

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

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

**FORM N-CSR**

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

Investment Company Act file number: 811-21616

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

(Exact name of registrant as specified in charter)

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

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

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

**Copy to:**

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

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

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

Date of fiscal year end: December 31

Date of reporting period: June 30, 2006

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**Item 1. Reports to Shareholders.**

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



**RMR Real Estate Fund**

**RMR Hospitality and Real Estate Fund**

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

**RMR Preferred Dividend Fund**

**RMR Asia Pacific Real Estate Fund**

About information contained in this report:

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

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

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

**NOTICE CONCERNING LIMITED LIABILITY**

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

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**RMR Funds**

**June 30, 2006**

*To our shareholders,*

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

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

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

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

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

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

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

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

Sincerely,

Thomas M. O'Brien  
President



**RMR Real Estate Fund**

**June 30, 2006**

*To our shareholders,*

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

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

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

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

Sincerely,

Thomas M. O'Brien  
President



**RMR Real Estate Fund**

June 30, 2006

**Relevant Market Conditions**

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

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

**Fund Strategies, Techniques and Performance**

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

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

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

(as of June 30, 2006) (unaudited)

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



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

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

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

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

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

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

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

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

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

(b) Convertible into common stock.

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

*See notes to financial statements.*

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

## Statement of Assets and Liabilities

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**June 30, 2006 (unaudited)**


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*Assets*

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

*Liabilities*

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

*Preferred shares, at liquidation preference*

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

*Net assets attributable to common shares*

	\$ 114,668,138
	<hr/>

*Composition of net assets*

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

*Net assets attributable to common shares*

	\$ 114,668,138
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*Net asset value per share attributable to common shares*  
*(based on 6,824,000 common shares outstanding)*

	\$ 16.80
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*See notes to financial statements.*

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

## Statement of Operations

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


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*Investment Income*

Dividends (cash distributions received or due)	\$ 5,491,574
Interest	142,342
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Total investment income	5,633,916
	<hr/>

*Expenses*

Advisory	689,372
Administrative	63,480
Audit and legal	62,791
Preferred share remarketing	61,642
Custodian	31,896
Shareholder reporting	18,065
Compliance and internal audit	14,901
Trustees' fees and expenses	8,344
Other	47,061
	<hr/>
Total expenses	997,552
Less: expenses waived by the Advisor	(202,757)
	<hr/>
Net expenses	794,795
	<hr/>
Net investment income	4,839,121
	<hr/>

*Realized and unrealized gain on investments*

Net realized gain on investments	3,672,512
Net change in unrealized appreciation/(depreciation) on investments	4,006,931
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Net realized and unrealized gain on investments	7,679,443
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Distributions to preferred shareholders from net investment income	(1,108,420)
	<hr/>
Net increase in net assets attributable to common shares resulting from operations	\$ 11,410,144
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*See notes to financial statements.*

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

## Statement of Changes in Net Assets

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

See notes to financial statements.

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

Selected Data For A Common Share Outstanding Throughout Each Period

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

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

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

*See notes to financial statements.*

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

**June 30, 2006 (unaudited)**

**Note A**

(1) Organization

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

(2) Interim Financial Statements

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

(3) Use of Estimates

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

(4) Portfolio Valuation

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

(5) Securities Transactions and Investment Income

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

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

### (6) Federal Income Taxes

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

### (7) Distributable Earnings

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

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

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

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

### (8) Concentration of Risk

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

## Note B

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

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

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

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

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

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

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

## Note C

### Securities Transactions

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

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

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

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

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

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

**RMR Hospitality and Real Estate Fund**

**June 30, 2006**

*To our shareholders,*

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

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

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

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

Sincerely,

Thomas M. O'Brien  
President



**RMR Hospitality and Real Estate Fund**

June 30, 2006

**Relevant Market Conditions**

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

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

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

**Fund Strategies, Techniques and Performance**

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

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

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

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

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

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

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

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

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*Industrial 9.0%*

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

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5,137,707

*Mortgage 1.3%*

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

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732,006

*Office 16.9%*

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

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9,659,317

*Retail 10.8%*

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

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6,185,039

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

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

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

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

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

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

Notes to Portfolio of Investments

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

See notes to financial statements.

## RMR Hospitality and Real Estate Fund

### Financial Statements

#### Statement of Assets and Liabilities

**June 30, 2006 (unaudited)**

<i>Assets</i>	
Investments in securities, at value (cost \$76,765,485)	\$ 83,095,746
Cash	666
Receivable for investment securities sold	1,718,484
Dividends and interest receivable	772,069
Other assets	9,451
	<hr/>
Total assets	85,596,416
	<hr/>
<i>Liabilities</i>	
Payable for investment securities purchased	89,454
Advisory fee payable	41,194
Distributions payable - preferred shares	27,496
Accrued expenses and other liabilities	128,452
	<hr/>
Total liabilities	286,596
	<hr/>
<i>Preferred shares, at liquidation preference</i>	
Auction preferred shares, Series Th; \$.001 par value per share; 1,120 shares issued and outstanding at \$25,000 per share liquidation preference	28,000,000
	<hr/>
<i>Net assets attributable to common shares</i>	\$ 57,309,820
	<hr/>
<i>Composition of net assets</i>	
Common shares, \$.001 par value per share; unlimited number of shares authorized, 2,485,000 shares issued and outstanding	\$ 2,485
Additional paid-in capital	47,170,770
Undistributed net investment income	383,817
Accumulated net realized gain on investments	3,422,487
Net unrealized appreciation on investments	6,330,261
	<hr/>
<i>Net assets attributable to common shares</i>	\$ 57,309,820
	<hr/>
<i>Net asset value per share attributable to common shares (based on 2,485,000 shares outstanding)</i>	\$ 23.06
	<hr/>

*See notes to financial statements.*



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

## Statement of Operations

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


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*Investment Income*

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

*Expenses*

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

*Realized and unrealized gain on investments*

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

*See notes to financial statements.*

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

## Statement of Changes in Net Assets

	<b>Six Months Ended June 30, 2006</b>	<b>Year Ended December 31, 2005</b>
<b>(unaudited)</b>		
<i>Increase (decrease) in net assets resulting from operations</i>		
Net investment income	\$ 2,561,812	\$ 2,815,626
Net realized gain on investments	1,753,008	2,777,962
Net change in unrealized appreciation/(depreciation) on investments	795,558	(3,222,844)
Distributions to preferred shareholders from:		
Net investment income	(624,870)	(403,117)
Net realized gain on investments		(265,998)
	<u>4,485,508</u>	<u>1,701,629</u>
Net increase in net assets attributable to common shares resulting from operations		
	<u>4,485,508</u>	<u>1,701,629</u>
Distributions to common shareholders from:		
Net investment income	(1,553,125)	(2,411,208)
Net realized gain on investments		(1,626,917)
		<u>(4,180,044)</u>
<i>Capital shares transactions</i>		
Net proceeds from sale of preferred shares		10,708,615
		<u>10,708,615</u>
Net increase from capital share transactions		10,708,615
Less: Liquidation preference of preferred shares issued		(11,000,000)
		<u>(11,000,000)</u>
Total increase (decrease) in net assets attributable to common shares	2,932,383	(2,627,881)
<i>Net assets attributable to common shares</i>		
Beginning of period	54,377,437	57,005,318
	<u>54,377,437</u>	<u>57,005,318</u>
End of period (including undistributed net investment income of \$383,817 and \$0, respectively)	\$ 57,309,820	\$ 54,377,437
	<u>57,309,820</u>	<u>54,377,437</u>
<i>Common shares issued and repurchased</i>		
Shares outstanding, beginning of period	2,485,000	2,485,000
Shares issued		
	<u>2,485,000</u>	<u>2,485,000</u>
Shares outstanding, end of period	2,485,000	2,485,000
	<u>2,485,000</u>	<u>2,485,000</u>

See notes to financial statements.

## RMR Hospitality and Real Estate Fund

### Financial Highlights

Selected Data For A Common Share Outstanding Throughout The Period

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

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

*See notes to financial statements.*

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

**June 30, 2006 (unaudited)**

**Note A**

(1) Organization

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

(2) Interim Financial Statements

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

(3) Use of Estimates

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

(4) Portfolio Valuation

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

(5) Securities Transactions and Investment Income

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

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

### (6) Federal Income Taxes

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

### (7) Distributable Earnings

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

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

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

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

### (8) Concentration of Risk

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

## Note B

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

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

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

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

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

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

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

## Note C

### Securities Transactions

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

**Note D**

**Preferred Shares**

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

**Note E**

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

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

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



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

*To our shareholders,*

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

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

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

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

Sincerely,

Thomas M. O'Brien  
President

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

June 30, 2006

**Relevant Market Conditions**

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

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

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

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

**Fund Strategies, Techniques and Performance**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

See notes to financial statements.

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

## Statement of Assets and Liabilities

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**June 30, 2006 (unaudited)**


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*Assets*

Investments in securities, at value (cost \$55,274,756)	\$ 51,786,252
Cash	305
Receivable for investment securities sold	997,860
Dividends and interest receivable	520,640
Other assets	13,608

Total assets	53,318,665
--------------	------------

*Liabilities*

Payable for investment securities purchased	432,956
Advisory fees payable	25,786
Distributions payable - preferred shares	19,640
Accrued expenses and other liabilities	131,793

Total liabilities	610,175
-------------------	---------

*Preferred shares, at liquidation preference*

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

<i>Net assets attributable to common shares</i>	\$ 32,708,490
---	---------------

*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	35,211,654
Undistributed net investment income	35,112
Accumulated net realized gain on investments	948,744
Net unrealized depreciation on investments	(3,488,504)

<i>Net assets attributable to common shares</i>	\$ 32,708,490
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*Net asset value per share attributable to common shares*  
*(based on 1,484,000 common shares outstanding)*

\$ 22.04
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*See notes to financial statements.*

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Statement of Operations

Six Months Ended June 30, 2006 (unaudited)

*Investment Income*

Dividends (cash distributions received or due)	\$ 1,932,501
Interest	31,620

Total investment income	1,964,121
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*Expenses*

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

Total expenses	462,148
Less: expenses waived by the Advisor	(66,371)

Net expenses	395,777
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Net investment income	1,568,344
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*Realized and unrealized gain (loss) on investments*

Net realized gain on investments	576,747
Net change in unrealized appreciation/(depreciation) on investments	(648,308)

Net realized and unrealized loss on investment transactions	(71,561)
Distributions to preferred shareholders from net investment income	(449,912)

Net increase in net assets attributable to common shares resulting from operations	\$ 1,046,871
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*See notes to financial statements.*

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Statement of Changes in Net Assets

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

See notes to financial statements.

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Selected Data For A Common Share Outstanding Throughout Each Period

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

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

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

*See notes to financial statements.*

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

**June 30, 2006 (unaudited)**

**Note A**

(1) Organization

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

(2) Interim Financial Statements

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

(3) Use of Estimates

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

(4) Portfolio Valuation

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

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### (5) Securities Transactions and Investment Income

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

### (6) Federal Income Taxes

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

### (7) Distributable Earnings

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

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

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

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

### (8) Concentration of Risk

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

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

### **Note B**

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

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

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

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

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

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

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

**Note C**

**Securities Transactions**

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

**Note D**

**Preferred Shares**

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

**Note E**

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

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

<b>Proposal</b>	<b>Votes for</b>	<b>Votes withheld</b>	<b>Votes abstained</b>
Common shares			