15 August 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 30 June 2014 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 investments in Western Europe that benefit from underlying strong cash flows. The current portfolio mix, excluding sundry assets / liabilities, is as follows:

High yielding equity:	25.4%
High yielding mezzanine debt:	38.5%
Cash and freehold ground rents:	23.7%
Other:	12.4%

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

NAV per ordinary share 107.2p (107.0p: 31 March 2014)

Adjusted earnings per share of 1.5p for the three months to 30 June 2014

Dividend of 0.525p, for the quarter ended 30 June 2014, expected to be paid on 26 September 2014

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

H2O: three new leases signed during the quarter, with a total of 15 new lease contracts signed in the calendar year to date

Continued earnings growth: income from core and non-core investments, both equity and high yield debt, continue to add to the Company´s earnings position

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

Investment summary

Investment name Investment type	Investment value	Income return p.a.	Investment location	Property type / underlying security	Investment notes	% of portfolio [1]
High yielding debt (38.5%)						
Alpha UK Real Estate Fund plc						
Convertible loan	£8.9m [2]	10.7% [3]	UK	High-yield diversified portfolio	Preferred capital structure	11.6%
Mezzanine loan	£3.8m [2]	9.0% [4]	UK	High-yield diversified portfolio	Preferred capital structure	5.0%
Industrial Multi Property Trust plc ("IMPT") (the renamed Alpha UK Multi Property Trust plc)						
Subordinated debt	£11.8m [2]	15.0% [4]	UK	High-yield diversified portfolio	Unsecured subordinated debt	15.4%
Europip plc						
Mezzanine loan	£5.0m [2]	9.0% [4]	Norway	Office and logistics	Secured mezzanine loan	6.5%
High yielding equity in property investments (25.4%)						
H2O shopping centre						
Direct property	£12.8m (€16.0m)	8.6% [5]	Spain	High-yield, dominant Madrid shopping centre	Debt facility with no LTV covenant and a 1.1x ICR covenant	16.7%
Europip plc						
Indirect property	£4.4m (€5.4m)	9.0% [5]	Norway	A geared property investment vehicle invested in offices and logistics properties	Recently refinanced senior and mezzanine loan position	5.7%
Cambourne Business Park						
Indirect property	£1.2m	12.9% [5]	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	£1.1m	n/a	UK	High-yield diversified portfolio	19% of ordinary shares in fund with medium term debt	1.4%
Cash and freehold ground rents (23.7%)						
Freehold Income Authorised Fund						
Ground rent fund	£13.1m	4.6% [6]	UK	Highly defensive income; freehold ground rents	No gearing; monthly liquidity	17.1%
Cash (Company only)	£5.1m	0.1-1%	UK	Cash deposits/current accounts	Held between banks with a range of deposit maturities	6.6%
Other investments (12.4%)						
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	5.7%
Business Centre Properties Limited						
Indirect property	£2.5m	n/a	UK	Business centre fund	Predominantly ungeared fund	3.3%
Healthcare & Leisure Property Limited						
Indirect property	£2.3m	7.3% [7]	UK	Leisure property fund	No external gearing	3.0%
Other	£0.3m	n/a	Varied	Varied	Varied	0.4%

[1] Percentage share shown based on NAV excluding parent company's sundry assets/liabilities
[2] Including accrued interest at the balance sheet date
[3] Annual coupon plus redemption premium annualised
[4] Annual coupon
[5] Over 12 months to 30 June 2014
[6] Annualised monthly return; post tax
[7] Return over the average investment during the ownership period

High yielding debt

Market overview

Real estate debt markets are becoming more liquid with new lenders entering the market and traditional lenders gradually increasing their exposure and availability of finance (which should act to benefit the value of the Company´s equity investment portfolio). Whilst there is increased competition within the lending market, it is expected to remain weak for some time for smaller transactions in non-prime sectors where a strong knowledge of the underlying assets is required. ART remains well positioned to take advantage of further debt investment opportunities as they are identified.

Whilst lenders continue to remain risk-adverse with a focus on prime assets, there are increasing signs that the availability of finance is starting to broaden, spurred by improved economic indicators and business sentiment. This broadening of liquidity and finance options is visible across ART´s investment markets, however it varies significantly between countries.

The Investment Manager´s team includes professionals with real estate asset management, debt structuring and origination skills. The refinancing of the AUMP and AURE portfolios during the year demonstrated in both cases that ART is able to adapt to changing market dynamics and to participate in financing consortia in order to maximise its risk adjusted returns.

Key investment updates

Further to the year end results published on 20 June 2014, the following are key investment updates:

Industrial Multi Property Trust plc (“IMPT”) (formerly Alpha UK Multi Property Trust plc)

With effect from 1 July 2014, Alpha UK Multi Property Trust plc, has changed its name to Industrial Multi Property Trust plc. IMPT, in its announcement, stated the new name better reflected the nature of its portfolio of predominantly industrial assets. ART's sub-ordinated loan facility of £11.8 million (including accrued interest at the balance sheet date) has a term expiring in December 2018 and a coupon of 15% per annum.

High yielding equity in property investments

Market overview

Across the Company´s investment markets, there are indications that investor sentiment has turned the corner with evidence of increased optimism. This more positive investor outlook is supported by broader signs of improved outlook amongst consumers, businesses and financial markets, which is helping pave the way for a return of stronger real estate market activity.

Over the past few years, it has been the “weight of money” that has been driving investor demand and against a backdrop of economic uncertainly much of this demand did not apply beyond investment in prime assets, regions and sectors. As economic uncertainty retreats and economic indicators improve, property fundamentals, particularly the strength of the occupier market, look set to return as key drivers of investment decisions. There are early signs that a narrow investor focus on prime assets is giving way to an objective analysis of strengths and weakness of broader commercial property and asset backed investments. This bodes well for ART’s portfolio.

The acceptance of a stabilisation of asset values in broader markets has led to investors seeking higher yielding assets with the confidence that total returns in these markets are likely to outstrip returns from low yielding prime assets.

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 annual results published on 20 June 2014, the following are key investment updates:

H2O

Since the annual report and accounts were published, three new leases have been signed at the H2O shopping centre asset in Madrid with a mix of speciality food, fashion and retail accessories brands. The total number of new contracts (including store extensions and relocations) signed in the calendar year 2014 has now reached 15, almost double the total for 2013. This improvement reflects the improving status of H2O as a destination for retailers as a result of the active management programme implemented by the Company in addition to the broader underlying improvement in the Spanish economic environment.

IMPT (formerly Alpha UK Multi Property Trust)

The re-naming of IMPT follows a refinance in late 2013 which created a stable footing for IMPT to continue to implement value adding asset management initiatives. This has been reflected in the value of ART's equity held in this fund which has more than doubled in value to £1.1 million since the investment was made.

Other investments

Freehold Income Authorised Fund ("FIAF")

The Company has invested £13.1 million in FIAF as at 30 June 2014. FIAF continues its unbroken 21 year track record of positive inflation beating returns, generating a total return for the year ended 31 March 2014 of 6.94% of net assets. This includes an income distribution for the year of 4.71%, of which 2.19% was distributed as income at the end of November 2013 with 2.52% was distributed at the end of May 2014. FIAF had cash of £40.1 million and no debt drawn as at 31 May 2014.

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.

Galaxia, India

On 2 February 2011, ART recommenced arbitration proceedings against its development partner Logix Group in order to protect its Galaxia investment.

Both sides presented their closing submissions during the first quarter of 2014 and the arbitration panel is expected to announce a verdict during the third quarter of 2014.

Business Centre Properties Limited ("BCP")

The planned disposal of the two remaining assets continues to be pursued.

Active Commercial Estates PLC ("ACE") and Romulus High Income Fund ("Romulus")

As announced by the Company in July 2014, following receipt of proceeds from the disposal of its investment in ACE, a special dividend of 1.0623p per share was paid to all holders of A shares. No future proceeds from ACE are anticipated.

ACE and Romulus were acquired as part of the Property Investment Portfolio plc ("PIP") portfolio in 2012. ART ascribed zero value to ACE and Romulus and it was agreed that any realized value from these investments is to be passed solely to holders of A shares (being former shareholders of PIP who have not converted their A Shares to ordinary shares). The Company continues to hold its investment in Romulus and holders of A shares continue to be entitled to any future proceeds, if any, from this holding.

Share buybacks

On 13 August 2014, the Company published a circular giving notice of its Annual General Meeting on 5 September 2014. Consistent with the Company's commitment to shareholder value, the Company is asking 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 the earlier of (i) the conclusion of the Annual General Meeting of the Company in 2016 and (ii) 4 March 2016.

Dividend

The Company´s earnings are continuing to increase as a consequence of allocation of capital to yield driven investments.

The Board announces that the next dividend of 0.525p per share, for the quarter ended 30 June 2014, is expected to be paid on 26 September 2014 (ex dividend date 27 August 2014 and record date 29 August 2014).

Net asset value

The unaudited net asset value per ordinary share of the Company was 107.2p at 30 June 2014 (31 March 2014: 107.0p).

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:€1.248, £1:NOK10.423 or £1:INR 102.065, as appropriate.

Strategy and outlook

The Company is actively seeking to grow 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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