

13 September 2024

## ALPHA REAL TRUST LIMITED (“ART” OR THE “COMPANY” OR THE “GROUP”)

### TRADING UPDATE AND DIVIDEND ANNOUNCEMENT

ART today publishes its trading update for the quarter ended 30 June 2024 and the period up until the date of this announcement. The information contained herein has not been audited.

#### **About the Company**

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 selectively focusses on asset-backed lending, debt investments and high return property investments in Western Europe that are capable of delivering strong risk adjusted returns.

The portfolio mix at 30 June 2024, excluding sundry assets/liabilities, was as follows:

	30 June 2024	31 March 2024
High return debt:	35.6%	39.2%
High return equity in property investments:	14.6%	26.1%
Other investments:	32.9%	20.6%
Cash:	16.9%	14.1%

The Company is currently focussed on selectively increasing its loan portfolio and opportunistically extending its wider investment strategy to target high return property investments offering inflation protection via index linked income adjustments and investments that have potential for capital gains.

The Company’s Investment Manager is Alpha Real Capital LLP (“AlphaReal”).

#### **Highlights**

- NAV per ordinary share: 208.3p as at 30 June 2024 (31 March 2024: 207.3p).
- Basic earnings for the quarter ended 30 June 2024 of 2.7p per ordinary share (Twelve months to 31 March 2024: losses of (1.6)p per ordinary share).
- Adjusted earnings for the quarter ended 30 June 2024 of 2.4p per ordinary share (Twelve months to 31 March 2024: 10.3p per ordinary share)
- Declaration of a quarterly dividend of 1.0p per ordinary share expected to be paid on 25 October 2024.
- Robust financial position: ART remains on a robust financial footing and is well positioned to take advantage of new investment opportunities.
- Investment targets: the Company is currently focussed on selectively increasing its loan portfolio and opportunistically extending its wider investment strategy to target investments offering inflation protection via index linked income adjustments and investments that have potential for capital gains.
- Diversified portfolio of secured senior and secured mezzanine loan investments: as at 30 June 2024, the size of ART’s drawn secured loan portfolio was £43.9 million, representing 35.6% of the investment portfolio.
- The senior portfolio has an average Loan to Value (‘LTV’) of 62.6% based on loan commitments (with mezzanine loans having an LTV range of between 49.2% and 74.5% whilst the highest approved senior loan LTV is 64.2%).
- Loan commitments: including existing loans at the balance sheet date and loans committed post period end, ART’s current total committed but undrawn loan commitments amount to £1.0 million.

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Registered office: PO Box 286, Floor 2, Trafalgar Court, Les Banques, St. Peter Port, Guernsey GY1 4LY

Registered No: 44786

Alpha Real Trust Limited is advised by Alpha Real Capital LLP, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

- Cash management: at the balance sheet date, the Company has invested £29.6 million in short term UK Treasury Bonds (Gilts), £6.6 million in short term UK Treasury bills and £10.0 million in the Morgan Stanley Sterling Liquidity Fund to enhance returns on its liquid holdings.

## Investment summary

### Portfolio overview & risk analysis as at 30 June 2024

Investment name Investment type	Carrying value	Income return p.a. *	Investment location	Property type / underlying security	Investment notes	% of portfolio <sup>1</sup>
<b>High return debt (35.6%)</b>						
<u>Secured senior finance</u>						
Senior secured loans (excluding committed but undrawn facilities of £1.0 million)	£24.3m <sup>2</sup>	9.5% <sup>3</sup>	UK	Diversified loan portfolio focussed on real estate investments and developments	Senior secured debt	19.7%
<u>Secured mezzanine finance</u>						
Second charge mezzanine loans	£19.6m <sup>2</sup>	16.6% <sup>3</sup>	UK	Diversified loan portfolio focussed on real estate investments and developments	Secured mezzanine debt and subordinated debt	15.9%
<b>High return equity in property investments (14.6%)</b>						
<u>Long leased industrial facility, Hamburg</u>						
Direct property	£7.2m <sup>5</sup> (€8.5m)	9.1% <sup>4</sup>	Germany	Long leased industrial complex in major European industrial and logistics hub with RPI linked rent	Medium term moderately geared bank finance facility	5.8%
<u>Long leased hotel, Wadebridge</u>						
Direct property	£3.3m	6.7% <sup>4</sup>	UK	Long leased hotel to Travelodge, a large UK hotel group with CPI linked rent	No external gearing	2.7%
<u>Long leased hotel, Lowestoft</u>						
Direct property	£2.7m	6.2% <sup>4</sup>	UK	Long leased hotel to Travelodge, a large UK hotel group with RPI linked rent	No external gearing	2.2%
<u>Long leased hotel, Yardley</u>						
Direct property	£4.8m	8.0% <sup>4</sup>	UK	Long leased hotel to Travelodge, a large UK hotel group with RPI linked rent	No external gearing	3.9%
<b>Other investments (32.9%)</b>						
<u>Listed and authorised fund investments</u>						
	£3.9m	8.6% <sup>4</sup>	UK & Channel Islands	Commercial real estate, infrastructure and debt funds	Short to medium term investment in listed and authorised funds	3.1%
<u>Affordable housing</u>						
Residential Investment	£0.6m	n/a	UK	High-yield residential UK portfolio	100% shareholding; no external gearing	0.5%
UK Treasury Bonds	£29.6m	4.3%-4.9% <sup>6</sup> 2.8%-5.0% <sup>7</sup>	UK	UK government bonds	-	23.9%
UK Treasury Bill	£6.6m	5.2% <sup>6</sup>	UK	UK government bonds	-	5.4%
<b>Cash and short-term investments (16.9%)</b>						
Cash <sup>8</sup>	£10.9m	3.5% <sup>9</sup>	UK	'On call' and current accounts	-	8.8%
Morgan Stanley Sterling Liquidity Fund	£10.0m	5.2% <sup>10</sup>	UK	Money market fund, daily liquidity	-	8.1%

\* Return from underlying investment excluding Fund fees

<sup>1</sup> Percentage share shown based on NAV excluding the Company's sundry assets/liabilities

<sup>2</sup> Including accrued interest/coupon at the balance sheet date

<sup>3</sup> The income returns for high return debt are the annualised actual finance income return over the period shown as a percentage of the average committed capital over the period

<sup>4</sup> Yield on equity over 12 months to 30 June 2024

<sup>5</sup> Property value including sundry assets/liabilities, net of associated debt

<sup>6</sup> Range of annualised yields to maturity

<sup>7</sup> Range of fixed annual coupons

<sup>8</sup> Group cash of £11.3m excluding cash held with the Hamburg holding company of £0.4m

<sup>9</sup> Weighted average interest earned on call accounts

<sup>10</sup> Annualised daily return

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Further to the annual results announcement on 21 June 2024, the following are key investment updates.

ART's investment portfolio benefits from diversification across geographies, sectors and asset types and the Company remains on a robust financial footing and is well placed to capitalise on new investment opportunities.

The scale and pace of interest rate reductions continues to dominate the economic backdrop in which the Company operates and shape the outlook for the real estate market. The uncertain market offers potential opportunities in the medium term for ART to grow its diversified investment portfolio. The Company is currently focussed on risk managing and selectively growing its loan portfolio and opportunistically extending its wider investment strategy to target mezzanine opportunities as companies seek to refinance and recapitalise. The Company is also seeking to invest further in assets offering inflation protection via index linked income adjustments and investments that have potential for capital appreciation.

ART continues to adhere to its disciplined strategy and investment underwriting principles which seek to manage risk through a combination of operational controls, diversification and an analysis of the underlying asset security.

### Long leased assets

The Company's portfolio of long leased properties, comprising three hotels leased to Travelodge in the UK and an industrial facility in Hamburg, Germany, leased to a leading industrial group are well positioned in the current inflationary environment. The leased assets have inflation linked rent adjustments which offer the potential to benefit from a long term, predictable, inflation linked income stream and the potential for associated capital growth.

### Diversified secured lending investment

The Company invests in a diversified portfolio of secured senior and mezzanine loan investments. The loans are typically secured on predominately residential real estate investment and development assets with attractive risk adjusted income returns. As at 30 June 2024, ART had committed £50.9 million across twelve loans, of which £43.9 million (excluding a £6.0 million provision for impairments and Expected Credit Loss discussed below) was drawn.

During the quarter, £1.0 million of drawdowns were made on existing loans, one loan of £4.1m (including accrued interest and exit fees) was fully repaid and a further £0.7 million (including accrued interest) was received as part repayments. Post period end, additional drawdowns of £1.5 million were made on existing loans and part loan repayments were received amounting to £1.0 million (including accrued interest).

As at 30 June 2024, 55.4% of the Company's loan investments were senior loans and 44.6% were mezzanine loans. The senior portfolio has an average LTV of 62.6% based on loan commitments (with mezzanine loans having an LTV range of between 49.2% and 74.5% whilst the highest approved senior loan LTV is 64.2%). Portfolio loans are underwritten against value for investment loans or gross development value for development loans as relevant and collectively referred to as LTV in this report.

The largest individual loan in the portfolio as at 30 June 2024 is a senior loan of £12.4 million, which represents 24.4% of committed loan capital and 10.0% of the Company's NAV.

Four loans in the portfolio have entered receivership and ART is working closely with stakeholders to maximise capital recovery. The Company has considered the security on these loans (which are a combination of a first charge and a second charge over the respective assets and personal guarantees) and has impaired one loan, which is accounted for at fair value, by £0.3 million; the Group also calculated an Expected Credit Loss ('ECL') on the other three loans of approximately £4.2 million; the Group have also provided for an ECL on the remainder of the loans' portfolio for an additional £1.5 million. In total, the Group have provided for an ECL of £5.7 million (31 March 2024: £5.7 million) in its consolidated accounts.

Aside from the isolated cases of receivership, illustrated above, the Company's loan portfolio has proved to be resilient despite the recent extended period of heightened uncertainty and risk. In terms of debt servicing, allowing for some temporary agreed extensions, interest and debt repayments have been received in accordance with the loan agreements. Where it is considered appropriate, on a case-by-case basis, underlying loan terms may be extended or varied with a view to maximising ART's risk adjusted returns and collateral security position. The Company's loan portfolio and new loan targets continue to be closely reviewed to consider the potential impact on construction timelines, building cost inflation and sales periods.

The underlying assets in the loan portfolio as at 30 June 2024 had diversification throughout the UK and channel islands with assets held located in London accounting for 27.5% of the total loan investment portfolio.

## Other investments

### Investment in listed and authorised funds

The Company has invested across three investments that offer potential to generate attractive risk adjusted returns. During the quarter, ART received £0.5 million as a partial redemption from GCP Asset Backed Income Fund Limited. The remaining value of these investments as at 30 June 2024 was £3.9 million.

The prevailing higher interest rate environment continues to have an impact on the capital value of these investments. The investment yield offers a potentially accretive return to holding cash while the Company deploys capital in opportunities in line with its investment strategy. These funds invest in ungeared long-dated leased real estate, debt and infrastructure.

### Cash management

The Company adopts an active approach to enhance returns on its cash balances.

As at 30 June 2024, the Company had invested a total of £29.6 million in four UK Treasury Bonds (Gilts) and £6.6 million in one UK Treasury Bill with annualised yields to maturity ranging from 4.3% to 4.9% with maturities ranging between September 2024 and June 2026. These government backed short term investments offer the Company enhanced returns over cash balances. Post period end, on 7 September 2024, ART received £6.4 million at maturity of a Gilt investment.

The Company also has invested £10.0 million in the Morgan Stanley GBP Liquidity Fund, which invests in high quality short-term money market instruments denominated in sterling, offers same day liquidity and earns an annualised return, net of Morgan Stanley's fees, of 5.2%.

Post period end, the Company invested £10.0 million in the BlackRock ICS Sterling Government Liquidity Fund, which invests in government debt, offers same day liquidity and earns an annualised return, net of BlackRock's fees, of 4.8%.

### **Net asset value ('NAV')**

As at 30 June 2024, the unaudited NAV per ordinary share of the Company was 208.3p (31 March 2024: NAV of 207.3p).

The increase in NAV in the quarter is primarily due to earnings less dividends.

### **Dividends**

The current intention of the Company is to pay a dividend each quarter.

The Board announces a dividend of 1.0 pence per ordinary share which is expected to be paid on 25 October 2024 (ex-dividend date 26 September 2024 and record date 27 September 2024).

The dividends paid and declared for the 12 months to 30 June 2024 total 4.0 pence per share, representing a dividend yield of 3.1% on the average share price over the period.

### **Scrip dividend alternative**

Shareholders of the Company have the option to receive shares in the Company in lieu of a cash dividend, at the absolute discretion of the Directors, from time to time.

The number of ordinary shares that an Ordinary Shareholder will receive under the Scrip Dividend Alternative will be calculated using 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 quarter ended 30 June 2024. Shareholders who returned the Scrip Mandate Form and elected to receive the scrip dividend alternative will receive shares in lieu of the next dividend. Shareholders who have not previously elected to receive scrip may complete a Scrip Mandate Form (this can be obtained from the registrar: contact Computershare (details below)), which must be returned by 10 October 2024 to benefit from the scrip dividend alternative for the next dividend.

## **Share buybacks**

Following the Annual General Meeting held on 5 September 2024 the Company has the authority to buy back a total of 8,966,800 shares. No shares have yet been bought back under this authority.

During the quarter and post quarter end, the Company did not purchase any shares in the market.

As at the date of this announcement, the ordinary share capital of the Company is 67,993,321 (including 7,717,581 ordinary shares held in treasury) and the total voting rights in the Company is 60,275,740.

## **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:€1.180 as appropriate.

## **Strategy and outlook**

ART's investment portfolio benefits from diversification across geographies, sectors, and asset types. As inflationary pressures and interest rate policy continue to shape the economic backdrop in which the Company operates, ART remains on a robust financial footing and is well placed to capitalise on new investment opportunities.

ART remains committed to growing its diversified investment portfolio. In recent years the Company focused on reducing exposure to direct development risk and recycling capital into cashflow driven investments. The Company is currently focussed on its loan portfolio and also on its wider investment strategy which targets investments offering inflation protection via index linked income adjustments and investments that have potential for capital gains.

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