17 August 2018

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

TRADING UPDATE AND DIVIDEND ANNOUNCEMENT

ART today publishes its trading update for the period ended 30 June 2018 and the period up until the date of this announcement. The information contained herein has not been audited.

About the Company

Alpha Real Trust Limited ("the Company" or "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 high-yielding property, infrastructure and asset backed debt and equity investments in Western Europe that are capable of delivering strong risk adjusted cash flows, including build-to-rent investments. The current portfolio mix, excluding sundry assets/liabilities, is as follows:

High yielding debt:	14.1%
High yielding equity in property investments:	22.2%
Ground rent investments:	21.3%
Other investments:	3.8%
Build-to-rent investments:	29.2%
Cash:	9.4%

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

Highlights

- NAV per ordinary and A share 174.8p: 30 June 2018 (172.9p: 31 March 2018)
- Basic earnings for the three month period ended 30 June 2018 of 1.8p per ordinary and A share (18.5p per ordinary share and of 23.3p per A share for the year ended 31 March 2018)
- Adjusted earnings for the three month period ended 30 June 2018 of 1.1p per ordinary and A share (3.5p per ordinary and A share for the year ended 31 March 2018)
- Declaration of a quarterly dividend of 0.6p per ordinary and A share, expected to be paid on 21 September 2018
- Balanced portfolio: continued capital allocation to a mix of investments which balance income returns while creating potential for capital value growth, including a substantial build-to-rent exposure
- Mezzanine loan investment: five loans totalling £6.2 million were completed in the quarter ending 30 June 2018 with one further loan of £2.4 million funded post period end
- Data centre Frankfurt: following planning consent being secured, pre-development site enabling and power connection works are underway
- H2O shopping centre Madrid: visitor numbers continue to increase. Visitors numbers are higher than during the same period in 2017.

Investment summary

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

Portfolio overview as at 30 June 2018

Investment name Investment type	Carrying value	Income return p.a.	Investment location	Property type / underlying security	Investment notes	% of portfolio[1]
High yielding debt (14.1%)						
Secured finance Secured loans	£16.8m [2]	9.0% to 16.0% [3]	UK	Diversified loan portfolio focussed on real estate investments and developments	Secured debt and subordinated debt	14.1%
High yielding equity in property investments (22.2%)						
H2O shopping centre Indirect property	£18.5m (€20.9m)	5.9% [4]	Spain	High-yield, dominant Madrid shopping centre and separate development site	30% shareholding; medium term moderately geared bank finance facility	15.5%
Active UK Real Estate Fund plc Equity	£6.3m	n/a	UK	High-yield commercial UK portfolio	27.8% of ordinary shares in fund	5.3%
Cambourne Business Park Indirect property	£1.7m	11.0% [4]	UK	High-yield business park located in Cambridge	Medium term moderately geared bank finance facility	1.4%
Ground rent investments (21.3%)						
Freehold Income Authorised Fund Ground rent fund	£25.4m	4.0% [5]	UK	Highly defensive income; freehold ground rents	No gearing; monthly liquidity	21.3%
Build-to-rent investments (29.2%)						
Unity and Armouries, Birmingham PRS development	£4.8m	n/a	UK	Central Birmingham residential build-to-rent	Planning consent for 90,000 square feet / 162 units plus commercial	4.0%
Monk Bridge, Leeds PRS development	£9.2m	n/a	UK	Central Leeds residential build-to-rent	Planning consent for 205,129 square feet / 307 units plus commercial Outline consent for further 193,071 square feet / 357 units plus commercial	7.7%
Data centre, Frankfurt Direct property	£20.9m (€23.6m)	n/a	Germany	Site with planning and committed power for data centre use	Freehold site with no debt	17.5%
Other investments (3.8%)						
Galaxia Investment receivable	£3.9m (INR 350m)	n/a	India	Development site located in NOIDA, Delhi, NCR	Legal process underway to recover investment by enforcing arbitration award	3.3%
Europip plc Indirect equity	£0.3m (€0.3m)	n/a	N/A	Awaiting final shareholder distribution	47% of the total ordinary shares in fund	0.3%
Healthcare & Leisure Property Limited Indirect property	£0.2m	n/a	UK	Leisure property fund	No external gearing	0.2%
Cash and short term investments (9.4%)						
Cash	£11.2m	0.1%	UK	Current or 'on call' accounts		9.4%

[1] Percentage share shown based on NAV excluding the company's sundry assets/liabilities
[2] Including accrued coupon at the balance sheet date
[3] Annual coupon
[4] Yield on equity over 12 months to 30 June 2018
[5] 12 month income return; post tax

ART has a diversified portfolio of asset backed investments spread across different sectors and asset types. The Company's portfolio includes income producing assets, build-to-rent projects, secured debt and mezzanine loan investments. Each investment offers a different risk-return profile however the overall portfolio seeks to provide a balance of stable income returns and scope for capital growth.

ART actively manages its investment portfolio which continues to be replenished via capital recycling from the sale of non-core assets, loan repayments or strategic full or partial disinvestment from assets that allow for profit-taking and portfolio optimisation. This creates the opportunity for capital allocation to new investments.

Further to the annual results announcement on 15 June 2018, the following are key investment updates.

Positioning for continued investment

ART continues to actively manage its portfolio to enhance the value of the underlying assets and to recycle capital from investments where profit taking and portfolio optimisation opportunities are identified. This successful capital recycling allows for capital to be reinvested in new opportunities that meet the Company's return criteria.

The Company continues to maintain a pipeline of new investment opportunities under active review which compete for capital allocation. An increased capital investment is planned for high yielding mezzanine loans and high yielding equity, including build-to-rent, across a range of markets and asset types.

High yielding equity in property investments

ART continues to remain focussed on investments that offer the potential to deliver attractive risk-adjusted returns by way of 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.

H2O shopping centre, Madrid

ART has a 30% stake in joint venture with CBRE Global Investors in the H2O shopping centre in Madrid. H2O continues to benefit from ongoing asset management initiatives. The centre attracted record visitor numbers in the first half of 2018, despite one of the main anchor tenants, the Mercadona supermarket, closing for a month to undertake a complete refurbishment of the store. A specialist masterplanning architect has been appointed to help create a design plan for the shopping centre that is capable of being implemented over the medium term with a view to identifying potential value enhancing upgrades of the physical space and, subject to planning consent, the creation of new retail stores.

Cambourne Business Park, Cambridge

At Cambourne business park, in which the Company invests in a joint venture, a new 10 year lease was signed with Carl Zeiss Microscopy Ltd & Carl Zeiss Ltd for 43,300 square feet of space, representing approximately 41% of the investment's total office space. Carl Zeiss will occupy the area previously occupied by Citrix Systems. In parallel with the new letting, Citrix Systems agreed to a surrender of their lease prior to its expiry at the end of September 2018.

High yielding debt

ART continues to augment and diversify its portfolio of secured real estate loan and mezzanine loan investments. These loans are typically secured on real estate investment and development assets with high risk-adjusted income returns from interest coupon and fee income.

As at 30 June 2018, ART had invested £16.8 million in real estate mezzanine loans. Post period end, a further £2.4 million was funded and £1.1 million of mezzanine loan repayments were received by ART.

Additional loan investments are continually being evaluated. Loans will typically have a circa two year term and optimally a maximum 75.0% loan to value ratio. Advances are targeted to generate double digit income returns. Repayment proceeds are planned to be rotated into new loans.

Ground rent investments

Freehold Income Authorised Fund ("FIAF")

ART invests in a fund which holds a diversified portfolio of UK residential property freehold ground rents with a view to achieving steady and predictable returns, a consistent income stream and prospects for growth. The Company has invested £25.4 million as at 30 June 2018 in FIAF, an open-ended fund that invests in UK freehold ground rents with a net asset value of £305.5 million as at 30 June 2018.

The following highlights were reported in the FIAF fact sheet as at 30 June 2018 (published in July 2018):

- FIAF owns over 65,000 freeholds with a gross annual ground rent income of circa £8.9 million.
- 86% of its freeholds have a form of inflation protection through periodic uplifts linked to Retail Price Index, property values or fixed uplifts.
- FIAF's assets are defensive in nature, very long dated (with an average lease length in excess of 100 years).

The total return on ART's investment in FIAF was 8.6% (annualised post tax) for the 12 months ending 30 June 2018.

Post period end, ART has redeemed £6.0 million of FIAF units to fund new investments.

Build-to-rent investments

ART has achieved the significant milestone of securing planning consent for each of its build-to-rent investments. These investments offer the opportunity to create a higher yield on cost than is available from purchasing existing built investments of the same quality. The investments also offer scope for capital growth as the sites mature or planning is enhanced.

Build-to-rent investments provide the Company with flexibility to add value by either constructing the development, funded with either equity capital, joint venture capital or debt, and subsequently holding the completed assets as investments; or, alternatively, forward selling all or some of the developed property or the site with enhanced planning permission.

Residential Private Rented Sector ("PRS")

The Company's investments in the residential Private Rented Sector ("PRS") in central Leeds and central Birmingham are opportunities that were secured early in the build-to-rent process that offer potential to create an initial capital uplift in value through enhanced planning and the opportunity to develop and let in order to achieve resilient equity income returns at an attractive yield on cost.

Planning consent for both sites has been secured. The Birmingham project has implemented non-material amendments to its planning consent for 162 residential units and ground floor commercial space. Site mobilisation works are scheduled to commence in September. The Leeds project has detailed planning consent for 307 residential units (which the Company intends to develop for PRS) plus commercial development within the adjacent existing railway arches. Outline planning consent for a further 357 residential units, for which detailed planning consent is now being advanced.

Preferred construction partners have been selected. The project design team continues to review the existing detailed planning consent for possible enhancements to meet best in class PRS requirements and a value engineering process is underway to identify the most efficient and effective construction processes and potential cost savings.

The Company estimates that up to £23.7 million could be invested to undertake the development of its PRS sites alongside debt financing. The Company is exploring ways to optimise the returns from its PRS investments and is exploring joint development opportunities with potential partners.

Data centre investment

ART owns an industrial site in Frankfurt, Germany, for which it has secured detailed planning consent for a five-story data centre extending to 40,338 square metres and a commitment from the local utility provider to install a 35 MVA dual feed power supply. The power supply will be installed (funded by ART) on a phased basis over the coming three years, synchronised with local electricity substation and cable route upgrades. Installation is underway and on target.

ART has commenced pre-development site enabling works. Construction of an electricity receptor building on the site and pre-identified ground remediation works are underway. ART's total investment into the data centre project is estimated to be approximately €28 million (£24.7 million).

Active marketing of the project to potential data centre occupiers is underway.

Other investments

Galaxia, India

On 2 February 2011, ART recommenced arbitration proceedings against its development partner Logix Group ("Logix") in order to protect its Galaxia investment, an 11.2 acre Special Economic Zone, in NOIDA, the National Capital Region, India.

In January 2015, the ICC Arbitral Tribunal decreed that Logix and its principals had breached the terms of the shareholders agreement and has awarded the Company:

- Return of its entire capital invested of INR 450.0 million (equivalent to £5.0 million using the period end exchange rate as at 30 June 2018) along with interest at 18% per annum from 31 January 2011 to 20 January 2015.
- All costs incurred towards the arbitration.
- A further 15% interest per annum on all sums was awarded to the Company from 20 January 2015 until the actual date of payment by Logix of the award.

Logix challenged the validity of the arbitration award in the Delhi High Court and latterly to the Division Bench of the Delhi High Court. Both courts dismissed the respective appeals and upheld the award declared in favour of the Company. Logix appealed the dismissal before the Supreme Court of India. The Supreme Court admitted the appeal and ordered Logix to deposit £2.2 million (INR 200 million). In May 2018, the Supreme Court permitted the Company to unconditionally withdraw INR 100 million (£1.1 million) which has been received by the Company. The remaining INR 100 million (£1.1 million) deposited by Logix maybe released against a bank guarantee. The next Supreme court hearing is scheduled for September 2018.

ART has commenced execution of the award and the Delhi High Court has issued a warrant of attachment against the primary residential property owned by Shakti Nath and Meena Nath, promoters of Logix Group. The Court has also restrained Logix from alienating their immovable assets. ART continues to actively pursue Logix directors for the recovery of the award.

The sum awarded to ART, including the recovered deposits, has now accrued to £13.2 million at the current exchange rate. Following the recovery of a £1.1 million deposit, ART holds the indirect investment at INR 350.0

million (£3.9 million) in the accounts due to uncertainty over timing and final value.

Share buybacks

On 12 December 2017, the Company published a circular giving notice of an Extraordinary General Meeting on 5 January 2018. Consistent with the Company's commitment to shareholder value, the Company asked 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 4 January 2019. Shareholders approved the proposal.

On 24 January 2018, the Company announced its intention to buy back its ordinary shares using its existing cash resources, pursuant to the general authority granted by shareholders.

The share repurchase programme commenced with effect from 24 January 2018 and share repurchases may be undertaken until the earlier of the maximum amount being repurchased and 4 January 2019. The maximum amount of capital currently allocated for share repurchases is £1 million.

During the quarter, the Company made no share buybacks.

Dividend

The Board announces the next dividend of 0.6p per share for the quarter ended 30 June 2018 which is expected to be paid on 21 September 2018 (ex dividend date 30 August 2018 and record date 31 August 2018).

Net asset value ('NAV')

As at 30 June 2018, the unaudited NAV per ordinary share of the Company was 174.8p (31 March 2018: 172.9p).

The movement in NAV mainly reflects the earnings of the Company less the dividend paid in the period plus other investments fair value uplift and positive foreign currency movements.

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:€1.130 or £1:INR90.260, as appropriate.

Strategy and outlook

ART's diversified portfolio provides a balance of investments that offer scope to deliver strong cashflows, capital value growth and attractive risk adjusted total returns. ART continues to actively manage its portfolio to enhance the value of the underlying assets and to recycle capital from investments where profit taking and portfolio optimisation opportunities are identified. This successful capital recycling allows for capital to be reinvested in new opportunities that meet the Company's return criteria.

The Company currently focusses on high-yielding property, infrastructure and asset backed debt and equity investments in Western Europe that are capable of delivering strong risk adjusted cash flows, including build to own investments.

The Company will consider investments and assets that offer scope to generate long term income streams off a lower entry cost through development. This approach provides ART with the flexibility to take advantage of new investment opportunities where ART sees best value.

ART continues to actively augment and diversify its portfolio of mezzanine and secured loan investments. During the period the Company has increased its loan investment portfolio. New investment opportunities that are capable of delivering strong risk adjusted cash flows are being actively pursued.

The Company remains well positioned to continue to deliver attractive returns through investing, realising and reinvesting its capital in asset backed investment opportunities.

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