

19 October 2012

## **Alpha Real Trust Limited (“ART” or the “Company”)**

### **Proposed acquisition of the majority of the investments of Property Investment Portfolio Plc**

### **Issue of new share class**

#### **Highlights**

- Proposed acquisition of the majority of the investments of Property Investment Portfolio Plc (“PIP”) (and the “Investment Portfolio”), an unlisted open-ended investment company, on a NAV-for-NAV basis with consideration by way of a new unlisted class of ART A shares, subject to approval of a meeting of PIP shareholders to approve the sale of the Investment Portfolio to ART and approval by ART shareholders of a change in ART’s Articles of Incorporation (the “Transaction”).
- PIP has a diversified exposure to the UK and European commercial property markets through a range of specialist fund investments.
- The Investment Portfolio has a Net Asset Value (“NAV”) at 30 June 2012 of £25.3 million. Post-acquisition, ART’s total NAV would increase by 47%, and NAV per share would be unchanged save for transaction expenses.
- The Directors believe the proposed acquisition of the Investment Portfolio will provide ART with the benefit of increased scale in addition to greater geographic diversification
- The Board of ART states that its current intention is to declare an interim dividend of 1.05 pence per share. The declaration and payment of any dividend will be subject to completion of the acquisition of the Investment Portfolio and applicable Guernsey legislation. The interim dividend is expected to be paid during the first six months of 2013.

#### **PIP Overview**

PIP is an unlisted open-ended investment company incorporated in the Isle of Man which has a diversified exposure to the UK and European commercial property markets, as well as UK residential ground rents, through a range of specialist funds. PIP has been voluntarily suspended for dealing since January 2008.

PIP has a NAV of £26.4 million as at 30 June 2012, of which the majority is in 5 key investments:

- £10.8 million investment in European Property Investment Portfolio Plc (“Europip”), a geared property fund principally invested in Norway

- £4.6 million of Freehold Income Trust (“FIT”) units, a fund invested in UK ground rents
- £3.6 million in Healthcare & Leisure Property Limited (“HLP”), an ungeared leisure property fund
- £3.3 million in Business Centre Properties Limited (“BCP”), a business centre fund which is predominantly ungeared
- £0.5 million of Alpha UK Multi Property Trust Plc (“AUMP”), which is 19% of AUMP’s ordinary share capital. AUMP has a regionally diversified portfolio of UK light industrial and office property.

PIP is managed by Alpha Real Property Investment Advisers LLP (“ARPIA”), a subsidiary of Alpha Real Capital LLP (“ARC”), the Investment Manager of ART.

Further detail on the investments can be found below.

## Investment rationale

The Directors believe that the proposed acquisition of the Investment Portfolio will offer ART an opportunity to extend its investments in a number of areas both through additional exposure to existing ART investments and new investments which meet the Investing Policy of the Company.

ART is expected to benefit from the proposed acquisition of the Investment Portfolio for a number of reasons, including:

- A scrip acquisition undertaken with ART A shares at NAV will allow the Company to grow without dilution to existing ART shareholders.
- The Company’s enlarged portfolio will benefit from greater diversification by spread of investments.
- The Transaction will provide ART geographic and currency diversification, including exposure to the Northern European market by way of a portfolio located in the strong Norwegian economy.
- Certain assets within the Investment Portfolio offer scope for divestment over the medium term providing ART with the opportunity to recycle capital and target investments with scope for higher risk-adjusted returns. The increase in scale together with cash and liquid securities will allow the Company to potentially undertake larger individual investments in the future, increasing the range of available investment opportunities.
- The nature, the diversification and quantum of earnings generated within the combined investment portfolio is expected to enhance the ability of the Company to consider payment of a dividend. The current intention of the Board is to declare an interim dividend of 1.05 pence per share. The declaration and payment of any dividend will be subject to completion of the

Transaction and applicable Guernsey legislation. The interim dividend is forecast to be paid during the first six months of 2013.

## Transaction structure

Subject to class meetings of PIP shareholders to approve the sale of the Investment Portfolio to ART, and approval by ART shareholders of the creation of the new class of shares and amendments to the Articles of Incorporation, ART will issue a new class of unlisted A shares to PIP investors ("Class A Shares"). Meetings of PIP shareholders and ART shareholders are expected to take place by 20 November 2012. ART has ascribed zero value to PIP's investment in Active Commercial Estates PLC ("ACE"), a fund invested in secondary commercial UK property and The Romulus High Income Trust ("Romulus"), a fund holding four UK business centres.

Any realised value from these investments will be passed to PIP shareholders by way of the ART Class A shares.

Based on the respective NAVs of ART and PIP, ART will issue 23,914,323 new Class A Shares to PIP in relation to the Transaction. PIP will subsequently distribute the ART Class A Shares to its shareholders. These Class A Shares will have the same rights as ART ordinary shares (save for the additional rights over ACE and Romulus proceeds), including the right to dividends, but will be unlisted. Holders have the option to convert their Class A Shares one-for-one into listed ART ordinary shares after a period of 60 days after issue of the shares.

To assist with any potential liquidity requirements, following completion of the Transaction the ART Board will consider the possibility of share buy-backs of up to 10% of the enlarged share capital of ART, subject to any necessary regulatory approvals.

## Investment Portfolio being acquired

### The Freehold Income Trust ("FIT") – 3% stake, equity value of £4.6 million

FIT, the open ended residential ground rent fund, delivered a total return for the 12 months to 31 March 2012 of 6.02%. This continues FIT's 19 year unbroken track record of positive, inflation beating returns. FIT was recently voted as having the best risk adjusted return of any fund in the IMA unit trust and OEIC universe over a 10 year period (FE Trustnet News and Research).

FIT's total gross assets at 30 June 2012 were £154.5 million. 75% of FIT's freeholds have a form of inflation protection through periodic uplifts linked to Retail Price Index, property values or fixed uplifts. FIT operates a monthly dealing facility to provide liquidity for investors and pays income distributions twice yearly in May and November. FIT exceeded its target annual income of 4.25% for its 2011/12 year with an income return of 5.32%.

European Property Investment Portfolio plc (“Europip”) – 47% stake, equity value £6.4million, loan value £4.4million

Europip owns a portfolio of Norwegian commercial properties, an office building in Paris, and a minority investment in a central and eastern European commercial property fund, Mosaic Property C.E.E. Limited.

Europip has entered into a conditional contract for the sale of its Paris office property, the sale of which (scheduled for December 2012) may realise proceeds of approximately €2.0 million after the repayment of debt. It is anticipated that any proceeds would be applied to further reduce bank debt in Europip Norway, or alternatively may be available to return to the Company in whole or in part.

Healthcare & Leisure Property Limited (“HLP”) – 13 minority stakes, equity value of £3.6million

HLP owns minority interests in a range of cinemas, pubs, hotels and leisure complexes in conjunction with other venture capital companies. HLP has no debt and continues to receive income from many of its investments while these interests are realised.

Business Centre Properties Limited (“BCP”) – 95% stake, equity value of £3.2million

BCP owns 5 business centres (serviced offices) in Bristol, Edinburgh, Reading and in Mitcham and Stratford in London.

Alpha UK Multi Property Trust plc (“AUMP”) – 19% stake, equity value of £0.5m

PIP has a 19% stake in the ordinary shares of AUMP. These shares are valued at their open market value of the shares at 30 June 2012 of £0.33 per share as the shares of AUMP are listed on the London Stock Exchange.

The AUMP property portfolio comprises a well-diversified portfolio of 55 multi-let properties offering 528 leasable units with a total floor area of approximately 169,700 square metres (approximately 1.8 million square feet) all of which are located in the UK.

Active Commercial Estates PLC (“ACE”) - equity value £0.8m (no consideration paid by ART)

PIP’s investment in ACE is valued at 30 June 2012 at £0.8 million. ACE owns a portfolio of 22 secondary commercial properties across the UK.

The Romulus High Income Trust (“Romulus”) - equity value £nil

Romulus has invested in 4 business centres (serviced offices) in Coventry, Clitheroe, Leeds and Mortlake in London.

ART is also acquiring net working capital of £2.6 million.

Any realised value from the ACE and Romulus investments will be passed to PIP shareholders by way of the ART Class A shares.

Other than HLP and Mosaic Property C.E.E. Limited, all of the above investments are managed by ARPIA or ARC.

## **Fair & Reasonable**

ARC and ARPIA earn investment management fees from certain sub-funds within the Investment Portfolio. In accordance with ART's Investing Policy, ARC will reimburse ART an amount equivalent to the net fees that ARC would earn from ART's investment in these sub-funds.

The Directors of ART (excluding Phillip Rose) consider, having consulted with Panmure Gordon, that the terms of the Transaction and the fee rebate are fair and reasonable insofar as its shareholders are concerned. Phillip Rose is deemed to be a related party due to his relationship with ARC, and as such has not participated in the Board's consideration of the Transaction.

For further information please contact:

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## **About the Company**

The Company is a closed-ended investment company incorporated in Guernsey that targets investment and development opportunities in real estate, including real estate operating companies, securities, services and other related businesses that offer high total returns.

Further information on the Company can be found on the Company's website:

[www.alpharealtrustlimited.com](http://www.alpharealtrustlimited.com).