



# CALEDONIA INVESTMENTS

31 March 2022

Share price: 3540p

NAV/share: 5032p

Discount: 29.7%

## About Caledonia

Caledonia is a self-managed investment trust company with net assets of £2.8bn. 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, have a global reach.

## Review

NAVTR for March, which included our biannual revaluation of unquoted investments, was 7.3% and for the full financial year was 27.6%. During the month, we invested £31m and realised £15m. Net cash at the month end was £341m.

The Quoted Equity portfolio returned 14.1%, benefitting from the strength of public equity markets in the last year. The Private Capital portfolio generated an excellent return of 54.7% following the biannual revaluation of its holdings, which included the previously announced sales of Deep Sea Electronics and BioAgilytix. The Funds portfolio returned 35.7% based on strong valuation growth and generated net cash inflows over the year, reflecting the growing maturity of its holdings.

Further commentary regarding annual performance can be found in the NAV and portfolio update released alongside this factsheet.

Since June 2021 we have repurchased £24.0m of ordinary shares at a weighted average share price of £33.77.

## Ten largest holdings

Name	Business	£m
Seven Investment Management	Investment management	173.7
Cobehold	Investment company	159.2
Stonehage Fleming	Family office services	140.1
Liberation Group	Pubs and restaurants	135.7
Cooke Optics	Lens manufacturer	117.8
Aberdeen US PE Funds	Funds of funds	117.3
Axiom Asia Funds	Funds of funds	87.6
Microsoft	Software	62.4
Watsco	Ventilation products	62.2
Oracle	Software	58.6
		1,114.6
Other pool investments		1,276.2
Cash and other items		386.5
Net assets		2,777.3

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

## Private equity fund valuation dates

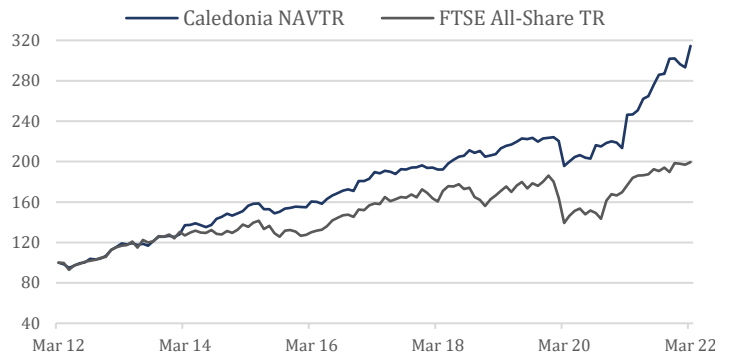
Manager NAV date	£m	%
30 September 2021	173.4	22.4
31 December 2021	599.4	77.6
	772.8	100.0

## Caledonia Investments plc

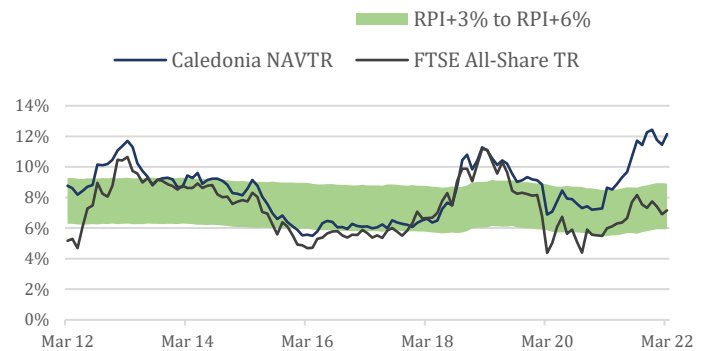
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The price of shares and the income from them may go down as well as up. Past performance is no indication of future performance. Under no circumstances should this information be considered as an offer, or solicitation, to deal in investments.

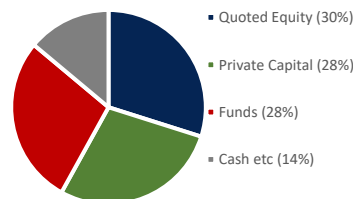
## NAV total return index ten years



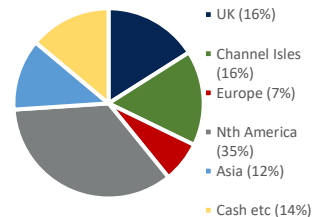
## Annualised ten year rolling performance



## Pool allocation



## Geographic allocation



## Performance to 31 March 2022

	YTD %	1 year %	3 years %	5 years %	10 years %
<b>NAV total return</b>	<b>27.6</b>	<b>27.6</b>	<b>47.6</b>	<b>65.9</b>	<b>214.5</b>
<i>Annualised</i>					
<b>NAV total return</b>	<b>27.6</b>	<b>13.8</b>	<b>10.6</b>	<b>12.1</b>	
Retail Prices Index		8.2	4.1	3.6	2.9
<b>Caledonia vs RPI</b>	<b>19.4</b>	<b>9.7</b>	<b>7.0</b>	<b>9.2</b>	
FTSE All-Share Total Return		13.0	5.3	4.7	7.2
<b>Caledonia vs FTSE</b>				<b>5.9</b>	<b>4.9</b>

<sup>1</sup>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 email 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 March 2022, calculated on a cum-income basis, was 5032p. This incorporates the biannual revaluation of the Private Capital portfolio.

The NAV total return (“**NAVTR**”) for the year to 31 March 2022 was 27.6%. A final dividend of 45.9p per ordinary share for the year ended 31 March 2021 was paid to shareholders on 5 August 2021; an interim dividend of 17.5p per ordinary share was paid on 6 January 2022.

This announcement provides an update on Caledonia’s portfolio and should be read in conjunction with the factsheet dated 31 March 2022 and released on 7 April 2022, a copy of which is available at [www.caledonia.com](http://www.caledonia.com). Caledonia will announce its audited full year results on 26 May 2022.

### Summary

The strong NAVTR performance is based on positive returns from each part of Caledonia’s portfolio. The Quoted Equity portfolio produced a healthy return of 14.1% benefitting from exposure to high quality growth stocks in the US, though the increased volatility since January 2022 saw returns reduce from earlier in the year. The Private Capital portfolio generated a return of 54.7% following the biannual revaluation of its holdings. All the principal investee companies are progressing well and, coupled with the previously announced sales of Deep Sea Electronics (“**DSE**”) in early June 2021 and BioAgilytix in December, delivered excellent returns for the year. The Funds portfolio returned 35.7% driven by strong valuation growth, based on the most recent valuations received from fund managers, and also generated net cash inflows over the year, reflecting the growing maturity of its fund holdings.

Performance for the year is summarised in the table below.

### Caledonia pool performance

Net asset value – year to 31 March 2022

£m	<u>NAV</u> <u>31/3/21</u>	<u>Net</u> <u>investment</u> <u>/(disposal)</u>	<u>Capital</u> <u>gains /</u> <u>(losses)</u>	<u>Other</u>	<u>NAV</u> <u>31/3/22</u>	<u>Income</u>	<u>Total</u> <u>Return</u>
Quoted Equity	716.1	36.6	77.4	-	830.1	23.2	14.1%
Private Capital	826.8	(341.0)	295.1	0.8	781.7	26.9	54.7%
Funds	637.1	(67.4)	209.3	-	779.0	5.6	35.7%
Portfolio	2,180.0	(371.8)	581.8	0.8	2,390.8	55.7	
Net Cash/(debt)	(0.8)	371.8	-	(30.1)	340.9		
Other assets	46.1	-	-	(0.5)	45.6		
Net assets	<b>2,225.3</b>	-	<b>581.8</b>	<b>(29.8)</b>	<b>2,777.3</b>	NAVTR	<b>27.6%</b>

Whilst Caledonia has particularly low stock turnover relative to other investment companies, we do operate an active approach to portfolio management which produced a net cash inflow of £342m in the year. Transactions in the Private Capital portfolio involving DSE and BioAgilytix together generated net cash proceeds of £347m, including a pre-disposal dividend from DSE. The Quoted Equity portfolio made investments into two new companies and added significantly to one existing holding during the year. Holdings in two companies were trimmed and positions were refined in a number of others, generating a net cash outflow of £37m. The Funds portfolio benefitted from elevated levels of fund distributions, particularly from US based funds. There was a net cash inflow of £67m, including £9m from the secondary sale of an existing fund position in the year.

Total liquidity remains healthy with cash of £341m plus undrawn bank facilities of £250m at 31 March 2022. Caledonia's £250m banking facilities include £137.5m expiring in May 2025, with the balance of £112.5m expiring in July 2022. Negotiations are underway with ING to renew the latter facility for a further three years.

The Company has undertaken share buy-backs since early June. In the year just a little over 710,000 shares were purchased for £24m at attractive levels of discount to NAV.

#### **Caledonia Quoted Equity – Capital and Income portfolios (30% of NAV)**

The total return for the Quoted Equity pool was 14.1% over the year. This strong performance reflected the positive movement in global public equity markets and our stock selection within both the Capital and Income portfolios, delivering total returns of 14.6% and 13.7% respectively. Performance was driven by good returns from a broad range of sectors and across UK, Continental European and North American markets; six holdings – Microsoft, Thermo Fisher, National Grid, Diageo, London Metric and Big Yellow - delivered returns of over 30% during the period.

Trading activity was relatively limited in the first half of the year, in line with our long-term investment approach. However, the more volatile market backdrop arising during the second half of the year created some buying opportunities, though portfolio performance was pared back. Positions in Alibaba, the prominent Chinese e-commerce and cloud-computing company, and in Moody's, a leading global provider of credit ratings, financial data and analytics, have been added to the Capital portfolio. Over the year there has been an increase in our holding in Philip Morris International and a reduction in our holdings in AG Barr and Polar Capital. Other activity was restricted to refining positions in existing investments.

#### **Caledonia Private Capital (28% of NAV)**

Caledonia's Private Capital portfolio is dominated by significant positions in four UK centric businesses, one US co-investment and one private European investment company. These six investments represent over 95% of the portfolio value. Investee companies are revalued in March and September each year. The portfolio generated a total return of 54.7% for the year.

On 1 June 2021, Caledonia announced that portfolio company DSE, a leading provider of backup power control systems, had been acquired by Generac Holdings Inc. ("**Generac**"). Generac is listed on the New York Stock Exchange (NYSE: GNRC) and is a leading global designer and manufacturer of energy technology solutions and other power products. DSE had grown strongly since its acquisition by Caledonia in October 2018. Caledonia received net proceeds of £242m in cash, net of fees, for the sale of its 84.2% fully diluted stake. This included a pre-disposal dividend of £12.6m. DSE was valued at £193m in Caledonia's accounts at 31 March 2021.

On 17 November 2021, Caledonia announced that the shareholders of portfolio company BioAgilytix, a leading provider of bioanalytical testing for large molecule research and development, had agreed terms of a majority investment in the company by international private equity firm Cinven. Caledonia co-invested in BioAgilytix in February 2019 alongside Cobepa. Since then, the business had grown strongly via a mix of impressive organic growth and acquisitions in the US and Australia, expanding its geographic reach and capabilities. The transaction completed on 22 December 2021 delivering gross proceeds of US\$183m, net of fees. The BioAgilytix co-investment was valued at US\$36m in Caledonia's accounts at 31 March 2021. Caledonia agreed to re-invest US\$42m alongside Cinven and a consortium of investors including Cobepa, for a minority investment in BioAgilytix. This holding in BioAgilytix was valued at cost of US\$42m (£32m) at 31 March 2022, reflecting the recent closing of the transaction.

Seven Investment Management ("**7IM**"), a vertically integrated multi-asset class investment manager continues to perform well. The successful integration of the Partners Wealth Management business has been a major contributor to performance, alongside growth in 7IM's platform business. Assets under management continue to grow strongly through a mix of positive investment performance and net new

fund inflows of c.£1.6bn during the year. The valuation at 31 March 2022 was £174m, a return of 40% for the year.

Cobepa, the Belgian based investment company, owns a diverse portfolio of private global investments. The businesses within its portfolio have delivered healthy performances which, coupled with two notable exits, has resulted in a significant valuation increase for the year. As noted above, Cobepa was the majority owner of BioAgilytix, which was sold to Cinven, and it has also recently completed the disposal of its largest asset, Hillebrand, to Deutsche Post DHL Group at an equity value of €1.5bn. The impact of these transactions is largely included in the valuation of Caledonia's holding in Cobehold (the holding company of Cobepa) which was £159m at 31 March 2022, a return of 44% for the year.

Stonehage Fleming, the international multi-family office, continues to deliver good growth, both organically and through successful acquisitions. In summer 2020, the business acquired Cavendish Asset Management which has now been fully integrated, and in January 2021 completed the acquisition of the private client business of the Maitland Group, a global advisory, administration and family office firm. The Maitland private client business is highly complementary to Stonehage Fleming's existing operations. The acquisition was funded from existing cash resources and additional term debt. The valuation at 31 March 2022 was £140m, a return of 25% for the year.

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 year, despite the adverse impact of the Omicron variant of Covid-19 during the busy December to early January trading period. The business has proved to be financially robust with an estate focused on destination pubs, a strong food offering, large outdoor spaces and, in several sites, good quality accommodation. Summer trading saw better than expected levels of demand return as consumers responded to a relaxation of coronavirus restrictions, supported by the popularity of UK-based holidays. The pubs recently acquired from Wadworth & Co. are performing well following a programme of investment. The valuation at 31 March 2022 was £136m, a return of 6% for the year.

Cooke Optics, a leading manufacturer of cinematography lenses, has also traded well over the last twelve months. The business has faced a number of challenges over the past two years but is now delivering improved financial performance. The recently launched range of full frame cine lenses has been positively received by the market with a healthy initial order book. The market is strong as global demand for both streaming and cinema content remains elevated. The valuation at 31 March 2022 was £118m including £30m of term debt, an equity return of 34% for the year.

#### **Caledonia Funds (28% of NAV)**

The total return for the Funds portfolio was 35.7% for the year. This reflects strong underlying fund performance, including an increased level of distributions, from across our maturing funds portfolio. Caledonia's valuation policy is to utilise the latest valuations reported by the managers of the funds in which we invest, adjusted for any cash movements to our reporting date. 77.6% of NAV is based on valuations dated 31 December 2021, primarily the directly owned funds. The remainder, mostly fund of funds holdings, are dated 30 September 2021. The timing of these valuations means that they may not reflect the potential impact of current inflationary pressures or the conflict in Ukraine, both of which have contributed to recent increased volatility in public markets. The valuation information is summarised below.

Private equity fund valuation dates included in NAV at 31 March 2022

<u>Manager NAV date</u>	<u>£m</u>	<u>% of NAV</u>
30 September 2021	173.4	22.4
31 December 2021	599.4	77.6
Total	<u>772.8</u>	<u>100.0</u>

Note: The balance of £6.2m of the Funds pool NAV is invested in a quoted market fund.

Caledonia Funds' investments are principally in third party managed private equity funds operating in North America and Asia. The level of return during the year has been very strong, reflecting the outcome of a consistent, planned approach to selecting and committing to funds over the last ten years, which mature to deliver valuation growth and generate cash distributions as underlying holdings are realised. Almost all of our managers have recorded good growth this year, across both geographies. Our investments with fund of funds managers – Aberdeen US private equity funds, Axiom Asia funds and Asia Alternatives funds – have shown particularly healthy returns.

The strategy for the Funds portfolio involves committing between US\$100m and US\$150m per annum to new fund opportunities. During the year, £111m was drawn down and £169m was distributed by the funds; we also received £9m from the sale of a fund position in the secondary market. The level of distributions remains positive, with a notable bias towards our North American funds, reflecting merger, acquisition and IPO activity in broader private equity markets.

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7 April 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 31 March 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 on 31 March 2022. There were 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.

*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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**END**