tax return. Pursuant to FIN 48 the Fund can recognize a tax benefit only if it is "more likely than not" that a particular tax position will be sustained upon examination or audit. To the extent the "more likely than not" standard has been satisfied the benefits associated with a tax position is measured as the largest amount that is greater than 50% likely of being realized upon settlement. As required, the Fund has adopted FIN 48 effective June 29, 2007, and concluded that the effect is not material to its financial statements.

In September 2006, FASB issued Statement of Accounting Standards No. 157, "Fair Value Measurements", or SFAS 157, which is effective for fiscal years beginning after November 15, 2007. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands required disclosures about fair value measurements. Management has evaluated the application of the Statement to the Fund, and believes the impact will be limited to expanded financial statement disclosures.

Note B

Advisory, Subadvisory and Administration Agreements and Other Transactions with Affiliates

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

RMR Advisors has contractually agreed to waive a portion of its annual fee equal to 0.25% of the Fund's average daily net assets until May 25, 2012. The Fund incurred net advisory fees of $387,533 during the period ended December 31, 2007. The amount of fees waived by the Advisor was $129,177 for the year ended December 31, 2007.

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, will pay the subadvisor a monthly fee equal to an annual rate of 0.375% of the Fund's average daily net 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 net assets.

RMR Advisors, and not the Fund, paid, from its own assets, (i) an incentive fee to RBC Capital Markets Corporation, or RBC, for acting as bookrunning manager in connection with the offering in an amount equal to $234,081 and (ii) an additional fee to Wachovia Capital Markets, LLC, or Wachovia, for advice relating to the structure, design and organization of the Fund as well as services related to the sale and distribution of the Fund's common shares in an amount equal to $379,400. These fees were paid to RBC and Wachovia at the same time as the delivery of the common shares to the underwriters in the Fund's initial public offering.

RMR Advisors, and not the Fund, paid, from its own assets, Foreside Fund Services, LLC, or Foreside, a fee for its distribution assistance in an amount equal to $344,081. Foreside provided distribution assistance by rendering wholesale marketing and marketing consulting services to RMR Advisors and the underwriters in connection with the Fund's initial public offering.

RMR Advisors also performs administrative functions for the Fund pursuant to an administration agreement with the Fund. RMR Advisors has entered into a subadministration agreement with State Street Bank and Trust Company, or State Street, to perform substantially all Fund accounting and other administrative services. Under the administration agreement, RMR Advisors is entitled to reimbursement of the cost of providing administrative services. The Fund reimbursed RMR Advisors for $63,793 of subadministrative fees charged by State Street for the period ended December 31, 2007.

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 fees for board and committee meetings. The Fund incurred $16,129 of trustee fees and expenses during the period ended December 31, 2007.

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 $17,781 of compliance and internal audit expense during the period ended December 31, 2007. 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 $12,320 of insurance expense during the period ended December 31, 2007.

Note C

Securities Transactions

During the period ended December 31, 2007, there were purchases and sales transactions (excluding short term securities) of $104,899,878 and $14,824,674 respectively. Brokerage commissions on securities transactions amounted to $117,849 during the period ended December 31, 2007.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of RMR Asia Real Estate Fund:

We have audited the accompanying statement of assets and liabilities of RMR Asia Real Estate Fund (the "Fund"), including the portfolio of investments, as of December 31, 2007, and the related statements of operations, changes in net assets and the financial highlights for the period from May 25, 2007 (commencement of operations) to December 31, 2007. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2007, by correspondence with the custodian. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the RMR Asia Real Estate Fund at December 31, 2007, the results of its operations, changes in its net assets and the financial highlights for the period from May 25, 2007 (commencement of operations) to December 31, 2007, in conformity with U.S. generally accepted accounting principles.

Boston, Massachusetts
February 21, 2008

RMR Dividend Capture Fund

December 31, 2007

To our shareholders,

In the pages that follow, you will find data summarizing our financial results for the period from December 18, 2007, the date we commenced operations, through December 31, 2007, and our financial position as of December 31, 2007.

We welcome our new investors to the RMR Dividend Capture Fund. We are delighted to have you as shareholders. We are also very excited about this new Fund. We believe now is a good time to take advantage of the dislocation in the marketplace to buy real estate investment trusts, or REITs, and closed end funds at very attractive prices.

REITs are currently trading close to a 20% discount to estimated net asset value, or NAV, compared to historically trading at a 4% premium to estimated NAV. Closed end funds are also trading at deep discounts to NAV (in the range of 6-8%) compared to historically trading at a 3% discount. The Fund's focus will be to take advantage of these low valuations to deliver an attractive dividend yield and to realize the opportunity for capital appreciation as REITs and closed end funds eventually return to historical average trading levels.

We successfully launched the RMR Dividend Capture Fund on December 18, 2007 and by year-end we had 50% of the money raised in the IPO invested. The rest of the proceeds were invested in early January 2008.

Fund Strategies, Techniques and Performance

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

During the period December 18, 2007, through December 31, 2007, our total return on NAV (including NAV changes and assuming a hypothetical reinvestment of distributions at NAV), was negative 2.2%. During that same period, the total return for the MSCI US REIT Total Return Index (an unmanaged index of REIT common stocks) was 1.8%. We believe this index is relevant to us because our investments, excluding short term investments, as of December 31, 2007, included 69% REIT common 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 year ended December 31, 2007 was 1.0%.

Recent Developments

As I am writing this letter, turmoil in the credit markets is becoming a concern for our Fund. Our business plan anticipates using leverage by using auction rate preferred securities to generate increased dividends for our common shareholders. At present, auction rate preferred securities are currently experiencing a liquidity crisis. We have issued $10 million of auction rate preferred securities which we believe are well protected by asset coverage. However, the spill over impact from auction rate securities issued by others may make it more expensive for us to remarket our auction rate securities or cause us to substitute our preferred share with a less attractive form of leverage. If we are required to pay increased dividends or use less desirable leverage, the level of dividends which we previously anticipated paying common shareholders may decline.

Thank you for your continued support. For more information, please view our website at *www.rmrfunds.com.*

Sincerely,

Adam D. Portnoy
President
February 20, 2008

Portfolio holdings by sub-sector as a percentage of investments (as of December 31, 2007)*

Investment companies	24%
Hospitality real estate	19%
Office real estate	13%
Others, less than 10% each	21%
Short term investments	23%
Total investments	100%
REITs	53%
Investment companies	24%
Short term investments	23%
Total investments	100%

* 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 December 31, 2007

Company	Shares	Value
Common Stocks 60.0%		
Real Estate Investment Trusts 60.0%		
Apartments 2.5%		
Apartment Investment & Management Co.	16,600	$ 576,518
Diversified 8.1%		
CapLease, Inc.	123,725	1,041,764
Lexington Corporate Properties Trust	10,883	158,239
Liberty Property Trust	24,600	708,726
		1,908,729
Hospitality 22.0%		
Ashford Hospitality Trust, Inc.	128,430	923,412
Entertainment Properties Trust	15,200	714,400
FelCor Lodging Trust, Inc.	45,945	716,282
Hersha Hospitality Trust	75,370	716,015
Host Hotels & Resorts, Inc.	41,500	707,160
LaSalle Hotel Properties	20,500	653,950
Sunstone Hotel Investors, Inc.	39,640	725,016
		5,156,235
Industrial 7.3%		
DCT Industrial Trust, Inc.	80,080	745,545
First Industrial Realty Trust, Inc.	27,730	959,458
		1,705,003
Office 15.0%		
American Financial Realty Trust	102,900	825,258
Boston Properties, Inc.	11,312	1,038,554
Brandywine Realty Trust	41,430	742,840
Mack-Cali Realty Corp.	26,375	896,750
		3,503,402
Retail 3.1%		
CBL & Associates Properties, Inc.	30,481	728,801
Storage 2.0%		
U-Store-It Trust	51,800	474,488
Total Real Estate Investment Trusts (Cost $14,774,408)		14,053,176
Total Common Stocks (Cost $14,774,408)		14,053,176

See notes to financial statements.

Company	Shares		Value
Other Investment Companies 27.1%			
Blackrock Enhanced Dividend Achievers Trust	25,700	$	291,695
Blackrock Preferred and Equity Advantage Trust	15,800		270,496
Cohen & Steers Advantage Income Realty Fund, Inc.	33,000		483,450
Cohen & Steers Premium Income Realty Fund, Inc.	47,376		696,901
Cohen & Steers REIT and Preferred Income Fund, Inc.	39,000		737,100
DWS Dreman Value Income Edge Fund, Inc.	54,700		754,313
DWS RREEF Real Estate Fund II, Inc.	60,100		775,290
Eaton Vance Enhanced Equity Income Fund	21,950		398,832
ING Global Equity Dividend & Premium Opportunity Fund	4,800		79,392
LMP Real Estate Income Fund, Inc.	23,349		339,027
Nicholas-Applegate Convertible & Income Fund II	33,300		409,257
Nuveen Real Estate Income Fund	14,500		231,565
Pioneer Floating Rate Trust	31,100		492,313
The Zweig Total Return Fund, Inc.	84,877		384,493
Total Other Investment Companies (Cost $6,480,937)			6,344,124
Short-Term Investments 26.4%			
Other Investment Companies 26.4%			
Dreyfus Cash Management, Institutional Shares, 4.85% (a) (Cost $6,199,000)	6,199,000		6,199,000
Total Investments 113.5% (Cost $27,454,345)			26,596,300
Other assets less liabilities (13.5)%			(3,154,052)
Net Assets 100%		$	23,442,248

Notes to Portfolio of Investments

(a) Rate reflects 7 day yield as of December 31, 2007.

See notes to financial statements.

RMR Dividend Capture Fund
Financial Statements

Statement of Assets and Liabilities

December 31, 2007

Assets		
Investments in securities, at value (cost $27,454,345)	$	26,596,300
Cash		1,301,667
Dividends and interest receivable		424,252
Receivable for securities sold		740
Total assets		28,322,959
Liabilities		
Payable for investment securities purchased		4,752,542
Advisory fee payable		7,853
Accrued expenses and other liabilities		120,316
Total liabilities		4,880,711
Net assets	$	23,442,248
Composition of net assets		
$.001 par value per share; unlimited number of shares authorized, 1,255,000 shares issued and outstanding	$	1,255
Additional paid-in capital		23,960,745
Undistributed net investment income		251,148
Accumulated net realized gain on investment transactions		87,145
Net unrealized depreciation on investments		(858,045)
Net assets	$	23,442,248
Net asset value per share (based on 1,255,000 common shares outstanding)	$	18.68

See notes to financial statements.

RMR Dividend Capture Fund
Financial Statements continued

Statement of Operations

For the Period December 18, 2007(a) to December 31, 2007

Investment Income		
Dividends (Cash distributions, net of capital gain ($87,143) and return of capital ($15,792) distributions, received or due)	$	293,389
Interest		27,928
Total investment income		321,317
Expenses		
Audit and legal		41,400
Excise Tax		10,000
Advisory		7,853
Administrative		7,500
Shareholder reporting		5,000
Custodian		3,667
Trustees' fees and expenses		1,750
Other		2,999
Total expenses		80,169
Net investment income		241,148
Realized and unrealized gain (loss) on investments		
Net realized gain on investments		87,145
Net change in unrealized appreciation/(depreciation) on investments		(858,045)
Net realized and unrealized loss on investments		(770,900)
Net decrease in net assets resulting from operations	$	(529,752)

(a) Commencement of operations.

See notes to financial statements.

RMR Dividend Capture Fund
Financial Statements continued

Statement of Changes in Net Assets

	For the Period December 18, 2007(a) to December 31, 2007
Increase (decrease) in net assets resulting from operations	
Net investment income	$ 241,148
Net realized gain on investments	87,145
Net change in unrealized appreciation/(depreciation) on investments	(858,045)
Net decrease in net assets resulting from operations	(529,752)
Capital shares transactions	
Net proceeds from sale of common shares	23,872,000
Net increase from capital transactions	23,872,000
Total increase in net assets	23,342,248
Net assets	
Beginning of period	100,000
End of period (including undistributed net investment income of $251,148)	$ 23,442,248
Common shares	
Shares outstanding, beginning of period	5,000
Shares issued	1,250,000
Shares outstanding, end of period	1,255,000

(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

		For the Period December 18, 2007(a) to December 31, 2007
Per Common Share Operating Performance		
Net asset value, beginning of period		19.14(b)
Income from Investment Operations		
Net investment income (c)		.19
Net realized and unrealized appreciation/(depreciation) on investments		(.61)
Net decrease in net asset value from operations		(.42)
Common share offering costs charged to capital		(.04)
Net asset value, end of period	$	18.68
Market price, beginning of period	$	20.00
Market price, end of period	$	20.00
Total Return (d)		
Total investment return based on:		
Market price (e)		0.00%
Net asset value (e)		(2.20)%
Ratios/Supplemental Data:		
Ratio to average net assets attributable to common shares (f) of:		
Net investment income		30.71%
Expenses		10.21%
Portfolio Turnover Rate		0.00%
Net assets attributable to common shares, end of period (000s)	$	23,442

(a) Commencement of operations.

(b) Net asset value at December 12, 2007, reflects the deduction of the average sales load an 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 the RMR Advisors for $20.00 per share.

(c) As discussed in Note A (6) to the financial statements, these amounts are subject to change to the extent 2007 distributions by the issuers of the Fund's investments are characterized as capital gains and return of capital.

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

(e) 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 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

(f) Annualized.

See notes to financial statements.

RMR Dividend Capture Fund
Notes to Financial Statements

December 31, 2007

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, 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) 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.

(3) Portfolio Valuation

Investment securities of the Fund are valued at the latest sales price whenever that price is readily available on that day; securities for which no sales were reported on that day, unless otherwise noted, are valued at the last available bid price on that day. Securities traded primarily on the NASDAQ Stock Market, or NASDAQ, are normally valued by the Fund at the NASDAQ Official Closing Price, or NOCP, provided by NASDAQ each business day. The NOCP is the most recently reported price as of 4:00:02 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, which when combined with interest accrued, approximates market value.

(4) 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 identified cost basis.

(5) Federal 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.

(6) Distributable Earnings

The Fund earns income, net of expenses, daily on its investments. The Fund intends to pay a stable distribution amount to common shareholders on a monthly basis and distributions to Fund shareholders will be declared pursuant to this policy. 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.

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 The Fund has excluded from its investment income the portions of the distributions received from REITs classified by those REITs as capital gain income and return of capital. The Fund has included in its "net realized gain on investments" that portion of the distributions received from REITs that is classified by those REITs as capital gain income. Similarly, the Fund has credited its "net change in unrealized appreciation on investments" with that portion of the distributions received from REITs that is classified by those REITs as return of capital. The classification of distributions received from the Fund's investments were as follows:

	Period Ended December 31, 2007
Ordinary income	$ 239,389
Capital gain income	87,143
Return of capital	15,792
Total distributions received	$ 342,324

As of December 31, 2007, the components of distributable earnings on a federal income tax basis were as follows:

Undistributed ordinary income	$ 251,150
Undistributed net long-term capital gains	87,143
Net unrealized appreciation/(depreciation)	(858,045)

The cost of investments for federal income tax purposes, gross unrealized appreciation and unrealized depreciation as of December 31, 2007, are as follows:

Cost	$	27,454,345
Gross unrealized appreciation	$	24,405
Gross unrealized depreciation		(882,450)
Net unrealized depreciation	$	(858,045)

(7) Concentration of Risk

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

(8) Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board, or FASB, issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109", or FIN 48. FIN 48 was effective for the fiscal years beginning after December 15, 2006. The Securities and Exchange Commission delayed the application of FIN 48 to open and closed end funds to not later than June 29, 2007. FIN 48 prescribes how the Fund should recognize, measure and present in the Fund's financial statements uncertain tax provisions that have been taken or expected to be taken in a tax return. Pursuant to FIN 48 the Fund can recognize a tax benefit only if it is "more likely than not" that a particular tax position will be sustained upon examination or audit. To the extent the "more likely than not" standard has been satisfied the benefits associated with a tax position is measured as the largest amount that is greater than 50% likely of being realized upon settlement. As required, the Fund has adopted FIN 48 effective June 29, 2007, and concluded that the effect is not material to its financial statements.

In September 2006, FASB issued Statement of Accounting Standards No. 157, "Fair Value Measurements", or SFAS 157, which is effective for fiscal years beginning after November 15, 2007. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands required disclosures about fair value measurements. Management has evaluated the application of the Statement to the Fund, and believes the impact will be limited to expanded financial statement disclosures.

Note B

Advisory 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, 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 are not considered liabilities.

RMR Advisors, and not the Fund, paid, from its own assets, an incentive fee to RBC Capital Markets Corporation, or RBC, for acting as bookrunning manager in connection with the offering in an amount equal to $240,000. This fee was paid to RBC at the same time as the delivery of the common shares to the underwriters in the Fund's initial public offering.

RMR Advisors, and not the Fund, paid, from its own assets, Foreside Fund Services, LLC, or Foreside, a fee for its distribution assistance in an amount equal to $176,000. Foreside provided distribution assistance by rendering wholesale marketing and marketing consulting services to RMR Advisors and the underwriters in connection with the Fund's initial public offering.

RMR Advisors also performs administrative functions for the Fund pursuant to an administration agreement with the Fund. RMR Advisors has entered into a subadministration agreement with State Street Bank and Trust Company, or State Street, to perform substantially all Fund accounting and other administrative services. Under the administration agreement, RMR Advisors is entitled to reimbursement of the cost of providing administrative services. The Fund reimbursed RMR Advisors for $7,500 of subadministrative fees charged by State Street for the period ended December 31, 2007.

Each trustee who is not a director, officer or employee of RMR Advisors and who is not an "interested person" of the Fund as defined under the Investment Company Act of 1940, as amended, is considered to be a "disinterested trustee". Disinterested trustees are each paid by the Fund an annual fee plus fees for board and committee meetings. The Fund incurred $1,750 of trustee fees and expenses during the period ended December 31, 2007.

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 $0 of compliance and internal audit expense during the period ended December 31, 2007. 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 $500 of insurance expense during the period ended December 31, 2007.

Note C

Securities Transactions

During the period ended December 31, 2007, there were purchases and sales transactions (excluding short term securities) of $21,271,875 and $740, respectively. Brokerage commissions on securities transactions amounted to $42,129 during the period ended December 31, 2007.

Note D

Subsequent Event (Preferred Shares)

The Fund issued 400 Series F preferred shares with liquidation preference of $25,000 per share on February 6, 2008. 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 initial preferred share distribution rate was set at 4.00% per annum and payable on February 19, 2008.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders
of RMR Dividend Capture Fund:

We have audited the accompanying statement of assets and liabilities of RMR Dividend Capture Fund (the "Fund"), including the portfolio of investments, as of December 31, 2007, and the related statements of operations, changes in net assets and the financial highlights for the period from December 18, 2007 (commencement of operations) to December 31, 2007. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2007, by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the RMR Dividend Capture Fund at December 31, 2007, the results of its operations, changes in its net assets and the financial highlights for the period from December 18, 2007 (commencement of operations) to December 31, 2007, in conformity with U.S. generally accepted accounting principles.

Boston, Massachusetts
February 21, 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
December 31, 2007 (unaudited)

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) and RMR Dividend Capture Fund (RCR) are each referred to as a "Trust" or collectively as the "Trusts".

Consideration of the Investment Advisory Agreements for RMR, RHR, RFR, RDR and RAP

RMR Advisors serves as the investment advisor to each of RMR, RHR, RFR, RDR and RAP and MacarthurCook Investment Managers Limited ("MacarthurCook") serves as the sub-advisor to RAP. On October 11, 2007, the boards of trustees (each a "board and collectively the "boards") of each Trust renewed these investment advisory agreements and investment sub-advisory agreement for a period of one year to expire on December 12, 2008.

Investment Advisory Agreements. In making their determination to renew each investment advisory agreement, each board, including the disinterested trustees, considered all of the factors described below.

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

Each board considered the level and depth of knowledge of RMR Advisors. In evaluating the quality of services provided by RMR Advisors, each board took into account its familiarity with RMR Advisors' management through board meetings, conversations and reports. Each board also took into account RMR Advisors' compliance policies and procedures. RMR Advisors' role in coordinating and supervising the other service providers for the Trusts was also considered. The board also discussed RMR Advisors' effectiveness in monitoring the performance of MacarthurCook with respect to RAP.

Each board compared the advisory fees and the total expense ratio of each Trust with various comparative fund data. In addition to considering each Trust's recent performance, each board noted it reviews on a quarterly basis, information about each Trust's performance result, portfolio composition and investment strategies.

Each board considered the potential economies of scale that may be realized by the Trusts if the assets of the fund complex grow, noting that shareholders potentially might benefit from lower operating expenses as a result of certain of the Trusts' fixed expenses being spread over an increasing amount of assets.

In considering the profitability of RMR Advisors, the board noted that RMR Advisors has waived a portion of its advisory fee since each Trust's inception in order to reduce such Trust's operating expenses. The board considered, among other data, the profitability of RMR Advisors' relationship with each Trust in terms of the total amount of annual advisory fees it received with respect to the Trust and whether RMR Advisors had the financial wherewithal to continue to provide a high level of services to the Trusts.

In considering the renewal of the investment advisory agreement, each board, including the disinterested trustees, did not identify any single factor as controlling. Based on each board's evaluation of all the factors that it deemed to be relevant, each board, including the disinterested trustees of each board, concluded that: RMR Advisors has demonstrated that it possesses the capability and resources to perform the duties required of it under the investment advisory agreement for each Trust; RMR Advisors maintains an appropriate compliance program; performance of each Trust is reasonable in relation to the performance of funds with similar investment objectives; and the advisory fee rate for each Trust is fair and reasonable given the scope and quality of the services to be provided by RMR Advisors.

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

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

The board considered the level and depth of knowledge of MacarthurCook, noting that MacarthurCook specialized in the area of real estate investment management. In evaluating the quality of services provided by MacarthurCook, the board took into account its familiarity with MacarthurCook's management through board meetings, conversations and reports. The board also took into account MacarthurCook's compliance policies and procedures.

The board compared the advisory expense which includes the sub-advisory fees and the total expense ratio of RAP with various comparative fund data. In addition to considering RAP's recent performance, the RAP board noted it receives on a quarterly basis, information about RAP's performance result, portfolio composition and investment strategies.

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

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

Consideration of the Investment Advisory Agreement for RCR

RMR Advisors serves as the investment advisor to RCR. On July 12, 2007, the RCR board of trustees (the "board") entered into an investment advisory agreement for a period of two years to expire on July 11, 2009.

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

The board's considerations included, among others: the nature, scope and quality of services that RMR Advisors was expected to provide to RCR; the advisory and other fees to be paid; the quality and depth of personnel of RMR Advisors' organization; the capacity and future commitment of RMR Advisors to perform its duties; the financial condition and anticipated profitability of RMR Advisors; the experience and expertise of RMR Advisors as an investment advisor; the level of fees to be paid to RMR Advisors as compared to similar funds; the potential for economies of scale; and any indirect benefits expected to be derived by RMR Advisors' relationship with RCR.

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

The board compared the proposed advisory fees and the estimated total expense ratio of RCR with various comparative fund data. The board considered RCR's investment objective. The board also considered the RCR's model portfolio composition and investment strategy. RMR Advisors' role in coordinating and supervising the service providers for other funds was also considered.

The board considered the potential economies of scale that may be realized if the assets of the fund complex grow, noting that shareholders potentially might benefit from lower operating expenses as a result of certain of the Fund complex's expenses being spread over an increasing amount of assets.

The board reviewed the anticipated profitability of RMR Advisors' relationship with RCR in terms of the total amount of advisory fees it would receive with respect to RCR and whether RMR Advisors had the financial wherewithal to provide a high level of services to RCR.

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

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

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by each Fund during the most recent 12 month period ended June 30, 2007, 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.rmrfunds.com*), by calling our toll-free confidential message system at 866-511-5038, or by writing to the party for whom the communication is intended, care of our director of internal audit, RMR Funds, 400 Centre Street, Newton, MA 02458. Our director of internal audit will then deliver any communication to the appropriate party or parties.

Portfolio Holdings Reports

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

Required Disclosure of Certain Federal Income Tax Information (unaudited)

For federal income tax purposes, the following information is furnished with respect to the distributions paid by the Funds during the year ended December 31, 2007.

	Dividend Received Deduction (1)	Long Term Capital Gains Distribution	Qualified Income Distribution
RMR Real Estate Fund	38.20%	$ 9,580,075	$ 2,157,215
RMR Hospitality and Real Estate Fund	67.34%	$ 6,219,047	$ 1,396,717
RMR F.I.R.E. Fund	56.45%	$ 1,343,806	$ 1,153,711
RMR Preferred Dividend Fund	48.18%	$ 58,133	$ 1,388,997
RMR Asia Pacific Real Estate Fund	N/A	$ 1,470,088	$ 152,164
RMR Asia Real Estate Fund	N/A	N/A	$ 56,653
RMR Dividend Capture Fund	N/A	N/A	$ 1,350

	Foreign Tax Credit	Foreign Source Income
RMR Asia Pacific Real Estate Fund	$ 112,170	$ 1,121,030
RMR Asia Real Estate Fund	$ 17,336	$ 812,377

(1) Applies both to common and preferred shares.

Shareholders of the Funds have been or will be advised on Internal Revenue Service Form 1099 DIV as to the federal tax status of the distributions received from each Fund during calendar year 2007. Shareholders are advised to consult with their own tax advisors as to the federal, state and local tax status of the distributions received from the Funds.

Annual Meeting

An annual meeting of shareholders for all the Funds will be held at 9:30 AM on Thursday April 7, 2008, at 400 Centre Street, Newton, Massachusetts. A proxy statement has been mailed to the shareholders of record as of February 1, 2007, each of whom is invited to attend.

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

Dividend Reinvestment Plan (unaudited)

The board of trustees of each 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, each a Massachusetts business trust (each a "Fund" and collectively "the Funds"), have adopted a Dividend Reinvestment and Cash Purchase Plan (each, a "Plan"), sometimes referred to as an opt-out plan. You will have all your cash distributions invested in common shares automatically unless you elect to receive cash. As part of each Plan, you will have the opportunity to purchase additional common shares by submitting a cash payment for the purchase of such shares (the "Cash Purchase Option"). Your cash payment, if any, for the additional shares may not exceed $10,000 per quarter, per Plan and must be for a minimum of $100 per quarter. Wells Fargo Bank N.A. is the plan agent and paying agent for each plan. The plan agent will receive your distributions and additional cash payments under the Cash Purchase Option and either purchase common shares in the open market for your account or directly from the applicable Fund. If you elect not to participate in a Plan, you will receive all cash distributions in cash paid by check mailed to you (or, generally, if your shares are held in street name, to your broker) by the paying agent.

The number of common shares of each Fund you will receive if you do not opt out of a Plan will be determined as follows:

(1) If, on a distribution payment date for a Fund, the market price per common share plus estimated per share brokerage commissions applicable to an open market purchase of common shares is below the net asset value per common share on that payment date, the plan agent will receive the distribution in cash and, together with your additional cash payments, if any, will purchase common shares of that Fund in the open market, on the AMEX or elsewhere, for your account prior to the next ex-dividend date (or 60 days after the distribution payment date, which ever is sooner, in the case of RMR Asia Pacific Real Estate Fund, RMR Asia Real estate Fund and RMR Dividend Capture Fund). It is possible that the market price for a Fund's common shares may increase before the plan agent has completed its purchases. Therefore, the average purchase price per share paid by the plan agent may exceed the market price at the time of valuation, resulting in the purchase of fewer shares than if the distribution had been paid to you in common shares newly issued by a Fund. In the event it appears that the plan agent will not be able to complete the open market purchases prior to the next ex-dividend date (or 60 days after the distribution payment date, which ever is sooner, in the case of RMR Asia Pacific Real Estate Fund, RMR Asia Real estate Fund and RMR Dividend Capture Fund), each Fund will determine whether to issue the remaining shares at the greater of (i) net asset value per common share at the time of purchase or (ii) 100% of the per common share market price at the time of purchase. Interest will not be paid on any uninvested amounts.

(2) If, on the distribution payment date for a Fund, the market price per common share plus estimated per share brokerage commissions applicable to an open market purchase of common shares is at or above the net asset value per common share on that payment date, the appropriate Fund will issue new shares for

your account, at a price equal to the greater of (i) net asset value per common share on that payment date or (ii) 95% of the per common share market price on that payment date.

(3) The plan agent maintains all shareholder accounts in each Plan (including all shares purchased under the Cash Purchase Option) and provides written confirmation of all transactions in the accounts, including information you may need for tax records. Common shares in your account will be held by the Plan agent in non-certificated form. Any proxy you receive will include all common shares you have received or purchased under a Plan.

You may withdraw from any Plan at any time by giving written notice to the plan agent. If you withdraw or a Plan is terminated, the plan agent will transfer the shares in your account to you (which may include a cash payment for any fraction of a share in your account). If you wish, the plan agent will sell your shares and send you the proceeds, minus brokerage commissions to be paid by you.

The Plan agent is not authorized to make any purchases of shares for your account if doing so will result in your owning shares in excess of 9.8% of the total shares outstanding in each Fund. Dividends or cash purchase option payments which may result in such prohibited transactions will be paid to you in cash.

The plan agent's administrative fees will be paid by the Funds. There will be no brokerage commission charged with respect to common shares issued directly by any Fund. Each participant will pay a pro rata share of brokerage commissions incurred by the plan agent when it makes open market purchases of a Fund's shares pursuant to a Plan including the Cash Purchase Option.

Any Fund may amend or terminate its Plan or the Cash Purchase Option if its board of trustees determines the change is appropriate. However, no additional charges will be imposed upon participants by amendment to a Plan except after prior notice to participants.

Participation in a Plan will not relieve you of any federal, state or local income tax that may be payable (or required to be withheld) as a result of distributions you receive which are credited to your account under a Plan rather than paid in cash. Automatic reinvestment of distributions in a Fund's common shares will not relieve you of tax obligations arising from your receipt of that Fund's distributions even though you do not receive any cash.

All correspondence* about any Plan should be directed to Wells Fargo Shareowner Services, P.O. Box 64856, St. Paul, MN 55164-0856 or by telephone at 1-866-877-6331 and by overnight mail to Wells Fargo Bank N.A., 161 North Concord Exchange, South St. Paul, MN 55075.

* Shareholders who hold shares of a Fund in "street name", that is, through a broker, financial advisor or other intermediary should not contract the Administrator with Plan correspondence, opt-out cash purchase option or other requests. If you own your shares in street name, you must instead contact your broker, financial advisor or intermediary.

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
(unaudited)

Name, address* (Age)	Position(s) held with each fund and current term and length of time served (approx. number of years served)	Principal occupation(s) during past five years and other public company directorships held by trustee**	Number of portfolios in fund complex overseen by trustee
Interested Trustees* **			
Gerard M. Martin (73)	Class II trustee to serve until 2009. RMR (6); RHR (4); RFR (4); RDR (2); RAP (2); RAF (1) and RCR (1).	Director of Reit Management & Research LLC 1986 to present; director and Vice President of RMR Advisors 2002 to present; managing director of Five Star Quality Care, Inc. 2001 to present; managing trustee of Senior Housing Properties Trust 1999 to 2007; managing trustee of Hospitality Properties Trust 1995 to 2007; managing trustee of HRPT Properties Trust 1986 to 2006; trustee of RMR Funds Series Trust inception to present.	8
Barry M. Portnoy (62)	Class III trustee to serve until 2010. RMR (6); RHR (4); RFR (4); RDR (2); RAP (2); RAF (1) and RCR (1).	Chairman of Reit Management & Research LLC 1986 to present; Director and Vice President of RMR Advisors 2002 to present; portfolio manager of RMR, RHR, RFR, RDR, RCR and RMR Real Estate Securities Fund inception to present; managing director of Five Star Quality Care, Inc. 2001 to present; managing trustee of Senior Housing Properties Trust 1999 to present; managing trustee of Hospitality Properties Trust 1995 to present; managing trustee of HRPT Properties Trust 1986 to present; managing director of TravelCenters of America LLC 2007 to present; trustee of RMR Funds Series Trust inception to present.	8
Disinterested Trustees			
John L. Harrington (71)	Class I trustee to serve until 2008. RMR (6); RHR (4); RFR (4); RDR (2); RAP (2); RAF (1) and RCR (1).	Chairman of the Board and trustee of the Yawkey Foundation (a charitable trust) 2002 to 2003 and 2007 to present; President, Executive Director and trustee of the Yawkey Foundation 1982 to 2006; trustee of the JRY Trust 1982 to present; Principal of Bingham McCutchen Sports Consulting LLC 2007 to present; Chief Executive Officer and General Partner of the Boston Red Sox Baseball Club 1973 to 2001; President of Boston Trust Management Corp. 1981 to 2006; trustee of Hospitality Properties Trust 1995 to present; trustee of Senior Housing Properties Trust 1999 to present; director of Five Star Quality Care, Inc. 2001 to 2003; trustee of RMR Funds Series Trust October 2007 to present.	8

Frank J. Bailey (52)	Class II trustee to serve until 2009. RMR (6); RHR (4); RFR (4); RDR (2); RAP (2); RAF (1) and RCR (1).	Partner in the Boston law firm of Sherin and Lodgen LLP 1988 to present; trustee of Hospitality Properties Trust 2003 to present; trustee of Senior Housing Properties Trust 2002 to present; director of Appleseed Foundation, Washington, D.C. 1997 to present; trustee of RMR Funds Series Trust October 2007 to present.	8
Arthur G. Koumantzelis (77)	Class III trustee to serve until 2010. RMR (6); RHR (4); RFR (4); RDR (2); RAP (2); RAF (1) and RCR (1).	President and Chief Executive Officer of AGK Associates LLC 2007 to present; President and Chief Executive Officer of Gainesborough Investments LLC 1998 to 2007; trustee of Hospitality Properties Trust 1995 to 2007; director of Five Star Quality Care, Inc. 2001 to present; director of TravelCenters of America LLC 2007 to present; trustee of Senior Housing Properties Trust 1999 to 2003; trustee of RMR Funds Series Trust October 2007 to present.	8

Name, address* (Age)	Position(s) held with each fund, term of office and length of time served (approx. number of years served)	Principal occupation(s) during past five years**
Executive Officers		
Adam D. Portnoy+ (37)	President: RMR (1); RHR (1); RFR (1); RDR (1); RAP (1); RAF (1); and RCR (1).	President and Chief Executive Officer of Reit Management & Research LLC 2006 to present; Vice President of Reit Management & Research LLC 2003 to 2006; President of RMR Advisors 2007 to present; Vice President of RMR Advisors 2003 to 2007; President of RMR Funds Series Trust inception to present; portfolio manager of RMR, RHR, RFR, RDR, RCR and RMR Real Estate Securities Fund 2007 to present; Vice President of RMR 2004 to 2007; Vice President of RHR, RFR, RDR, RAP and RAF inception to 2007; managing trustee of HRPT Properties Trust 2006 to present; Executive Vice President of HRPT Properties Trust 2003 to 2006; managing trustee of Hospitality Properties Trust 2007 to present; managing trustee of Senior Housing Properties Trust 2007 to present; Senior Investment Officer, International Finance Corporation, a member of the World Bank Group 2001 to 2003.
Mark L. Kleifges (47)	Treasurer and Chief Financial Officer: RMR (4); RHR (4); RFR (4); RDR (3); RAP (2); RAF (1); and RCR (1).	Senior Vice President of Reit Management & Research LLC 2006 to present; Vice President of Reit Management & Research LLC 2002 to 2006; Treasurer of RMR Advisors 2004 to present; Vice President of RMR Advisors 2003 to 2004; Treasurer and Chief Financial Officer, Hospitality Properties Trust 2002 to present; Treasurer of RMR Funds Series Trust inception to present.
Jennifer B. Clark (46)	Secretary and Chief Legal Officer: RMR (6); RHR (4); RFR (4); RDR (3); RAP (2); RAF (1); and RCR (1).	Senior Vice President and General Counsel of Reit Management & Research LLC 2006 to present; Vice President of Reit Management & Research LLC 1999 to 2006; Secretary of RMR Advisors 2002 to present; Senior Vice President of HRPT Properties Trust 1999 to present; Assistant Secretary of Hospitality Properties Trust 1996 to present; Assistant Secretary of Senior Housing Properties Trust 1998 to present; Assistant Secretary of Five Star Quality Care, Inc. 2001 to present; Secretary of TravelCenters of America LLC 2007 to present; Secretary of RMR Funds Series Trust inception to present.

Fernando Diaz (40)	Vice President: RMR (1); RHR (1); RFR (1); RDR (1); RAP (1); RAF (1); and RCR (1).	Vice President of RMR Advisors 2007 to present; portfolio manager of RMR, RHR, RFR, RDR, RCR and RMR Real Estate Securities Fund 2007 to present; Vice President of RMR Funds Series Trust inception to present; senior REIT analyst and assistant portfolio manager, GID Securities, LLC 2006 to 2007; senior REIT analyst and assistant portfolio manager, SSgA/The Tuckerman Group 2001 to 2006.
John C. Popeo (47)	Vice President: RMR (5); RHR (4); RFR (4); RDR (3); RAP (2); RAF (1); and RCR (1).	Senior Vice President of Reit Management & Research LLC 2006 to present; Treasurer of Reit Management & Research LLC 1997 to present; Vice President of Reit Management & Research LLC 1999 to 2006; Vice President of RMR Advisors 2004 to present; Treasurer of RMR Advisors 2002 to 2004; Treasurer and Chief Financial Officer of HRPT Properties Trust 1997 to present; Vice President of RMR Funds Series Trust inception to present.
Karen Jacoppo-Wood (41)	Vice President: RMR (1); RHR (1); RFR (1); RDR (1); RAP (1); RAF (1); and RCR (1).	Vice President of RMR Advisors 2007 to present; Vice President of RMR Funds Series Trust inception to present; Vice President and Managing Counsel, State Street Bank and Trust Company 2006 to 2007; Counsel, Pioneer Investment Management, Inc. 2004 to 2006; Vice President and Counsel, State Street Bank and Trust Company 2002 to 2004.
William J. Sheehan (63)	Chief Compliance Officer and Director of Internal Audit: RMR (4); RHR (4); RFR (4); RDR (3); RAP (2); RAF (1); and RCR (1).	Director of Internal Audit of the funds and Chief Compliance Officer of the funds and of RMR Advisors 2004 to present; Director of Internal Audit of HRPT Properties Trust, Hospitality Properties Trust, Senior Housing Properties Trust and Five Star Quality Care, Inc. 2003 to present; Director of Internal Audit of TravelCenters of America LLC 2007 to present; trustee of Hospitality Properties Trust 1995 to 2003; Executive Vice President, Ian Schrager Hotels LLC 1999 to 2003.

Executive Officers

* The business address of each listed person is 400 Centre Street, Newton, Massachusetts 02458.

** RMR, RHR, RFR, RDR and RAP are collectively referred to as RMR Funds.

*** Interested trustees indicate a trustee who is an "interested person" of the Fund within the meaning of the Investment Company Act of 1940, as amended.

\+ Adam D. Portnoy is the son of Barry M. Portnoy, a trustee of the funds.

Each Fund's Statement of Additional Information includes additional information about the trustees and is available without charge upon request by calling us at 1-866-790-8165 or 1-617-332-9530.

WWW.RMRFUNDS.COM

Item 2. Code of Ethics.

(a) As of the period ended December 31, 2007, the registrant had adopted a code of ethics, as defined in Item 2(b) of Form N-CSR, that applies to the registrant's principal executive officer and principal financial officer.

(c) The registrant has not made any amendment to its code of ethics during the covered period.

(d) The registrant has not granted any waivers from any provisions of the code of ethics during the period covered by this report.

(e) The registrant's code of ethics has been posted on its Internet website at http://www.rmrfunds.com. A copy of the code of ethics may also be obtained free of charge by writing to Investor Relations, RMR Funds, 400 Centre Street, Newton, MA 02458.

Item 3. Audit Committee Financial Expert.

(a)(1) The registrant's board of trustees has determined that the registrant has at least one member serving on the registrant's audit committee (the "Audit Committee") that possesses the attributes identified in Item 3 of Form N-CSR to qualify as an "audit committee financial expert."

(a)(2) The name of the Audit Committee financial expert is Arthur G. Koumantzelis. Mr. Koumantzelis has been deemed to be "independent" as that term is defined in Item 3(a)(2) of Form N-CSR.

Item 4. Principal Accountant Fees and Services.

(a) Audit Fees: The aggregate fees billed by the registrant's independent accountant for audit services were $36,000 for the fiscal year ended December 31, 2007 and $35,000 for the fiscal year ended December 31, 2006.

(b) Audit Related Fees: The aggregate fees billed by the registrant's independent accountant for audit-related services were $12,000 for the fiscal year ended December 31, 2007, and $12,000 for the fiscal year ended December 31, 2006. The nature of the services was issuance of agreed upon procedures reports to rating agencies.

(c) Tax Fees: The aggregate fees billed by the registrant's independent accountant for tax compliance services were $8,800 for the fiscal year ended December 31, 2007, and $8,400 for the fiscal year ended December 31, 2006. The nature of the services was the review of the registrant's federal and state tax returns.

(d) All Other Fees: There were no other fees billed by the registrant's independent accountant for the fiscal years ended December 31, 2007, and December 31, 2006.

(e)(1) Audit Committee Pre-Approval Policies and Procedures: The registrant's Audit Committee is required to pre-approve all audit and non-audit services provided by the independent accountant to the registrant and certain affiliated persons of the registrant. In considering a requested approval, the Audit Committee will consider whether the proposed services are consistent with the rules of the Securities and Exchange Commission ("SEC") on the independent accountant's independence. The Audit Committee will also consider whether the independent accountant is best positioned to provide the most effective and efficient service, considering its familiarity with the registrant's business, people, culture, accounting systems, risk profile and other factors, and whether the service might enhance the registrant's ability to manage or control risk or improve audit quality. All factors will be considered as a whole, and no one factor will necessarily be determinative. The Audit Committee may delegate approval authority to its chair or one or more of its members who are not "interested persons" as defined by Section 2(a)(19) of the Investment Company Act of 1940, as amended (the "1940 Act"). The member or members to whom such authority is delegated will report, for informational purposes only, any approvals to the Audit Committee at its next regularly scheduled quarterly meeting. This policy does not delegate the Audit Committee's responsibilities to approve services performed by the independent accountant to the registrant's officers or RMR Advisors, Inc., the registrant's investment advisor (the "Advisor").

The Audit Committee may, with respect to a category of services, generally approve services, subject to any general limitations and restrictions it may determine, and subject further to specific approval by a delegated member or members of the Audit Committee.

(e)(2) Percentages of Services: None.

(f) Not applicable.

(g) There were no non-audit fees billed by the independent accountant for services rendered to the registrant or the Advisor, for the fiscal years ended December 31, 2007 and December 31, 2006 except for tax compliance services rendered to the registrant.

(h) Not applicable.

Item 5. Disclosure of Audit Committees for Listed Companies.

(a) The registrant has a separately-designated Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The members of the registrant's Audit Committee are Frank J. Bailey, John L. Harrington and Arthur G. Koumantzelis.

(b) Not applicable.

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.

Attached to this Form N-CSR as Exhibit 12(c) is a copy of the proxy voting policies and procedures for the registrant.

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

The registrant's portfolio managers are:

Adam D. Portnoy. Mr. Portnoy is the President of the registrant and each of the other RMR Funds since May 2007. Mr. Portnoy is also a portfolio manager of the registrant, RMR Hospitality and Real Estate Fund or RHR, RMR F.I.R.E. Fund or RFR and RMR Preferred Dividend Fund or RDR, since May 2007 and RMR Dividend Capture Fund or RCR, since inception. Mr. Portnoy was the Vice President of RMR from 2004 to May 2007, RMR, RFR, RDR, RAP and RAF from inception to May 2007. Mr. Portnoy is also a President, Director and an owner of the Advisor. Mr. Portnoy was the Vice President of the Advisor from 2003 to May 2007. Mr. Portnoy is also a Managing Trustee of three public companies: HRPT Properties Trust (since 2006); Hospitality Properties Trust (January 2007 to present); and Senior Housing Properties Trust (May 2007 to present). Mr. Portnoy is the son of the registrant's trustee and portfolio manager Barry M. Portnoy.

Fernando Diaz. Mr. Diaz is Vice President of the registrant and each of the other RMR Funds since May 2007. Mr. Diaz is also a portfolio manager of the registrant, RHR, RFR and RDR, since May 2007 and RCR since inception. Mr. Diaz is also the Vice President of the Advisor from May 2007. Mr. Diaz was an assistant portfolio manager and senior REIT analyst for GID Securities, LLC from 2006 to May, 2007 and SsGA/Tuckerman Group from 2001 to 2006.

Barry M. Portnoy. Mr. Portnoy is a Trustee of the registrant and each of the other RMR Funds since their respective inception dates. Mr. Portnoy is also a Vice President, Director and an owner of the Advisor, and has been since its inception date. Mr. Portnoy is also a portfolio manager of the registrant, RHR, RFR, RDR and RCR, positions he has held since their respective inception dates. Mr. Portnoy is also a Managing Trustee of three public companies and has been since their respective inception dates: HRPT Properties Trust (inception in 1986); Hospitality Properties Trust (inception in 1996); and Senior Housing Properties Trust (inception in 1999). Mr. Portnoy is also a Managing Director of two public companies and has been since their respective inception dates: Five Star Quality Care, Inc. (inception in 2001); and TravelCenters of America LLC (inception in 2007).

The portfolio managers generally function as a team. Generally, Mr. Barry Portnoy provides strategic guidance to the team, while Messrs. Adam Portnoy and Fernando Diaz are in charge of substantially all of the day to day operations, research and trading functions.

The registrant's portfolio managers together manage RHR, RFR, RDR and RCR, registered investment companies that have an aggregate of $181 million of managed assets as of December 31, 2007. Each RMR Fund pays an advisory fee to the Advisor solely on the basis of assets under management. As of December 31, 2007, none of the portfolio managers manage other pooled investment vehicles or other accounts.

CONFLICTS OF INTEREST: Actual or potential conflicts of interest may arise when a portfolio manager has management responsibilities with respect to more than one fund. For example, a portfolio manager may identify a limited investment opportunity that may be appropriate for the Fund as well as for the other funds he manages. A conflict of interest also might arise where a portfolio manager has a larger personal investment in one fund than in another. A portfolio manager may purchase a particular security for one or more funds while selling the security for one or more other funds; this could have a detrimental effect on the price or volume of the securities purchased or sold by a fund. A portfolio manager might devote unequal time and attention to the funds he manages. The Advisor believes that the risk of a material conflict of interest developing is limited because (i) the funds are generally managed in a similar fashion, (ii) the Advisor has adopted policies requiring the equitable allocation of trade orders for a particular security among participating funds, and (iii) the advisory fee and portfolio managers' compensation are not affected by the amount of time required to manage each fund. As a result, the Advisor does not believe that any of these potential sources of conflicts of interest will affect the portfolio managers' professional judgment in managing the funds.

COMPENSATION: Mr. Barry Portnoy is a 55% owner of the Advisor and Mr. Adam Portnoy is a 45% owner of the Advisor and, through December 31, 2007, have not received a salary or other compensation from the Advisor except to the extent of their distributions from the Advisor and their interest in the Advisor's profits, if any.

The other portfolio manager, Mr. Diaz, is paid based upon the discretion of the board of directors of the Advisor. The Advisor's board of directors consists of Messrs. Barry M. Portnoy, Gerard M. Martin and Adam D. Portnoy. Compensation of Mr. Diaz includes base salary, annual cash bonus and he has the opportunity to participate in other employee benefit plans available to all of the employees of the Advisor. The level of compensation is not based upon a formula with reference to fund performance or the value of fund assets; however these factors, among others, may be considered by individual directors of the Advisor. Other factors which may be considered in setting the compensation of the portfolio manager is his historical levels of compensation and levels of compensation paid for similar services or to persons with similar responsibilities in the market generally and in the geographic area where the Advisor is located. Mr. Diaz devotes a substantial majority of his business time to providing services as a portfolio manager or officer of our Advisor and funds managed by our Advisor. Mr. Barry M. Portnoy and Adam D. Portnoy also receive compensation from their services to affiliates of our Advisor.

OWNERSHIP OF SECURITIES: The following table sets forth, for each portfolio manager, the aggregate dollar range of the registrant's equity securities beneficially owned as of December 31, 2007.

Name of Portfolio Manager	Dollar Range of Equity Securities in the Fund as of December 31, 2007.
Fernando Diaz	None
Adam D. Portnoy	Over $100,000*
Barry M. Portnoy	Over $100,000*

* Certain other shares of the registrant are held independently by virtue of Messrs Barry Portnoy's and Adam Portnoy's ownership of the Advisor.

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

During the fiscal year ended December 31, 2007, 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 Exchange Act (17 CFR 240.10b-18(a)(3)), of shares of the registrant's equity securities that are registered by the registrant pursuant to Section 12 of the Exchange Act.

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

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

Item 11. Controls and Procedures.

(a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the 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 second fiscal quarter of the period covered by the 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.

(c) Copy of the proxy voting policies and procedures.

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

Adam D. Portnoy
President
Date: February 22, 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

Adam D. Portnoy
President
Date: February 22, 2008

By:

/s/ MARK L. KLEIFGES

Mark L. Kleifges
Treasurer
Date: February 22, 2008

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