



CALEDONIA INVESTMENTS

30 June 2022

Share price: 3465p

NAV/share: 4884p

Discount: 29.1%

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 the year to date was 1.3%. The return was driven by the continued weakening of Sterling against the US dollar and positive fund valuation updates, partially offset by price reductions impacting a number of our Quoted Equity holdings.

We invested £22m during the month which included £16m into private equity funds and £5m into quoted stocks. We realised £18m, £16m of which was private equity fund distributions.

Net cash at the month end was £333m. The proposed final and special dividend, costing £121m payable on 4 August 2022 (the ex-dividend date was 30 June 2022), will be funded from cash.

Ten largest holdings

Name	Business	£m
Seven Investment Management	Investment management	174.4
Cobehold	Investment company	159.7
Stonehage Fleming	Family office services	140.1
Liberation Group	Pubs and restaurants	135.9
Aberdeen US PE Funds	Funds of funds	131.4
Cooke Optics	Cine lens manufacturer	117.8
Axiom Asia Funds	Funds of funds	93.8
Microsoft	Software	56.4
Asia Alternatives funds	Funds of funds	53.9
Oracle	Software	53.7
		1,117.1
Other pool investments		1,340.5
Cash and other items		243.0
Net assets		2,700.6

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

Private equity fund valuation dates

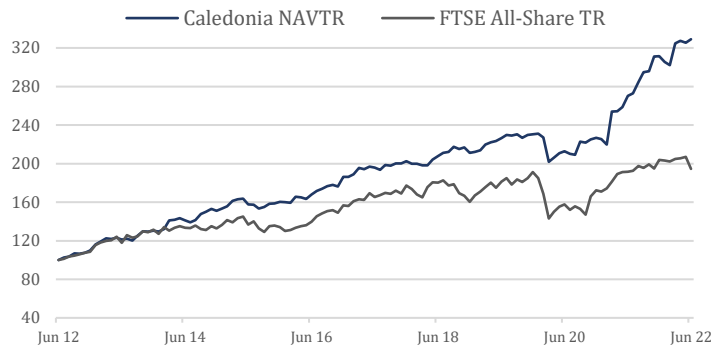
Manager NAV date	£m	%
30 September 2021	1.1	0.1
31 December 2021	131.4	14.9
31 March 2022	750.2	85.0
	882.7	100.0

Caledonia Investments plc

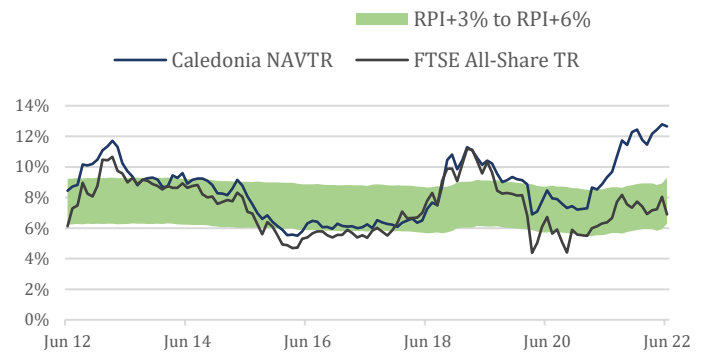
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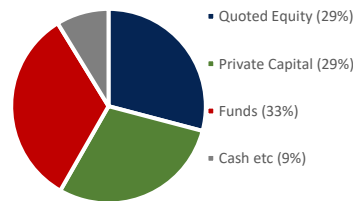
NAV total return index ten years



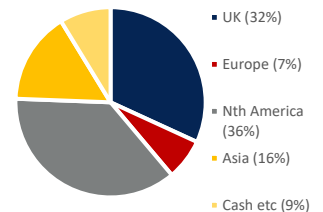
Annualised ten year rolling performance



Pool allocation



Geographic allocation



Performance to 30 June 2022

	YTD %	1 year %	3 years %	5 years %	10 years %
NAV total return	1.3	21.7	45.2	67.9	229.0
<i>Annualised</i>					
NAV total return		21.7	13.2	10.9	12.6
Retail Prices Index		9.9	4.9	4.2	3.3
Caledonia vs RPI		11.8	8.3	6.7	9.3
FTSE All-Share Total Return		1.6	2.4	3.3	6.9
Caledonia vs FTSE			10.8	7.6	5.7

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 its unaudited diluted net asset value per share (“**NAV**”) as at 30 June 2022, calculated on a cum-income basis, was 4884p. The NAV includes an accrual for the proposed final and special dividends at a value of 222.3p per share.

The NAV total return (“**NAVTR**”) for the three months to 30 June 2022 was 1.3%.

This announcement provides an update on Caledonia’s portfolio and should be read in conjunction with the factsheet dated 30 June 2022 and released on 7 July 2022, a copy of which is available at www.caledonia.com.

Summary

The first quarter has been subject to volatility and weakness in global equity markets, but this has been more than offset by the performance of our fund investments and the positive impact of the 7.8% fall in the value of Sterling against the US dollar.

The Quoted Equity portfolio produced a return of -5.8%, reflecting the wider market trend. The Capital portfolio, which comprises stocks with a growth orientation, was more adversely affected. The Income portfolio, with a bias towards UK stocks, was also impacted to a lesser degree. There was no material transaction activity in the Private Capital portfolio during the period. As investee companies are revalued biannually, with the next review taking place on 30 September 2022, the 1.1% return principally reflected positive valuation movement in our US and European investments driven by exchange rate movements. The Funds portfolio produced a return of 11.4% based on valuation growth from many of the holdings across our maturing investments, plus the significant positive impact of weaker Sterling on a predominantly US dollar-based portfolio.

Performance for the first three months is summarised in the table below.

Caledonia pool performance

Net asset value – three months to 30 June 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	7.2	(52.7)	-	784.6	4.9	-5.8%
Private Capital	781.7	(1.3)	5.0	0.9	786.3	3.8	1.1%
Funds	794.4	8.8	86.2	-	889.4	1.1	11.4%
Portfolio	2,406.2	14.7	38.5	0.9	2,460.3	9.8	
Net Cash/(debt)	341.1	(14.7)	-	6.2	332.6		
Accrued dividend	-	-	-	(120.6)	(120.6)		
Other assets	35.4	-	-	(7.1)	28.3		
Net assets	2,782.7	-	38.5	(120.6)	2,700.6	NAVTR	1.3%

Caledonia has continued to invest and dispose of assets, in line with our active approach to portfolio management, with a net cash outflow of £9m in the first quarter of the year. The Quoted Equity portfolio increased its holdings in two companies, refined positions in a number of others and completed the sale of our holding A G Barr, creating a net investment outflow of £7m. The Funds portfolio continued to see a good level of fund distributions, but with new fund investments requiring £37m of funding, there was a net cash outflow of £9m in the quarter. As noted above, there were no material transactions in the Private Capital portfolio in the period.

Total liquidity remains healthy with cash of £333m and undrawn bank facilities of £250m as at 30 June 2022. Caledonia's £250m banking facilities include £137.5m expiring in May 2025, with the balance of £112.5m expiring in July 2025, following the successful renewal of our facility with ING in late May 2022 for a further three years.

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

The total return on the Quoted Equity pool was -5.8% over the first three months of the year. This performance reflected the challenging nature of global public equity markets over recent months, as the impact of the sharp rise in inflation and the conflict in Ukraine was factored into market pricing. The exchange rate movement has provided some mitigation for US dollar denominated stocks, although this only had a limited impact on the more highly rated stocks in the Capital portfolio, with a total return for the quarter of -6.5%. In contrast, the Income portfolio, with a focus on yield and weighting to UK stocks, was less severely affected and produced a total return of -3.9%. The strongest performers in the period were tobacco and consumer goods investments.

Trading activity has been relatively limited, in line with our long-term investment approach. The main activity was in the Capital portfolio, with further purchases to build our positions in Moody's and Charter Communications and the sale of our remaining holding in A G Barr. Other activity was restricted to refining positions in existing investments.

Caledonia Private Capital (29% of NAV)

Caledonia's Private Capital portfolio is comprised of significant positions in four UK based businesses and one private European investment company. These five investments represent over 95% of its value. Investee companies are revalued in March and September each year.

The total return on the Private Capital portfolio was 1.1% for the first three months of the year. The return principally reflects the positive impact of foreign exchange on non-sterling denominated holdings.

Our financial services businesses, Seven Investment Management ("**7IM**") and Stonehage Fleming, continue to perform well. The volatility in the public equity markets has impacted net new fund inflows and revenue growth has been weaker than anticipated. However, initiatives in both businesses are expected to drive future growth and improved returns. 7IM has added an important sizeable new IFA grouping to its client base and has secured significant cost savings from key service providers, with both initiatives expected to underpin profit growth. The focus at Stonehage Fleming has been the integration of the recently acquired Maitland private client business which is progressing well and will be reflected in the financial performance of the business in the second half of the year. The Cobehold portfolio continues to develop positively, following the completion of two major disposals over the last twelve months.

Liberation Group, a pub, restaurant and drinks business with operations in the Channel Islands and the South West of the UK has traded well through the early part of the year and recorded good growth in revenue and profits. Its portfolio is well positioned with many destination pubs, a strong food offering, large outdoor spaces and, in many cases, quality accommodation. However, the trading environment is challenging with inflationary pressure across elements of its cost base and a tight market for quality staff, plus the potential for a reduction in demand as the increased cost of living impacts discretionary consumer expenditure. The business is addressing these issues with targeted interventions, but we anticipate progress in profitability will be more challenging through the rest of the year.

Cooke Optics, a leading manufacturer of cinematography lenses, has traded well during the period. The recently launched range of full-frame cine lenses has generated good market demand. The business is ramping up production to meet this demand, whilst maintaining a very healthy order book, resulting in good revenue and profit growth.

A more detailed update on trading and valuation of the principal investee companies within the Private Capital portfolio will be provided in Caledonia's half year results announcement in November 2022.

Caledonia Funds (33% of NAV)

The total return on the Funds portfolio was 11.4% for the first three months of the year, including an uplift of around 7.5% from exchange rate movements. The underlying performance reflects continued strong valuation growth from holdings across the portfolio and particularly from the fund of funds managers. The key managers in this group are Aberdeen US private equity funds ("**Aberdeen**"), Axiom Asia funds and Asia Alternatives funds. Updated valuations dated 31 March 2022 amount to 84% of the Funds' NAV. The holdings in Aberdeen and American Industrial Partners, which represent 16% of Funds NAV, are based on the manager's 31 December 2021 valuation.

Caledonia's fund investments are principally in third party managed private equity funds operating in the US and in Asia. The feedback from the fund managers remains positive. The majority of the underlying business investments are performing well, in line with, or ahead of plan, with only a small number tracking below expectations.

During the first three months of the year, £37m was invested and distributions of £28m were received. The level of distributions remains positive, principally reflecting deal flow in the broader private equity markets.

Company contacts

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7 July 2022

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 June 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 31 March 2022. There are two exceptions to this approach: Liberation Group, where fair value was based on a combination of normalised EBITDA x market multiple and a market based multiple of fixed assets; and our holding in Cobehold, where fair value was derived from the external valuation prepared by Cobepa.

The holdings have not been revalued at 30 June 2022; however, the valuations have been updated to reflect FX movements and cash transactions completed in the last quarter.

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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