25 February 2022

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

TRADING UPDATE AND DIVIDEND ANNOUNCEMENT

ART today publishes its trading update for the nine month period ended 31 December 2021 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 2021, excluding sundry assets/liabilities, was as follows:

	31 December 2021	30 September 2021
High return debt	26.1%	27.6%
High return equity in property investments	18.3%	20.3%
Other investments	11.6%	8.9%
Cash	44.0%	43.2%

ART continues to grow its diversified loan portfolio while seeking to retain scope to deliver attractive risk adjusted returns including potential for capital gains through its wider investment strategy.

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

Highlights

- NAV per ordinary share 212.2p as at 31 December 2021 (30 September 2021: 208.5p).
- Adjusted earnings for the period ended 31 December 2021 of 3.0p per ordinary share (six months to 30 September 2021: 3.0p per ordinary share).
- For the period ended 31 December 2021 basic earnings of 8.6p per ordinary share (six months to 30 September 2021: earnings of 2.5p per ordinary share).
- Declaration of a quarterly dividend of 1.0p per ordinary share expected to be paid on 6 April 2022.
- Robust financial position: ART adopted a cautious approach to new investment and conserved cash as a result of the uncertainty that characterised the past financial year. As economies re-open post Covid-19, the Company's robust financial footing makes it well positioned to take advantage of new investment opportunities.
- Diversified portfolio of secured senior and secured mezzanine loan investments: as at 31 December 2021, the size of ART's drawn secured loan portfolio was £33.1 million, representing 26.1% of the investment portfolio.

- New loan investments: Growth of the loan portfolio has been and remains a key focus for ART and is expected to attract a larger allocation of capital for new investments.
- The senior portfolio has an average LTV of 37.5% based on loan commitments (with mezzanine loans having an LTV range of between 54.8% and 78.6% whilst the highest approved senior loan LTV is 72.9%).
- Loan commitments: including existing loans at the balance sheet date and loans committed post period end, ART’s current total committed but undrawn loan commitments amount to £15.0 million.
- Sale of Cambourne Business Park: the sale of the business park, in which ART held a 10% interest in the owning joint venture, completed in December 2021 at a price in excess of the Company’s latest book value; the investment returned an IRR of in excess of 14.4% p.a. during ART’s ownership.
- Galaxia, India: post period end the Supreme Court of India issued an order concluding the Logix Galaxia litigation and permitting the release of funds to ART.

Investment summary

Portfolio overview as at 31 December 2021

Investment name Investment type	Carrying value	Income return p.a.	Investment location	Property type / underlying security	Investment notes	% of portfolio[1]
High return debt (26.1%)						
Secured senior finance						
Senior secured loans (excluding committed but undrawn facilities of £0.6m)	£15.2m [2]	11.0% [3]	UK	Diversified loan portfolio focussed on real estate investments and developments	Senior secured debt (during the period the average senior facilities commitments were £17.4m)	11.9%
Secured mezzanine finance						
Second charge mezzanine loans	£17.9m [2]	17.3% [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 £17.7m)	14.2%
High return equity in property investments (18.3%)						
H2O shopping centre						
Indirect property	£16.4m (€19.5m)	4.8% [4]	Spain	Dominant Madrid shopping centre and separate development site	30% shareholding; moderately geared bank finance facility	12.9%
Long leased industrial facility, Hamburg						
Direct property	£6.9m [5] (€8.2m)	6.6% [4]	Germany	Long leased industrial complex in major European industrial and logistics hub	Long term moderately geared bank finance facility	5.4%
Other investments (11.6%)						
Listed and authorised fund investments	£11.0m	5.9%[4]	UK & Channel Islands	Commercial real estate, infrastructure and debt funds	Short to medium term investment in listed and authorised funds	8.6%
Affordable housing Residential Investment	£0.6m	n/a	UK	High-yield residential UK portfolio	100% shareholding; no external gearing	0.5%
Galaxia						
Joint venture in arbitration	£3.2m (INR325m)	n/a	India	Development site located in NOIDA, Delhi, NCR	Legal process to recover investment by enforcing arbitration award concluded	2.5%
Cash and short-term investments (44.0%)						
Cash [6]	£56.0m	0.1% [7]	UK	'On call' and current accounts		44.0%

[1] Percentage share shown based on NAV excluding the company's sundry assets/liabilities
[2] Including accrued interest/coupon at 31 December 2021
[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 2021
[5] Property value including sundry assets/liabilities and cash, net of associated debt
[6] Group cash of £56.6m excluding cash held with the Hamburg holding company of £0.6m
[7] Weighted average annual interest earned

Further to the half year results announcement on 26 November 2021, the following are key investment updates.

ART's investment portfolio benefits from diversification across geographies, sectors and asset types. Prior to the emergence of Covid-19, the Company had focused on recycling capital into asset backed lending while reducing exposure to development risk. As a result of the uncertainty that characterised the past financial year, ART adopted a cautious approach to new investment and conserved cash. This has served the Company well and ART benefits from a robust financial footing that makes it well placed to capitalise on new investment opportunities.

Whilst the economic and social impact of Covid-19 continues to dominate the economic backdrop in which the Company operates, economies are taking positive steps towards stabilisation. ART remains committed to growing its diversified investment portfolio with a dominant weighting towards cashflow driven investments. The Company is currently focussed on continuing to grow its loan portfolio whilst retaining scope to deliver attractive risk adjusted returns including potential capital gains through its wider investment strategy.

In an environment of inflation and increasing interest rates, the Company's predominately floating rate loan portfolio, which typically sets borrowing rates at a margin over Bank of England Base Rates, will benefit from rising interest rates as outstanding loans deliver increasing returns as loan rates track increases in the Bank Base Rate.

Diversified secured lending investment

The Company has a diversified portfolio of secured senior and mezzanine loan investments. The loans are typically secured on predominately residential real estate investment and development assets with attractive risk adjusted income returns. As at 31 December 2021, ART had committed £35.2 million across twenty loans, of which £34.6 million was drawn.

During the quarter to 31 December 2021, three loans totalling £4.1 million (including accrued interest and exit fees) were fully repaid and a further £1.8 million (including accrued interest) was received as part repayments. Post period end, four loans were fully repaid for £4.0 million (including accrued interest and applicable fees) and a further £0.2 million (including accrued interest) was received as part repayments.

As at 31 December 2021, 48.0% of the Company's loan investments were senior loans and 52.0% were mezzanine loans. The portfolio has an average LTV of 52.7% based on loan commitments (with mezzanine loans having an LTV range of between 54.8% and 78.6% whilst the highest approved senior loan LTV is 72.9%). 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 2021 is a senior loan of £3.9 million which represents 11.1% of committed loan capital and 3.1% of the Company's NAV. Three loans have entered receivership including the borrower of this loan. ART is closely working with stakeholders to maximise capital recovery. The Company has considered the security on these loans (which are a combination of a first charge over the assets and personal guarantees) and have provided for an Expected Credit Loss ('ECL') of approximately £1.5 million in the Company's consolidated accounts.

Aside from the cases above, the Company's loan portfolio has proved to be resilient despite the recent extended period of heightened uncertainty and risk. In terms of debt servicing, allowing for some temporary agreed extensions, interest and debt repayments have been received in accordance with the loan agreements. Where it is considered appropriate, on a case-by-case basis, underlying loan terms may be extended or varied with a view to maximising ART's risk adjusted returns and collateral security position. The Company's loan portfolio and new loan targets continue to be closely reviewed to consider the potential impact on construction timelines, building cost inflation and sales periods.

The underlying assets in the loan portfolio as at 31 December 2021 had geographic diversification with a London and Southeast focus. The South of England (including London) accounted for 71%, of which London accounted for 44%, of the committed capital within the loan investment portfolio.

Sale of Cambourne Business Park

As previously announced, the sale of Cambourne Business Park, Cambridge, completed in December 2021. ART received net proceeds of £2.1 million in relation to the sale of its 10% equity interest in the owning joint venture. The sale has realised a return above the Company's latest book value for the investment.

Alpha Real Capital, the Company's Investment Manager has actively managed the asset since acquisition in 2011 including achieving lease restructuring, new lettings and refurbishment of buildings in the business park. The investment has achieved an equity IRR of in excess of 14.4% p.a. for ART. Proceeds from the sale are to be deployed in line with the Company's investment strategy.

H2O, Madrid

ART has a 30% stake in joint venture with CBRE Investment Managers in the H2O shopping centre in Madrid. Whilst legislative restrictions on retailer trading hours and store capacities have largely been relaxed to allow for normalised trading operations, the lingering social and economic impacts of Covid-19 continue to impact performance.

H2O occupancy by area as at 31 December 2021 was 90.5%. In the calendar year to 31 December 2021, visitor numbers have reduced by approximately 20% versus the same (pre-Covid) period in 2019. With the ongoing impact of the Covid-19 pandemic impacting 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.

The persisting impact of Covid-19 is expected to continue to significantly affect the earnings of H2O for the current year.

Other investments

Galaxia, India

Post period end, the Supreme Court of India issued an order concluding the litigation regarding the Company's 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.

As part of a prior court ruling, Logix were permitted to sell the Galaxia site to raise capital for the award. The identified purchaser has lodged the gross purchase consideration with the Court. With the conclusion of the litigation in ART's favour, the Court has ordered the amount payable to ART to be released to ART's investment subsidiary in return for ART's subsidiary and Logix transferring their title interests in the site owning joint venture. ART and Logix have deposited their shares with the Court.

Having received official confirmation of the court order, the Board now considers that the potential recovery position has significantly improved, however there is some level of uncertainty in the local processes, procedures and charges which could potentially impact the amount and timing of the eventual net receipt to the Company. Within this context the Company has increased the carrying value of the joint venture in arbitration in its accounts as at 31 December 2021 to £3.2 million (INR 325 million) (30 September 2021: nil value).

Net asset value ('NAV')

As at 31 December 2021, the unaudited NAV per ordinary share of the Company was 212.2p (30 September 2021: NAV of 208.5p).

Dividends

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

The Board announces a dividend of 1.0 pence per ordinary share which is expected to be paid on 6 April 2022 (ex-dividend date 10 March 2022 and record date 11 March 2022).

The dividends paid and declared for the 12 months to 31 December 2021 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 2021. 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 22 March 2022 to benefit from the scrip dividend alternative for the next dividend.

Share buybacks

Under the general authority, approved by Shareholders on 6 August 2021, Shareholders approved a resolution giving the Company a general authority to buy back Ordinary Shares.

During the period, the Company purchased 146,645 shares in the market at the average price of £1.67 per share: these shares are held in treasury.

Post period end, the Company purchased 51,000 shares in the market at the average price of £1.58 per share: these shares are held in treasury.

As at the date of this announcement, the ordinary share capital of the Company is 63,937,151 (including 2,242,065 ordinary shares held in treasury) and the total voting rights in the Company are 61,695,086.

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:€1.191 or £1:INR100.599, as appropriate.

Strategy and outlook

Prior to the emergence of Covid-19, the Company had focused on recycling capital into asset backed lending while reducing exposure to development risk. As a result of the uncertainty that characterised the past financial year, ART adopted a cautious approach to new investment and conserved cash. This has served the Company well and ART benefits from a robust financial footing that makes it well placed to capitalise on new investment opportunities.

Whilst the economic and social impact of Covid-19 continues to dominate the economic backdrop in which the Company operates, economies are taking positive steps towards stabilisation. ART has reactivated its investment activities and remains committed to growing its investment portfolio with a dominant weighting towards cashflow driven investments. The Company is currently focussed on continuing to grow its diversified loan portfolio whilst retaining scope to deliver attractive risk adjusted returns including potential capital gains through its wider investment strategy.

Contact:

Alpha Real Trust Limited

William Simpson, Chairman, ART +44 (0)1481 742 742

Brad Bauman, Joint Fund Manager, ART +44 (0)20 7391 4700

Gordon Smith, Joint Fund Manager, ART +44 (0)20 7391 4700

Email: info@alpharealtrust.com

Panmure Gordon, Broker to the Company

Atholl Tweedie +44 (0)20 7886 2500

Computershare, Registrar to the Company

Telephone number +44 (0)370 707 4040

Email: info@computershare.co.je