26 March 2012

Alpha Tiger Property Trust Limited ('Alpha Tiger' or the 'Company')

Trading Update

Highlights

- NAV per share at 31 December 2011 of 107.8p (30 September 2011: 109.0p).
- At the H2O shopping centre in Madrid, Spain:
    - Opening of the Mercadona supermarket has led to an increase of circa 10% in footfall.
    - An active leasing programme to attract new tenants continues and active negotiations are underway to extend key tenants´ contracted lease periods.
    - Additional retail and food and beverage kiosks have been ordered to generate additional rental income and further animate the adjacent lake and landscaped area on which a new lakeside plaza and water play area for children has been created.
- Investment in November 2011 of £7.5 million, by way of a three year Convertible Loan in Alpha UK Real Estate Fund plc (formerly Aberdeen UK Active Property Fund Plc) which invests in UK commercial real estate. The investment ranks ahead of ordinary equity and the Convertible Loan carries a 6% per annum coupon and a 14% redemption premium if not converted.
- Completion of £1.2 million investment in joint venture in Cambourne Business Park, Cambridgeshire in October 2011.
- Following the above investments, 85% of the Company's investment portfolio is now in income producing investments in the UK and Europe.

Update

Alpha Tiger remains committed to its disciplined strategy and investment principles which focus on opportunities that can deliver high risk adjusted returns, while seeking to manage risk through a combination of operational controls, diversification and defensive capital structures. The application of this strategy has been successfully demonstrated in the Company´s investment in the H2O shopping centre in Madrid where the installation of leading Spanish supermarket operator Mercadona as an anchor tenant and a capital investment programme have contributed to an increase in contracted long-term rents and an increase in annual footfall ahead of the national indices.

Europe – UK
Economic and property market outlook

The UK economic recovery continued in 2011, albeit at a modest pace, with GDP growth of 0.8% reported[1]. Reflecting a slowdown in the eurozone, UK GDP growth of 0.4% is expected in 2012[2].

The Bank of England's Monetary Policy Committee continued to be proactive and committed to promoting economic recovery, injecting further monetary stimulus of £75 billion into the economy during October 2011 and announcing a further £50 billion in February 2012, raising monetary stimulus to £325 billion. Interest rates remain historically low at 0.5% per annum, unchanged since March 2009[3]. Inflation levels remain above the Bank of England target of 2%, however signs of moderation are emerging.

Capital values have remained comparatively stable over the past 18 months. Yields remain relatively high for commercial property and generally higher still for secondary commercial real estate. Historically, income returns have been the consistent and key driver behind property value and as such yields for commercial property continue to look attractive to investors and compare favourably with other asset classes.

The yield gap between prime and secondary property assets has widened significantly to levels seen in the early to mid 1990s.

Potential opportunities exist in the multi-let area of the market where a combination of high yields and attractive prices present opportunities for attractive risk-adjusted returns.

Investment review

Alpha UK Real Estate Fund plc ("AURE")

Alpha Tiger completed its £7.5 million investment in November 2011 in Alpha UK Real Estate Fund ("AURE") (formerly Aberdeen UK Active Property Fund Plc) by way of a three-year convertible loan earning a coupon of 6% per annum and a 14% redemption premium if not converted.

AURE is an Irish resident open ended investment company which is invested in a diversified portfolio of UK commercial property (27 UK properties comprising industrial, office and retail properties valued at £63.0 million as at 31 December 2011).

As part of the transaction, Alpha Real Capital LLP ("ARC") was appointed as investment manager of AURE on 21 November 2011.

Alpha Tiger's investment enjoys an attractive position in the capital structure with a preferred minimum return and potential to create value through the active asset management of an income focused property portfolio.

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[1] Office of National Statistics – GDP Update Q4 2011

[2] HM Treasury Forecast January 2012

[3] Bank of England Meeting Minutes 9 February 2012

The following highlights were included in the AURE annual report for the year ended 30 September 2011:

- ARC has been appointed Investment Manager and Promoter increasing the management resources available to the fund
- bank borrowings reduced by £1.6 million to £38.2 million
- occupancy stabilised; vacancy rates reduced to 24% by estimated rental value (25% as at 30 September 2010).
- 8 new leases signed and 9 lease renewals and extensions representing £0.6 million per annum of additional secured rent
- rental collection rate improved with 98% of rents due collected within 7 days of due date
- ARC is undertaking a portfolio review to identify value enhancement opportunities and strategic sales.

Alpha UK Multi Property Trust Plc ("AUMP")

The Company has invested, by way of convertible unsecured loan stock ("CULS"), £4.75 million in AUMP, a London Stock Exchange listed UK property fund with a property portfolio valued at £109.6 million (as at 30 September 2011). AUMP has a regionally diversified portfolio of UK multi-let light industrial and office property.

Alpha Tiger's investment enjoys an attractive position in the capital structure with a preferred minimum return and potential to create value through the active asset management of an income focused property portfolio.

The Company's CULS earn a coupon of 4.75% per annum. The CULS are convertible into ordinary share capital at any time until June 2013. Should Alpha Tiger not elect to convert, the CULS are redeemable at a premium of 18% to their face value.

Alpha Tiger also has an option to purchase up to a further 4 million shares in AUMP at a price of 500 pence per share. The investment manager of AUMP is ARC.

The following highlights were included in AUMP's recent annual results announcement for the year ending 31 December 2011:

- new lettings – 96 new lettings and 30 lease renewals achieved during the year
- additional contracted rent – £0.7 million per annum of additional passing rent is contracted to start during the next two years, benefitting cash flow
- improved average lease terms – the weighted average lease length of the portfolio is 2.6 years to the next break date or 4.2 years to expiry as at 31 December 2011; up from 2.3 years and 3.6 years as at 31 December 2010
- sale of two units above valuation - at Shadsworth Industrial Park, Blackburn for £0.7 million, at 17% above the 31 December 2010 valuation of the two units
- occupancy stabilised – the vacancy level by Estimated Rental Value ('ERV') stood at 23% as at 31 December 2011, unchanged from December 2010.
- borrowings reduced – Group borrowings reduced by £1.9 million
- loan to value stable - loan to value ('LTV') ratio on secured borrowings stable at 73% as at 31 December 2011, unchanged from December 2010.

Cambourne Business Park, Phase 1000, Cambridge

Alpha Tiger has invested £1.2 million in a joint venture that acquired Phase 1000 of Cambourne Business Park, which consists of three, quality Grade A specification modern office buildings constructed in 1999 located in the town of Cambourne, approximately 8 miles west of Cambridge city centre. The 9,654 square metre property is self-contained and has 475 car spaces. Phase 1000 is situated at the front of the business park with good access and visibility.

Phase 1000 is an institutional quality asset, fully let to Convergys, Citrix Systems and Regus. The property has open B1 Business user planning permission and is considered to have potential value-add opportunities.

Phase 1000 was purchased in a joint venture partnership with a major overseas investor for £23.0 million including acquisition costs. Alpha Tiger´s equity contribution of £1.2 million, which represents 10% of the total equity commitment, was invested into a newly formed joint venture entity, a subsidiary of which holds the property. Bank finance of £10.8 million was obtained. The property was acquired for an 8.5% net initial yield.

ARC is the investment manager to the joint venture owning Phase 1000 Cambourne and has identified opportunities to add value to the investment.

Freehold Income Trust ("FIT")

The Company has invested a total of £6.2 million in FIT, an open-ended unit trust that invests in UK residential freehold ground rents which offer an attractive income stream, capital growth prospects and attractive risk-adjusted returns. FIT owns approximately 65,000 freeholds (as at 31 December 2011) in the UK with a gross annual ground rent income of £7.8 million. The Trust has recently announced that it has delivered, as at 30 September 2011, another 12 months of positive returns, reflecting its eighteenth consecutive year of total returns in excess of 5.5% per annum since inception. FIT has delivered a compound total return of 6.08% over the five years to 30 September 2011 (based on a bid to bid basis with income reinvested). FIT's total aggregated net assets at 30 September 2011 were £143.5 million.

The investment is expected to continue to provide a better return than currently earned on the Company's cash balances. FIT operates a monthly dealing facility to provide liquidity.

Alpha Real Property Investment Advisers LLP ("ARPIA"), a subsidiary of ARC, is the investment manager of FIT.

Europe – Spain

Economic and property market outlook

The newly elected Spanish government has placed a clear emphasis on the need to foster a more growth-oriented economic strategy. A central tenet of the new government´s policy programme is to introduce labour market reforms with the aim of improving the economy´s longer-term[4] competitiveness.

However, despite the testing economic environment, the European Commission Economic Sentiment Indicator ("ESI") reports that both Spanish businesses and consumers remain more upbeat than their counterparts in other southern European countries[5].

Spanish GDP grew at a rate of 0.7% in 2011 and is predicted to fall by 1.0% during 2012. Inflation in Spain was 3.0% in 2011 and is expected to moderate to 1.4% during 2012[6]. The ECB left its official interest rate unchanged at 1% per annum at its last meeting in February 2012[7].

The shopping centre sector continues to attract investor interest. Fourteen shopping centre transactions completed during 2011, representing an increase compared to both 2009 and 2010[8].

Spain is now a mature market in terms of retail developments. Therefore, both functional and economic obsolescence in many schemes will make refurbishment one of the key market drivers over coming years. The Company has recognised this and has already implemented a capital upgrade programme as part of its investment in the H2O centre.

Investment review

H2O Rivas-Vaciamadrid, Madrid

The H2O shopping centre was acquired for €83.3 million (£69.8 million) including acquisition costs and funding has been provided for a further €5 million (£4.4 million) of capital improvements. The acquisition was financed with a €75 million (£62.9 million) seven year syndicated bank facility. Alpha Tiger provided €14.5 million (£12.2 million) of mezzanine and equity finance to the transaction. The mezzanine loan of €14 million (£11.7 million) ranks ahead of equity and accrues a coupon of 8% together with profit participation of 10% of EBITDA (after bank interest) of the Spanish property holding SPV. In relation to the mezzanine loan, two forward foreign exchange options (to sell Euros at a future date) have been purchased covering €7 million (£5.9 million) of the exposure. ARC has co-invested €1.5 million (£1.3 million) in equity.

The asset is jointly controlled by the Company and ARC, and the Company is proportionately consolidating its interest in the joint venture. As part of the H2O acquisition, the Company entered into an option agreement dated 31 March 2010 giving the Company the right to acquire ARC's investment for a pre-determined price (or fair value, if higher) between 1 May 2010 and 31 December 2010. This option has been extended to 31 March 2012 with the same principal terms as the original option.

The H2O shopping centre opened in June 2007 and was built to a high standard providing shopping, restaurants and leisure around a central theme of landscaped gardens and an artificial lake. H2O was designed as a new concept centre, combining different uses, with the objective of attracting and sustaining a wide range of consumers.

H2O has a gross lettable area of 51,825 square metres, comprising 118 units, including shops, a multiplex cinema and restaurants. It has a large fashion retailer base, including some of the strongest European fashion brands, including Zara, Mango, Cortefiel, H&M, C&A and Massimo Dutti, in addition to leading Spanish supermarket operator Mercadona which opened during September 2011.

The centre has a passing net rental income in excess of €6.0 million (£5.0 million) per annum which is in line with budget. The weighted average lease length as at 31 December 2011 is 12 years to expiry and 2.6 years to next break. The centre is currently 90% occupied.

Highlights from the period include:

- following the opening of Mercadona, one of Spain's leading supermarket operators, during September 2011, monthly footfall increases of up to 10% have been achieved. The 3,111 square metre supermarket unit was vacant at the time of the Company´s investment in H2O
- an active leasing programme to attract new tenants continues and active negotiations are underway to extend key tenants´ contracted lease periods
- additional retail and food and beverage kiosks have been ordered to generate additional rental income and further animate the adjacent lake and landscaped area on which a new lakeside plaza and water play area for children has been created
- improved pedestrian links to the large retail park located opposite the shopping centre have been completed, with a view to creating a more integrated "retail village" and increased footfall. Additional phases of this project are under review to broaden the customer appeal of the location
- licence applications have been submitted seeking approval to create new vehicular access and parking areas with a view to enhancing circulation and accessibility
- innovative marketing events are underway to increase footfall and improve brand awareness; during March 2012, H2O hosted the finals of a national video game championship, one of the first such events to be held in Spain
- an active cost management exercise continues to be implemented to reduce the centre´s operating costs and improve the quality and efficiency of services.

Asia - India

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[4] Capital Economics European Economics Weekly 13th Feb 2012
[5] Capital Economics European Economics Update Spain February 2012
[6] Capital Economics European Economics Weekly 13th Feb 2012
[7] Eurostats
[8] Aguirre Newman Global Situation of the Spanish Real Estate Market January 2012

Economic and property market outlook

India's GDP is forecast to grow by 6.3% in the fiscal year ending 31 March 2012, a moderation from the 7.1% witnessed in 2011[9]. However India's strong growth fundamentals - high saving and investment rates, its expanding workforce and middle class - are likely to sustain its economic performance in the medium term.

The Reserve Bank of India (RBI, the central bank) raised its policy interest rate to 9.5% per annum during February 2012, reflecting a cumulative increase of 3.75% in the current cycle of rate hikes since March 2010. However the RBI has indicated that a dampening of inflationary pressure and moderating of economic growth are likely to limit further interest rate increases for the near future.

Real estate occupier demand is likely to be impacted amid global and domestic uncertainties however owing to limited supply of completed institutional quality office stock in the NOIDA region, in particular of special economic zones, rentals are expected to remain largely stable[10].

Investment review

Galaxia, National Capital Region, NOIDA

On 2 February 2011, Alpha Tiger recommenced arbitration proceedings against its development partner Logix Group ("Logix") in order to protect its Galaxia investment.

The terms of reference for the arbitration have been finalised by the arbitration committee and arbitration hearings are currently expected to commence during the second quarter of 2012.

Notwithstanding the above, the Company is continuing to explore avenues for a sale of the development. Further updates will be provided in due course.

Net asset value

The unaudited adjusted net asset value per share of the Company was 107.8 pence at 31 December 2011 (30 September 2011: 109.0 pence). There was no revaluation of the investment property during the period.

Foreign currency

All foreign currency balances have been translated at 31 December 2011 exchange rates (€1.193: £1; INR 83.89: £1).

Specialist Fund Market

As announced on 23 March 2012, Alpha Tiger has been admitted to the Specialist Fund Market ("SFM") of the London Stock Exchange ("LSE"). The SFM is the LSE's regulated market for specialist investment funds. Simultaneously, Alpha Tiger was delisted from the AIM market of the LSE.

The Board believes that, given the size, nature and current ownership structure of the Company, admission to the SFM will enable the Company to fulfil its investment policy in a more efficient manner and in particular, to allow the Company to make investments in furtherance of its investment objective without the cost and delay associated with the corporate transactions rules of the AIM Rules for Companies and the Note for Investing Companies.

As part of the move to the SFM, Alpha Tiger produced a prospectus which is available from the Company's website.

Share buyback authority

At the EGM on 17 March 2011, consistent with the Company's commitment to shareholder value, the Company's shareholders approved a general authority allowing the Company to buyback up to 24.99% of shares. A waiver conditionally granted by the Takeover Panel of any obligation on ARC or its concert parties to make a general offer to all shareholders, was also approved.

During the nine months to 31 December 2011, in a series of transactions, the Company purchased 5,532,762 Ordinary Shares at an average price (before expenses) of 71.4 pence per share. The purchased Ordinary Shares have been cancelled together with 614,751 shares previously held in treasury.

As at 31 December 2011, the ordinary share capital of the Company following the purchase and cancellation of those Ordinary Shares is 55,532,813 (including shares held in treasury). The Company holds a total of 5,553,281 shares in treasury. The total voting rights in Alpha Tiger following the purchase and cancellation of the Ordinary Shares is 49,979,532 at 31 December 2011.

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Further information on Alpha Tiger Property Trust Limited is available at www.alphatigerpropertytrust.com

[9] EIU Global Forecasting Service February 2012
[10] Colliers International Office Market Overview January 2012