3 March 2017

ALPHA REAL TRUST LIMITED ("ART" OR THE "COMPANY")
TRADING UPDATE AND DIVIDEND ANNOUNCEMENT

ART today publishes its trading update for the period ended 31 December 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:	15.3%
High yielding equity in property investments:	44.1%
Ground rent investments:	19.5%
Other investments:	8.6%
Build to own investments:	7.9%
Cash:	4.6%

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 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 153.9p 31 December 2016 (151.9p: 30 September 2016)
- Adjusted earnings per share of 5.8p for the nine month period ended 31 December 2016 (3.9p for the six months ended 30 September 2016)
- Declaration of a quarterly dividend of 0.6p per share, expected to be paid on 24 March 2017
- Basic earnings per share of 13.1p for the nine month period ended 31 December 2016 (10.1p for the six months ended 30 September 2016)
- Mezzanine loan investment: ART invested £1.7 million in a new mezzanine loan secured on a hotel located in central Newcastle. The loan has a 3 year term and earns an annualised return in excess of 15%
- H2O: the Madrid shopping centre attracted record visitor numbers in 2016, increasing 10.8% versus 2015
- German conditional investment: ART entered into an agreement to purchase, subject to planning and provision of sufficient power, an industrial site which has potential for the development of a data centre
- Balanced portfolio: continued capital allocation to a mix of investments which balance a weighting towards income returns while creating potential for capital value growth

- Income from investments, both equity and high yield debt, continue to add to the Company's earnings position.
- 94.7% of the Company's portfolio is allocated to investments in the UK and Europe that are or are expected to be income producing

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, as at 31 December 2016 is as follows:

Portfolio overview as at 31 December 2016

Investment name Investment type	Investment value	Income return p.a.	Investment location	Property type / underlying security	Investment notes	% of portfolio[1]	Investment value 30 Sept 16
High yielding debt (15.3%)							
Active UK Real Estate Fund plc ("AURE") Mezzanine loan	£4.4m [2]	9.0% [3]	UK	High-yield diversified portfolio	Preferred capital structure	4.1%	£7.2m
Industrial Multi Property Trust plc ("IMPT") Subordinated debt	£10.3m [2]	15.0% [3]	UK	High-yield diversified portfolio	Unsecured subordinated debt	9.6%	£10.3m
Staybridge Suites, Newcastle Mezzanine loan	£1.7m [2]	15.0% [3]	UK	Central Newcastle long-stay hotel	Secured mezzanine facility	1.6%	£0m
High yielding equity in property investments (44.1%)							
H2O shopping centre Direct property	£38.2m (€44.7m)	10.7% [4]	Spain	High-yield, dominant Madrid shopping centre	Debt facility with no LTV covenant and a 1.1x ICR covenant	35.8%	£39.1m (€45.3m)
Active UK Real Estate Fund plc Equity	£3.8m	n/a	UK	High-yield commercial portfolio	20.5% of ordinary shares in fund	3.6%	£3.5m
Cambourne Business Park Indirect property	£1.5m	10.8% [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)	1.4%	£1.5m
Industrial Multi Property Trust plc Equity	£3.5m [5]	n/a	UK	High-yield diversified portfolio	19% of ordinary shares in fund	3.3%	£3.1m
Ground rent investments (19.5%)							
Freehold Income Authorised Fund Ground rent fund	£20.8m	4.2% [6]	UK	Highly defensive income; freehold ground rents	No gearing; monthly liquidity	19.5%	£20.4m
Build to own investments (7.9%)							
Unity and Armouries PRS development	£2.9m	n/a	UK	Central Birmingham residential build to own	Planning consent for 90,000 square feet / 162 units plus commercial	2.7%	£2.8m
Monk Bridge PRS development	£4.7m	n/a	UK	Central Leeds residential build to own	Planning consent for 140,000 square feet / 269 units plus commercial	4.4%	£4.2m
Frankfurt data centre Direct property	£0.9m (€1.1m)	n/a	Germany	Industrial site with potential for data centre use	Agreement to purchase, subject to planning permission	0.8%	£0m
Other investments (8.6%)							
Galaxia Indirect property	£5.4m (INR 450m)	n/a	India	Development site located in NOIDA, Delhi, NCR	Legal process underway to recover investment by enforcing arbitration award	5.1%	£5.2m (INR 450m)
Europip plc Indirect property	£2.4m (€2.8m)	n/a	Norway	A geared logistics and office investment	47% of ordinary shares in fund with medium term debt	2.2%	£2.4m (€2.8m)
Healthcare & Leisure Property Limited Indirect property	£1.4m	n/a	UK	Leisure property fund	No external gearing	1.3%	£1.6m
Cash (4.6%)							
Cash (Company only)	£4.9m	0.1-1%	UK	Current or 'on call' accounts		4.6%	£4.6m

[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 31 December 2016 (note: H2O yield on cost 20.7%, Cambourne yield on cost 13.7%)
[5] Based on a share price of 222.5p per share
[6] 12 months income return; post tax

Further to the half year results announcement on 18 November 2016, the following are key investment updates:

High yielding equity in property investments

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 2016, with an increase of over 10.8% above 2015. This was considerably above the overall national footfall index increase of 0.9%. It is worth noting that annual visitor numbers have increased by 40% during the total period of ART's ownership to date. Like-for-like sales growth has also improved strongly.

The overall commercial mix of the shopping centre continues to be enhanced with 17 new lease contracts signed during 2016. In addition to the upgrade of common areas undertaken under the Company's ownership, it is pleasing to note that tenants are investing in their store formats, undertaking expansions and upgrades, with the newly enlarged H&M store being of particular note.

Industrial Multi Property Trust plc ("IMPT")

ART holds 18.7% of the share capital of IMPT.

ART notes the announcement by Hansteen Holdings PLC ("Hansteen") on 17 February 2017 of an all cash offer for the entire issued ordinary share capital of IMPT by Hansteen at 300 pence per share (the "Offer").

On 24 February 2017, IMPT reported that its adjusted NAV per share was 307.4p.

The directors of ART have not been consulted regarding the Offer and believe it substantially undervalues IMPT. The Offer fails to reflect the significant stamp duty land tax saving (estimated at up to £2 million by Jones Lang LaSalle Limited ("JLL")) and portfolio premium benefits that were advised to IMPT by JLL in their letter of December 2016. The Board of IMPT has a duty to maximise value for shareholders and the directors of ART believe the Offer fails to achieve this.

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 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")

In addition to the equity investment above, ART provides a £10.3 million (including accrued interest) subordinated debt facility to IMPT which expires in December 2018 and earns a coupon of 15% per annum. ART's loan is positioned between 61.2% to 72.9% loan to value based on the 31 December 2016 valuation.

Active UK Real Estate Fund plc ("AURE")

ART provides a £4.4 million (including accrued interest) two-year mezzanine facility to AURE, which, following renewal in 2016, matures in November 2018 and earns a coupon of 9.0% per annum. After amortisation, ART's loan is positioned between 42.1% to 53.8% loan to value based on the 31 December 2016 valuation.

Staybridge Suites, Newcastle

In October 2016, ART provided a £1.7 million mezzanine loan secured on a hotel located in central Newcastle. The hotel opened in 2009 and is currently operated under a franchise agreement from Intercontinental Hotels Group (“IHG”) as a Staybridge Suites, IHG’s extended stay brand. The hotel has a strong corporate customer base with the hotel benefiting from contracts with large international brands with operations in the vicinity.

The £1.7 million facility has a 3 year term and earns an annualised return in excess of 15%. The facility earns an arrangement fee on drawdown and scaled exit fees depending on the repayment date. Based on the underlying value of the asset as at 30 June 2016 and the balance of the senior bank debt facility, ART’s mezzanine loan sits between 62.5% and 74.5% loan to value.

The new Newcastle Staybridge loan increases the size and diversity of ART's mezzanine loan portfolio. Looking ahead, the Company remains alert to further investment of this type across both real estate and asset backed sectors.

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 £20.8 million as at 31 December 2016 in FIAF, an open-ended fund that invests in UK freehold ground rents with a net asset value of £277.2 million as at 31 December 2016.

The following highlights were reported in the FIAF fact sheet as at 31 December 2016 (published in January 2017):

- FIAF owns over 64,000 freeholds with a gross annual ground rent income of circa £8.5 million.
- 85% of its freeholds have a form of inflation protection through periodic uplifts linked to Retail Price Index, property values or fixed uplifts.
- FIAF’s assets are defensive in nature, very long dated (with an average lease length in excess of 100 years)
- From 12 January 2017, a 5% dilution levy will be applied to subscriptions into FIAF. This levy remains constantly under review at each dealing day.

The total return on ART's investment in FIAF was 8.9% (annualised post tax) for the 12 months ending 31 December 2016.

Build to own investments

Residential Private Rented Sector (“PRS”)

The Company’s investments in the residential Private Rented Sector (“PRS”) in central Leeds and central Birmingham are good examples of its targeting opportunities early in the “build to own” process in order to create resilient equity income returns at an attractive yield on cost. The PRS investments assist in building a portfolio of critical mass to afford participation in a maturing market which is attracting greater institutional participation.

The sites have extant planning consents which are being reviewed to enhance the suitability for PRS use of the developments. Separate design and development teams have been appointed for each asset based on their respective experience in the PRS sector and in each local market. Detailed project design and cost plans are being advanced in collaboration with identified preferred construction partners and in consultation with the relevant local authorities. In parallel, potential capital partners are being identified. The sites are held at fair value in the Company’s accounts and it is pleasing to note that comparable site transactions have continued to demonstrate a robust market and there is evidence of growth in values of completed flats and projected rent levels.

Data centre investment

In November 2016, ART entered into an agreement to purchase, subject to planning, an industrial site in Frankfurt which it has identified as being suitable for the development of a data centre, where the high barriers of entry to this sector are potentially capable of being met.

ART has entered into a binding agreement to purchase the asset subject to securing planning consent for a data centre with a minimum gross external area of 23,000 square metres and a specified minimum electrical power supply with a dual feed for the proposed development. If the power and planning conditions are not secured by agreed target dates during 2017, ART may terminate the agreement. ART has created a new special purpose vehicle ("SPV") to enter into the acquisition contract and undertake the development. The planning and pre-development costs will be funded by ART to the new SPV and are estimated to cost up to €2.6 million net of refundable costs. To date, €1.1 million (£0.9 million) has been funded. This includes real estate transfer tax of €0.8 million which would be refundable if the transaction does not complete.

If the requisite planning and electrical supply are confirmed, then the agreed site purchase price will be payable. The investment offers ART the opportunity to sell the site with enhanced planning and a pre-let to a data centre operator or to enter the development process and build and hold the leased development for income. Development finance will be sought to part fund the development cost and site value, optimising further equity investment to complete the development.

Other investments

Galaxia, India

On 2 February 2011, ART recommenced arbitration proceedings against its development partner Logix Group ("Logix") in order to protect its Galaxia investment, an 11.2 acre Special Economic Zone, in NOIDA, the National Capital Region, India.

In January 2015, the ICC 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 £5.4 million using the period end exchange rate as at 31 December 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.

Following a challenge of the award by Logix, in February 2017 the Delhi High Court upheld the award and dismissed the Logix petition with costs. Logix have appealed the dismissal before a Division Bench of the same court. Following the determination of the arbitration noted above, the award to the Company represents a potential realisation of over £13.4 million. ART continues to hold the indirect investment at INR 450 million (£5.4 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.

During the period, the Company made no share buybacks.

Dividend

The Board announces the next dividend of 0.6p per share for the quarter ended 31 December 2016 which is expected to be paid on 24 March 2017 (ex dividend date 16 March 2017 and record date 17 March 2017).

Net asset value

The unaudited net asset value per ordinary share of the Company was 153.9p as at 31 December 2016 (151.9p: 30 September 2016).

There was no revaluation of the Company's directly owned investment properties during the quarter to 31 December 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:€1.169, £1:NOK10.625 or £1:INR83.784, as appropriate.

Strategy and outlook

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

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

The ART Board remains cognisant of increased risk and volatility evident in the European market at this time and is evaluating current and potential investments with due consideration for these continuing factors.

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. ART seeks to continue to deliver a balance of stable income and potential for capital growth across its overall portfolio.

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 has the financial reserves and agility to capitalise on investment opportunities that meet its investment criteria. We remain well placed to find value for our investors across asset backed investment and debt markets in the UK and Europe.

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