



CALEDONIA INVESTMENTS

31 December 2022 Share price: 3610p

NAV/share: 4943p

Discount: 27.0%

About Caledonia

Caledonia is a self-managed investment trust company with net assets of £2.7bn. 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 listed and fund investments, have a global reach.

Review

NAVTR for December was -1.5% and for the first nine months of the year was 2.9%. Our private assets, in both Private Capital and Funds, have generated good returns during the first nine months of the year, based on a mix of positive underlying performance and the favourable impact of the 9% fall in the value of Sterling against the US dollar. In contrast, our public equity holdings have been adversely impacted by volatility and weakness in global equity markets.

During the month we invested £32m and realised £12m across our investment pools. Net cash at the month end was £231m.

The interim dividend of 18.2 pence per share, totalling £9.9m was paid on 5 January to shareholders registered on 2 December 2022 and has been included as a liability at month end.

Ten largest holdings

Name	Business	£m
Cobehold	Investment company	176.1
Seven Investment Management	Investment management	172.9
Stonehage Fleming	Family office services	141.2
Liberation Group	Pubs & restaurants	137.1
Cooke Optics	Cine lens manufacturer	137.1
Aberdeen US PE Funds	Funds of funds	128.8
Axiom Asia Funds	Funds of funds	85.7
Oracle	Software	63.4
Watsco	Ventilation products	56.8
Texas Instruments	Semiconductors	56.1

	1,155.2
Other pool investments	1,326.7
Cash and other items	247.3
Net assets	2,729.2

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

Private equity fund valuation dates

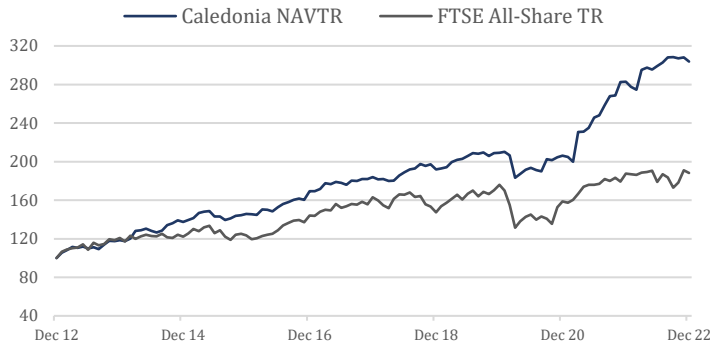
Manager NAV date	£m	%
30 June 2022	27.1	3.1
30 September 2022	849.8	96.9
	876.9	100.0

Caledonia Investments plc

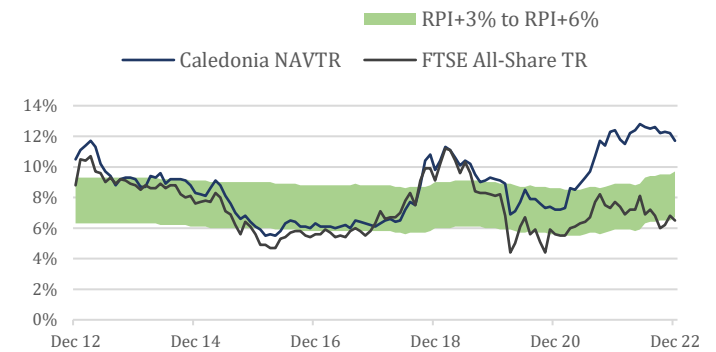
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The price of shares and the income from them may go down as well as up. Past performance is no indication of future performance. Under no circumstances should this information be considered as an offer, or solicitation, to deal in investments.

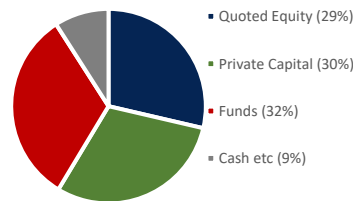
NAV total return index ten years



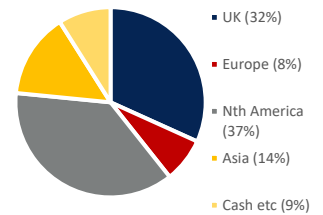
Annualised ten year rolling performance



Pool allocation



Geographic allocation



Performance to 31 December 2022

	YTD %	1 year %	3 years %	5 years %	10 years %
NAV total return	2.9	7.3	45.1	65.1	203.7
<i>Annualised</i>					
NAV total return		7.3	13.2	10.5	11.7
Retail Prices Index		12.0	6.8	5.1	3.7
Caledonia vs RPI		-4.7	6.4	5.4	8.0
FTSE All-Share Total Return		0.3	2.3	2.9	6.5
Caledonia vs FTSE			10.9	7.6	5.2

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 through a broker or financial intermediary
Contact	Cayzer House, 30 Buckingham Gate, London SW1E 6NN +44 20 7802 8080 enquiries@caledonia.com
Website	www.caledonia.com

Caledonia Investments plc

Unaudited net asset value and portfolio update

Caledonia Investments plc (“**Caledonia**”) announces that its unaudited diluted net asset value per share (“**NAV**”) as at 31 December 2022, calculated on a cum-income basis, was 4943p.

The NAV total return (“**NAVTR**”) for the nine months to 31 December 2022 was 2.9%. A final dividend of 47.3p per ordinary share for the year ended 31 March 2022 plus a special dividend of 175p per share was paid to shareholders on 4 August 2022. An interim dividend of 18.2p per ordinary share for the current year was paid on 5 January 2023.

This announcement provides an update on Caledonia’s portfolio and should be read in conjunction with the factsheet dated 31 December 2022 and released on 9 January 2023, a copy of which is available at www.caledonia.com.

Summary

Our private assets, in both Private Capital and Funds, have generated good returns during the first nine months of the year, based on a mix of positive underlying performance and the favourable impact of the 9% fall in the value of Sterling against the US dollar. In contrast, our public equity holdings have been adversely impacted by volatility and weakness in global equity markets.

The Quoted Equity pool produced a return of -5.7%, reflecting the general trends across public equity markets, with some mitigation from the favourable movement in foreign exchange rates. The Private Capital pool produced a return of 6.2%. The return reflects good progress at the majority of the investee companies in the year to date, though these remain valued as at 30 September 2022 (subject to cash movements in the quarter), with the next biannual review taking place in March 2023. The Funds pool produced a return of 13.8%, generated by the favourable exchange rate position and valuation growth from our North American based funds.

Performance for the nine-month period is summarised in the table below.

Caledonia pool performance

Net asset value – nine months to 31 December 2022

£m	<u>Opening balance</u>	<u>Net investment / (disposal)</u>	<u>Capital gains / (losses)</u>	<u>Other</u>	<u>Closing balance</u>	<u>Income</u>	<u>Total Return</u>
Quoted Equity	830.1	14.8	(63.4)	-	781.5	16.5	-5.7%
Private Capital	781.7	5.0	33.6	(1.7)	818.6	14.5	6.2%
Funds	794.4	(18.9)	106.3	-	881.8	1.8	13.8%
Portfolio	2,406.2	0.9	76.5	(1.7)	2,481.9	32.8	
Net Cash/(debt)	341.1	(0.9)	-	(109.5)	230.7		
Interim Dividend	-	-	-	(9.9)	(9.9)		
Other assets	35.4	-	-	(8.9)	26.5		
Net assets	2,782.7	-	76.5	(130.0)	2,729.2	NAVTR	2.9%

(Net Cash/(debt) – Other: includes final and special dividend for the year ended 31 March 2022 of £121m paid on 4 August 2022)

Caledonia has continued to invest and dispose of assets, in line with our active approach to portfolio management. There was a net cash outflow of £110m in the first nine months of the year, largely reflecting final and special dividends of £121m paid out to shareholders in August. Investment activity

within the Quoted Equity pool resulted in a net cash outflow of £15m. The Private Capital pool made an additional investment into Liberation Group to support the recently completed merger with Cirrus Inns and received repayment from Seven Investment Management (“7IM”) of a tranche of preference shares, plus accrued dividends. The Funds pool continued to see good levels of distributions, with net cash inflows of £19m.

Total liquidity remains healthy with cash of £231m and undrawn bank facilities of £250m as at 31 December 2022. In late November 2022 we renegotiated our banking facilities with RBSI, creating a single facility of £137.5m which runs through to November 2027. The balance of £112.5m is with ING expiring in July 2025.

Caledonia Quoted Equity – Capital and Income portfolios (29% of NAV)

The total return on the Quoted Equity pool was -5.7% over the first nine months of the year. Global public equity markets have been impacted by a number of adverse factors, notably rising inflation and resulting interest rate increases, plus the uncertainty created by the conflict in Ukraine. These factors have contributed to market volatility and a general weakening in market pricing across many sectors. Our portfolios have been directly impacted with most stocks registering price reductions since the start of our current financial year.

The Capital portfolio delivered a return of -5.6%. Individual stock performance was mixed with good returns from Oracle, Philip Morris and Becton Dickinson being more than offset by significant valuation declines impacting our holdings in Charter Communications, Microsoft, Hill & Smith and Spirax Sarco. The portfolio has significant exposure to US stocks and saw some return mitigation from the increased strength of the US dollar compared to Sterling.

The Income portfolio delivered a return of -5.9%, with notable valuation reductions for our property stocks, Big Yellow Group and London Metric, and also for Sabre Insurance. The positive performance of our tobacco and consumer products holdings provided some mitigation to these adverse returns.

Trading activity has been relatively limited, in line with our long-term investment approach. Activity included increasing our holdings in Moody’s, Charter Communications and London Metric. We disposed of our remaining holdings in A G Barr and Imperial Brands in the first half of the year. Other activity was restricted to refining positions in existing investments.

Caledonia Private Capital (30% of NAV)

Caledonia’s Private Capital portfolio is dominated by significant positions in four UK centric businesses and one private European investment company (Cobepa). These five investments represent over 90% of its value. Investee companies are revalued in March and September each year. The portfolio generated a total return of 6.2% in the nine-month period.

The financial services businesses, 7IM and Stonehage Fleming, continue to perform well despite challenging market conditions. 7IM undertook a re-financing exercise in the last quarter which facilitated the repayment of a tranche of preference shares, plus accrued dividends, to Caledonia. Stonehage Fleming has been concentrating on the integration of the Maitland private client business. Cooke Optics, the leading manufacturer of cinematography lenses, is trading in line with plan, with a strong order book driven by the recently launched new range of lenses and continuing demand for content production, to support cinema and streaming services.

Liberation Group, the pub, restaurant and drinks business with operations in the South West of the UK and the Channel Islands has traded well through the first nine months of the year. The business has been delivering strong earnings growth but does face challenges looking forward, in terms of potentially weaker consumer demand and cost pressures. In December 2022, Liberation announced the merger of the business with Cirrus Inns. Cirrus, which was founded in 2010, operates a 22-strong premium pub business which trades from southwest London across to the Cotswolds. The combination of the two

businesses brings together a predominantly freehold estate of 137 pubs, made up of 79 managed and 58 tenanted sites, with an accommodation offering of more than 400 rooms, stretching from southwest London to Bristol and the Channel Islands. The merger transaction was supported with new capital from both Caledonia and the shareholders in Cirrus Inns.

Cobepa, the Belgian based investment company, owns a diverse portfolio of private global investments. The businesses within the Cobepa portfolio continue to develop well.

A more detailed update on trading and valuation of all investee companies within the Private Capital portfolio will be provided in Caledonia's full year results announcement in May 2023.

Caledonia Funds (32% of NAV)

Caledonia's fund investments are principally in third party managed private equity funds operating in North America and in Asia. The total return on the Funds portfolio was 13.8% for the first nine months of the year. This performance reflects positive valuation growth across the maturing portfolio of North America based funds, which was partially offset by valuation declines within the Asia based funds, plus the favourable impact of exchange rate movements, given that the majority of these holdings are US dollar denominated. In the US a number of our general partners, particularly Boyne, KLH, CenterOak and New Heritage produced very strong gains for the period alongside our US fund of funds manager, Aberdeen US private equity funds. In contrast, in Asia where fund values have a more direct linkage to the local public equity markets, performance was much more mixed and there was significant volatility in the value of public stocks which had joined the market following recent IPO listings. Updated valuations dated 30 September 2022 amount to 97% of the pool's NAV.

During the first nine months of the year, £101m was invested and distributions of £120m were received. The level of distributions remains very positive, with Asian and North American based funds generating notable cash inflows, reflecting ongoing deal flow and some limited IPO activity in the broader private equity market.

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9 January 2023

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 31 December 2022.

Caledonia Private Capital: the holdings are valued biannually, principally on a normalised EBITDA x market multiple basis (in line with the latest IPEV guidelines). This approach was applied to the majority of significant assets in the portfolio at 30 September 2022. There was one exception to this approach; our holding in Cobehold, where fair value was derived from the external valuation prepared by Cobepa.

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.

Caledonia Investments plc

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

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