9 March 2018

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 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-rent investments. The current portfolio mix, excluding sundry assets/liabilities, is as follows:

High yielding debt:	4.7%
High yielding equity in property investments:	21.3%
Ground rent investments:	24.6%
Other investments:	18.7%
Build-to-rent investments:	25.0%
Cash:	5.7%

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

Highlights

- NAV per ordinary and A share 168.4p: 31 December 2017 (167.3p: 30 September 2017)
- Basic earnings for the nine month period ended 31 December 2017 of 14.4p per ordinary share and of 18.9p per A share (13.3p per ordinary share and of 17.7p per A share for the six months ended 30 September 2017)
- Adjusted earnings for the nine month period ended 31 December 2017 of 3.4p per ordinary and A share (3.0p per ordinary and A share for the six months ended 30 September 2017)
- Declaration of a quarterly dividend of 0.6p per share, expected to be paid on 6 April 2018
- Balanced portfolio: continued capital allocation to a mix of investments which balance income returns while creating potential for capital value growth, including a growing build-to-rent exposure
- Mezzanine loan investment: four loans totalling £3.8 million were completed in the quarter ending 31 December 2017 with a further three loans totalling £5.2 million funded post period end
- Data centre Frankfurt: following planning consent being secured, tendering for pre-development works is underway with a view to having a development-ready site
- H2O shopping centre Madrid: record visitor numbers recorded in 2017, increasing 3.9% over 2016, with like for like tenant sales increasing 6.4% over the year.

Investment summary

The Company's investments have benefited from an active management approach with successes evident in both the Company's directly and indirectly held investments. The current portfolio mix, as at 31 December 2017 is outlined on the table below.

Portfolio overview as at 31 December 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 (4.7%)						
Mezzanine Portfolio Mezzanine loans	£5.3m [2]	14.0% to 16.9% [3]	UK	Diversified loan portfolio focussed on real estate investments and developments	Secured mezzanine facilities	4.7%
High yielding equity in property investments (21.3%)						
H2O shopping centre Indirect property	£16.7m (€18.8m)	6.9% [4]	Spain	High-yield, dominant Madrid shopping centre and separate development site	30% shareholding; 7 year term bank finance facility	14.6%
Active UK Real Estate Fund plc Equity	£6.0m	n/a	UK	High-yield commercial portfolio	27.6% of ordinary shares in fund	5.3%
Cambourne Business Park Indirect property	£1.6m	11.0% [4]	UK	High-yield business park located in Cambridge	Medium term moderately geared bank finance facility	1.4%
Ground rent investments (24.6%)						
Freehold Income Authorised Fund Ground rent fund	£28.0m	3.7% [5]	UK	Highly defensive income; freehold ground rents	No gearing; monthly liquidity	24.6%
Build-to-rent investments (25.0%)						
Unity and Armouries, Birmingham PRS development	£3.9m	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	£8.6m	n/a	UK	Central Leeds residential build-to-rent	Planning consent for 205,129 square feet / 307 units plus commercial Outline consent for further 193,071 square feet / 300 units plus commercial	7.6%
Data centre, Frankfurt Direct property	£16.0m (€18.0m)	n/a	Germany	Industrial site with secured consent for data centre use	Site with planning consent for 40,338 square metre data centre and commitment for 35 MVA dual feed power supply	14.0%
Other investments (18.7%)						
Galaxia Indirect property	£5.2m (INR 450m)	n/a	India	Development site located in NOIDA, Delhi, NCR	Legal process underway to recover investment by enforcing arbitration award	4.6%
Indirect asset backed investment Elm Trading Limited	£15.3m	5.0%	UK	Indirect investment in diversified real estate and renewables portfolio	Short term investment in fund with low external gearing	13.3%
Europip plc Indirect equity	£0.4m (€0.5m)	n/a	N/A	Awaiting final shareholder distribution	47% of ordinary shares in fund	0.4%
Healthcare & Leisure Property Limited Indirect property	£0.4m	n/a	UK	Leisure property fund	No external gearing	0.4%
Cash and short term investments (5.7%)						
Cash (Company only)	£6.5m	0.1%	UK	Current or 'on call' accounts		5.7%

[1] Percentage share shown based on NAV excluding the 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 2017
[5] 12 month income return; post tax

ART has a diversified portfolio of asset backed investments spread across different sectors and asset types. The Company's portfolio includes income producing assets, build-to-rent projects, secured debt and mezzanine loan investments. Each investment offers a different risk-return profile however the overall portfolio seeks to provide a balance of stable income returns and scope for capital growth.

ART actively manages its investment portfolio which continues to be replenished via capital recycling from the sale of non-core assets, loan repayments or strategic full or partial disinvestment from assets that allow for profit-taking and portfolio optimisation. This creates the opportunity for capital allocation to new investments.

Further to the half year results announcement on 17 November 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

ART has a 30% stake in joint venture with CBRE Global Investors in the H2O shopping centre in Madrid. H2O continues to benefit from asset management initiatives implemented during ART's ownership. The centre attracted record visitor numbers in the 2017 calendar, with an increase of 3.9% above 2016. Like-for-like sales performance from tenants increased strongly by 6.4% over the same period.

Mercadona supermarket, one of H2O's principal anchors, has undertaken a complete refurbishment of its store during February 2018. This major investment after only 7 years in occupation is a positive sign of the tenant's commitment to the shopping centre and provides H2O's customers with an enhanced shopping experience.

High yielding debt

ART continues to augment and diversify its portfolio of secured real estate loan and mezzanine loan investments. These loans are typically secured on real estate investment and development assets with high risk-adjusted income returns.

During the quarter ended 31 December 2017, a further four loans were completed for £3.8 million; the total loan investment at period end is £5.3 million. Post period end, a further three loans totalling £5.2 million were funded bringing the total secured debt portfolio to £10.5 million.

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 is targeted to generate a double digit income return. Repayment proceeds will be rotated into new loans.

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 £28.0 million as at 31 December 2017 in FIAF, an open-ended fund that invests in UK freehold ground rents with a net asset value of £307.4 million as at 31 December 2017.

The following highlights were reported in the FIAF fact sheet as at 31 December 2017 (published in January 2018):

- FIAF owns over 65,000 freeholds with a gross annual ground rent income of circa £8.7 million.

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and regulated by the Financial Conduct Authority in the United Kingdom.

- 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 8.9% (annualised post tax) for the 12 months ending 31 December 2017.

Build-to-rent investments

ART has achieved the significant milestone of securing planning consent for each of its build-to-rent investments. These investments offer the opportunity to create a higher yield on cost than is available from purchasing existing built investments of the same quality. 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, joint venture capital or debt, 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 an initial capital uplift in value through enhanced planning and the opportunity to develop and let in order to achieve resilient equity income returns at an attractive yield on cost.

Planning consent for both sites has been secured. The Birmingham project has implemented non-material amendments to its planning consent for 162 residential units and ground floor commercial space. The Leeds project has 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 350 residential units, for which detailed planning consent is now being advanced.

Preferred construction partners have been selected. 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.

The Company estimates that up to £23.7 million could be invested to undertake the development of its PRS sites alongside debt financing. The Company is exploring ways to optimise the returns from its PRS investments and is exploring joint development opportunities with potential partners.

Data centre investment

ART owns an industrial site in Frankfurt, Germany, for which it has secured detailed planning consent for a five-story data centre extending to 40,338 square metres and a commitment from the local utility provider to install a 35 MVA a dual feed power supply. The power supply will be installed, and funded by ART, on a phased basis over the coming three years, synchronised with local electricity substation and cable route upgrades.

ART is in the process of arranging tenders for the construction of an electricity receptor building on the site and pre-identified ground preparation works. ART's total investment into the data centre project is estimated to be approximately €28 million (£24.7 million).

Active marketing of the project to potential data centre occupiers is underway.

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 £5.2 million using the period end exchange rate as at 31 December 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 and latterly to the Division Bench of the Delhi High Court. Both courts dismissed the respective appeals and upheld the award declared in favour of the Company. Logix have since appealed the dismissal to the Supreme Court of India. The Supreme Court admitted the appeal and ordered Logix to deposit INR 200 million (£2.3 million) with the court, which is held on deposit to partially secure ART's claim. The Supreme Court also upheld the earlier order of the Delhi High Court attaching the residential property of Logix directors to secure ART's claim. The next hearing is scheduled for March 2018.

The sum awarded to the Company has now accrued to approximately £14.5 million at the period end exchange rate. ART continues to hold the indirect investment at INR 450.0 million (£5.2 million) in the accounts due to uncertainty over timing and final value.

Share buybacks

On 12 December 2017, the Company published a circular giving notice of an Extraordinary General Meeting on 5 January 2018. 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 4 January 2019. The shareholders approved the proposal.

On 24 January 2018, the Company announced its intention to buy back its ordinary shares using its existing cash resources, pursuant to the general authority granted by shareholders.

The share repurchase programme commenced with effect from 24 January 2018 and share repurchases may be undertaken until the earlier of the maximum amount being repurchased and 4 January 2019. The maximum amount of money allocated for the share repurchases is £1 million.

During the quarter, the Company made no share buybacks.

Dividend

The Board announces the next dividend of 0.6p per share for the quarter ended 31 December 2017 which is expected to be paid on 6 April 2018 (ex dividend date 22 March 2018 and record date 23 March 2018).

Net asset value ('NAV')

As at 31 December 2017, the unaudited NAV per ordinary share of the Company was 168.4p (30 September 2017: 167.3p).

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The movement in NAV reflects the earnings of the Company less the dividend paid in the period.

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:€1.127 or £1:INR86.359, as appropriate.

Strategy and outlook

ART's diversified portfolio provides a balance of investments that offer scope to deliver strong cashflows, capital value growth and attractive risk adjusted total returns.

The Company 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.

ART has achieved the significant milestone of securing planning consent for each of its build-to-rent investments. These investments offer the opportunity to create a higher yield on cost than is available from purchasing existing built investments of the same quality. During the development period, a greater proportion of the Company's total return is likely to come from capital growth rather than earnings until its build-to-rent investments become income producing.

During the period the Company has increased its mezzanine loan investment portfolio. New investment opportunities that are capable of delivering strong risk adjusted cash flows are being actively pursued. ART's active investment approach means that short term investment positions will be considered when accretive to overall returns.

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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