



CALEDONIA INVESTMENTS

30 September 2020

Share price: 2460p

NAV/share: 3528p

Discount: 30.3%

About Caledonia

Caledonia is a self-managed investment trust company with net assets of £2.0bn. 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

NAVTR for the year to date of 10.5% and for the 12 months to September 2020 was -3.3%, including our biannual revaluation of Private Capital investments and reassessment of Funds valuations. The FTSE All-Share Total Return over the same periods was 7.0% and -16.6%. Strong Quoted Equity performance reflected the recovery in global public markets since March and, on reassessment of the Funds valuations, we reverted to adopting the latest managers' NAV, which has now had time to reflect any Covid-19 impact.

During the month we invested £52.6m and realised £1.3m. The net debt balance at the month end was £7.4m.

Investments included a further £22.0m in Buzz Bingo, to support its continued operation following the successful completion of its company voluntary arrangement process in August 2020, and £14.0m in Seven Investment Management, principally to back the acquisition of Partners Wealth Management, the award-winning London-based financial planning firm.

Ten largest holdings

Name	Business	£m
Deep Sea Electronics	Control systems	131.6
Cobehold	Investment company	105.5
Seven Investment Management	Investment management	104.1
Stonehage Fleming	Family office services	101.7
Aberdeen US PE funds	Funds of funds	90.4
Cooke Optics	Cine lens manufacturer	78.5
Axiom Asia funds	Funds of funds	62.9
Liberation Group	Pubs and restaurants	59.8
Watsco	Ventilation products	48.4
Microsoft	Software	48.2
		831.1
Other pool investments		1,092.8
Cash and other items		36.2
Net assets		1,960.1

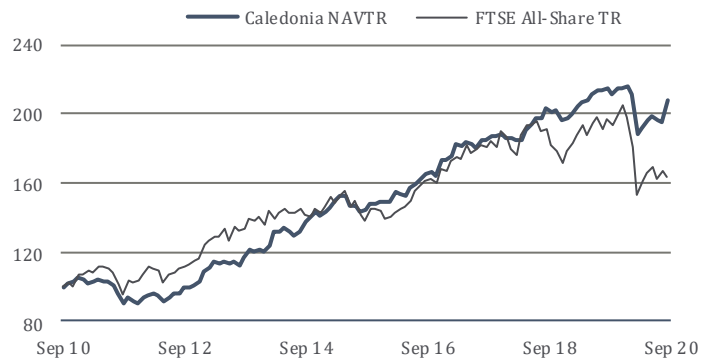
1. Caledonia reviews the valuation of its unquoted investments biannually, in March and September.

Caledonia Investments plc

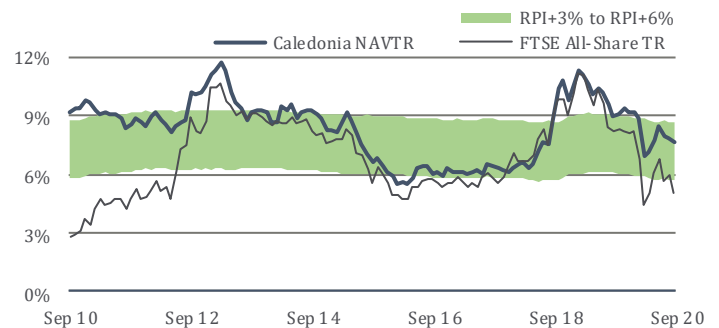
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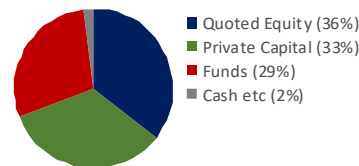
NAV total return index ten years



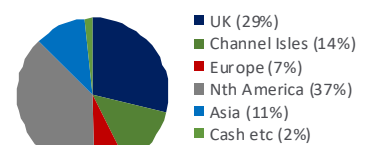
Annualised ten year rolling performance



Pool allocation



Geographic allocation



Performance to 30 September 2020

	6 months %	1 year %	3 years %	5 years %	10 years %
NAV total return	10.5	(3.3)	12.6	43.7	107.9
<i>Annualised</i>					
NAV total return		(3.3)	4.0	7.5	7.6
Retail Prices Index		0.6	2.1	2.4	2.7
Caledonia vs RPI		(3.9)	1.9	5.1	4.9
FTSE All-Share Total Return		(16.6)	(3.2)	3.5	5.1
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

Net Asset Value(s)

Released : 7 October 2020

RNS Number : 3951B
 Caledonia Investments PLC
 07 October 2020

Caledonia Investments plc

Unaudited net asset value and portfolio update

Caledonia Investments plc ("**Caledonia**") announces its unaudited diluted net asset value per share ("**NAV**") as at 30 September 2020, calculated on a cum-income basis, was 3528p. This incorporates the biannual revaluation of the Private Capital portfolio and reassessment of the Funds valuations.

The NAV total return for the six months to 30 September 2020 was 10.5%. A final dividend of 44.5p per ordinary share for the year ended 31 March 2020 was paid to shareholders on 6 August 2020. This announcement provides a further update on Caledonia's portfolio and should be read in conjunction with the factsheet dated 30 September 2020 and released on 7 October 2020, a copy of which is available at www.caledonia.com.

Summary

The increase in NAV in the period was driven by the strong performance of the Quoted Equity pool, together with reassessment of the Covid-19 impact on Funds investments, based on updated managers' NAV and removal of the adjustment to reflect the impact of Covid-19, introduced at 31 March 2020. The businesses within the Private Capital portfolio were also revalued, which resulted in a small increase in NAV.

Support for investee companies has continued, including the provision of capital for acquisitions and, for one business, as part of a recapitalisation. The Funds pool witnessed a significant slowdown in merger and acquisition activity and caution by fund managers to provide sufficient liquidity to manage the impact of Covid-19. Caledonia had a net cash outflow of £122m in the six month period.

Total liquidity remains satisfactory with £243m available as at 30 September 2020, comprising £8m in cash and £235m of undrawn committed bank facilities. Our £250m banking facilities comprise £137.5m expiring in May 2025 and the balance of £112.5m in July 2022. £15m was drawn from these facilities in late September.

Performance for the first half is summarised in the table below:

Caledonia pool performance

Net asset value - Half Year to 30 September 2020

£m	Opening balance	Net investment / (disposal)	Capital gains / (losses)	Other	Closing balance	Income	Total Return
Quoted Equity	574.0	6.8	118.0	-	698.8	9.2	22.2%
Private Capital Funds	611.3	47.1	0.5	(1.9)	657.0	6.3	1.1%
	450.1	43.7	74.3	-	568.1	0.1	15.7%
Portfolio	1,635.4	97.6	192.8	(1.9)	1,923.9	15.6	
Net Cash	114.7	(97.6)	-	(24.5)	(7.4)		
Other assets	37.2	-	-	6.4	43.6		
Net assets	1,787.3	-	192.8	(20.0)	1,960.1	NAVTR	10.5%

(Net Cash - Other: includes final dividend of £24.4m paid on 6 August 2020)

Caledonia's March 2020 NAV incorporated additional discounts within the valuations of both the Private Capital and Funds portfolios to account for the potential impact of Covid-19. Whilst the impact of Covid-19 continues to create a degree of uncertainty, the businesses have adapted to the new environment and the trading outlook is clearer than it was in March.

In the Private Capital portfolio, the majority of the business have been valued on a normalised earnings multiple basis, with a Covid-19 adjustment applied only to Liberation Group, where, despite robust trading following the easing of restrictions implemented in response to the pandemic, the impact of further local and national constraints on the UK pub business remains a concern.

In the Funds portfolio, where available, we have used 30 June 2020 manager valuations covering 84% of the value of the holdings. The remaining funds, principally several Aberdeen US private equity funds, are based on 31 March valuations. In light of the receipt of these more recent valuations, we no longer apply an adjustment to reflect the Covid-19 risk, as we did at March 2020.

Caledonia Quoted Equity - Capital and Income portfolios (36% of NAV)

The total return of the Quoted Equity portfolio was 22.2% over the first half of the year. This strong performance reflected a notable rebound in global public equity markets and careful stock selection within both the Capital and Income portfolios. The total returns were 26.2% and 11.1% respectively, building on the performance for the year to 31 March 2020 during which both portfolios proved resilient, falling by just 0.3% compared to the falls in the FTSE All-Share of -18.5% and the S+P 500 of -9.9%.

Trading activity during the period was limited. The development of the Income portfolio continued with the addition of a position in Fortis Inc, a North American utilities business, and the disposal of the holding in Tritax Big Box. Other activity was restricted to refining positions in existing investments, in line with Caledonia's strategy of owning high quality companies that compound their earnings over the long term.

Caledonia Private Capital (33% of NAV)

Caledonia's 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 its value. The portfolio generated total return of 1.1% during the first half of the year. The industrial and financial services businesses have adapted well to the new Covid-19 trading environment. The impact of the pandemic on our two consumer facing businesses, Buzz Bingo and Liberation Group, has been felt more acutely. The investment in Cobehold continues to perform well.

Buzz Bingo, the UK's biggest omni-channel bingo business, completed a company voluntary arrangement ("**CVA**") process in August 2020 to protect the long-term prospects of the business, leading to the closure of 26 clubs and, regrettably, associated redundancies. Caledonia participated in the CVA process with the provision of £22m in new equity. The business commenced the phased reopening of its retail venues from early August with all remaining clubs now open. Retail trading post re-opening has been ahead of expectations with the online business (www.buzzbingo.com) now profitable on a monthly basis and continuing to grow player numbers. Valuation at 30 September £22.0m, down 46% from March 2020.

Liberation Group, a pub, restaurant and drinks business with operations in the Channel Islands and the South West of the UK, gradually reopened its pub estate from the middle of June. 95 of the 104 pubs are now open and have traded well through the summer, with weekly revenues building to levels close to, or in some cases ahead of, those achieved in 2019. It is anticipated that the recent change to pub opening hours in the UK will have limited impact on trading, with venues in the Channel Islands unaffected. The UK brewery operated throughout the period, supporting trade and growing online sales. The wholesale businesses in Jersey and Guernsey remained open and traded strongly. Valuation at 30 September £59.8m, up 18% from March 2020.

Seven Investment Management ("**7IM**"), the retail investment manager, has traded well during the period. Assets under management ("**AUM**") have grown to £14.8bn, ahead of the January 2020 position, due to market performance and positive fund inflows. 7IM's range of funds continue to perform strongly, with core funds in the first and second quartiles over one and three years compared to their peers. 7IM completed the acquisition of Partners Wealth Management, a high-net worth financial planning business, at the end of September. Valuation at 30 September £104.1m, up 23% from March 2020.

Deep Sea Electronics ("**DSE**"), the industry leading manufacturer of genset and ATS control modules, battery chargers and power supplies, has remained operational throughout the period. DSE has traded well, continuing to be strongly cash generative. Opportunities for organic growth and bolt-on acquisitions are being actively explored. Valuation at 30 September £131.6m, up 7% from March 2020.

Cooke Optics, a leading manufacturer of cinematography lenses, has been adversely impacted by the Covid-19 pandemic. In April, Cooke temporarily closed its facilities to develop a safe working environment for employees, before quickly returning to full capacity. Filming activity has been restricted across most geographies, however the business remains profitable with a healthy order book and, with long-term demand for high quality content expected to remain strong, is well placed to respond as demand recovers. Valuation at 30 September £78.5m, up 3% from March 2020.

Stonehage Fleming, the international family office, continues to trade strongly adhering to local working practices across the jurisdictions in which it operates. Activity levels remain high along with AUM increasing by 11% since March 2020 to £12.5bn. In July 2020, Stonehage Fleming successfully acquired Cavendish Asset Management in an all share transaction, adding a further £1bn of AUM. Valuation at 30 September £101.7m, up 14% from March 2020.

Cobepa, the Belgian based investment company, owns a diverse portfolio of private global investments. Certain of its businesses impacted by Covid-19 are now returning to more normal trading levels. The valuation of Cobehold, the holding company of Cobepa, reflects this more positive outlook and the removal of the Covid-19 discount resulted in a valuation at 30 September of £105.5m, up 8% from March 2020.

Caledonia Funds (29% of NAV)

The total return on the Funds portfolio was 15.7% over the first half of the year. This reflects underlying fund performance and reverting to basing valuations on managers' NAV, without the need to adjust to reflect the Covid-19 impact as we did at March 2020. Updated valuations dated 30 June 2020, amounting to 84% of the Funds NAV, have been incorporated. This excludes the holdings in Aberdeen US private equity funds which remain at the manager's 31 March 2020 valuation, representing 16% of the Funds NAV.

Caledonia's fund investments are principally in third party managed private equity funds operating in the US and in Asia. Regular contact is maintained with the fund managers to understand the performance of their investee businesses. The overview they provide has gradually improved during the last six months, with the majority of businesses progressing in line with their pre-Covid plans with relatively few having witnessed a notable decline in trading. Asian fund investments have performed well,

showing modest growth over the period and notable gains for healthcare related businesses. In contrast, US funds show some underlying valuation reductions which reflect the continuing impact of Covid-19 and the sector mix within the investee businesses. During the first half of the year, £57.8m was invested and distributions of £14.1m were received.

Company contacts

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7 October 2020

Notes

Valuation approach and methodology

The valuation approach utilised for each asset portfolio is summarised below.

Caledonia Quoted Equity: all listed companies are valued based on the closing bid price on the relevant exchange as at 30 September 2020.

Caledonia Private Capital: the holdings are valued biannually, on a normalised EBITDA x market multiple basis where appropriate (in line with the latest IPEV guidelines). This approach was applied to the majority of the portfolio at 30 September 2020, with the following amendments:

- A. Trading in the current year has been heavily impacted by Covid-19 for a number of businesses in the portfolio. Valuations would use normalised LTM EBITDA as a key input under standard circumstances; however, we have also used historic and forecast earnings information in order to address this issue and provide a more balanced view of valuation.
- B. The approach to valuation has incorporated the trading impact from Covid-19 seen in the first half of the year and the likely recovery looking forward. However, for one of our consumer businesses, Liberation Group, new restrictions have recently been imposed. This uncertainty is not fully reflected in our valuation and, therefore, a further equity valuation reduction was applied based on the anticipated severity of impact (in this case 10%).

Caledonia Funds: the fund valuations are based on the most recent valuations provided by the fund managers, subject to cash movements from the valuation date. Valuations are received 60 to 180 days from the valuation date. This approach, which has been applied for 30 September 2020 valuations, is in contrast to the year ended 31 March 2020 when a Covid-19 adjustment was applied to December 2019 fund managers' NAVs in light of the uncertainty created by the pandemic.

Caledonia Investments plc

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

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