26 February 2021

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

TRADING UPDATE AND DIVIDEND ANNOUNCEMENT

ART today publishes its trading update for the period ended 31 December 2020 and the period up until the date of this announcement. The information contained herein has not been audited.

About the Company

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 focusses on asset-backed lending, debt investments and high return property investments in Western Europe that are capable of delivering strong risk adjusted cash flows.

The portfolio mix at 31 December 2020, excluding sundry assets/liabilities, was as follows:

	31 December 2020	**30 September 2020**
High return debt	25.4%	29.4%
High return equity in property investments	20.3%	21.0%
Other investments	0.6%	0.6%
Cash	53.7%	49.0%

The Company currently plans to invest the majority of its cash into secured senior or secured mezzanine debt in due course, subject to how the Covid-19 situation unfolds.

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

Highlights

- NAV per ordinary share 209.3p as at 31 December 2020 (30 September 2020: 211.1p).
- Adjusted earnings for the period ended 31 December 2020 of 2.3p per ordinary share (30 September 2020: 1.6p per ordinary share).
- For the period ended 31 December 2020 basic losses of 1.5p per ordinary share (30 September 2020: losses of 1.3p per ordinary share).
- Declaration of a quarterly dividend of 1.0p per ordinary share expected to be paid on 9 April 2021.
- Robust financial position: a cautious approach to new investment is being taken and cash conserved.
- Diversified portfolio of secured senior and secured mezzanine loan investments; as at 31 December 2020, the size of ART's secured loan portfolio was £32.1 million, representing 25.4% of the investment portfolio. The senior portfolio has an average LTV of 59.9% based on loan commitments (with mezzanine loans having an LTV range of between 54.8% and 78.7% whilst the highest approved senior loan LTV is 75.7%).

Investment summary

Portfolio overview as at 31 December 2020

Investment name Investment type	Carrying value	Income return p.a.	Investment location	Property type / underlying security	Investment notes	% of portfolio[1]
High return debt (25.4%)						
Secured senior finance						
Senior secured loans (excluding committed but undrawn facilities of £2.9 million)	£12.8m [2]	8.4% [3]	UK	Diversified loan portfolio focussed on real estate investments and developments	Senior secured debt (during the period the average senior facilities commitments were £19.2m)	10.1%
Secured mezzanine finance						
Second charge mezzanine loans	£19.3m [2]	14.9% [3]	UK	Diversified loan portfolio focussed on real estate investments and developments	Secured mezzanine debt and subordinated debt (during the period the average mezzanine facilities commitments were £19.1m)	15.3%
High return equity in property investments (20.3%)						
H2O shopping centre						
Indirect property	£16.6m (€18.5m)	2.5% [4]	Spain	Dominant Madrid shopping centre and separate development site	30% shareholding; medium term moderately geared bank finance facility	13.1%
Long leased industrial facility, Hamburg						
Direct property	£7.2m [5] (€8.1m)	7.2% [4]	Germany	Long leased industrial complex in major European industrial and logistics hub	Long term moderately geared bank finance facility	5.8%
Cambourne Business Park						
Indirect property	£1.7m	10.2% [4]	UK	High-yield business park located in Cambridge	Medium term moderately geared bank finance facility	1.4%
Other investments (0.6%)						
Realhousingco						
Residential Investment	£0.6m	n/a	UK	High-yield residential UK portfolio	100% shareholding; no external gearing	0.5%
Healthcare & Leisure Property Limited						
Indirect property	£0.1m	n/a	UK	Leisure property fund	No external gearing	0.1%
Cash and short-term investments (53.7%)						
Cash [6]	£67.5m	0.1% [7]	UK	'On call' and current accounts		53.7%

[1] Percentage share shown based on NAV excluding the company's sundry assets/liabilities
[2] Including accrued interest/coupon at the balance sheet date
[3] The income returns for high return debt are the annualised actual finance income return over the period shown as a percentage of the average committed capital over the period
[4] Yield on equity over 12 months to 31 December 2020
[5] Property value including sundry assets/liabilities and cash, net of associated debt
[6] Group cash of £68.1m excluding cash held with the Hamburg holding company of £0.6m
[7] Weighted average interest earned on call accounts

Further to the half year results announcement on 18 December 2020, the following are key investment updates.

The economic and social impact of Covid-19 continues to severely affect the economic backdrop in which the Company operates. ART's investment portfolio benefits from diversification across geographies, sectors and asset types. We continue to take a cautious approach to new investment, including new lending, as we see how Covid-19 unfolds.

In the period prior to the emergence of Covid-19, the Company had focused on recycling capital into asset backed lending while reducing exposure to development risk. In this time of heightened uncertainty, the Company is benefiting from that strategy and it has placed the Company on a robust financial footing.

Diversified secured lending investment

The Company has a diversified portfolio of secured senior and mezzanine loan investments. The loans are typically secured on real estate investment and development assets with attractive risk adjusted income returns. As at 31 December 2020, ART had committed £35.0 million across twenty five loans, of which £32.1 million was drawn.

During the quarter to 31 December 2020, nine loans totalling £8.3 million (including accrued interest and exit fees) were fully repaid and a further £0.3 million (including accrued interest) was received as part repayments. Post period end, two loans were fully repaid for £0.9 million (including accrued interest and applicable fees) and a further £0.5 million (including accrued interest) was received as part repayments.

As at 31 December 2020, 39.9% of the Company's loan investments were senior loans and 60.1% were mezzanine loans. The portfolio has an average LTV of 59.9% based on loan commitments (with mezzanine loans having an LTV range of between 54.8% and 78.7% whilst the highest approved senior loan LTV is 75.7%). Portfolio loans are underwritten against value for investment loans or gross development value for development loans as relevant and collectively referred to as LTV in this report. The largest individual loan in the portfolio as at 31 December 2020 is a senior loan of £3.5 million which represents 10.0% of committed capital and 2.8% of the Company's NAV.

The underlying assets in the loan portfolio as at 31 December 2020 had geographic diversification with a London and South East focus. The South of England (including London) accounted for 68%, of which London accounted for 39%, of the committed capital within the loan investment portfolio.

To date, the Company has experienced no defaults, but the underlying loan portfolio continues to be closely monitored especially considering the Covid-19 pandemic and its potential impact on construction timelines and sales periods. Where it is considered appropriate, on a case by case basis, underlying loan terms may be extended.

H2O, Madrid

ART has a 30% stake in joint venture with CBRE Global Investors in the H2O shopping centre in Madrid. Following the closure of the shopping centre, apart from shops deemed essential services, during March to June 2020 in accordance with a national directive from government of Spain, the centre has since remained open and trading with some restrictions in opening hours applying to leisure related tenants' opening hours

In the period since reopening to 31 December 2020, visitor numbers have reduced by approximately 28%. With the ongoing impact of the Covid-19 pandemic curtailing retailing and leisure activities, a practical approach is being taken with tenants to manage any rent arrears whilst seeking to protect the long-term value of the centre.

Limited new leasing activity was recorded during the period including a new store leased to leading electronics retailer Xiaomi.

Covid-19 will have a significant impact on the earnings of H2O for the current year. The centre's valuation reduced by 2.1% over the reporting period.

Other investments

Galaxia, India

As announced in February 2020, the Supreme Court of India ruled in favour of ART's dispute regarding its Galaxia investment, a 50:50 joint venture with Logix Group ("Logix") that owns an 11.2 acre development site located in NOIDA, the National Capital Region, India.

In upholding the arbitration award in favour of ART and dismissing Logix's appeal, the Supreme Court ordered Logix to pay ART a total of INR 860 million (£8.6 million at the period end exchange rate). ART successfully recovered in excess of the full amount of its capital originally invested into the Galaxia joint venture.

The court permitted Logix to sell the Galaxia site, which was previously charged in favour of ART, to raise capital. A purchaser for the site has been identified who, during November 2020, deposited INR 568 million with the Supreme Court towards the INR 990 million sale price.

The potential purchaser is seeking an amendment of development consents and payment obligations in relation to the land. The release of the funds deposited with the Supreme court to ART is dependent on how the sale process advances. Failure to recover the proceeds from a sale would mean that Logix would be required to pay the remainder of the liability due to ART under the court award of INR 568 million (£5.7 million) plus a higher interest rate applicable under the arbitration award.

ART continues to actively pursue its claim to collect the balance of the arbitration award. Given the uncertainty about the quantum and timing of any future recovery, the Company carried the joint venture in arbitration in its accounts as at 31 December 2020 at nil value.

Net asset value ('NAV')

As at 31 December 2020, the unaudited NAV per ordinary share of the Company was 209.3p (30 September 2020: NAV of 211.1p).

This reduction is primarily due to the impact of the reduced valuation of the H2O shopping centre joint venture in Madrid.

Dividends

The current intention of the Company is to pay a dividend each quarter.

A dividend of 1.0p per share, for the quarter ended 30 September 2020, was paid on 8 January 2021.

A further dividend of 1.0p per share, for the quarter ended 31 December 2020, is proposed to be paid on 9 April 2021.

The dividends paid and declared for the 12 months to 31 December 2020 total 4.0 pence per share, representing a dividend yield of 2.4% on the average share price over the period.

Scrip dividend alternative

Shareholders of the Company have the option to receive shares in the Company in lieu of a cash dividend, at the absolute discretion of the Directors, from time to time.

The number of ordinary shares that an Ordinary Shareholder will receive under the Scrip Dividend Alternative will be calculated using the average of the closing middle market quotations of an ordinary share for five consecutive dealing days after the day on which the ordinary shares are first quoted "ex" the relevant dividend.

The Board has elected to offer the scrip dividend alternative to Shareholders for the dividend for the quarter ended 31 December 2020. Shareholders who returned the Scrip Mandate Form and elected to receive the scrip dividend alternative will receive shares in lieu of the next dividend. Shareholders who have not previously elected to receive scrip may complete a Scrip Mandate Form (this can be obtained from the registrar: contact Computershare (details below)), which must be returned by 19 March 2021 to benefit from the scrip dividend alternative for the next dividend.

Share buybacks

At the Annual General Meeting on 7 August 2020, Shareholders approved a resolution giving the Company a general authority to buy back Ordinary Shares. No shares have been purchased under this authority.

As at the date of this announcement, the ordinary share capital of the Company is 62,746,007 (including 1,940,797 ordinary shares held in treasury) and the total voting rights in the Company are 60,805,210.

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:€1.114 or £1:INR99.662, as appropriate.

Strategy and outlook

Covid-19 and the unprecedented and continuing actions of Governments to lock-down their citizens and shut-down their economies has severely affected the economic backdrop in which the Company operates. ART's investment portfolio benefits from diversification across geographies, sectors and asset types.

Prior to the emergence of Covid-19, the Company had been focussing on recycling capital into asset backed lending while reducing exposure to development risk. In this time of heightened uncertainty, the Company is benefiting from that strategy and it has placed the Company on a robust financial footing.

ART is 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 return structures. We are taking a cautious approach to new investment, including new lending, as we see how Covid-19 unfolds. This cautious approach, while conserving cash, is likely to significantly reduce earnings in the current year.

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