



CALEDONIA INVESTMENTS

31 March 2020

Share price: 2435p

NAV/share: 3240p

Discount: 24.8%

About Caledonia

Caledonia is a self-managed investment trust company with net assets of £1.8bn. Our aim is to grow net assets and dividends paid to shareholders, whilst managing risk to avoid permanent loss of capital. We achieve this by investing in proven well-managed businesses that combine long term growth characteristics with an ability to deliver increasing levels of income. We hold investments in both listed and private markets, a range of sectors and, particularly through our fund investments, a global reach.

Review

The NAV total return for the year was -8.0%, including our biannual revaluation of Private Capital and rolling revaluation of Funds investments, adjusted for the potential effects of the Covid-19 pandemic. The NAV announcement at 31 March 2020 (see below) provides details of how we have assessed the impact of Covid-19 and how trading at our Private Capital investments has been affected.

During the month, we invested £104.9m and realised £121.2m. Our cash balance at the month end was £114.3m.

We maintained our currency overlay position to cover approximately 40% each of our exposure to US dollar and euro denominated assets. The overlay is designed to both protect existing gains on currency movement and to reduce future volatility.

Ten largest holdings

Name	Business	£m
Deep Sea Electronics	Control systems	122.6
Cobehold	Investment company	97.4
Stonehage Fleming	Family office services	89.5
Seven Investment Management	Investment management	84.8
Cooke Optics	Cine lens manufacturer	75.6
Aberdeen US funds	Funds of PE funds	70.0
Liberation Group	Pubs and restaurants	50.6
Axiom Asia funds	Funds of PE funds	49.0
Buzz Bingo	Bingo operator	41.0
Microsoft	Infrastructure technology	39.8
		720.3
Other pool investments		917.0
Cash and other items		152.0
Net assets		1,789.3

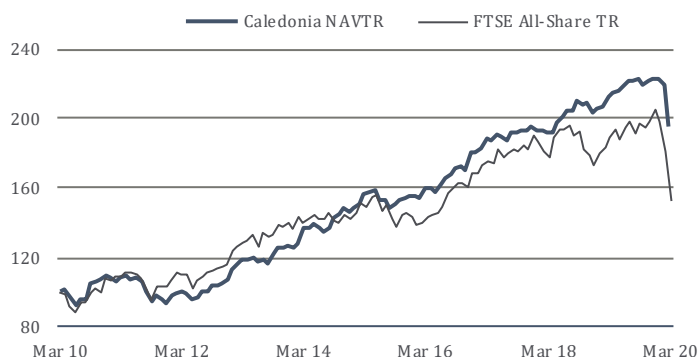
1. Caledonia reviews the valuation of its unquoted investments biannually, in March and September.

Caledonia Investments plc

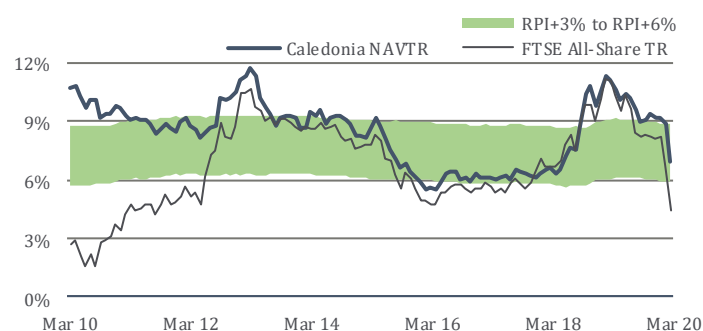
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The price of shares and the income from them may go down as well as up. Past performance is no indication of future performance. Under no circumstances should this information be considered as an offer, or solicitation, to deal in investments.

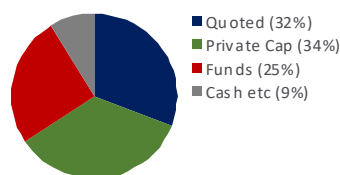
NAV total return index ten years



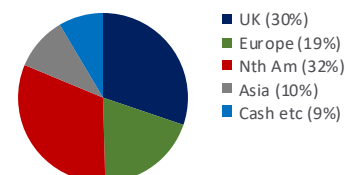
Annualised ten year rolling performance



Pool allocation



Geographic allocation



Performance to 31 March 2020

	1 year %	3 years %	5 years %	10 years %
NAV total return	-8.0	3.4	25.3	95.1
<i>Annualised</i>				
NAV total return	-8.0	1.1	4.6	6.9
Retail Prices Index	2.7	2.8	2.6	2.9
Caledonia vs RPI	-10.7	-1.7	2.0	4.0
FTSE All-Share Total Return	-18.5	-4.2	0.6	4.4
Caledonia vs FTSE			4.0	2.5

1. NAV is calculated on a diluted, cum-income basis.

Investor information

Sector	Flexible Investment
Fund type	Investment Trust
Listing	London Stock Exchange (SEDOL 0163992, TIDM CLDN)
Investing	Direct, Caledonia Savings Scheme and ISA
Contact	Cayzer House, 30 Buckingham Gate, London SW1E 6NN tel +44 20 7802 8080 email enquiries@caledonia.com
Website	www.caledonia.com

Caledonia Investments plc ("**Caledonia**") announces that its unaudited diluted net asset value per share ("**NAV**") as at 31 March 2020, calculated on a cum-income basis was 3240p. This incorporates a revaluation of the Private Capital and Funds portfolios, taking into account the potential impact of COVID-19 ("**C-19**") via an additional discount where considered relevant.

The NAV total return for the year to 31 March 2020 was -8.0%. Caledonia has a strong balance sheet with a portfolio broadly diversified by geography, sector and asset class. Our low risk and long-term approach to investment largely avoids highly geared companies and volatile sectors such as commodities and transport although we do have exposure to the leisure industry, particularly in the unlisted parts of our portfolio. Lower volatility relative to listed markets has historically been one outcome of this approach.

The C-19 pandemic remains fast-evolving and its impact on investee companies and fund holdings will be better understood as time progresses. We have sought to assess the potential impact of C-19 on our unlisted investments through their valuations with the application of an additional discount. The pandemic is, however, unprecedented and material new events may occur ahead of the announcement of our audited final results in May which could cause some further movement in the NAV announced today.

We believe that the overall effect of C-19 will result in considerable and long-term damage to world GDP. We have positioned Caledonia to have access to substantial liquidity (in excess of £360m) in order to provide support to our portfolio companies and funds if required, to fulfil our obligations to our shareholders over the long term and to take advantage of investment opportunities when we judge that it is prudent to do so.

This announcement should be read in conjunction with the factsheet dated 31 March 2020, a copy of which is available on our website.

Performance for the year is summarised in the table below:

Caledonia Pool Performance

Year to 31 March 2020

£m	Opening balance	Gains / (Losses)			Accrued income	Closing balance	Income	Total return	% return (estimate)
		Net investment / (Disposal)	Capital	C-19 Discount					
Quoted Equity									
- Capital portfolio	465.4	(35.3)	(5.5)	-	-	424.6	10.0	4.5	1.0%
- Income portfolio	224.6	(55.5)	(19.7)	-	-	149.4	12.2	(7.5)	-3.8%
- Total	690.0	(90.8)	(25.2)	-	-	574.0	22.2	(3.0)	-0.5%
Private capital	659.3	106.6	(86.4)	(73.3)	5.0	611.2	28.9	(130.8)	-18.4%
Funds	482.8	(15.2)	70.7	(86.1)	-	452.2	4.6	(10.8)	-2.3%
Other									
- Net cash	112.3	(0.6)	2.6	-	-	114.3			
- Other assets	57.6	-	(20.0)	-	-	37.6			
Net assets	2,002.0	-	(58.3)	(159.4)	5.0	1,789.3			

Liquidity as at 31 March 2020 totalled £364m, comprising £114m in cash and £250m of undrawn committed bank facilities. £137.5m of these facilities expire in July 2020 and we are in discussion with our banks to renew them ahead of this date.

Caledonia Quoted Equity – Capital and Income portfolios (32% of NAV)

The Capital portfolio of high-quality compounding businesses performed well during the year resulting in a total return of 1.0% for the year to 31 March 2020. The Income portfolio produced a total return of -3.8% over the year. The construction of the portfolios, our cautious approach to risk management and a rebalancing of the Income portfolio which resulted in high cash balances, helped to protect invested capital and performance as markets fell in February and March 2020. The combined total return of -0.5% represents good preservation of value in light of the significant declines in public equity markets over the same period.

Caledonia Private Capital (34% of NAV)

Our diverse Private Capital portfolio includes significant positions in six UK based businesses and one private European investment company. These seven investments represent over 90% of the value of the Private Capital portfolio. Performance over the year, with a total return of -18.4%, is dominated by the impact of C-19 on Buzz Bingo, Liberation Group and, to a lesser extent, Seven Investment Management ("**7IM**"). Buzz Bingo and Liberation Group operate in the consumer leisure sector. They both traded well up to February 2020 but subsequently have been directly affected by the UK Government's restrictions to mitigate the spread of C-19. 7IM has been impacted through a reduction in income due to the significant falls in public equity markets combined with the reduction in UK interest rates. Other businesses

in the portfolio have seen some adverse impact, with some yet to experience any, but are well positioned to address an extended period of challenging trading.

Buzz Bingo, the UK's biggest omni-channel bingo business, has temporarily closed all 118 retail venues in response to Government imposed social distancing measures. Buzz continues to operate and invest in its online business (www.buzzbingo.com) which is showing strong growth. The company employs over 3,500 people, rents the majority of its properties and had net debt of £104m with cash on its balance sheet of £41m as at 31 March 2020. Costs have been minimised wherever possible to preserve liquidity and reduce the cash burn of the retail business. Buzz has good relationships with its debt providers which remain supportive of the business. Valuation at 31 March 2020 £41.0m, down 54.5% from March 2019.

Liberation Group, a pub, restaurant and drinks business, with operations in the Channel Islands and the South West of the UK, has temporarily closed both its managed and tenanted pub estates in response to the coronavirus pandemic. The Jersey based brewery has also been closed, however, Butcombe brewery continues to brew on a much-reduced basis to fulfil online and trade demand. The wholesale distribution businesses in the Channel Islands continue to trade albeit at reduced levels. Costs have been reduced as far as possible to preserve liquidity and reduce the cash burn. Liberation owns a predominantly freehold estate with a net asset value of £124m. The business has net debt of £38.3m and cash on its balance sheet of £12.2m as at 31 March 2020. Valuation at 31 March 2020 £50.6m, down 38.8% from March 2019.

7IM, the retail investment manager, remains fully operational. Its revenue is directly linked to the value of its assets under management ("AUM") which have been negatively impacted by the declines in public equity markets. It is pleasing to note, however, that 7IM's defensively orientated funds have performed well on a relative basis. The business remains profitable and well-funded with significant amounts of available liquidity. Valuation at 31 March 2020 £84.8m, down 21.3% from March 2019.

Deep Sea Electronics ("DSE"), the industry leading manufacturer of genset and ATS control modules, battery chargers and power supplies, has traded strongly over the past year delivering double digit returns. The changes being seen elsewhere from the C-19 virus are having only marginal impact on DSE's operations with its manufacturing site in the UK and representative offices in China and the USA trading normally. Valuation at 31 March 2020 £122.6m, up 4.6% from March 2019.

Cooke Optics, a leading manufacturer of cinematography lenses, has temporarily closed its facilities near Leicester, UK while it makes arrangements for its workforce to operate safely with C-19 social distancing restrictions. The business has a strong liquidity position with the £30m of senior debt on its balance sheet provided by Caledonia. Valuation at 31 March 2020 £45.5m, down 27.2% from March 2019.

Cobepa, the Belgian based investment company, owns a diverse portfolio of private global investments. We have used the net asset value at its year end of 31 December 2019 as the basis of valuation, applying a C-19 discount to each business having assessed, in conjunction with the management of Cobepa, the likely impact of the virus. Cobepa had significant reserves of liquidity as at 31 December 2019. Valuation of Cobehold, the holding company of Cobepa, at 31 March 2020 £97.4m, down 7.1% from March 2019.

Stonehage Fleming, the international family office, continues to trade normally. The provision of management and advisory services to family offices, its main revenue stream, have been largely unaffected by C-19 to date. A smaller proportion of the Stonehage Fleming's revenues are derived from AUM related fees which will be impacted by the declines in public equity markets. The business remains profitable and has a strong balance sheet with plentiful liquidity. Caledonia owns a preferred position in the equity of Stonehage Fleming. Valuation at 31 March 2020 £89.5m, in line with the cost of our 36.7% equity stake acquired in July 2019.

Caledonia Funds (25% of NAV)

Caledonia's fund investments are principally in third party managed private equity funds operating in the US and in Asia following the sale of the majority of our holdings in third party managed public equity funds during the autumn of 2019. The underlying historic performance from this predominantly US dollar denominated portfolio has been strong, aided by the weakness of Sterling against the US dollar. However, the most recent fund valuations that we are in receipt of are dated either September or December 2019. We have been in regular contact with the fund managers in Asia and the US to understand the impact of C-19 on their respective portfolios. We have developed a methodology (see notes below) to adjust these valuations to reflect the potential impact of C-19 on our holdings to 31 March 2020 by applying the movement in relevant markets to funds where applicable. We have designated 35% of our private equity fund holdings as potentially significantly impacted by C-19, a further 45% where we would expect to see partial impact (including our fund of fund holdings) and 20% of our holdings, where the underlying investments are largely in healthcare and information technology sectors, as not materially impacted. The overall impact of the methodology is to reduce our fund manager valuations by 16%. This is reflected in the C-19 Discount line in the table above.

Company contact

Caledonia Investments plc +44 20 7802 8080
Will Wyatt,
Chief Executive

Tim Livett,
Chief Financial Officer

Media contact

Tulchan Communications +44 20 7353 4200
Tom Murray caledonia@tulchangroup.com
Lisa Jarrett-Kerr

Notes**Valuation approach and methodology**

The valuation approach utilised for each of our asset portfolios is summarised below.

Caledonia Quoted Equity: all listed companies are valued based on the closing price on the relevant exchange as at 31 March 2020.

Caledonia Private Capital: the holdings are valued on an LTM EBITDA x market multiple basis where appropriate (in line with the latest IPEV guidelines). We have applied this approach for the majority of the portfolio at 31 March 2020, with the following amendments:

- a. For Buzz Bingo and Liberation Group we have adjusted net debt further to reflect likely cash burn impact during the anticipated period of retail venue closures arising from C-19: this impact is included within the Capital Gain/(Loss) line in the table above.
- b. We have derived valuation multiples from a mix of quoted market comparable businesses and relevant transactions. In some cases, such as financial services and hospitality businesses, the public market equity valuations have fallen swiftly to reflect the impact of C-19 and we have used these valuation multiples in our calculations. This impact is included within the Capital Gain/(Loss) line in the table above. However, this has not been the case for all of our businesses. Therefore, in cases where we did not see the full impact of C-19 within valuation multiples, we have applied a further equity valuation reduction based on the anticipated severity of impact (10% for low impact, 20% for medium impact and 35% for high impact). The total impact of this approach is seen in C-19 Discount line in the table above.

Caledonia Funds: our normal approach is to utilise the most recent valuations provided by the fund managers, subject to cash movements from the valuation date. These valuations precede the potentially negative impact of the C-19 pandemic. We have therefore developed a methodology to address this point, with holdings of our fund managers classified into three categories: (i) significant impact; (ii) partial impact; and (iii) no material impact. We have then referenced relevant market indices (Russell 2000 for US investments and MSCI Asia exc. Japan for our Asian funds), applying full market movement between 31 December 2019 and 31 March 2020 to investments which are significantly impacted, 50% of this movement where there a partial impact is likely and no reduction for those investments that are not expected to be materially impacted. The overall effect of this approach has reduced our fund manager valuations by 16%. This is reflected in the C-19 Discount line in the table above.

All of the valuation approaches will be subject to full audit review as we prepare our financial statements for the year ended 31 March 2020.

Caledonia Investments plc

Caledonia is a self-managed investment trust company. Our aim is to grow net assets and dividends paid to shareholders, whilst managing risk to avoid permanent loss of capital. We achieve this by investing in proven well-managed businesses that combine long term growth characteristics with an ability to deliver increasing levels of income. We hold investments in both listed and private markets, a range of sectors and, particularly through our fund investments, a global reach.

For additional information on Caledonia, please visit www.caledonia.com

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