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25 January 2016

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

Company Up-date and Dividend Declaration

Highlights

Period from Launch (29 May 2015) to 31 December 2015

- Four properties acquired for total of £25.1 million (excluding costs).
- Conditional agreement entered into to acquire Lakeside 5500, Manchester, for £5.2 million (excluding costs).
- Fair value independent valuation of property portfolio as at 31 December 2015 of £25.4 million.
- NAV per share at 31 December 2015 of 95.1p.
- Earnings per share (excluding revaluation gains and losses on fair value of investments) of 0.83p.

Post 31 December 2015

- Acquisition of Lakeside 5500 completed.
- IPO proceeds now fully invested.
- £20 million 18-month revolving facility with The Royal Bank of Scotland plc entered into to fund further acquisitions.
- Interim dividend of 1.3125p per share for the period from launch to 31 December 2015 declared and payable on 26 February 2016 to shareholders on register at close of business on 5 February 2016.

Outlook

- Drum's investment manager has identified a pipeline of attractive investment opportunities that are currently being offered for sale and that meet Drum's investment policy, acquisition criteria and return profile.
- The Board is currently considering raising additional capital through the issue of new shares and the introduction of a placing programme to take advantage of the attractive investment pipeline.
- Target aggregate dividends of 5.25p (1.3125p per quarter, commencing in respect of the quarter ended 31 December 2015) per share in respect of the period from launch to 30 September 2016*.
- Target fully covered aggregate dividends of at least 5.5p per share and 6.0p per share in respect of 12 months ending 30 September 2017 and 30 September 2018 respectively*.

**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.*

Introduction

The Company was launched in May 2015 and raised gross proceeds of £31.9 million. It 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 and to create value through active asset management and strong prospects for future income and capital growth.

Unaudited Net Asset Value (As at 31 December 2015)

	£m	*Pence per Share*
IPO proceeds (net of IPO costs)	31.2	97.9
Portfolio acquisition costs	(1.4)	(4.4)
Valuation change in property portfolio	0.3	0.9
Income earned for the period	0.5	1.6
Expenses for the period	(0.3)	(0.9)
Unaudited NAV as at 31 December 2015	30.3	95.1

The unaudited NAV has been calculated in accordance with International Financial Reporting Standards and incorporates the independent portfolio valuation as at 31 December 2015 and income for the period but does not include a provision for the first interim dividend, which will be paid on 26 February 2016. The earnings per share for the period from launch to 31 December 2015 (excluding revaluation gains and losses on fair value of investments) were 0.83p. Acquisition costs on new property purchases have been written-off.

As at 31 December 2015, the Company had cash balances of £5.5 million and no borrowings.

Investment Activity

During the period from launch to 31 December 2015, the Company acquired four properties for a total of £25.1 million (excluding costs). In addition, in December 2015, the Company entered into a conditional agreement to acquire Lakeside 5500 in Cheadle, Manchester, for a consideration of £5.2 million (excluding costs); completion of this acquisition occurred on 22 January 2016. Accordingly, the net IPO proceeds are now fully invested.

The current portfolio benefits from a high occupancy rate of c 96%; and the two vacant units are currently under offer at rental levels at or above the business plan forecast. Lease renewals are also in hand with two national retailers at Gosforth, which will have a positive impact on the portfolio WAULT and value. The Company's investment manager continues to focus on the income return of the portfolio not only in letting voids but also reducing shortfalls and occupational costs for tenants.

Current Portfolio

Property	Sector	Gross Annual Rent Current[1] (£'000)	Gross Annual Rent Estimated (£'000)	Acquisition Yield[2] (%)	Market Value[3] (£m)	Notes
Gosforth Shopping Centre, Newcastle	Retail	949	1,004	7.8	12.5	Anchored by Sainsbury's (lease expiry – 2032)
Monteith House, Glasgow	Offices	465	460	7.6	5.8	Entities related to Scottish Government account for c.80% of contracted revenues
Lakeside 5500, Manchester	Offices	453	453	7.8	5.3	Both tenants are S&P 500 constituents
Duloch Park, Dunfermline	Retail	355	363	7.3	4.5	Fully let, with 12 tenants
Mayflower House, Gateshead	Offices	257	259	9.3	2.6	
Total / Weighted average		2,479	2,539	7.6	30.7	

Notes: [1]Current contracted gross annual rent, including vendor top-ups. [2]Acquisition yield is based on acquisition gross contracted rent. [3]As at 31 December 2015 or, in the case of Lakeside 5500 (completion of which took place on 22 January 2016), purchase price (excluding costs).

As at 31 December 2015 (and including Lakeside 5500 at its purchase price):

- the sector weighting, by value, of the portfolio was 55% retail and 45% offices;
- the weighted average unexpired lease term of the portfolio was 6.25 years to break and 7.56 years to expiry; and
- the vacancy rate of the portfolio was 3.9% (rental top-ups reduced the effective vacancy rate to 1.9%).

The ten largest tenants are as follows:

Tenant	Property	Current Contracted Gross Annual Rent (£'000)	% of Portfolio Current Contracted Gross Annual Rent (%)	Next Lease Break / Expiry
Sainsbury's	Gosforth SC	386	15.6	10-Apr-32
Agilent Technologies LDA UK	Lakeside 5500	299	12.1	24-Mar-22
Scottish Network & Tourist Board	Monteith House	235	9.5	26-Jan-21
Worldpay	Mayflower House	158	6.4	11-Mar-20
Micron Europe	Lakeside 5500	153	6.2	24-Mar-17
The Skills Development Scotland Co	Monteith House	126	5.1	23-Jul-18
LS Buchanan	Monteith House	104	4.2	19-Jan-17
WH Smith	Gosforth SC	79	3.2	28-Jan-16
Boots	Gosforth SC	78	3.1	Rolling (renegotiating contract)
Barrhead Travel Service	Duloch Park	65	2.6	2-Nov-22
Total		1,683	68.0	

Market Overview

The UK economic recovery is now more evenly spread across the UK regions, with the majority of regions now showing growth in output, employment and consumer spending. This recovery, combined with corporate issues such as north-shoring, is increasing the tenant demand for all types of commercial property outside London. Falling void rates in the office, retail and industrial sectors are also beginning to put upward pressure on rents. Investor demand for commercial real-estate assets is currently at record levels, and a rising proportion of this demand is being focused on locations outside Greater London. Average and prime property yields are significantly higher outside London. There is also a pricing differential in favour of small and medium assets.

Investment Pipeline

Drum's investment manager has identified an attractive pipeline of further investment opportunities that are currently being offered for sale and that meet Drum's investment policy, acquisition criteria and return profile. The immediate pipeline comprises eight real estate assets (including a portfolio of five properties) with an aggregate value in the region of £40 million and a weighted average acquisition yield of around 8%*:

**There is no certainty that all or any the properties referred to above will be secured by the Company, or that, following the due diligence review by the Company's investment manager, will be suitable for the Company.*

Debt Facility

The Company has completed a £20 million 18-month revolving facility with The Royal Bank of Scotland plc (the **"Facility"**). The interest rate on the facility is LIBOR plus 1.1%. The Company will use the Facility to pursue its pipeline of attractive investment opportunities.

Changes to the Fee Arrangements

Under the terms of the management agreements among the Company, R&H Fund Services (Jersey) Limited (the "AIFM") and Drum Real Estate Investment Management Limited (the "Investment Manager"), the Company currently pays to the AIFM a total management fee of 1.25% per annum of the Company's net assets. With effect from 1 January 2016, this total management fee was reduced to 1.15% per annum of the Company's net assets up to £150 million and 1% of net assets over £150 million.

Dividends

The Company announces an interim dividend of 1.3125p per share for the period from the launch of the Company to 31 December 2015, all of which will be designated as an interim property income distribution. This dividend will be paid on 26 February 2016 to shareholders on the register at the close of business on 5 February 2016. The ex-dividend date will be 4 February 2016.

In the absence of unforeseen circumstances, the Company intends to pay dividends of 1.3125p per share in respect of each of the quarters ending 31 March 2016, 30 June 2016 and 30 September 2016*. The Board is targeting fully covered aggregate quarterly dividends of at least 5.5p per share in respect of the year ending 30 September 2017 and at least 6.0p per share in respect of the year ending 30 September 2018*.

**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.*

Potential Capital Raise

As the Company has successfully deployed substantially all of its net IPO proceeds and in view of its pipeline of attractive investment opportunities, the Board is currently considering raising additional capital through the issue of new shares and the introduction of a placing programme. Any such capital raising, including regarding timing and size, will be subject to prevailing market conditions.

New 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.

Further details will be announced in due course.

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