3 August 2016

Drum Income Plus REIT plc
("Drum" or the "Company")

Unaudited Net Asset Value as at 30 June 2016

Drum Income Plus REIT plc (LSE: DRIP) announces its unaudited net asset value (**"NAV"**) as at 30 June 2016.

Highlights

Period from 1 April 2016 to 30 June 2016

- Fair value independent valuation of property portfolio as at 30 June 2016 of £41.2m (31 March 2016: £40.6m).
- NAV per share at 30 June 2016 of 93.9p (31 March 2016: 92.9p).
- Earnings per share (excluding revaluation gains and losses on fair value of investments) for three months ended 30 June 2016 were 1.4p.
- Dividend paid during the quarter of 1.3125p fully covered by earnings for the period.
- NAV total return (NAV movement plus dividend paid) of 2.5%.

Post 30 June 2016

- Third interim dividend of 1.3125p per share for period from 1 April 2016 to 30 June 2016 declared and payable on 26 August 2016.
- Acquisition of 3 Lochside Way, Edinburgh Park, Edinburgh, for a consideration of £4.5m (net of acquisition costs).
- General Meeting convened to approve the purchase of Burnside Industrial Centre, Aberdeen for £2.6m, £1.6m of the acquisition cost to be satisfied by the issue of 1.6m Ordinary Shares at the price of 100 pence.

Introduction

The Company aims to provide shareholders with a regular dividend income plus the prospect of income and capital growth over the longer term. The Company invests in smaller UK commercial properties, principally in the office, retail (including retail warehouses) and industrial sectors, which have the potential to offer a secure income stream, to create value through active asset management and have strong prospects for future income and capital growth.

Unaudited NAV (As at 30 June 2016)

	£m	*Pence per Share*
Unaudited NAV as at 31 March 2016	32.2	92.9
Portfolio acquisition costs	(0.1)	(0.3)
Valuation change in property portfolio	0.5	1.3
Income earned for the period	0.9	2.5
Expenses for the period	(0.3)	(0.9)
Interest paid	(0.1)	(0.3)
Dividend paid	(0.5)	(1.3)
Unaudited NAV as at 30 June 2016	32.6	93.9

The NAV has been calculated in accordance with International Financial Reporting Standards and incorporates the independent portfolio valuation as at 30 June 2016 and income for the period, but does not include a provision for the third interim dividend, which will be paid on 26 August 2016. The earnings per share for the period from 1 April 2016 to 30 June 2016 (excluding revaluation gains and losses on fair value of investments and expenses charged to capital) were 1.4p. Acquisition costs on new property purchases have been written-off.

As at 30 June 2016, the Company had cash balances of £3.2 million and borrowings of £11.0 million (loan to value of 26.7%).

Market Overview

The property market does seem to have lost some momentum in 2016, with the blame initially being attributed to the hiatus created by anticipation of the EU referendum and latterly by uncertainty resulting from the decision for the UK to leave the EU. This in turn triggered outflows from open-ended property funds, with many managers temporarily suspending redemptions on these funds as their cash reserves (which act as a drag on returns in the good times) dwindled. The general consensus is increasingly that open-ended illiquid funds are not the best vehicles for holding real estate. Fortunately, managing cashflows to meet redemptions is not a problem that affects closed-ended funds like DRIP.

EU Referendum Effect

In the wake of Britain's decision to leave the EU, the financial markets have experienced significant turbulence and volatility. The current consensus is that Brexit will have a negative impact on the UK property sector with property valuations coming under downward pressure. It is anticipated that the London office and high value residential sectors could be most affected, with least impact in the regions.

The Company's valuer, Savills, prepared its valuation in the immediate aftermath of the referendum result. Since the result was only announced on 24 June, it has not been possible for Savills to gauge fully the effect of the Brexit decision by reference to transactions in the marketplace. In line with the approach adopted by other valuers, Savills has therefore provided written and oral caveats to its 30 June valuation, but not changed the 30 June valuation number.

Any effect which Brexit might have upon UK property values could take several weeks or months to emerge, as we expect there to be a cutback in trading activity due to both the summer period and investors assessing the implications of the referendum outcome.

Asset Management Update

The Investment Adviser has successfully negotiated significant leasing activity at Gosforth Shopping Centre:-

- A 10 year lease to a new client, Naked Deli, at a rent of £45,000 pa with a break option at year 5
- A new 10 year lease to Boots, an existing tenant, at a rent of £77,000 pa has been secured
- A new 5 year lease to Card Factory, a new client, at a rent of £31,000 pa in year 1 on a unit which had been vacant for a significant period of time has been entered into
- A bespoke web address has been created along with installing free Wi-Fi into the mall. The initiatives are aimed at increasing engagement with the local community, increasing dwell time within the mall and thereafter increasing mall income.

As a result of these new initiatives the value of Gosforth has increased from £12.6m to £12.8m.

At Duloch Park, Dunfermline the Investment Adviser has secured an increased rent at review with Lloyds Pharmacy of 15% on the previous passing rent. This has rebased the rents for future lease events across the park.

At Arthur House, Manchester the Investment Adviser has submitted a planning application to remodel the reception and entrance area, in line with the asset management plan for the property.

As we enter the next phase of the cycle, in which income return is expected to be the main component of total return, we continue to see attractive investment opportunities with deliverable asset management angles.

Current Portfolio

	Jun-16		Mar-16	
Location	**Value**	**% Weighting**	**Value**	**% Weighting**
North East	£15.4m	37.33	£15.2m	37.51
Scotland	£10.8m	26.22	£10.4m	25.56
North West	£9.7m	23.58	£9.7m	23.87
South West	£5.3m	12.87	£5.3m	13.06
	£41.2m	**100.00**	**£40.6m**	**100.00**
Sector	**Value**	**% Weighting**	**Value**	**% Weighting**
Office	£13.9m	33.82	£13.8m	33.88
Shopping Centre	£12.8m	30.96	£12.6m	31.04
Retail	£14.5m	35.22	£14.2m	35.08
	£41.2m	**100.00**	**£40.6m**	**100.00**

Key KPIs	**Jun-16**	**Mar-16**
Total Number of Units	79	79
Total Number of Tenants	72	72
Total SQFT	228,874	228,874
Vacancy (% Square Feet)	2.80%	4.40%
Vacancy (% ERV)	4.70%	6.30%
WAULT (Expiry)	6.79	6.97
WAULT (Breaks)	5.69	5.92

Differentiated Investment Strategy

- Target lot sizes of £2m - £15m in regional locations
- Sector agnostic – opportunity driven
- Entrepreneurial asset management
- Risk-controlled development
- 5.25% dividend yield on 31 March share price
- Dividend paid quarterly
- Covered dividend policy

Portfolio Attributes

In the context of the market uncertainty, the Board believes it is helpful to shareholders to highlight some key attributes of the Company's property portfolio:

- The Company has no exposure to Central London markets, which may take the brunt of any market weakness
- The weighted average unexpired lease term of the portfolio is 6.79 years, which reduces the impact of any uncertainty in occupational markets
- Low vacancy rate of 4.7%
- Low gearing - the loan-to-value ratio of 26.7% provides resilience against the risk of covenant breach from significant market falls (28.9% following the acquisition of Lochside)
- Further asset management opportunities to exploit

Dividends

In the absence of unforeseen circumstances, the Company intends to pay a fourth interim dividend of 1.3125p per share in respect of the quarter ending 30 September 2016*.

**Target returns only and not a profit forecast. There can be no assurance that these targets will be met and they should not be taken as an indication of expected or actual current or future results.*

Equity Issuance

A 12 month placing programme opened on 24 March 2016. Any capital raising under the placing programme will be subject to prevailing market conditions.

Under the placing programme, shares will only be issued at a premium to the most recent NAV per share at the time of issue (adjusted, where appropriate, for any dividends subsequently paid). The premium will be intended to cover the direct costs of issue and will seek to contribute to the financial impact of investing the net proceeds. The price at which new shares are issued will also take into account the prevailing price of the existing shares in the market.

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