

Alpha UK Real Estate Fund

Data as at 30 September 2011. Published January 2012

Important notice: For professional advisers only

Investment objective

The Fund aims to deliver a high and stable income yield, together with the potential for capital appreciation, by investing in a diversified portfolio of UK commercial property.

Fund commentary

For the quarter to September 2011, the Net Asset Value for the Fund fell by 2.9% as a weak underlying occupational market continued to impact the Fund property portfolio valuations.

The recovery in commercial property values has plateaued and the market continues to witness income rather than capital growth providing the majority of total returns for commercial property. Similarly, within the Fund's property portfolio, income provided the bulk of the total returns contributing 1.7% over the quarter, comparing favourably against the Quarterly IPD benchmark income return of 1.5%. A continued weakening of sentiment towards secondary property and exposure to short-term leases adversely affected the valuation of the Fund properties over the quarter. The negative shift in valuation for the Fund's properties reduced total returns by 1.4% for the period, therefore the overall return of the property portfolio was 0.3% compared with the Quarterly IPD Universe total return of 1.9%.

The availability of traditional sources of finance for commercial property, especially for secondary property assets remains scarce, with banks still focused on reducing their overall exposure to commercial property debt. At the end of the quarter the Fund had a Loan to Value ("LTV") ratio of 59.0% compared with a banking covenant limit of 67.5%, while the Fund cashflow provided an interest cover of 2.1 times compared with a bank covenant limit of 1.2 times. The Fund is therefore complying with its lender's covenants. The bank loan facility continued to be amortised over the quarter and the intention remains to continue amortising the loan until the gearing is closer to 50% LTV. As a consequence there was no distribution to investors during the quarter. However, the current yield on the portfolio remains high at 7.7% per annum compared with the IPD benchmark of 6.0% per annum.

Subsequent to the end of the quarter, an Extraordinary General Meeting was held on 11 November to seek shareholder approval regarding the proposed restructure of the Fund. Shareholders voted in favour of the proposed resolutions and as a consequence the following key changes were made to the Fund: Alpha Real Capital LLP ("Alpha") was appointed as Investment Manager and Promoter of the Fund, the Fund name was changed to Alpha UK Real Estate Fund, the Fund entered into a convertible loan agreement to inject new capital into the Fund, and it was agreed that the current suspension of redemptions will be lifted for a special Dealing Day on 30 December 2011 after which the Board has resolved to continue the suspension of redemptions for a period of two years to 30 December 2013.

Fund Information

Property portfolio value

£64.8million as at 30 September 2011

Number of properties

27

Fund structure

Irish ICVC

Custodian

Northern Trust Fiduciary Services (Ireland) Limited

Investment Manager

Alpha Real Capital LLP

Asset Manager

Aberdeen Real Estates Operations Limited

Launch date

28 February 2005

Borrowings

Bank Loan Facility Covenant:

No more than 67.5% Loan to Value of Properties (currently 59.0%)

Prospectus Limits:

No more than 100% of Net Asset Value (currently 149.0%)

No more than 50% of Gross Asset Value (currently 60.0%)

Annual management charge

1.25% of Gross Asset Value

Fund benchmark

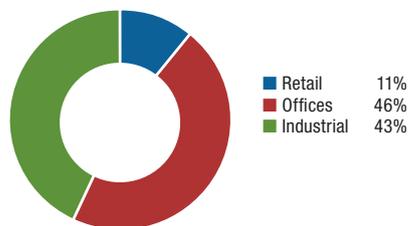
To outperform the IPD Universe benchmark by 1% per annum, over rolling three year periods.

Codes

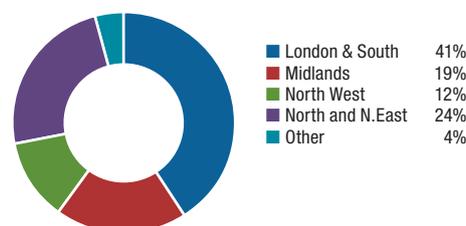
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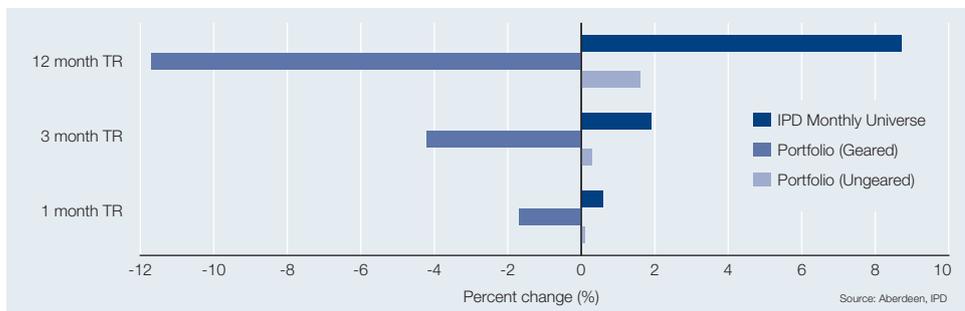
Portfolio sector split as at 30.09.2011



Portfolio geographic split as at 30.09.2011



Performance to September 2011



Important Notice: For Professional Advisers and Existing Holders only. **General Fund Information:** Issued in the UK by Alpha Real Capital LLP which is authorised and regulated by the Financial Services Authority. Please note that there is no guarantee that the Fund's investment objective will be achieved. The value of investments and the income from them may fall as well as rise and investors may not get back the original amount invested. Any past performance data cited is not a reliable indicator of future results. Alpha may source data from third party data providers but accepts no responsibility or liability for the accuracy of the data. Investors should carefully read all the risk warnings contained in the Prospectus. All documentation is available on request. This document does not constitute investment advice and potential investors are recommended to seek professional advice before investing. Calls to our offices may be recorded for monitoring purposes. **Specific Fund Information:** The underlying investments by the Fund consist wholly or substantially of real property and the value of the real property concerned will generally be a matter of the Valuer's opinion rather than fact and may fluctuate up or down. Investment in the Fund carries substantial risk. The nature of the underlying investments means that under certain market conditions, investors seeking to redeem their holdings may experience significant delays. In certain circumstances certain restrictions on the ability of investors to deal may be imposed. The Fund is considered suitable only for informed and experienced investors. While the Fund borrowing is within the bank loan facility LTV covenants it remains in breach of the Prospectus borrowing limit. **Fund Status:** The Alpha UK Real Estate Fund is structured as an open-ended investment company with variable capital (ICVC), and is authorised by the Central Bank of Ireland. The Fund is listed on the Irish Stock Exchange and prices can be found on www.ise.ie. In the UK, the Fund is classified as an unregulated collective investment scheme within the meaning of the Financial Services and Markets Act 2000 ("FSMA"). As an unregulated collective investment scheme, the distribution and promotion of units are restricted by law, to persons who are themselves authorised under the FSMA or who otherwise fall within the categories or exceptions made under FSMA. Most or all of the protections provided by the UK regulatory system do not apply to investment in the Fund and compensation under the Financial Services Compensation Scheme will not be available, as such the Fund is considered suitable only for informed and experienced investors. **Liquidity:** Redemptions are currently suspended.

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