



**CALEDONIA**  
INVESTMENTS

Presentation of final results  
for the year ending 31 March 2009



# About Caledonia

- Investment trust since 1 April 2003
- Global Growth sector of investment trusts
- Quoted since 1960 (FTSE 250)
- Distinctive style:
  - Significant minority stakes
  - Long term supportive shareholder
  - Usually with board position
  - Focused approach: top 10 holdings represent more than 50% of portfolio
- 33.7% owned by Cayzer Trust Company, 46.4% by wider concert party
- Market capitalization circa £850million

# Principal Objectives

- Outperform FTSE All-Share TR over 5 and 10 years
- Positive total returns over rolling 5 year periods
- Pay a progressive annual dividend

# Key differentiators

- Large influential stakes – usually with board seat
- Long term investor – but not a forever investor
- Valued reputation ⇔ strong deal flow
- Added value of constructive active management
- Self-managed/stable management team
- £282m of retained earnings – all distributable (c.15 years cover)

## Highlights to 31 March 2009

- 27.7% decrease in diluted NAV per share since 31.03.08
  - but 4.5% outperformance vs. FTSE All Share Index (down 32.2%)
- TSR increase
  - +39% over 5 years (32% outperformance)
  - +147% over 10 years (153% outperformance)
- Global Growth ranking (source: AIC)
  - 6<sup>th</sup> out of 27 trusts (5 years)
  - 3<sup>rd</sup> out of 23 trusts (10 years)

Note: Diluted NAV per share decrease compared with FTSE All Share index and TSR increase compared with FTSE All Share TSR index

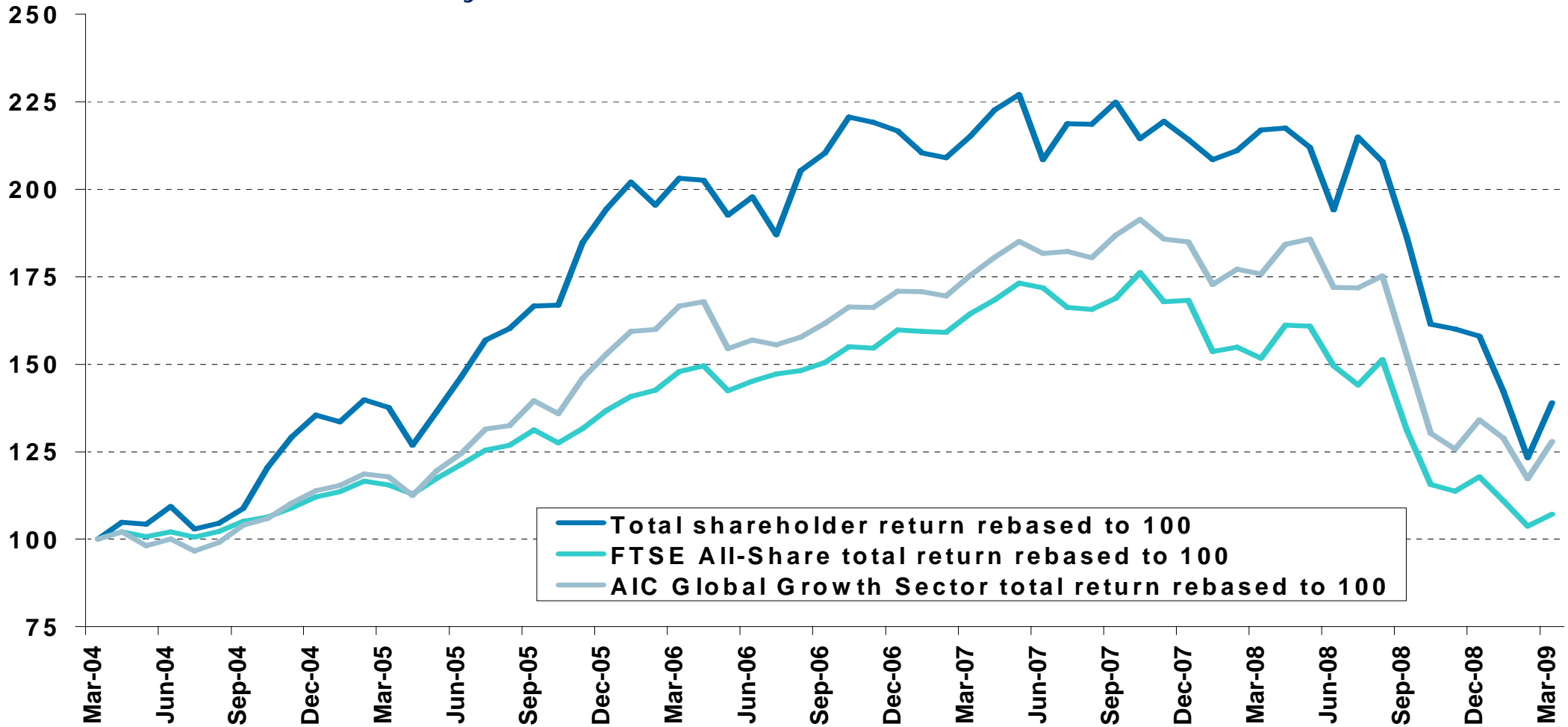
## Highlights to 31 March 2009 (continued)

- £63m invested and £99m realised during the year
- Remained ungeared (£56m cash as at 31.03.09)
- New bank facilities of £100m
- Total expense ratio <1% (industry average 1.4%)
- Cautious stance
- Continuing to invest in Asia – portfolio exposure 10%
- Proposed final dividend of 23.5 pence per share (33.8 pence for full year: +4%)
- 42<sup>nd</sup> consecutive year of annual dividend increase

## Summary of the twelve months to 31 March 2009

	31.03.09	31.03.08	Change
Diluted NAV per share	1559p	2155p	-27.7%
FTSE All Share Index	1984	2927	-32.2%
Share price	1289p	2050p	-37.1%
Discount	17.3%	4.9%	widened

# Total return: 5 years to 31 March 2009

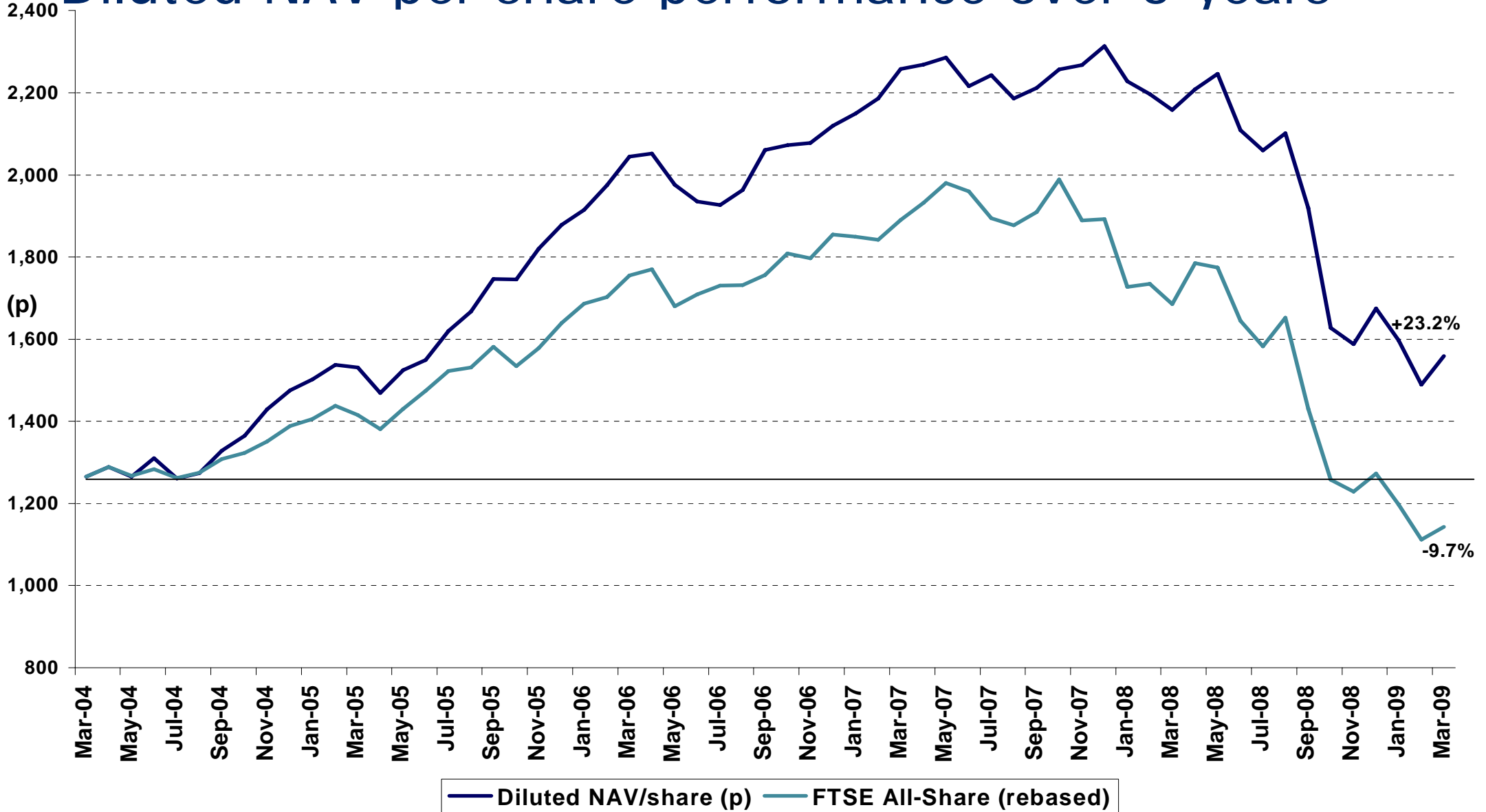


**TR CAGR: Caledonia = +6.8%**

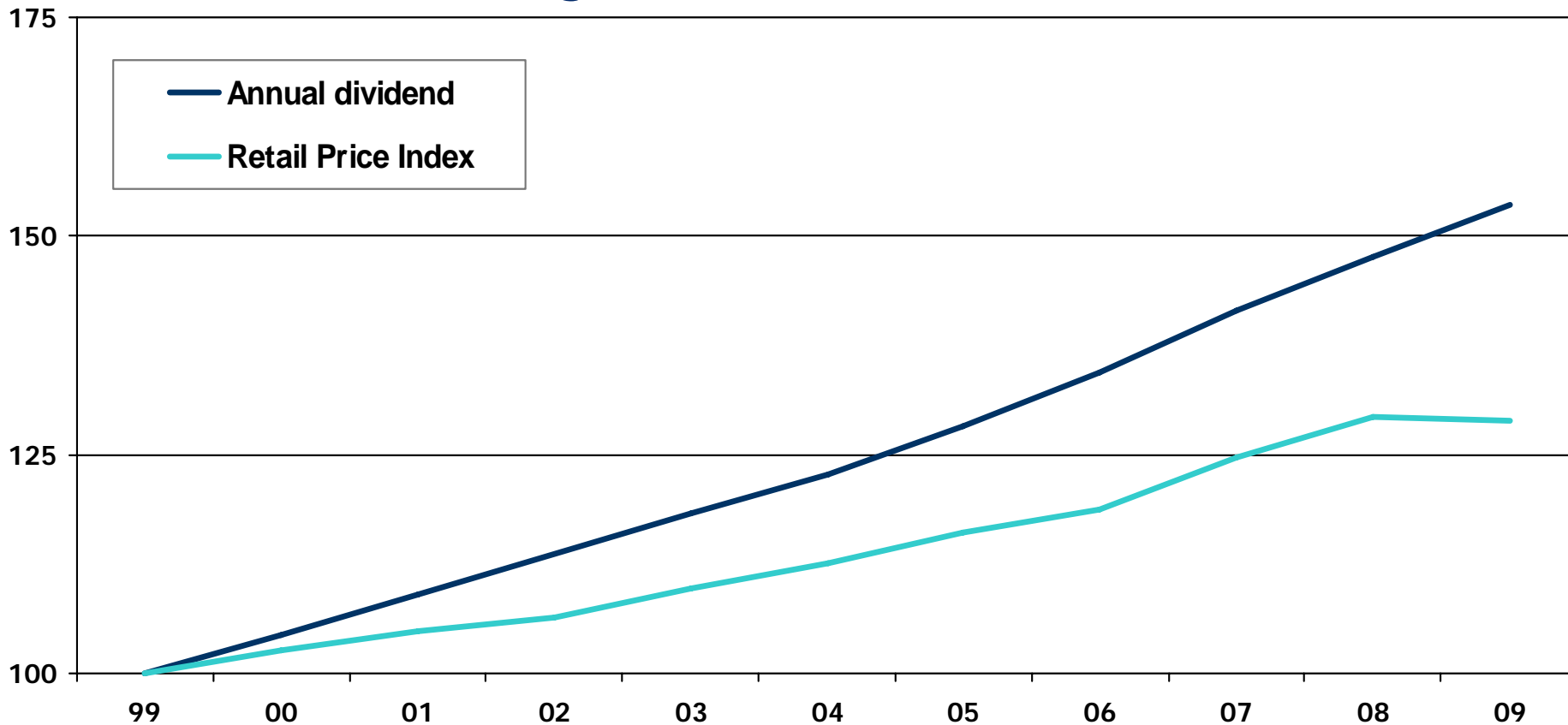
**FTSE All-Share = +1.4%**

**AIC Global Growth Sector = +5.1%**

# Diluted NAV per share performance over 5 years



# Annual dividend growth: 10 years to March 2009



Excluding a special dividend of 70p per share in relation to 2000

**Caledonia dividend CAGR** **4.4%**

**RPI CAGR** **2.6%**

**Caledonia has a 42 year record of annual dividend growth**

# Performance attribution for the period ending 31 March 2009

	12 month change (%)	6 year change (%)
Net asset value per share performance	-27.7%	+70.0%
FTSE All Share Index	-32.2%	+14.3%
<b>Outperformance / (Underperformance)</b>	<b>+4.5%</b>	<b>+55.7%</b>
Relative performance due to sector exposure	-9.0%	+0.7%
Relative performance due to stock selection	+12.2%	+56.2%
Relative performance due to FTSE put options	+2.3%	+2.7%
Management expenses as a % of NAV	-1.0%	-6.1%
Other*	-	+2.2%
<b>Outperformance / (Underperformance)</b>	<b>+4.5%</b>	<b>+55.7%</b>

\*FY04: Special advisory costs -0.4%, FY05: Elective Special Dividend +2.3%, FY06: nil, FY07: Elective Special Dividend +0.3%, FY08: nil, FY09: nil

Note: Analysis of outperformance contains estimates

## Principal outperformers year to 31 March 2009

Investment	Value 31.03.08	Net additions less income distributions	Value 31.03.09	Gross return	% Change in value <sup>#</sup>
	£m	£m	£m	£m	
FTSE put options	17.3	(17.9)	24.2	24.8	222%
Celerant Consulting	9.8	-	22.9	13.1	134%
Capital Today China	3.6	2.5	11.3	5.2	111%
London & Stamford Property	19.5	(0.7)	21.6	2.8	15%
A G Barr	20.5	(0.7)	22.4	2.6	13%
Wedbush Capital	2.7	0.4	4.2	1.1	37%
FTSE All-Share Total Return					-32%

<sup>#</sup>Percentage change in value calculated using a TWROR methodology, assuming inflow/outflow occurs half way through the period under review.

# Principal underperformers year to 31 March 2009

Investment	Value 31.03.08	Net additions less income distributions	Value 31.03.09	Gross return	% Change in value <sup>#</sup>
	£m	£m	£m	£m	
Quintain Estates	58.6	(0.7)	1.2	(56.7)	-98%
Oval	65.9	4.3	38.6	(31.6)	-46%
Bristow Group	55.0	6.3	36.2	(25.1)	-43%
Alok Industries	19.9	0.4	4.6	(15.7)	-78%
Retif	14.8	-	-	(14.8)	-100%
Incisive Media	14.4	-	-	(14.4)	-100%
FTSE All-Share Total Return					-32%

<sup>#</sup>Percentage change in value calculated using a TWROR methodology, assuming inflow/outflow occurs half way through the period under review.

# Principal investments in the year to 31 March 2009

- Investments of £63m and realisations of £99m

## Follow on investments

	Holding	£m
Bristow Group	6.6%	6.7
Oval	22.9%	6.0
Novera Energy	5.7%	4.9
Pragma	n.a.	4.8
Easybox	99.9%	3.2
Cobepa	10.0%	3.0
Omniport	42.4%	3.0
Other investments	n.a.	31.7
<b>Total investments</b>		<b>63.3</b>

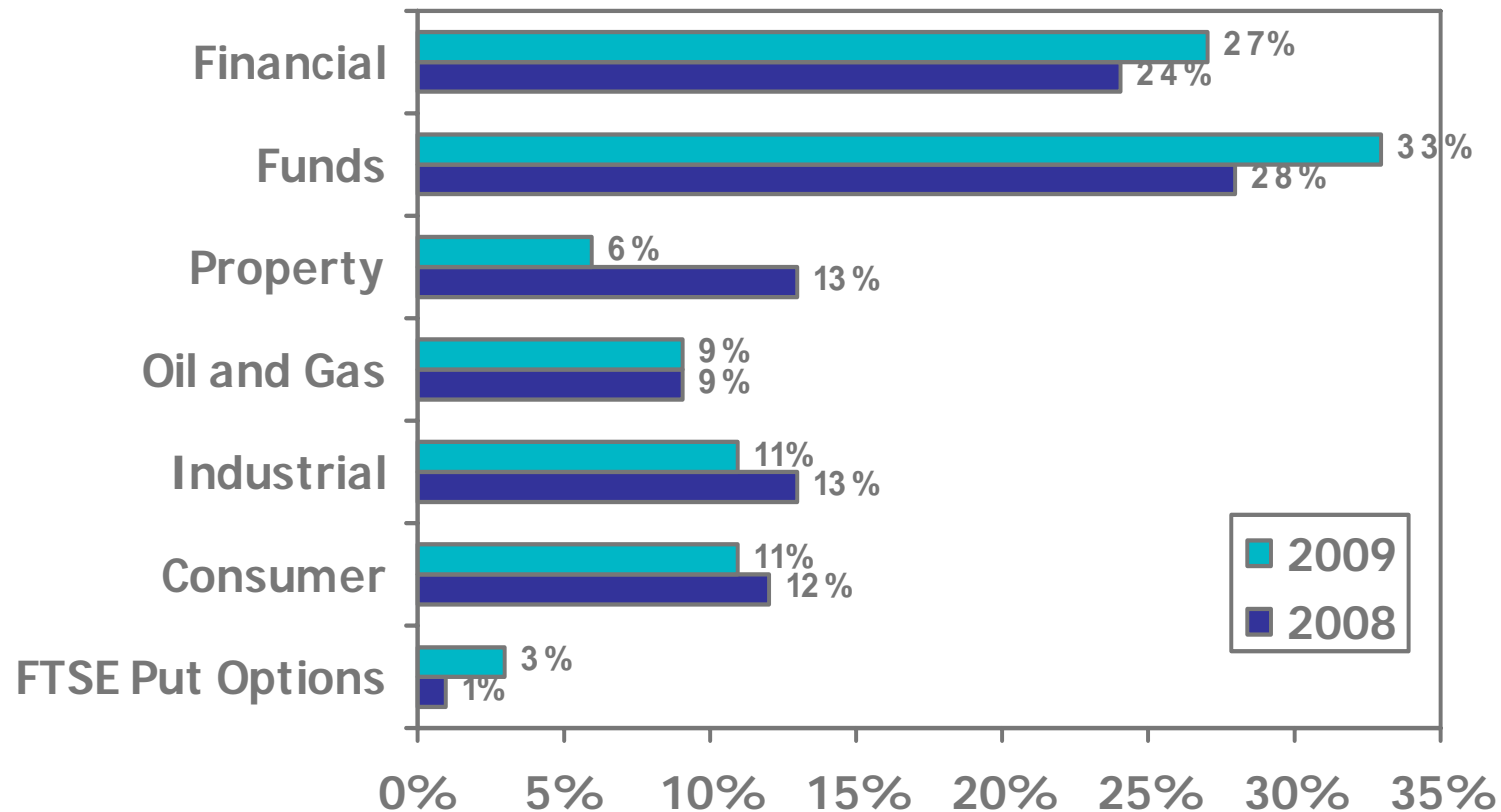
## Principal realisations in the year to 31 March 2009

	Proceeds £m	Realised gain £m
TGE Marine (Part sale of equity / repayment of loans)	27.7	11.0
FTSE put options (Close-out of options)	17.2	13.1
Polar Capital funds (Redemptions)	9.4	-0.8
Edinmore (Repayment of loan)	9.0	-
Garlandheath (Property sale)	5.2	3.5
Strategic Partners Fund (Fund distributions)	4.8	-
The Sloane Club (Cash distribution)	4.0	4.0
British Empire Securities (Top-slicing)	3.2	2.7
Other realisations (net)	18.5	19.0
<b>Total</b>	<b>99.0</b>	<b>52.5</b>

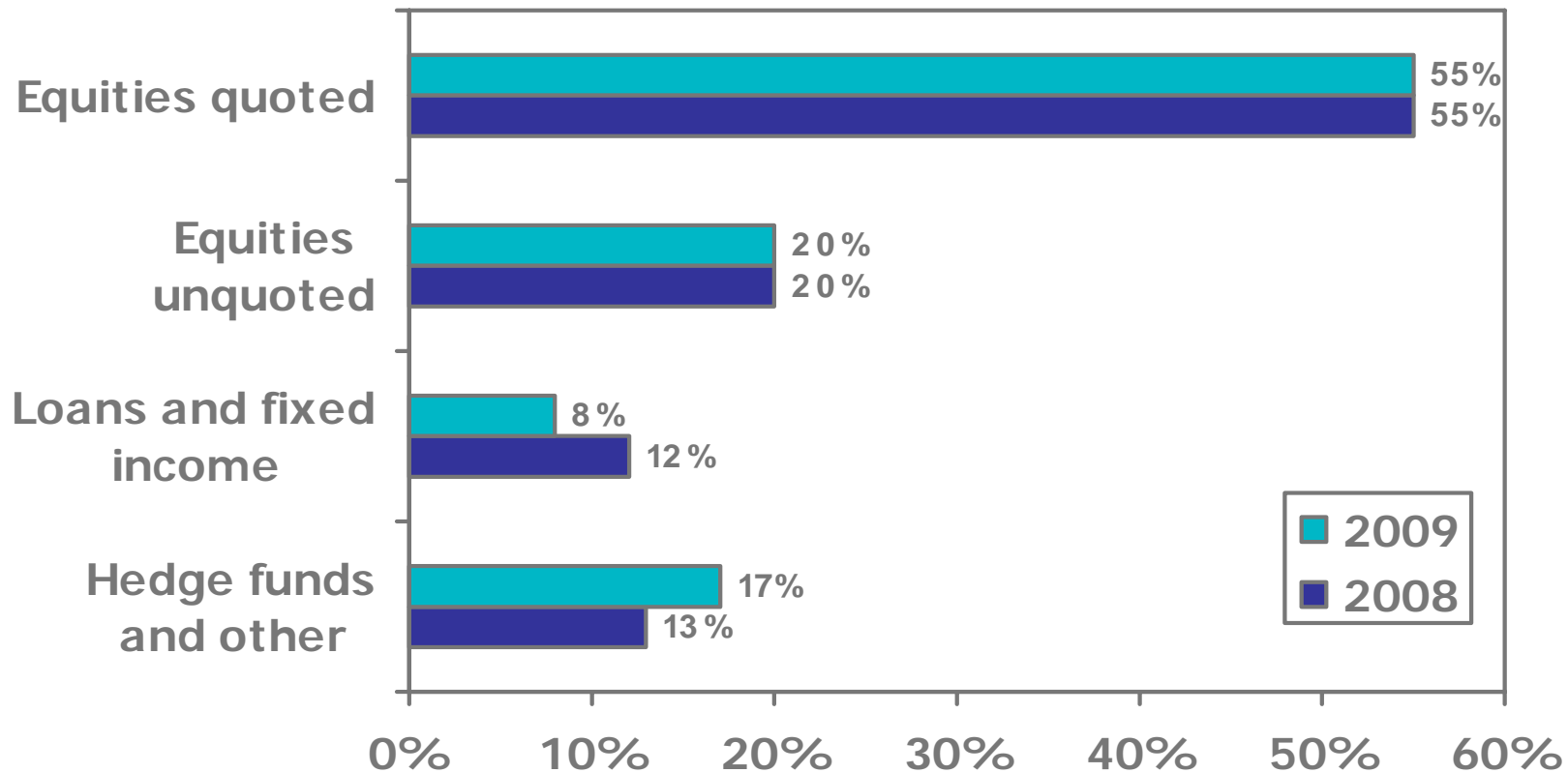
# Significant activity since year end

- Follow-on investment of £9.5m in Alok Industries
- £50m of liquidity at the end of April 2009

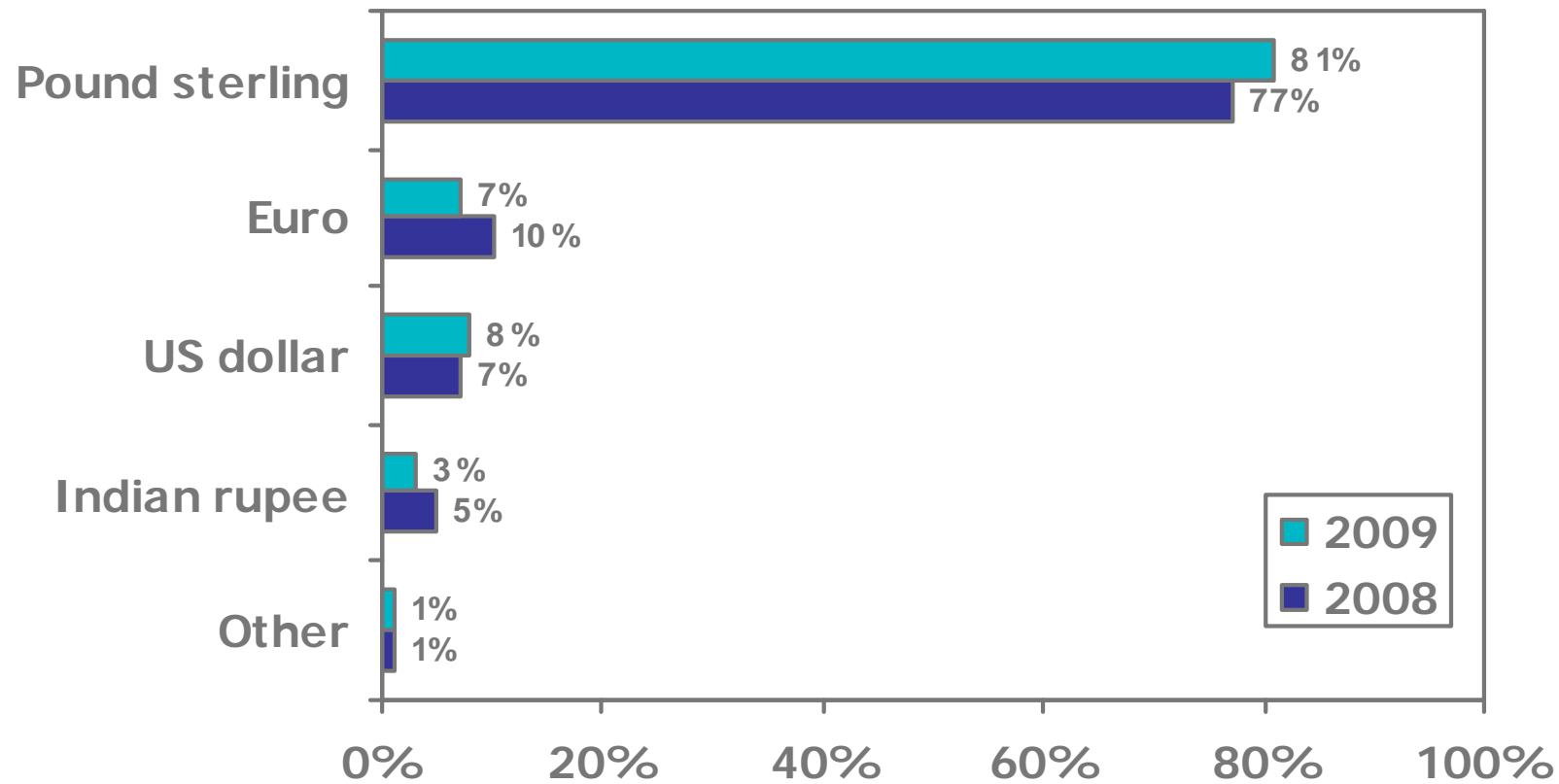
## Portfolio value by business sector as at 31 March 2009



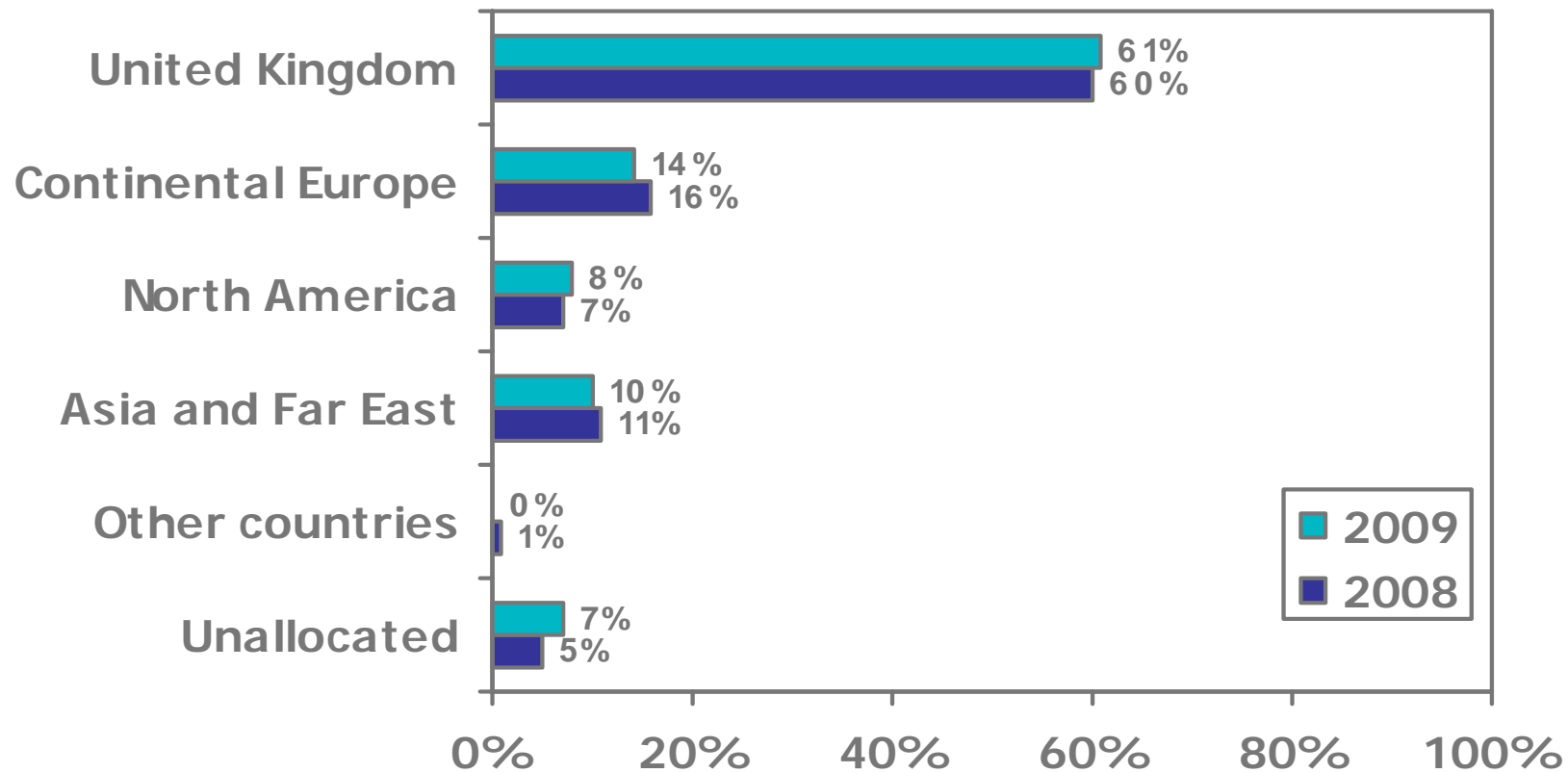
## Portfolio value by security type as at 31 March 2009



## Portfolio value by currency as at 31 March 2009



## Portfolio value by geography as at 31 March 2009



# Net assets as at 31 March 2009 vs. current nature limits

<u>Business Sector</u>			<u>Currency</u>		
	Actual	Nature Limit		Actual	Nature Limit
	%	%		%	%
Financial	27	40	Sterling	81	n.a.
Funds (Active)	26	} 35	Euro	7	15
Funds (Passive)	7		US Dollar	8	15
Property	6	20	Indian Rupee	3	10
Consumer	11	30	Other	1	10
Industrial/Oil & Gas	20	30		100	
Derivatives	3				
	100				

## Valuation transparency of Caledonia's net assets

	2009		2008	
Quoted securities	45%		48%	
Quoted funds	18%		18%	
Cash	6%		2%	
Sub-total (market price)		69%		68%
Unquoted securities	16%		19%	
Unquoted property	2%		4%	
Funds (P.E. + other)	13%		9%	
Sub-total (derived price)		31%		32%
		100%		100%

# Management Involvement

	%
Active* involvement	84
Passive involvement	16
Total net assets	<hr/> 100 <hr/>

\* Board or Committee representation

## Cash / facilities

- £56m liquidity at 31 March 2009
- £100m five year committed facilities: expiry July 2013
  - Revolver
  - Margin: 80-85bp over LIBOR
  - Available but undrawn

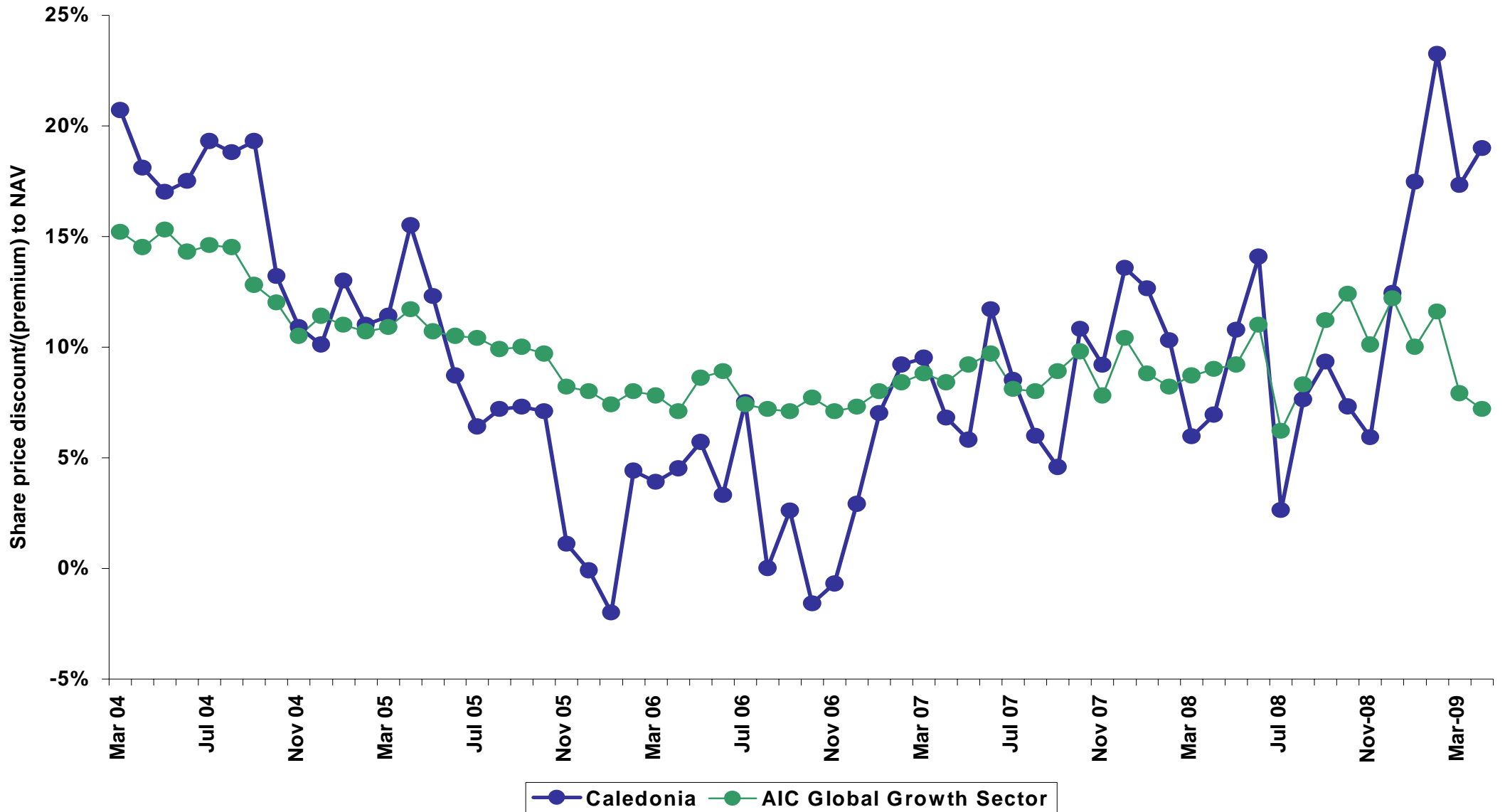
## Movement in Retained Earnings in the year to 31 March 2009

	£m	£m
Opening balance		274.3
Investment income	32.1	
Interest receivable	1.6	
	<u>          </u>	308.0
Dividends: ordinary	(19.0)	
	<u>          </u>	289.0
Management expenses		(9.6)
Other (net)		2.1
Closing balance (all distributable)		<u>281.5</u>

# Key styles for outperformance

- Identifying value creating and committed management teams
- Investing at lower prices than others
- Prepared to be geared (maximum 20%) when good opportunities available
- Focus on few key investments (top 10 >50%)
- Value enhancement of Board representation (26 of top 30 investments)
- Self managed (TER <1%)
- Stable management team

# Share Price discount/(premium) to NAV per share



# Why has relative discount widened?

- Relative NAV performance?

	Caledonia	Global Growth <sup>#</sup>	Outperformance
1 year	-26.7	-27.4	+0.7
3 years	-20.8	-24.1	+3.3
5 years	+30.1	+18.0	+12.1

- Holding in unquoted investments?

- Unquoted investments (including loans): 31% of net assets
- Significantly<sup>^</sup> leveraged private equity investments: c5% of net assets

#Source: AIC, Total returns

<sup>^</sup>Debt to equity > 100%

# Why has relative discount widened? - continued

- Exposure to the financial services+ sector?
  - 27% exposure to financial services sector c.f. FTSE All Share index 15%, but
  - Close Brothers 12% of net assets (Tier I capital adequacy ratio of 14.2% as at 31.01.09#)
  - Outperformance comes from stock selection, not sector exposure
  
- Share buy-backs?
  - 95,000 shares bought into treasury during year
  - Rule 9 waiver renewal

+Financial Services excludes real estate and equity investment instruments

#Proforma basis including sale of Corporate Finance division

# Outlook

- Cautious approach – world economy fragile
- Anticipate good conditions for investing
- Asia continues to present opportunities
- May draw on bank facilities



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Performance driven

