18 August 2017

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 2017 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:	5.5%
High yielding equity in property	51.3%
Ground rent investments:	23.6%
Other investments:	6.6%
Build-to-rent investments:	11.0%
Cash:	2.0%

The Company's Investment Manager is Alpha Real Capital LLP ("ARC").

Highlights

- NAV per share 162.4p 30 June 2017 (158.9p: 31 March 2017)
- Adjusted earnings per share of 1.4p for the three month period ended 30 June 2017 (7.4p for the year ended 31 March 2017)
- Declaration of a quarterly dividend of 0.6p per share, expected to be paid on 22 September 2017
- Basic earnings per share of 1.9p for the three month period ended 30 June 2017 (18.6p for the year ended 31 March 2017)
- Balanced portfolio: continued capital allocation to a mix of investments which balance income returns while creating potential for capital value growth, including a growing focus on build-to-rent
- Mezzanine loan investment: further two mezzanine loan investments completed under an agreement entered into with a specialist finance provider, to co-invest and create a portfolio of mezzanine loan investments.
- H2O Madrid: post period end, completion of joint venture with CBRE European Co-Investment Fund, who acquired a 70% of the shareholding in the asset, generating proceeds of c. £37.0 million. The sale creates an opportunity for the recycling of capital and the rebalancing of ART's investment portfolio while allowing for participation in the continued income yield and future value growth potential from the asset
- 95.2% of the Group'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 30 June 2017 is outlined on the table below.

Portfolio overview as at 30 June 2017

Investment name Investment type	Investment value	Income return p.a.	Investment location	Property type / underlying security	Investment notes	% of portfolio[1]
High yielding debt (5.5%)						
Active UK Real Estate Fund plc ("AURE") Mezzanine loan	£3.4m [2]	9.0% [3]	UK	High-yield diversified portfolio	Preferred capital structure	3.0%
Staybridge Suites, Newcastle Mezzanine loan	£1.7m [2]	15.0% [3]	UK	Central Newcastle hotel	Secured mezzanine facility	1.5%
Mezzanine Finance Mezzanine loans	£1.1m [2]	14.0% [3]	UK	Development loans as seed investment in new portfolio	Secured mezzanine facilities	1.0%
High yielding equity in property investments (51.3%)						
H2O shopping centre Direct property	£51.1m (€58.2m)	7.4% [4]	Spain	High-yield, dominant Madrid shopping centre	Post period end; agreement to divest 70% shareholding and refinance of bank debt	45.1%
Site – building rights Direct property	£1.2m (€1.4m)	n/a	Spain	Vacant site; building rights capable of transfer to H2O	Potential expansion capacity for H2O	1.1%
Active UK Real Estate Fund plc Equity	£4.2m	n/a	UK	High-yield commercial portfolio	20.5% of ordinary shares in fund	3.7%
Cambourne Business Park Indirect property	£1.6m	11.8% [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%
Ground rent investments (23.6%)						
Freehold Income Authorised Fund Ground rent fund	£26.7m	3.6% [5]	UK	Highly defensive income; freehold ground rents	No gearing; monthly liquidity	23.6%
Build-to-rent investments (11.0%)						
Unity and Armouries, Birmingham PRS development	£3.8m	n/a	UK	Central Birmingham residential build-to-rent	Planning consent for 90,000 square feet / 162 units plus commercial	3.4%
Monk Bridge, Leeds PRS development	£6.1m	n/a	UK	Central Leeds residential build-to-rent	Planning consent for 140,000 square feet / 269 units plus commercial opportunities	5.4%
Data centre, Frankfurt Direct property	£2.5m (€2.8m)	n/a	Germany	Industrial site with potential for data centre use	Agreement to purchase, subject to planning permission	2.2%
Other investments (6.6%)						
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	4.8%
Europip plc Indirect property	£0.7m (€0.8m)	n/a	Norway	An ungeared logistics and office investment – awaiting final shareholder distribution	47% of ordinary shares in fund	0.6%
Healthcare & Leisure Property Limited Indirect property	£1.4m	n/a	UK	Leisure property fund	No external gearing	1.2%
Cash (2.0%)						
Cash (Company only)	£2.3m	0.1%	UK	Current or 'on call' accounts		2.0%

[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 2017 (note: H2O yield on cost 18.2%, Cambourne yield on cost 14.3%)
[5] 12 months income return; post tax

ART continues to actively manage its portfolio to enhance the value of the underlying assets, recycle capital from investments where profit taking and portfolio optimisation opportunities are identified, and to originate and secure new investment opportunities.

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 an increasing focus on build to own investments. The Company will consider investments and assets that offer scope to generate long term income streams off a lower entry cost through development. This approach provides ART with the flexibility to take advantage of new investment opportunities where ART sees best value. A balance of income and capital value growth will be targeted.

Further to the full year results announcement on 16 June 2017, 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 attractive 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 year to 30 June 2017, with an increase of 7.4% above the same period in 2016.

As previously announced, an agreement to sell a 70% equity interest in the H2O shopping centre in Madrid to CBRE European Co-Investment Fund, managed by CBRE Global Investors was entered into. The sale contract had conditions attached which were satisfied post period end and consideration of circa £37.0 million was received on the date of completion of 4 August 2017.

ART has retained a 30% stake in joint venture with CBRE Global Investors to participate in the future growth of the centre.

In May 2017, ART completed the refinance of the borrowings secured on the shopping centre with a new €65 million seven year loan. The new financing terms represent a significant saving on the previous financing. The borrowings are non-recourse to ART.

Industrial Multi Property Trust plc (“IMPT”)

During the period, ART received the proceeds from the repayment of its subordinated debt facility to IMPT and also sold its equity shareholding in IMPT at a premium to net asset value.

High yielding debt

Underlying asset values have benefited from an improvement in the wider investment market, resulting in enhanced credit quality as loan to value ratios have either improved or are more firmly supported as a result of greater liquidity and debt availability.

The Company continues to remain focussed on creating a diversified portfolio of high yielding smaller mezzanine loans secured on real estate assets. ART seeks opportunities that it can fully underwrite with the support of the Investment Manager's asset-backed lending experience and knowledge of the underlying assets and sectors, or in partnership with specialist mezzanine providers. Repayment proceeds from current loans are expected be recycled into new loan business.

Mezzanine portfolio

In line with the objective of creating a diversified portfolio of smaller mezzanine loans, ART has furthered its mezzanine lending investment during the period, extending two further loans. As at 30 June 2017, ART had invested £1.1 million in smaller real estate mezzanine loans(increased from £0.3 million into as at 31 March 2017).

Further loan investments are continually being evaluated. Each loan will typically have a two year term and a maximum 75.0% loan to value ratio and are targeted to generate double digit income returns.

Active UK Real Estate Fund plc ("AURE")

ART provides a £3.4 million (including accrued interest) two-year mezzanine facility to AURE which matures in November 2018 and earns a coupon of 9.0% per annum.

Based upon the value of the underlying AURE portfolio of £32.4 million (valuation as at 30 June 2017) and the balance of the bank finance of £14.8 million as at 30 June 2017, ART's loan is positioned between a 45.7% and 55.9% loan to value.

Staybridge Suites, Newcastle

ART provides a £1.7 million mezzanine loan secured on a hotel located in central Newcastle operated under a franchise agreement from Intercontinental Hotels Group ("IHG") as a Staybridge Suites, IHG's extended stay brand. The three year facility matures in October 2019 and earns an annualised return in excess of 15% plus arrangement and exit fees.

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 £26.7 million as at 30 June 2017 in FIAF, an open-ended fund that invests in UK freehold ground rents with a net asset value of £295.5 million as at 30 June 2017.

The following highlights were reported in the FIAF fact sheet as at 30 June 2017 (published in July 2017):

- FIAF owns over 65,000 freeholds with a gross annual ground rent income of circa £8.6 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)

The total return on ART's investment in FIAF was 7.9% (annualised post tax) for the 12 months ending 30 June 2017.

Build-to-rent investments

The potential realisation of c. £35 million from the sale of a 70% interest in H2O will enable ART to further invest in its build-to-rent investments, an increasing area of focus for the Company, with the potential for the majority of the proceeds to be reinvested into build-to-rent opportunities..

ART's build-to-rent 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.

Build-to-rent investments provide the Company with flexibility to add value by either constructing the development, funded with either equity capital, debt or contractor finance, and subsequently holding the completed assets as investments; or, alternatively, forward selling all or some of the developed property.

Residential Private Rented Sector ("PRS")

The Company's investments in the residential Private Rented Sector ("PRS") in central Leeds and central Birmingham are opportunities that were secured early in the build-to-rent process that offer potential 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.

Detailed planning consent for both sites has been secured. The Birmingham project has made non-material amendments to its planning consent for 162 residential units and ground floor commercial space. The Leeds project has been granted detailed planning consent for 307 residential units (which the Company intends to develop for PRS) plus commercial development within the adjacent existing railway arches and outline planning consent for a further 300 residential units.

Preferred construction partners have been selected for each project. The project design team continues to review the existing detailed planning consent for possible enhancements to meet best in class PRS requirements and a value engineering process is underway to identify the most efficient and effective construction processes and potential cost savings.

Discussions are underway with potential partners to investigate joint funding opportunities.

Data centre investment

In November 2016, ART entered into a binding agreement to purchase an industrial site in Frankfurt subject to certain conditions which included securing planning consent for a data centre and a specified minimum electrical power supply with a dual feed for the proposed development.

Following a detailed design process, both planning permission and power applications have been filed as per the envisaged schedule.

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 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 450.0 million (equivalent to £5.4 million using the period end exchange rate as at 30 June 2017) 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.

Logix challenged the validity of the arbitration award in the Delhi High Court. This appeal was dismissed during February 2017 and the Delhi High Court upheld the arbitration award. Logix subsequently appealed to a Division

Bench of the Delhi High Court. On 8 May 2017 the Division Bench upheld the award and rejected Logix's appeal. Logix may seek a review of the dismissal before the Supreme Court of India.

ART has commenced execution of the award against the Logix promoters. The Delhi High Court has issued a warrant of attachment against the primary residential property owned by Shakti Nath and Meena Nath, promoters of Logix and restraint orders have been passed against the Logix corporate office in NOIDA and against transfer of shares in several group companies. The Logix promoters have been directed to furnish a statement of their assets and bank statements or else appear in person in court at the next hearing scheduled in August 2017.

The sum awarded to the Company has now accrued to approximately £13.9 million at the current exchange rate. ART continues to hold the indirect investment at INR 450.0 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 30 June 2017 which is expected to be paid on 22 September 2017 (ex dividend date 31 August 2017 and record date 1 September 2017).

Net asset value ('NAV')

As at 30 June 2017, the unaudited NAV per ordinary share of the Company was 162.4p (31 March 2017 audited NAV: 158.9p).

There was no revaluation of the Company's directly owned investment properties during the quarter to 30 June 2017.

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:€1.138, £1:NOK10.879 or £1:INR83.974, as appropriate.

Strategy and outlook

ART continues to actively manage its portfolio to enhance the value of the underlying assets, recycle capital from investments where profit taking and portfolio optimisation opportunities are identified and to originate new investment opportunities.

ART has secured circa £50 million of investment realisations in the year to date including the sale of 70% of its equity shareholding in H2O and the divestment of its IMPT equity and mezzanine investments. The proceeds from this successful capital recycling will allow for capital to be reinvested in new opportunities that target attractive risk adjusted returns, including new investment in the Company's mezzanine portfolio. ART will also allocate proceeds to its build-to-rent portfolio, an increasing area of focus for the Company that offers scope to create resilient equity income returns at an attractive yield on cost, with the potential for capital investment in excess of £30 million in the next 12 months.

As the Company increases its investment in build-to-rent projects which are expected to provide increased income levels on completion but will not produce income earnings while under development, a greater proportion of the Company's total return is likely to come from capital growth rather than earnings until its build-to-rent investment become income producing.

The Company remains well positioned to continue to deliver attractive returns through investing, realising and re-investing its capital in asset backed investment opportunities.

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