15 March 2019

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

TRADING UPDATE AND DIVIDEND ANNOUNCEMENT

ART today publishes its trading update for the period ended 31 December 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 that are capable of delivering strong risk adjusted cash flows. The portfolio mix at 31 December 2018, excluding sundry assets/liabilities, was as follows:

High return equity in property investments:	25.6%
High return debt:	17.2%
Build-to-rent investments:	41.9%
Other investments:	3.2%
Cash:	12.1%

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

Highlights

- NAV per ordinary and A share 205.6p: 31 December 2018 (178.4p: 30 September 2018)
- Basic earnings for the nine-month period ended 31 December 2018 of 31.9p per ordinary and A share (6.5p per ordinary and A share for the six-month period ended 30 September 2018)
- Adjusted earnings for the nine-month period ended 31 December 2018 of 3.0p per ordinary and A share (2.5p per ordinary and A share for the six-month period ended 30 September 2018)
- Declaration of an increased quarterly dividend of 0.8p per ordinary share, expected to be paid on 26 April 2019
- Scrip dividend alternative for the next dividend available to shareholders who elect by 12 April 2019
- Total shareholder return: NAV growth of 19% over the twelve-month period to 31 December 2018, principally driven by realised sales.
- Portfolio profit taking and de-risking: material post period end sales of the Company's build-to-rent investments; sale of the Frankfurt data centre site for €44.8 million (reflected in period end NAV) and the Monk Bridge, Leeds Private Rented Sector residential site for £15.2 million
- Capital recycling: the sale proceeds of the Frankfurt and Leeds projects are to be primarily redeployed into the Company's growing secured senior and mezzanine debt portfolio.
- Growing secured loan portfolio: eight loans were completed during the three months to 31 December 2018 with £23.5 million invested at period end; post period end, further loans totalling £1.1 million have been funded
- H2O shopping centre Madrid: record visitor numbers recorded in 2018.

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. ART continues to recycle capital from the sale of selected assets. Recent capital recycling has focussed on reducing exposure to development and leasing risk, as well as profit-taking and portfolio optimisation.

ART is currently planning to allocate the proceeds from its recycled capital to augment and diversify its portfolio of secured real estate senior and mezzanine loan investments. This is expected to increase the company's current earnings.

Portfolio overview as at 31 December 2018

Investment name Investment type	Carrying value	Income return p.a.	Investment location	Property type / underlying security	Investment notes	% of portfolio[1]
High return debt (17.2%)						
Secured senior finance						
Senior secured loans	£7.4m [2]	7.5% to 9.0% [3]	UK	Diversified loan portfolio focussed on real estate investments and developments	Senior secured debt	5.4%
Secured mezzanine finance						
Second charge mezzanine loans	£16.1m [2]	6.5% to 25.0% [3]	UK	Diversified loan portfolio focussed on real estate investments and developments	Secured mezzanine debt and subordinated debt	11.8%
High return equity in property investments (25.6%)						
H2O shopping centre						
Indirect property	£19.9m (€22.2m)	6.1% [4]	Spain	Dominant Madrid shopping centre and separate development site	30% shareholding; medium term moderately geared bank finance facility	14.6%
Long leased industrial facility, Hamburg						
Equity	£6.4m* (€7.1m)	6.7% [5]	Germany	Long leased industrial complex in major	Long term moderately geared bank finance facility	4.7%
Active UK Real Estate Fund plc						
Equity	£6.8m	8.7% [4]	UK	High-yield commercial UK portfolio	27.8% of ordinary shares in fund	5.0%
Cambourne Business Park						
Indirect property	£1.8m	9.9% [4]	UK	High-yield business park located in Cambridge	Medium term moderately geared bank finance facility	1.3%
Build-to-rent investments (41.9%)						
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	3.5%
Monk Bridge, Leeds						
PRS development	£15.2m	n/a	UK	Central Leeds residential build-to-rent	Sale completed post period end.	11.2%
Data centre, Frankfurt						
Direct property	£37.0m** (€41.3m)	n/a	Germany	Site with planning and committed power for data centre use	Sale completed post period end.	27.2%
Other investments (3.2%)						
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	2.9%
Europip plc						
Indirect equity	£0.3m (€0.3m)	n/a	N/A	Awaiting final shareholder distribution	47% of the total ordinary shares in fund	0.2%
Healthcare & Leisure Property Limited						
Indirect property	£0.2m	n/a	UK	Leisure property fund	No external gearing	0.1%
Cash and short-term investments (12.1%)						
Cash	£17.0m	0.1%	UK	Current or ‘on call’ accounts		12.1%

* Property value net of associated debt including sundry assets/liabilities
** Property value net of provision for deferred tax
[1] Percentage share shown based on NAV excluding the company’s sundry assets/liabilities
[2] Including accrued interest/coupon at the balance sheet date
[3] Annual interest/coupon
[4] Yield on equity over 12 months to 31 December 2018
[5] Annualised income return; post tax

Further to the annual results announcement on 16 November 2018, the following are key investment updates.

Total shareholder returns

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 is demonstrated by the post period end sale of the Frankfurt data centre and the Leeds residential site.

This investment policy has helped ART deliver a significant increase in total shareholder return, with NAV growth per ordinary share of 19% achieved over the twelve-month period to 31 December 2018.

Positioning for continued investment

The Company continues to maintain a pipeline of new investment opportunities under active review which compete for capital allocation. ART is currently planning to primarily allocate the proceeds from its recycled capital to augment and diversify its portfolio of secured senior and mezzanine loan investments. This is expected to increase the company's current earnings. ART continues to evaluate equity investments that offer attractive risk-adjusted returns.

ART benefits from the depth of experience, strength and size of its Investment Manager. Alpha Real Capital has a team of over 100 investment, asset management and debt professionals based throughout the UK and Europe. ART's active management approach has helped deliver improvements in underlying asset values, in both directly and indirectly held investments across our investment markets.

Sale of Frankfurt data centre site

As announced on 14 February 2019, the sale of the Company's data centre site in Frankfurt completed for a cash consideration of €44.8 million. The sale price was above the Company's latest published value for the site.

ART originally acquired an interest in the site by way of an option to acquire, subject to obtaining power and planning enhancements, which the Company funded during the option period. ART site enhancement strategy involved the undertaking of a detailed design and pre-development process for the building and its mechanical and electrical systems that led to the grant of planning consent for a five-storey data centre extending to over 40,000 square metres. In parallel, an agreement was reached with the local utility provider who contracted to upgrade the power supply to the site to deliver a 35 Mega Volt Ampere ('MVA') dual feed power supply on a phased basis to 2020, synchronised with local electricity substation and cable route upgrades. The Company also undertook site enabling works to complete pre-identified ground remediation works and create an electricity receptor building capable of accommodating the upgraded power supply.

Sale of Leeds PRS

On 1 March 2019, the Company announced the sale of its private rental sector residential development site, 'Monk Bridge' in Leeds for a total transaction value of £15.4 million.

The Company acquired the development site in December 2015 at which time the site had implemented planning consent for 269 residential units.

Detailed consent was subsequently granted for a further 395 residential units in the development over 5 buildings of up to 21 storeys. Full planning permission was obtained for the site which has a residential and commercial net lettable area of around 386,000 square feet and 16,000 square feet respectively.

The sale price is above the Company's latest published value for the site. ART has sold the site with the benefit of full detailed planning permission and completed final stage plans.

Proceeds from the sale are to be deployed in line with the Company's investment strategy.

New secured lending investment

ART has a portfolio of secured senior and mezzanine loan investments which continues to increase in scale and diversity. These loans are typically secured on real estate investment and development assets with attractive risk-adjusted income returns. As at 31 December 2018, ART had invested a total amount of £23.5 million across 28 loans, of which 8 loans were completed during the quarter to 31 December 2018. Post period end, a further £1.1 million of loans were granted.

During the quarter to 31 December 2018, one mezzanine loan was repaid generating an annualised return of circa 18.8%. Post period end, part repayment of a senior loan was received amounting to £0.7 million.

Each loan will typically have a term of up to two years, a maximum 75% loan to value ratio and be targeted to generate attractive risk-adjusted income returns. Repayment proceeds will be reinvested into new facilities. The Company is developing a strong pipeline of opportunities.

H2O, 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 2018, despite one of the main anchor tenants, the Mercadona supermarket, closing for a month to undertake a complete refurbishment and upgrade of the store. Like-for-like sales performance from tenants increased by 3.0% over the same period.

Other investments

Galaxia, India

The Galaxia project is a joint venture with Logix Group, to develop a site extending to 11.2 acres with the potential to develop 1.2 million square feet. Galaxia is located in NOIDA, an established, well planned suburb of Delhi that continues to benefit from new infrastructure projects and is one of the principal office micro-markets in India. The Company has a 50.0% shareholding in the SPV which controls the Galaxia site. There are no bank borrowings on the asset.

In February 2011, ART recommenced arbitration proceedings against Logix Group (“Logix”) in order to protect its Galaxia investment, an 11.2 acre development site, in NOIDA, the National Capital Region (NCR), 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 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). The remaining INR 100 million (£1.1 million) deposited by

Logix maybe released against a bank guarantee suitable to the Supreme Court. The next Supreme court hearing is scheduled for April 2019.

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 £14.2 million at the period end exchange rates.

The Directors, taking into consideration legal advice received following Logix's challenge of the Award and following the recovery of INR 100 million (£1.1 million) noted above, consider it appropriate to carry this joint venture in its accounts at INR 350 million (£3.9 million). The amount recognised in the accounts does not include the additional compensation awarded by the courts due to uncertainty over timing and final value of the award.

Share buybacks

On 18 December 2018, the Company published a circular giving notice of an Extraordinary General Meeting on 8 January 2019. 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 7 January 2020. Shareholders approved the proposal.

On 19 January 2019, 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 19 January 2019 and share repurchases may be undertaken until the earlier of the maximum amount being repurchased and 7 January 2020. The maximum amount of money allocated for the share repurchases is £1 million.

During the quarter, 1,584,564 ordinary shares were tendered under a Tender Offer announced by the Company on 5 October 2018. The Tender Price was 138 pence per ordinary share.

Conversion of A shares

On 24 January 2019 all outstanding A shares were mandatorily converted to ordinary shares. This followed the payment of the final special dividend to holders of A shares from the Company's investment in The Romulus High Income Trust.

Scrip dividend alternative

In the circular published on 18 December 2018 the Company sought Shareholders' approval to enable a scrip dividend alternative to be offered to ordinary Shareholders whereby they could elect to receive additional ordinary shares in lieu of a cash dividend, at the absolute discretion of the Directors, from time to time. This was approved by Shareholders at the Extraordinary General Meeting on 8 January 2019.

The number of ordinary shares that an Ordinary Shareholder will receive under the Scrip Dividend Alternative will be 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 period. The Scrip Mandate form must be returned by 12 April 2019 to receive the scrip alternative for the next dividend.

Dividend

The Board announces the next dividend of 0.8p per share for the quarter ended 31 December 2018 which is expected to be paid on 26 April 2019 (ex-dividend date 28 March 2019 and record date 29 March 2019): this date has changed from 5 April 2019, as previously announced, due to timing of dividend procedures related to the scrip dividend alternative.

Revised financial calendar

Financial reporting	Reporting dates	Dividend period	Ex-dividend date	Record date	Last date for election to scrip dividend (if applicable)	Share certificates posted (if applicable)	Payment date
Trading update (Qtr 3)	15 March 2019	Quarter ending 31 Dec 2018	28 March 2019	29 March 2019	12 April 2019	25 April 2019	26 April 2019
Annual report and dividend announcement	14 June 2019	Quarter ending 31 Mar 2019	27 June 2019	28 June 2019	5 July 2019	18 July 2019	19 July 2019

Net asset value ('NAV')

As at 31 December 2018, the unaudited NAV per ordinary share of the Company was 205.6p (30 September 2018: 178.4p).

The movement in NAV mainly reflects the earnings of the Company less the dividend paid in the period plus other investments' fair value uplift (mainly the Frankfurt data centre) 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:€1.117 or £1:INR89.111, 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 recycle capital from the sale of selected assets. Recent capital recycling has focussed on reducing exposure to development and leasing risk, as well as profit-taking and portfolio optimisation. Post period end the sale of the Company's data centre site in Frankfurt and its residential site in Leeds were completed, following the securing of significant enhanced planning consents under the Company's ownership. The realisation of these sales has helped deliver 19% growth in ART's NAV per ordinary share over the twelve-month period to 31 December 2018.

ART is currently planning to allocate the proceeds from its recycled capital to augment and diversify its portfolio of secured real estate loan and secured mezzanine loan investments which is expected to increase the Company's current earnings. During the quarter to 31 December 2018 a further £3.1 million was invested into the secured loan portfolio, with an additional £1.1 million of loans granted post period end.

The Company remains well positioned to continue to deliver attractive returns through investing, realising and re-investing its capital in asset backed investment opportunities and maintains an active pipeline of potential new secured senior and mezzanine loans and other investment opportunities under review.

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