13 February 2014

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

INTERIM MANAGEMENT STATEMENT AND DIVIDEND ANNOUNCEMENT

ART today publishes its interim management statement for the quarter ending 31 December 2013 and the period up until the date of this announcement. The information contained herein has not been audited.

About the Company

ART (ticker ARTL:LSE) targets investment opportunities across the asset-backed spectrum, including real estate operating companies, securities, services and other related businesses that offer high risk-adjusted total returns.

The Company currently focuses on high-yielding property debt and equity in Western Europe that benefit from underlying strong risk adjusted cash flows. The current portfolio mix, excluding sundry assets/liabilities, is as follows:

High yielding equity:	26.6%
High yielding debt:	39.1%
Cash and freehold ground rents:	21.7%
Other:	12.6%

The Company´s Investment Manager is Alpha Real Capital LLP ("ARC") whose team of investment and asset management professionals focus on the potential to enhance earnings and add value to the underlying real estate assets, and also on the risk profile of each investment within the capital structure to best deliver high risk adjusted returns.

Highlights

Net Asset Value ("NAV") per ordinary share 106.5p (106.4p: 30 September 2013)

Adjusted earnings per share of 3.5p for the nine months to 31 December 2013

Interim dividend of 0.525p, for the quarter ending 31 December 2013, expected to be paid on 21 March 2014

AUMP loan: refinance of existing £6.8 million ART loan and injection of £4.7 million additional capital with a new £11.5 million, five-year unsecured facility earning a coupon of 15% per annum; loan was part of AUMP´s long term refinancing of its debt

AUMP equity: ART´s equity investment in AUMP has more than doubled in value since it was acquired in 2012 to £1.3 million as at 31 December 2013 post the long term refinance of the debt in AUMP

H2O: three new leases signed and a unique interactive Lego play zone for children has opened, with H2O having exclusivity for the Madrid region

Europip Norway: extension by 12 months to November 2014 of £5.1 million loan provided by ART, earning ART a further arrangement fee and continuing to attract a coupon of 9% per annum

Capital recycling: continued strategic sales of non-core investments with a view to reinvesting in opportunities across the asset-backed spectrum that offer high risk-adjusted total returns

94% of the Company's investment portfolio is in income producing investments in the UK and Europe

Registered office
Old Bank Chambers
La Grande Rue
St Martin's
Guernsey GY4 6RT

Investment summary as at 31 December 2013

Investment type	Investment value	Income return p.a.	Investment location	Property type / underlying security	Investment notes	% of portfolio [1]
High yield debt (39.1%)						
Alpha UK Real Estate Fund plc						
Convertible loan	£8.7m	10.7% [2]	UK	High-yield diversified portfolio	Preferred capital structure	11.4%
Mezzanine loan	£4.3m	9.0% [2]	UK	High-yield diversified portfolio	Preferred capital structure	5.7%
Alpha UK Multi Property Trust plc						
Subordinated debt	£11.6m	15.0% [2]	UK	High-yield diversified portfolio	Unsecured subordinated debt,	15.2%
Europip loan						
Mezzanine loan	£5.2m	9.0% [2]	Norway	Office and logistics	Secured mezzanine loan, 9% coupon p.a.	6.8%
High yield equity in property assets (26.6%)						
H2O shopping centre						
Direct property	£13.1m (€15.7m)	9.2% [3]	Spain	High-yield, dominant Madrid shopping centre	Debt facility with no LTV covenant and a 1.1x ICR covenant	17.3%
Europip Norway						
Indirect property	£4.6m (€5.5m)	8.3% [3]	Norway	A geared property investment vehicle invested in offices and logistics properties	Recently refinanced senior and mezzanine loan position	6.0%
Cambourne Business Park						
Indirect property	£1.2m	12.9% [3]	UK	High-yield business park located in Cambridge	Bank facility at 50% LTV (current interest cover of 2.4 times covenant level)	1.6%
Alpha UK Multi Property Trust plc						
Equity	£1.3m	n/a	UK	High-yield diversified portfolio	19% of ordinary shares in recently refinanced fund	1.7%
Cash and Freehold ground rents (21.7%)						
Freehold Income Authorised Fund						
Ground rent fund	£12.8m	4.6% [4]	UK	Highly defensive income freehold ground rents	No gearing; monthly liquidity	16.8%
Cash (Company only)	£3.7m	0.1-1%	UK	Cash deposits/current accounts	Held between banks with a range of deposit maturities	4.9%
Other assets (12.6%)						
Galaxia						
Direct property	£4.4m (INR 450m)	n/a	India	Special Economic Zone development site located in NOIDA, Delhi, NCR	Arbitration process underway to protect investment	5.8%
Business Centre Properties Limited						
Indirect property	£2.6m	n/a	UK	Business centre fund	Predominantly ungeared fund	3.4%
Healthcare & Leisure Property Limited						
Indirect property	£2.4m	5.7% [5]	UK	Leisure property fund	No external gearing	3.1%
Other	£0.3m	n/a	Varied	Varied	Varied	0.3%

[1] Percentage share shown based on NAV excluding parent company's sundry assets/liabilities
[2] Based on coupon, and if applicable, plus redemption premium annualised
[3] Over 12 months to 31 December 2013
[4] Annualised monthly return; post tax
[5] Return over the average investment during the ownership period

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High yield debt

Market overview

The restructuring and refinancing needs of many real estate investment vehicles throughout Europe remain high. The withdrawal of many real estate lenders from the market, or reduced liquidity for those who remain, has left a significant gap in available funding and created substantial investment opportunities for new entrants. Whilst banks continue to deleverage historic loan positions, there are signs that the availability of finance is starting to broaden.

Opportunities for new lenders with real estate debt expertise continue to be highly attractive. Competition within the lending market is expected to remain subdued for some time, especially for smaller transactions in non-prime sectors where a strong knowledge of the underlying assets is required. ART is well positioned to take advantage of such opportunities as they are identified.

Key investment updates

Further to the half year results published on 22 November 2013, the following are key investment updates:

Alpha UK Multi Property Trust (“AUMP”)

As part of the refinance of AUMP, ART provided a new subordinated debt facility of £11.5 million, with a five-year term expiring in December 2018 and a coupon of 15% per annum.

The proceeds of the new senior, mezzanine and subordinated facilities were applied to recapitalise AUMP, repay the previous debt and to provide for AUMP’s ongoing working capital requirements.

European Property Investment Portfolio Plc (“Europip”)

During the period, ART’s loan to Europip was extended by 12 months to 27 November 2014. An arrangement fee of 1% was paid to ART and the loan continues to attract a coupon of 9% per annum.

High yield equity in property investments

Market overview

Across the Company´s investment markets there are broader signs of improved sentiment amongst consumers, businesses and financial markets which are helping pave the way for a return of stronger real estate market activity. Whilst still in its relative infancy and with deep variations between markets, an improving macro-economic picture should encourage new buyers and sellers to emerge, giving rise to greater investment opportunities. There is an increasing sense that not only will values remain stable, but that substantial value lost since 2007 will be recaptured as yield compression returns to sectors that were previously overlooked by investors.

The Company is focused on investments that offer potential to deliver high risk adjusted returns via 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.

ART benefits from the depth of experience, strength and size of the Investment Manager’s real estate business which has a broad network of offices and funds under management throughout Europe. This accesses opportunities that would not be otherwise available.

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Key investment updates

The Company's investments have benefited from an active management approach with successes evident in both the Company's direct and indirectly held investments.

Further to the half year results published on 22 November 2013, the following are key investment updates:

H2O

At the H2O shopping centre asset in Madrid two new restaurants have signed leases and opened. An existing sports retailer is relocating to a larger unit on a new lease. Despite the challenging economic conditions, 2013 footfall levels remain in-line with 2012. Lego has opened a themed play area for children at the shopping centre and with H2O having the exclusivity for Madrid it creates a key point of differentiation for the centre.

AUMP

On 5 December 2013 AUMP announced that it entered into new financing agreements as follows:

- a £33.5 million senior loan facility with a five-year term expiring in December 2018 and an initial margin of 3% per annum over LIBOR, with Royal Bank of Scotland;
- a £20.0 million mezzanine loan facility with a five year term expiring in December 2018 and a coupon of 11% per annum, with Europa Mezzanine Finance; and
- an £11.5m subordinated loan facility with a five year term expiring in December 2018 and a coupon of 15% per annum, with ART.

The refinance establishes a more stable footing for AUMP to continue to implement value adding asset management initiatives. This has been reflected in the value of ART's equity held in the company which has more than doubled in value to £1.3 million during the period.

Other assets

Freehold Income Authorised Fund ("FIAF")

The Company has £12.8 million invested in FIAF as at 31 December 2013. FIAF generated a total return of 7.74% for the 12 months to 30 September 2013 which continues its unbroken record of positive inflation beating returns for more than 20 years. FIAF had cash of £22.8 million and no debt drawn as at 30 November 2013.

Further enhancements to the regulatory status of FIAF were implemented in January 2014 as the fund converted from a Qualified Investor Scheme ("QIS") to a Non-UCITS Retail Scheme ("NURS"). These changes ensure that the fund remains accessible to the broadest possible profile of investors and will, for the first time, open up the possibility of holding investments in FIAF via an ISA.

The investment is expected to continue to provide a better return than currently earned on the Company's cash balances. FIAF operates a monthly dealing facility to provide liquidity.

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Galaxia, India

On 2 February 2011, ART recommenced arbitration proceedings against its development partner Logix Group in order to protect its Galaxia investment. Arbitration hearings were held during December 2013 and January 2014 and final submissions are due to be presented during February 2014.

Business Centre Properties Limited ("BCP")

The asset disposal programme continues with the sale of the Edinburgh asset completing in December 2013.

Active Commercial Estates PLC ("ACE")

As part of the acquisition of the majority of investments of Property Investment Portfolio Plc ("PIP") in December 2012, ART acquired an equity shareholding in ACE, a fund invested in secondary commercial UK property. At this time, a zero value was ascribed to the ACE shares acquired by ART with any realised value in the future to be passed to ART's A shareholders, who were formerly shareholders in PIP. The ACE portfolio was sold (in conjunction with its debt) on 19 December 2013 resulting in a more positive net asset position for ACE. ART's share of ACE's NAV is now estimated to be circa £129,000. It is anticipated that it may take up to a further six months before a voluntary liquidation of ACE is completed and the final distribution is paid by the liquidator to ACE shareholders.

Share buybacks

At the Extraordinary General Meeting on 7 March 2013, consistent with the Company's commitment to shareholder value, the Company's shareholders approved 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 2014 and (ii) 6 September 2014.

Dividend

The next quarterly interim dividend of 0.525p per share for all shareholders, for the quarter ending 31 December 2013, is expected to be paid on 21 March 2014 (ex dividend date 19 February 2014 and record date 21 February 2014).

Net asset value

The unaudited NAV per share of the Company for the ordinary shares is 106.5p at 31 December 2013 (30 September 2013: 106.4p). The NAV per share of the ART A shares, following the positive news on ACE, is 107.4p.

There was no revaluation of the Company's directly owned investment properties during 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:€1.198, £1:NOK10.088 or £1:INR 101.854, as appropriate.

Strategy and outlook

The Company is actively seeking to increase the yield of its portfolio by additional investment, funded from its cash and liquid holdings, capital recycling and enhanced performance from existing investments.

The Company continues to see encouraging performance in its underlying investments and remains well positioned to capitalise on new opportunities across asset backed investment and debt markets in the UK and Europe.

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St Martin's
Guernsey GY4 6RT

Alpha Real Trust

Contact:

Alpha Real Trust Limited

David Jeffreys, Chairman, ART +44 (0)1481 231 100

Gordon Smith, Joint Fund Manager, ART +44 (0)207 268 0300

Brad Bauman, Joint Fund Manager, ART +44 (0)207 268 0300

Panmure Gordon, Broker to the Company

Richard Gray/Andrew Potts +44 (0)207 886 2500

Registered office
Old Bank Chambers
La Grande Rue
St Martin's
Guernsey GY4 6RT