19 August 2016

ALPHA REAL TRUST LIMITED ("ART" OR THE "COMPANY")

TRADING UPDATE AND DIVIDEND ANNOUNCEMENT

ART today publishes its trading update for the period ended 30 June 2016 and the period up until the date of this announcement. The information contained herein has not been audited.

About the Company

Alpha Real Trust Limited ("the Company" or "ART") targets investment, development, financing and other opportunities in real estate, real estate operating companies and securities, real estate services, infrastructure, infrastructure services, other asset-backed businesses and related operations and services businesses that offer attractive risk-adjusted total returns.

ART currently focuses on high-yielding property, infrastructure and asset backed debt and equity investments in Western Europe that are capable of delivering strong risk adjusted cash flows, including build to own investments. The current portfolio mix, excluding sundry assets/liabilities, is as follows:

High yielding debt:	20.3%
High yielding equity in property investments:	41.1%
Ground rent investments:	19.1%
Private rented sector, residential:	6.5%
Renewables and infrastructure:	1.9%
Other investments:	9.2%
Cash:	1.9%

The Company's Investment Manager is Alpha Real Capital LLP ("ARC"), whose team of investment and asset management professionals focus on the potential to enhance the Company's earnings in addition to adding value to the underlying assets and also on the risk profile of each investment within the capital structure to best deliver high risk adjusted returns.

Highlights

- NAV per share increased to 141.7p at 30 June 2016 (137.9p: 31 March 2016)
- Adjusted earnings per share of 2.0p for the quarter ended 30 June 2016 (7.0p: 12 months to 31 March 2016)
- Declaration of a dividend of 0.6p per share, expected to be paid on 23 September 2016
- H2O: the Madrid shopping centre continues to attract record visitor numbers in 2016, 9.3% above first half of 2015
- H2O strong leasing activity: 11 new brands have been signed in the year to date, aided by continuing asset management initiatives undertaken by ART to improve the centre
- Private rented sector (residential): the design teams have been appointed and value engineering work to achieve cost and process is underway to improve the detailed design plans at Birmingham efficiencies, with enhancement of the planned development underway at Leeds. The projects have a combined potential gross development value in excess of £80 million
- 95.0% of the Company's portfolio is allocated to investments in the UK and Europe that are or are expected to be income producing
- Continued capital recycling and capital allocation to assets which are expected to generate the best risk-adjusted returns
- Income from investments, both equity and high yield debt, continue to add to the Company´s earnings position

Investment summary

The Company's investments have benefited from an active management approach with successes evident in both the Company's direct and indirectly held investments. The current portfolio mix, excluding sundry assets/liabilities, as at 30 June 2016 is as follows:

Investment name Investment type	Investment value	Income return p.a.	Investment location	Property type / underlying security	Investment notes	% of portfolio[1]
High yielding debt (20.3%)						
Active UK Real Estate Fund plc ("AURE") Mezzanine loan	£9.8m [2]	9.0% [3]	UK	High-yield diversified portfolio	Preferred capital structure	9.9%
Industrial Multi Property Trust plc ("IMPT") Subordinated debt	£10.3m [2]	15.0% [3]	UK	High-yield diversified portfolio	Unsecured subordinated debt	10.4%
High yielding equity in property investments (41.1%)						
H2O shopping centre Direct property	£32.9m (€39.7m)	12.3% [4]	Spain	High-yield, dominant Madrid shopping centre	Debt facility with no LTV covenant and a 1.1x ICR covenant	33.2%
Active UK Real Estate Fund plc Equity	£4.1m	n/a	UK	High-yield commercial portfolio	20.5% of ordinary shares in fund	4.1%
Cambourne Business Park Indirect property	£1.5m	10.9% [4]	UK	High-yield business park located in Cambridge	Bank facility at 60.0% LTV for 2 years then 55% till maturity (current interest cover of 2.0 times covenant level)	1.5%
Industrial Multi Property Trust plc Equity	£2.3m	n/a	UK	High-yield diversified portfolio	19% of ordinary shares in fund	2.3%
Ground rent investments (19.1%)						
Freehold Income Authorised Fund Ground rent fund	£18.9m	4.0% [5]	UK	Highly defensive income; freehold ground rents	No gearing; monthly liquidity	19.1%
Private rented sector (PRS) (6.5%)						
Unity and Armouries PRS development	£2.5m	n/a	UK	Central Birmingham residential build to own	Planning consent for 90,000 square feet / 162 units plus commercial	2.5%
Monk Bridge PRS development	£3.9m	n/a	UK	Central Leeds residential build to own	Planning consent for 140,000 square feet / 269 units plus commercial opportunities	4.0%
Infrastructure (1.9%)						
Acharn * Biofuel power station	£1.9m	n/a	UK	Build to own wood fired Combined Heat and Power plant, Scotland	Site with full planning consent and secure grid connection	1.9%
Other investments (9.2%)						
Galaxia Indirect property	£5.0m (INR 450m)	n/a	India	Development site located in NOIDA, Delhi, NCR	Legal process underway to recover investment by enforcing arbitration award	5.1%
Europip plc Indirect property	£2.5m (€3.0m)	n/a	Norway	A geared logistics and office investment	47% of ordinary shares in fund with medium term debt	2.5%
Healthcare & Leisure Property Limited Indirect property	£1.6m	n/a	UK	Leisure property fund	No external gearing	1.6%
Cash (1.9%)						
Cash (Company only)	£1.9m	0.1-1%	UK	Current or 'on call' accounts		1.9%

* Sold post period end in July 2016.
[1] Percentage share shown based on NAV excluding the rent company's sundry assets/liabilities
[2] Including accrued coupon at the balance sheet date
[3] Annual coupon
[4] Yield on equity over 12 months to 30 June 2016 (note: H2O yield on cost 19.0%, Cambourne yield on cost 12.8%)
[5] 12 months income return; post tax

Further to the financial year results published on 17 June 2016, the following are key investment updates:

High yielding equity in property investments

During the period, the “Brexit” Referendum was held, in which the United Kingdom voted to leave the European Union. No material adverse impacts have been noted within the Company’s portfolio to date. However, given the unprecedented decision, the Board continues to monitor the situation for potential risks to the Company’s investments. Equally, the Board remains alert to possible new investment opportunities that may arise.

ART continues to remain focused on investments that offer the potential to deliver high risk-adjusted returns by way of value enhancement through active asset management, improvement of net rental income, selective deployment of capital expenditure and the ability to undertake strategic sales when the achievable price is accretive to returns.

H2O shopping centre, Madrid

The H2O shopping centre investment in Madrid attracted record visitor numbers in the first half of 2016, with an increase of over 9.3% above the same period in 2015. This was considerably above the overall national footfall index increase of 1.5%. The increase in footfall generates improved store sales performance, with like-for-like tenant sales increasing by 7.6% over the first half of the year. This reflects the asset management improvements implemented under ART’s ownership, including an improved commercial mix and upgraded public areas, aided by a general underlying improvement in the Spanish economic environment.

In the year to date, 11 new lease contracts were signed with further new leases currently being documented.

Residential private rented sector (“PRS”)

ART's investment in the PRS sector targets the increasing growth opportunities identified in the private rented residential market as a result of rising occupier demand and an undersupply of accommodation. The opportunity exists to create a portfolio delivering a high yielding return on equity. The securing of a portfolio of critical mass will afford participation in a maturing market which is attracting greater institutional investment.

The Company's PRS investments offer scope to create resilient equity income returns at an attractive yield on cost, with potential for operating leverage to further enhance returns. The investments also offer scope for capital growth as the sites mature or planning is enhanced.

The investments provide the Company with flexibility to add value by either constructing the development, funded with either debt or contractor finance, and subsequently holding the completed assets as investments; or, alternatively, forward selling all or some of the developed units. ART may also potentially benefit from government support for borrowings secured against PRS assets under the private rented sector housing guarantee scheme.

Unity and Armouries, Birmingham

In July 2015, ART announced the acquisition of Unity and Armouries, a development located in central Birmingham with planning consent for 90,000 net developable square feet comprising 162 residential apartments with ground floor commercial areas.

The project architect and the specialist design team have been selected. The existing detailed planning consent is being reviewed for possible enhancements to meet best in class PRS requirements. A full appraisal of the floor plans has been completed, converting the layout to PRS suitable designs.

The preferred contractor has been identified and a value engineering process is underway to identify the most efficient and effective construction processes and potential cost savings.

Monk Bridge, Leeds

In December 2015, ART announced the purchase of Monk Bridge, a central Leeds development site. The site has a total area of 1.7 hectares (4.2 acres) with implemented planning consent for 269 units totalling 140,000 square feet across two buildings with potential for ground floor commercial development within existing disused railway arches. The development earlier had outline consent, now lapsed, for 720 units, totalling 392,000 net saleable square feet. The project has a potential gross development value in excess of £55 million.

The design team has been selected and the project design is being reviewed to potentially enhance the detailed planning consent to meet best in class PRS requirements.

Renewables energy infrastructure

Post period end, the Company sold its investment in a long leasehold site for a biofuel infrastructure development in Acharn, Scotland generating a profit of circa £0.1 million on an investment of £1.8 million over the hold period.

The Company continues to consider infrastructure investments to add asset class diversity to the its portfolio whilst also offering the potential to deliver long term secure and predictable inflation-linked income streams with the potential for associated capital growth that is central to ART's current investment focus.

High yielding debt

Increased debt liquidity from both traditional and new lenders in the market which reflected a perception that risks and asset pricing had normalised or improved is likely to be tested in the immediate period post the UK Brexit referendum. However, the increased potential for central bank interest rates to remain lower for longer is likely to support investor demand for real estate and asset backed sectors in general. We remain alert to the new asset backed lending opportunities that could arise for ART if competition subdues.

Industrial Multi Property Trust plc ("IMPT")

The Company provides a subordinated debt facility to IMPT which expires in December 2018 and earns a coupon of 15% per annum. ART's loan position sits between 61.6% to 73.3% loan to value based on the 30 June 2016 valuation.

Active UK Real Estate Fund plc

ART provides a £9.6 million two-year mezzanine facility, which matures in November 2016 and earns a coupon of 9.0% per annum. Post period end, ART's loan to AURE was reduced from £9.6 million to £7.1 million. After this amortisation, ART's loan position sits between 40.0% to 54.5% loan to value based on the 30 June 2016 valuation.

Ground rent investments

Freehold Income Authorised Fund ("FIAF")

ART invests in a fund which holds a diversified portfolio of UK residential property freehold ground rents with a view to achieving steady and predictable returns, a consistent income stream and prospects for growth. The Company has invested £18.9 million as at 30 June 2016 in FIAF, an open-ended fund that invests in UK freehold ground rents with a net asset value of £240 million as at 30 June 2016.

The following highlights were reported in the FIAF fact sheet as at 30 June 2016 (published in July 2016):

- FIAF owns over 64,000 freeholds with a gross annual ground rent income of circa £8.4 million.

- FIAF continues its unbroken 23 year track record of positive inflation beating returns.
- 83% of its freeholds have a form of inflation protection through periodic uplifts linked to Retail Price Index (RPI), property values or fixed uplifts.
- No debt had been drawn. Net inflows during the dealing month to 12 July 2016 were £1.9 million with minimal redemptions.

The total return on ART's investment in FIAF for the quarter ended 30 June 2016 was 7.6% (annualised post tax return).

FIAF’s assets are defensive in nature, very long dated (with an average lease length in excess of 100 years) and have much greater security of income than standard property. FIAF’s property portfolio has increased in value at its last valuation at 30 June 2016.

Other investments

Galaxia, India

On 2 February 2011, ART recommenced arbitration proceedings against its development partner Logix Group in order to protect its Galaxia investment.

During January 2015, the Arbitral Tribunal, by a majority, decreed that Logix and its principals had breached the terms of the shareholders’ agreement and has awarded the Company:

- Return of its entire capital invested of INR 450 Million (equivalent to £5.0m using an exchange rate as at 30 June 2016) along with interest at 18% per annum from 31 January 2011 to 20 January 2015.
- All costs incurred towards the arbitration.
- A further 15% interest per annum on all sums was awarded to the Company from 20 January 2015 until the actual date of payment by Logix of the award.

The Arbitral Tribunal has also ruled that the Company has no obligation or liability to fund the outstanding NOIDA lease rent under the shareholders agreement.

Logix have appealed the Arbitral Tribunal decision in the Delhi High Court and hearings are ongoing.

The Company is actively seeking recovery of the sums awarded and a charge over the private residence of the principals of Logix, Shakti Nath, Meena Nath and Vikram Nath, has been granted by the courts of India.

Following the determination of the arbitration noted above, the award to the Company represents a potential realisation of over £10.0 million. ART continues to hold the indirect investment at INR 450 million (£5.0 million) in the accounts due to uncertainty over timing and final value.

Share buybacks

On 9 March 2016, the Company published a circular giving notice of an Extraordinary General Meeting on 1 April 2016. Consistent with the Company’s commitment to shareholder value, the Company asked its shareholders to approve a general authority allowing the Company to acquire up to 24.99% of the Voting Share Capital during the period expiring on the earlier of (i) the conclusion of the Annual General Meeting of the Company in 2017 and (ii) 4 September 2017. The shareholders approved the proposal.

Results and dividends

Adjusted earnings per share were 2.0p for the quarter ended 30 June 2016 (7.0p: 12 months to 31 March 2016).

The unaudited net asset value per ordinary share of the Company was 141.7p at 30 June 2016 (137.9p: 31 March 2016).

There was no revaluation of the Company's directly owned investment properties during the quarter to 30 June 2016. The increase in NAV reflects the earnings for the period and positive foreign exchange movements.

The Board announces the next dividend of 0.6p per share for the quarter ended 30 June 2016 which is expected to be paid on 23 September 2016 (ex-dividend date is 1 September 2016 and record date 2 September 2016).

Foreign currency

The Company monitors foreign exchange exposures and considers hedging where appropriate. Foreign currency balances have been translated at the period end rates of £1:€1.206, £1:NOK11.228 or £1:INR90.316, as appropriate.

Strategy and outlook

ART's portfolio provides a balance of stable high yielding assets and investments that offer scope to deliver strong cashflows and high risk adjusted returns.

The Company's earnings position continues to be supported by underlying asset performance. In addition, capital recycling is anticipated to continue as a small number of selected strategic divestments are planned to benefit from transactions that are accretive to returns.

ART is committed to its disciplined strategy and investment principles which focus on opportunities that can deliver high risk-adjusted total returns, while seeking to manage risk through a combination of operational controls, diversification and preferred capital positions. We remain opportunistic in terms of new investments and continually evaluate possible investment targets. In situations that require a creative solution to unlock value, we remain innovative and are able to access new opportunities not only via direct assets that require asset management but also via the restructuring or recapitalisation of property investment vehicles or via share purchases.

ART remains well placed to find value for its investors and to capitalise on new investment opportunities across asset backed investment and debt markets in the UK and Europe.

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