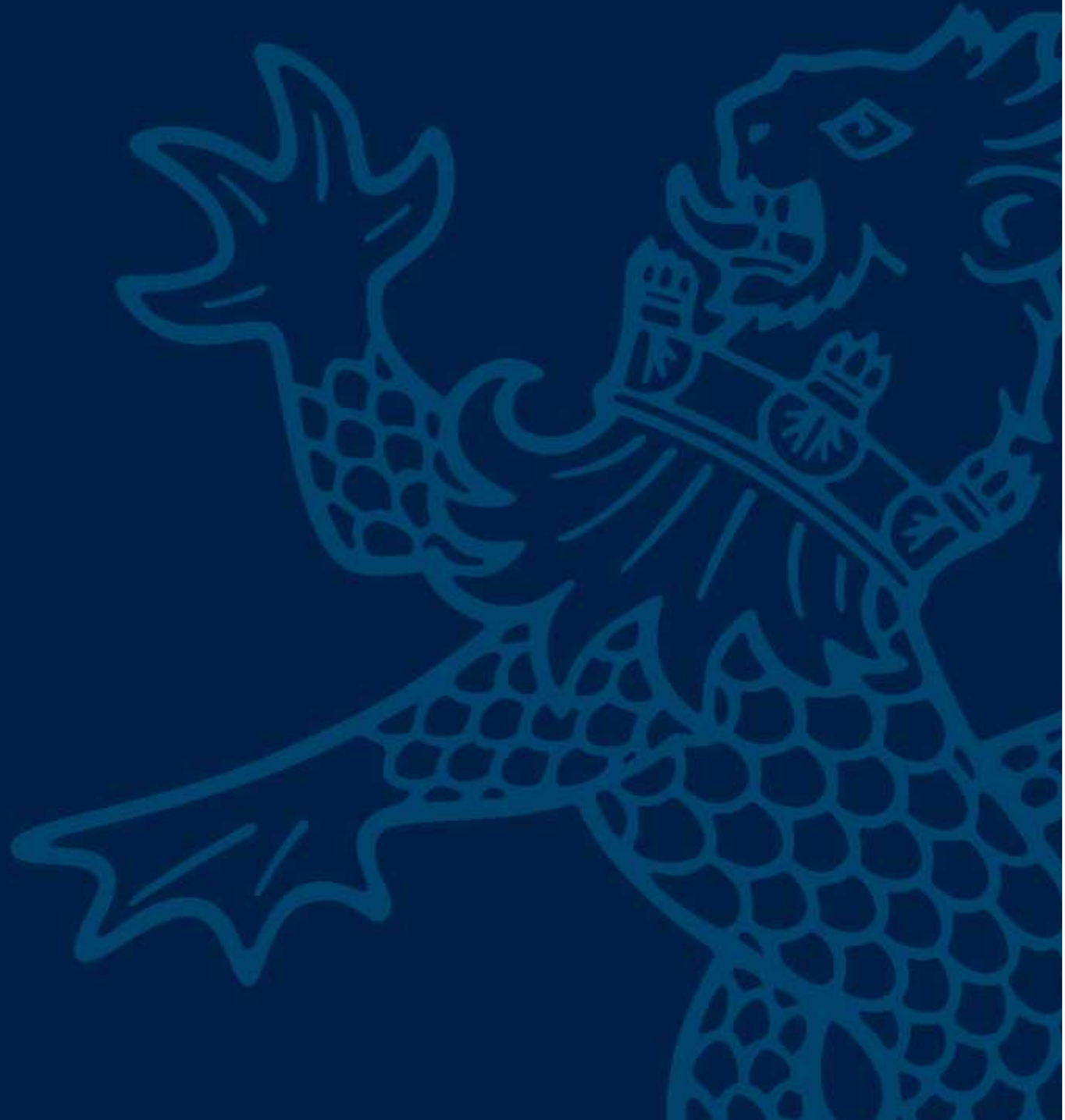




**CALEDONIA**  
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Annual General Meeting  
21 July 2016

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Presentation of results  
for the year ended 31 March 2016



# Highlights

Year ended 31 March 2016



- +2.6% NAV per share total return for year (+14.2% in 2015)
- Diversified portfolio provides mitigation to continued market volatility
- 4.0% increase in annual dividend; 49<sup>th</sup> consecutive year of dividend growth
- Continued 10 year outperformance against FTSE All-Share TR Index

Summary of the year	31 Mar 2016	31 Mar 2015	Change %
NAV total return	+2.6%	+14.2%	n/a
NAV per share	2890p	2906p	-0.6
Discount to NAV	20.9%	21.5%	-0.6
Annual dividend per share	52.6p	50.6p	+4.0

# Performance track record

- Aim to grow capital value and income over the long term (ten years) measured in real terms
- Outperformance of RPI +3% to +6% over medium term
- Outperformance against FTSE All-Share over 10 years
- Disciplined investing – a proven record of delivering performance consistent with our strategic risk/return appetite

	1 year	3 years	5 years	10 years
NAV total return	+2.6%	+34.9%	+49.2%	+71.6%
NAV total return annualised	+2.6%	+10.5%	+8.3%	+5.5%
RPI annualised	+1.6%	+1.6%	+2.3%	+3.0%
<b>Caledonia RPI outperformance</b>	<b>+1.0%</b>	<b>+8.9%</b>	<b>+6.0%</b>	<b>+2.5%</b>
FTSE All-Share total return annualised				+4.7%
<b>Caledonia FTSE outperformance</b>				<b>+0.8%</b>

# NAV summary performance by investment pool

Year ended 31 March 2016



Investment pool	Value 31 Mar 2016 £m	Investment income £m	Total return £m	Total return %
Quoted	449.3	13.9	(33.9)	-7.0
Income & Growth	194.1	8.6	(0.8)	-0.4
Unquoted	646.3	25.8	79.2	15.2
Funds	308.4	1.9	18.6	5.9
<b>Portfolio</b>	<b>1,598.1</b>	<b>50.2</b>	<b>63.1</b>	<b>4.1</b>
Net cash	22.9		(1.2)	
Other items	23.3		(19.1)	
	<b>1,644.3</b>		<b>42.8</b>	<b>2.6</b>

# A clear strategy delivering investment objectives

---

- A strategic focus to deliver long term capital growth combined with an increasing annual dividend
- Achieved through four pools of capital with a balanced exposure to listed and unlisted markets across sectors and geographies
- Review of strategy during the year
- Confirmation that 2011 strategy has produced good returns in line with objectives
- Minor adjustments recommended:
  - Pool allocation ranges amended
  - Increase Funds pool exposure to private equity funds, reducing quoted market exposure
  - Remove Funds pool requirement for income
  - Reduce target return for Income & Growth pool from 10% to 7%

# Strategic allocation and revised range

Investment pool	£m	Allocation 31 Mar 2016 %	Revised strategic range	Description
Quoted	449.3	27%	25-40	Large equity holdings in high quality companies
Income & Growth	194.1	12%	15-20	Global equity portfolio, 4.5% net yield
Unquoted	646.3	39%	35-45	8-10 direct stakes in private companies >£25m
Funds	308.4	19%	15-20	Private equity and quoted market funds (US & Asia focus)
Cash and other	46.2	3%	(10)-10	
<b>Total</b>	<b>1,644.3</b>	<b>100%</b>		

# Quoted pool - highlights

## Year ended 31 March 2016

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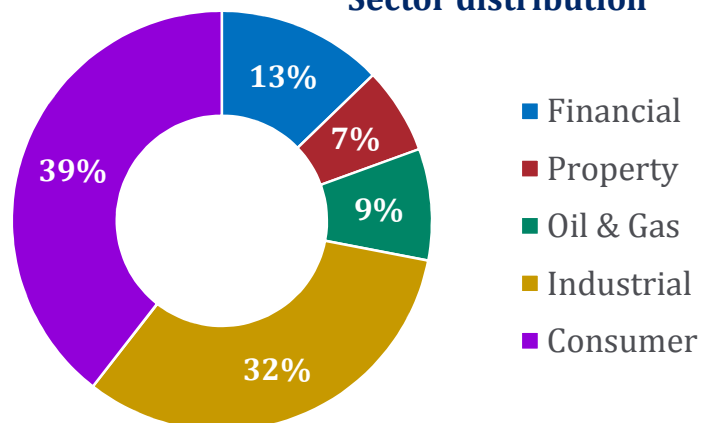
- -7.0% return for year (FTSE All-Share TR Index -3.9%)
- Positive performers – BAT, Microsoft, Hill & Smith
- Negative contributors – Bristow (falling oil price), Rolls-Royce (now sold), AG Barr, Close Brothers
- £13.9m income
- Invested £157m in the year
  - Consumer (Colgate, Unilever, BAT)
  - Engineering/oil service (Flowserve, Bristow - top-up)
  - Technology/growth (Becton Dickinson, Thermo Fisher Scientific)
- Realised £113m in the year
  - Quintain Estates take-over
  - Reduced Close Brothers holding
  - Sales of other non-core but illiquid holdings



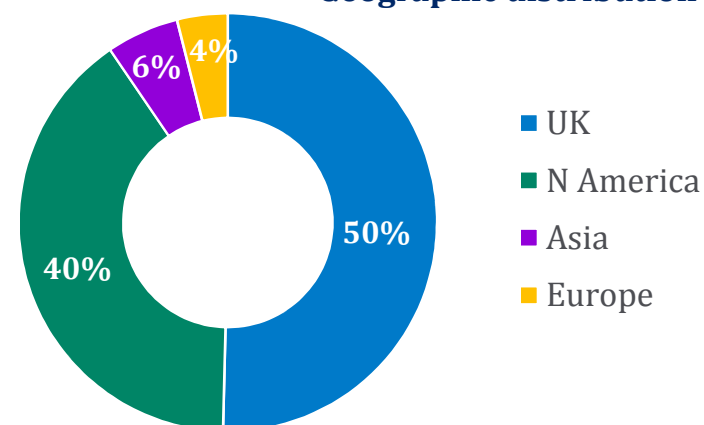
# Quoted pool

Significant investments	First invested	Value 31 Mar 2016 £m	Value 31 Mar 2015 £m	Income £m	Capital gain/(loss) £m	Total return %
AG Barr	1977	50.1	57.6	1.2	(7.6)	-11
Bristow Group	1991	38.6	60.8	1.1	(39.3)	-59
Flowserve	2015	30.0		0.4	(5.0)	-14
Close Brothers	1987	29.2	56.1	1.4	(7.7)	-14
Polar Capital	2001	28.3	29.3	2.0	(0.2)	+6
British American Tobacco	2015	28.2	2.8	1.0	3.7	+23
Other		244.9	241.1	6.8	8.3	
<b>Total</b>		<b>449.3</b>	<b>447.7</b>	<b>13.9</b>	<b>(47.8)</b>	<b>-7</b>

Sector distribution



Geographic distribution



# Income & Growth pool – highlights

## Year ended 31 March 2016

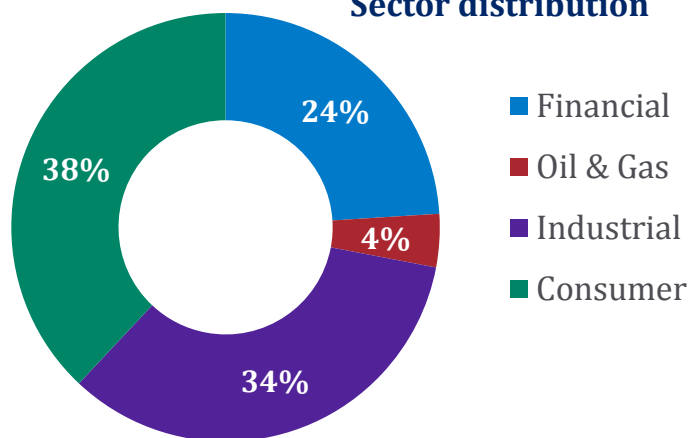
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- -0.4% return for year (FTSE All-Share TR – off 3.9%)
- Five year track record (since inception) NAV total return of +41.8%, annualised return of 7.2%
- £8.6m income, net yield 4.1% for year
- Higher income profile provides a defensive bias to more volatile quoted markets
- Highly liquid investments

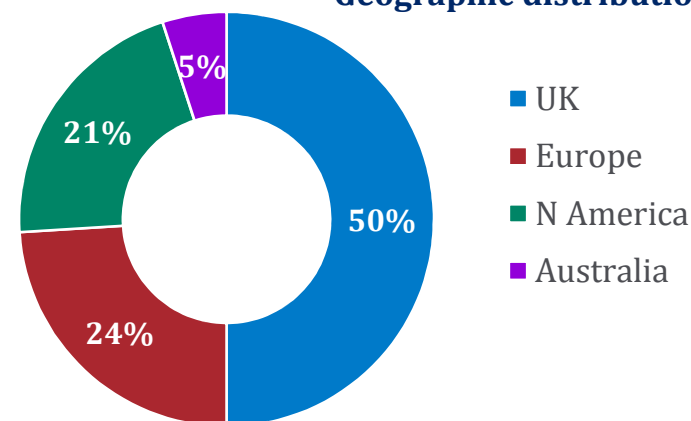
# Income & Growth pool

Top five holdings	Country	Value 31 Mar 2016 £m	Income £m	Total return %
APA Group	Australia	8.9	0.3	+8
Altria Group	US	8.9	0.3	+37
General Electric	US	8.8	0.2	+36
SES	Luxembourg	8.6	0.2	-9
Imperial Brands	UK	8.4	0.3	+34
Other		150.5	7.3	
<b>Total</b>		<b>194.1</b>	<b>8.6</b>	<b>-</b>

Sector distribution








Geographic distribution



# Unquoted pool – highlights

## Year ended 31 March 2016

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- +15.2% return for year
- £25.8m income, 5.1% yield
- £53.4m capital gain in the year
- Two investments during year
  -  Gala Bingo (£92m equity invested)
  -  **SEVEN**  Seven IM (£74m equity invested)
- One sale completed during year
  -  **TGE**  TGE Marine (proceeds £79m)
    - 3.5x MoM, IRR 39%
- Two follow-on investments during year
  - Choice Care Group (£2.5m)
  - Brookshire Capital (£2.8m)
- Strong deal flow, with 220 opportunities reviewed in the year

# Unquoted pool – highlights (continued)

## Year ended 31 March 2016

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### Performance – positive contributors



- Park Holidays (£150.4m, +63% return)
  - Strong profit growth (>50%) and cash generation over past two years
  - £45m refinancing of debt
  - £12.1m dividend received in the year
  - Special dividend of £27m received post year end
- Cobehold (£111.2m, +23% return)
  - Strong underlying portfolio growth following two quiet years
  - Favourable currency tailwind
  - £1.7m dividend received in the year

### Performance – negative contributor

- Sterling Industries (£11.1m, -65%)
  - Principal markets iron & steel and oil & gas
  - Steep fall in profits led to sharp reduction in value
  - No sign of market turnaround

# Unquoted pool – significant acquisitions

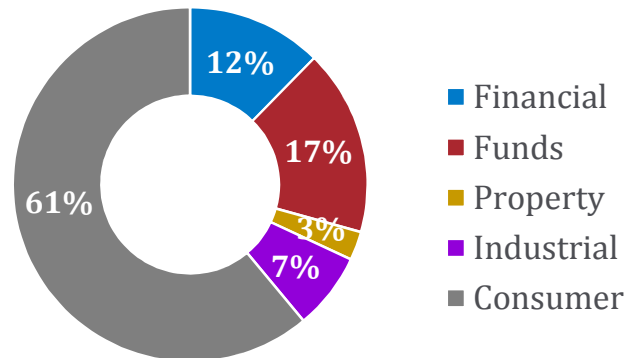
## Year ended 31 March 2016

- **SEVEN**   
Investment Management  
Seven IM (£74m)
  - UK provider of discretionary fund management, retail investment fund and platform services to UK investors
  - Acquired as part of transaction valuing the business at £100m
  - AUM of £9.5bn, entry price 0.8% AUM, 8.0x EBITDA
  - Caledonia successful due to unique unquoted investment offering
  - Long term demand-led growth drivers underpin investment case
  - High cash conversion generating strong dividend flow
-   
Gala Bingo (£92m)
  - The UK's largest retail bingo operator
  - Acquired as part of transaction valuing the business at £241m
  - Historic links to business gave insight with opportunity
  - Attractive entry multiple of 4.5x EBITDA
  - Exceptional cash generation with potential for capital growth through digital product expansion

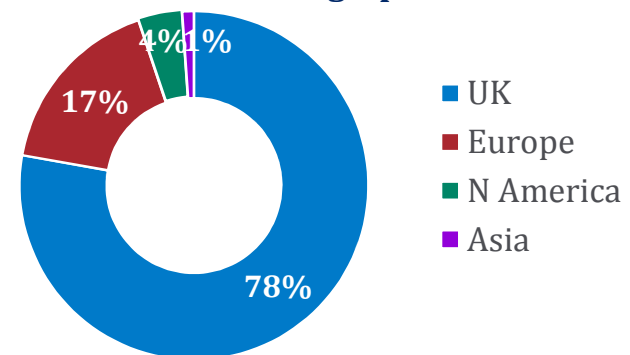
# Unquoted pool

Significant investments	First invested	Value 31 Mar 2016 £m	Value 31 Mar 2015 £m	Income £m	Capital gain/ (loss) £m	Total return %
Park Holidays	2013	150.4	101.1	12.1	49.3	+63
Cobehold	2004	111.2	92.2	1.7	19.0	+23
Gala Bingo	2015	92.3		-	-	-
Seven Investment Management	2015	73.6		1.0	-	+2
The Sloane Club	1991	58.8	55.0	1.2	5.1	+12
Choice Care Group	2013	54.0	51.5	1.5	-	+3
Other		106.0	210.5	8.3	(20.0)	
<b>Total</b>		<b>646.3</b>	<b>510.3</b>	<b>25.8</b>	<b>53.4</b>	<b>+15</b>

**Sector distribution**



**Geographic distribution**



# Funds pool - highlights

## Year ended 31 March 2016

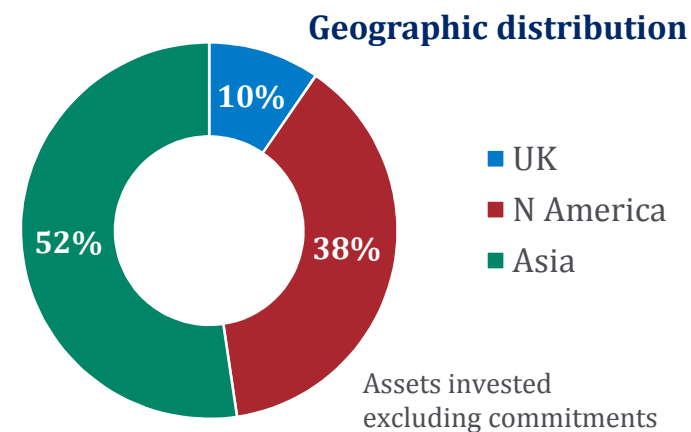
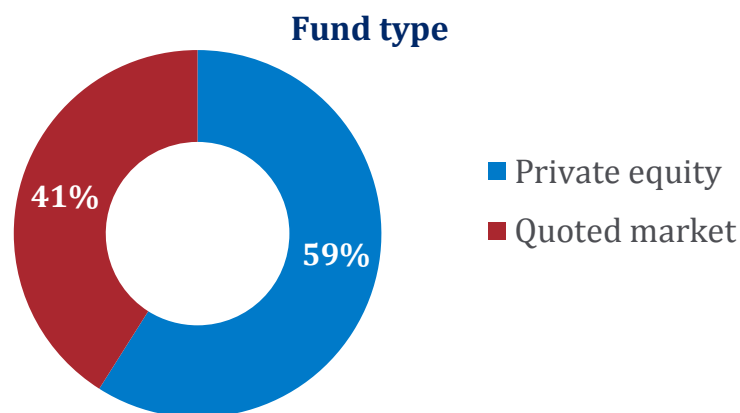
- +5.9% return for year
- Private equity investing focussed on Asia and US (NAV £181.9m)
  - eight new commitments
  - £50m cash return from Capital Today China
- Quoted market funds in Asia and US (NAV £126.5m)
  - one new fund (NTAsian Emerging Leaders)
  - three follow-on investments
  - three redemptions
- Geographical split:

	USA %	Asia %	UK %	Total %
Private equity	19	30	10	59
Quoted market	19	22	-	41
<b>Total</b>	<b>38</b>	<b>52</b>	<b>10</b>	<b>100</b>



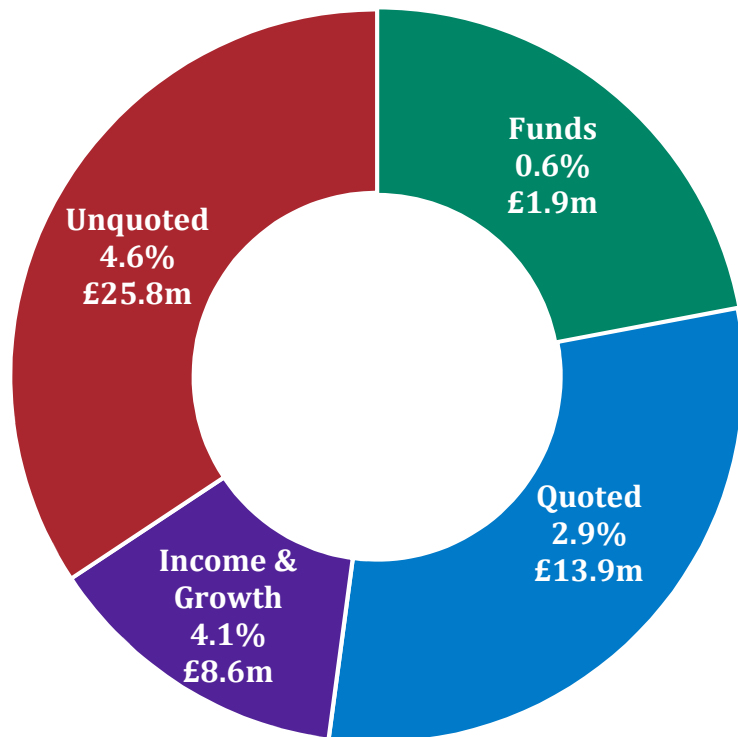
# Funds pool

Significant investments	First invested	Value 31 Mar 2016 £m	Value 31 Mar 2015 £m	Income £m	Capital Gain/(loss) £m	Total return %
Capital Today China Growth	2006	59.2	103.6	0.4	5.2	+7
Macquarie Asia New Stars	2014	32.6	21.7		(2.4)	-9
Arlington AVM Ranger	2014	28.1	15.6		(0.6)	-3
Aberdeen US PE	2013	23.0	12.6		2.3	+14
PVAM Perlus Microcap	2010	22.5	29.8		(1.2)	-6
NTAsset funds	2014	21.6	14.8		(1.7)	-8
Other		121.4	129.6	1.5	15.1	
<b>Total</b>		<b>308.4</b>	<b>327.7</b>	<b>1.9</b>	<b>16.7</b>	<b>+6</b>

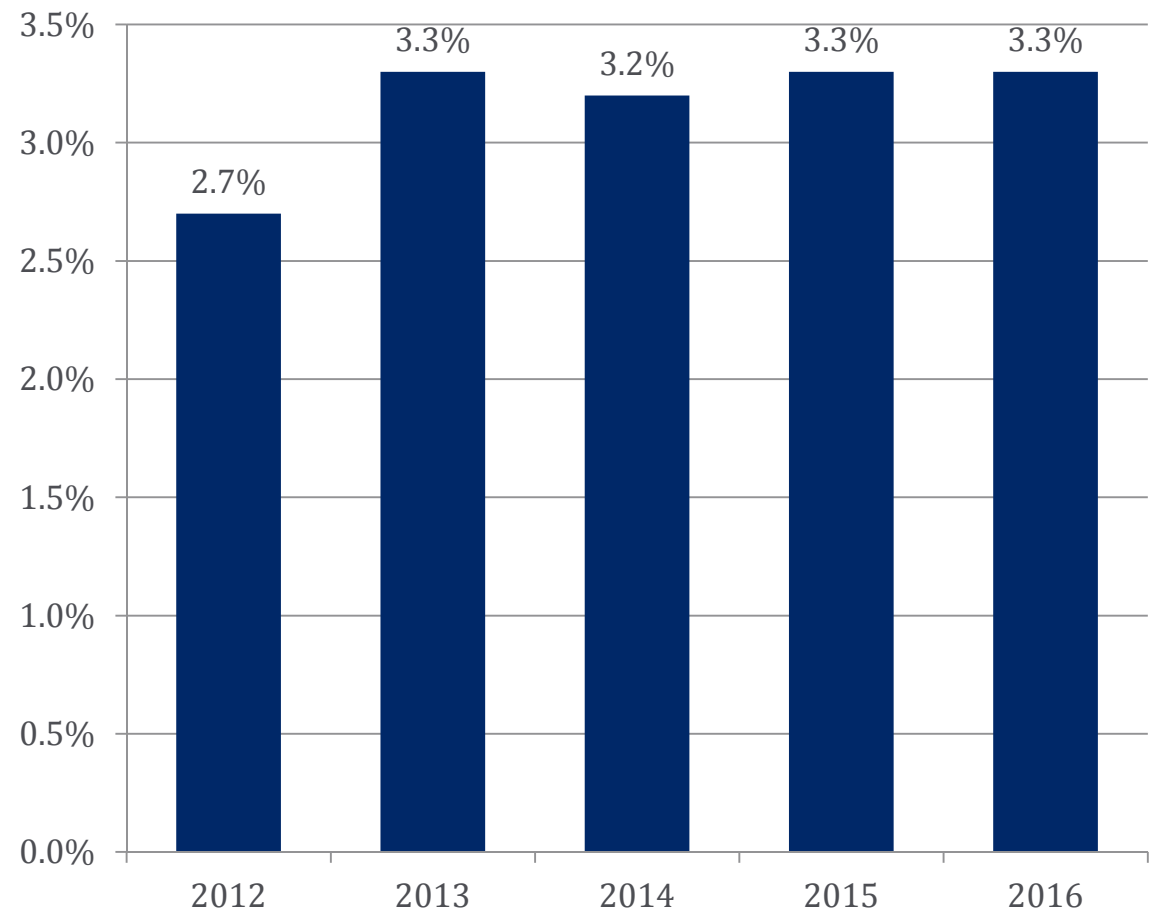


# Caledonia – a sustainable portfolio yield

**Year end 2016 – 3.3% (yield)**  
**£50.2m (portfolio income)**



**Yield (% of portfolio)**

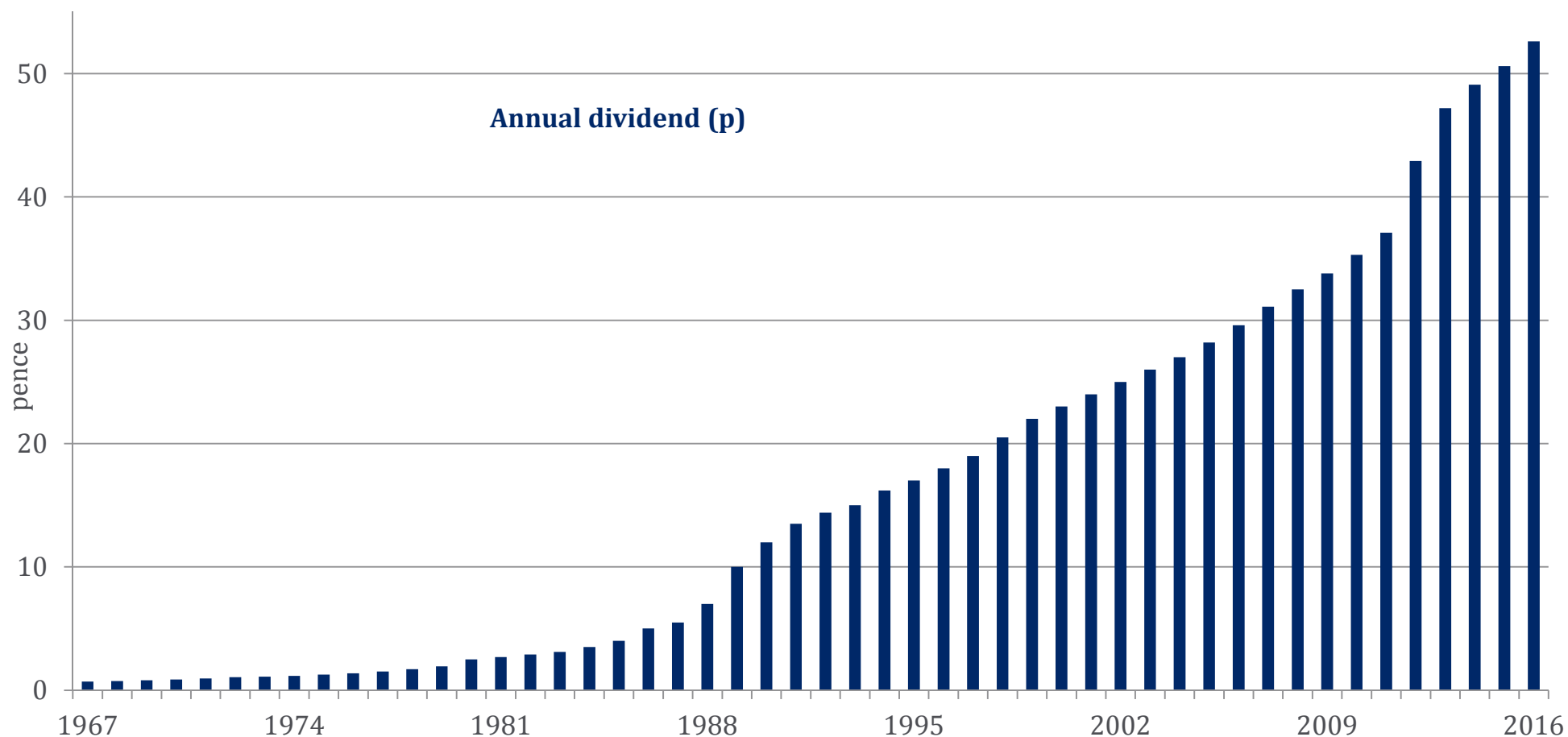


# Caledonia – a growing dividend

Year ended 31 March 2016



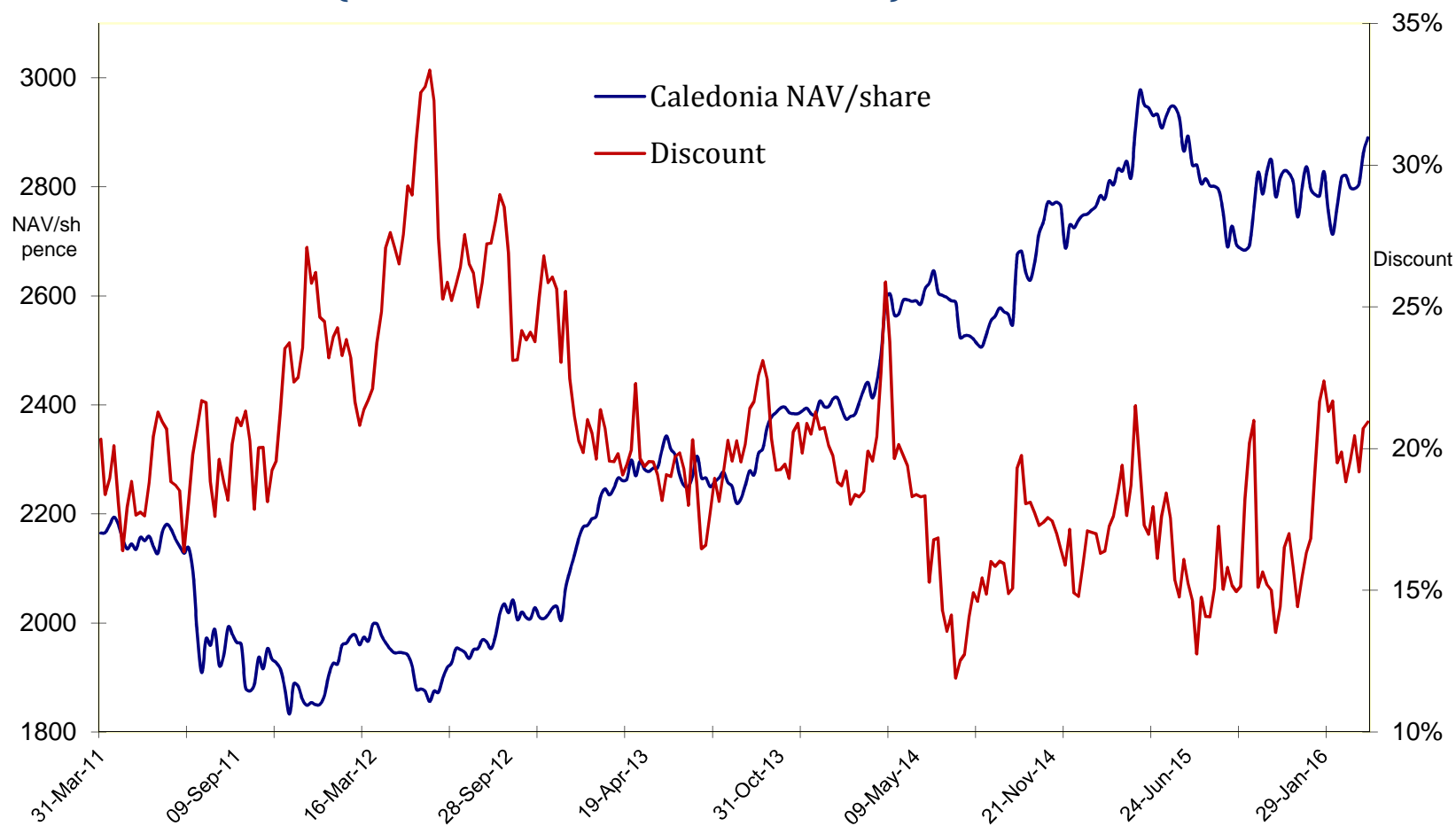
- 4.0% increase in annual dividend; 49<sup>th</sup> consecutive year of dividend growth
- Second interim dividend of 38.3p paid to shareholders on 1 April 2016 giving 52.6p for the year



# Caledonia discount

## Year ended 31 March 2016

### Caledonia NAV/share and discount to share price (31 March 2011 to 31 March 2016)



- Discount ranged from 12% to 26% in year ended 31 March 2016
- Cayzer concert party holding constrains significant volume of buy-backs



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## Financial review

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Stephen King  
Finance Director

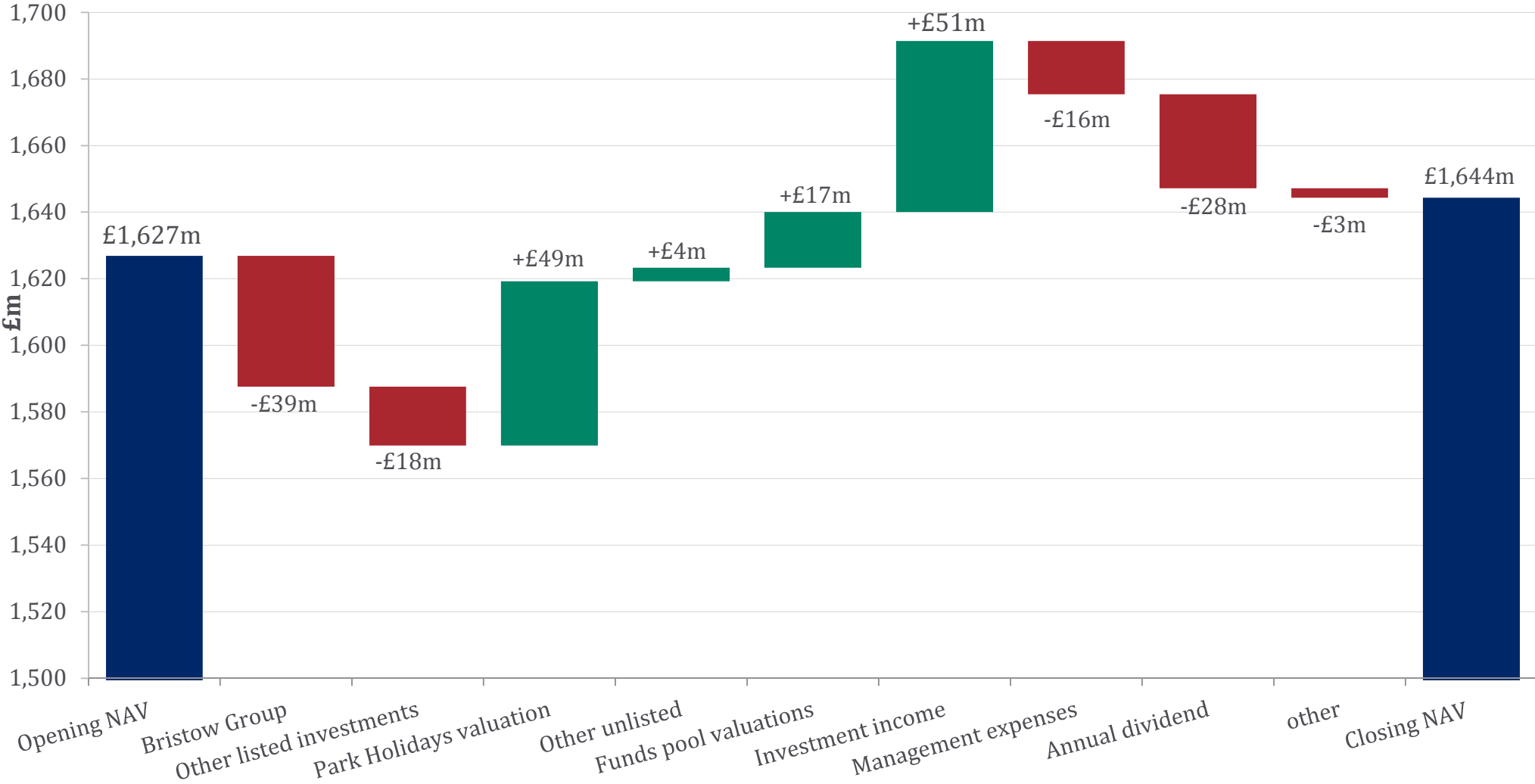
# Summary of comprehensive income

	31 Mar 2016 £m	31 Mar 2015 £m	Change £m
Investment and other income	51.4	47.7	3.7
Gains on investments and property	12.7	180.2	(167.5)
<b>Total income</b>	<b>64.1</b>	<b>227.9</b>	<b>(163.8)</b>
Expenses - ongoing management	(16.2)	(14.3)	(1.9)
- performance awards (allocated to capital expenses)	(6.8)	(4.0)	(2.8)
- transaction costs and other non-recurring expenses	(3.6)	(3.2)	(0.4)
Provisions/pensions	2.3	(3.4)	5.7
Treasury/taxation	3.0	2.9	0.1
<b>Total comprehensive income</b>	<b>42.8</b>	<b>205.9</b>	<b>(163.1)</b>
<b>Dividends</b>	<b>(28.2)</b>	<b>(27.3)</b>	<b>(0.9)</b>
<b>Retained profit for the year</b>	<b>14.6</b>	<b>178.6</b>	<b>(164.0)</b>

- Dividends for the year (£28.2m) fully covered by net revenue in year
- Management expenses of £16.2m (2015 - £14.3m) charged to revenue
- Long term share award costs charged to capital, in line with industry best practice
- Ongoing Charges Ratio 1.01%

# Change in net asset value

## Year ended 31 March 2016



# Portfolio risk management

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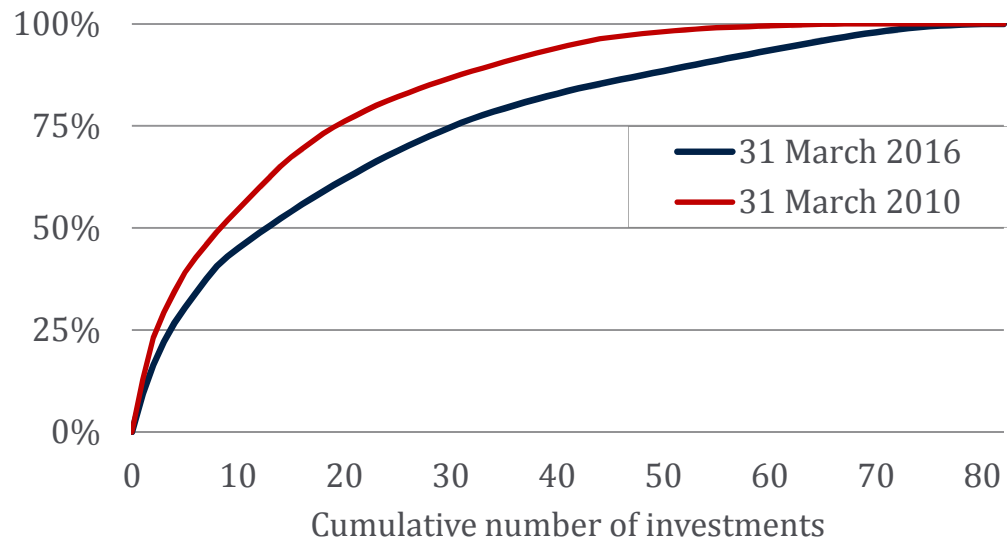
- Portfolio risk is principally managed through the pool structure:
  - Diversification from both quoted and unquoted market exposure
  - Balanced geographical and sector exposure
  - Managed asset allocation by pool
- Portfolio liquidity:
  - 34% of NAV estimated to be liquid within one week
  - £175m of unutilised facilities available at year end
- Sharpe Ratio - consistent return/risk outperformance of the FTSE All-Share



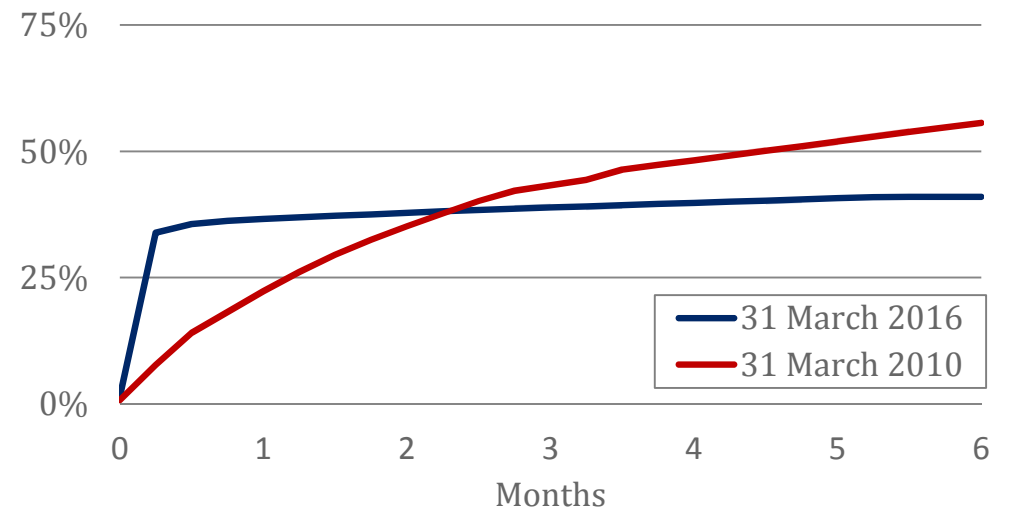
# Portfolio concentration and liquidity

Year ended 31 March 2016

### Portfolio concentration

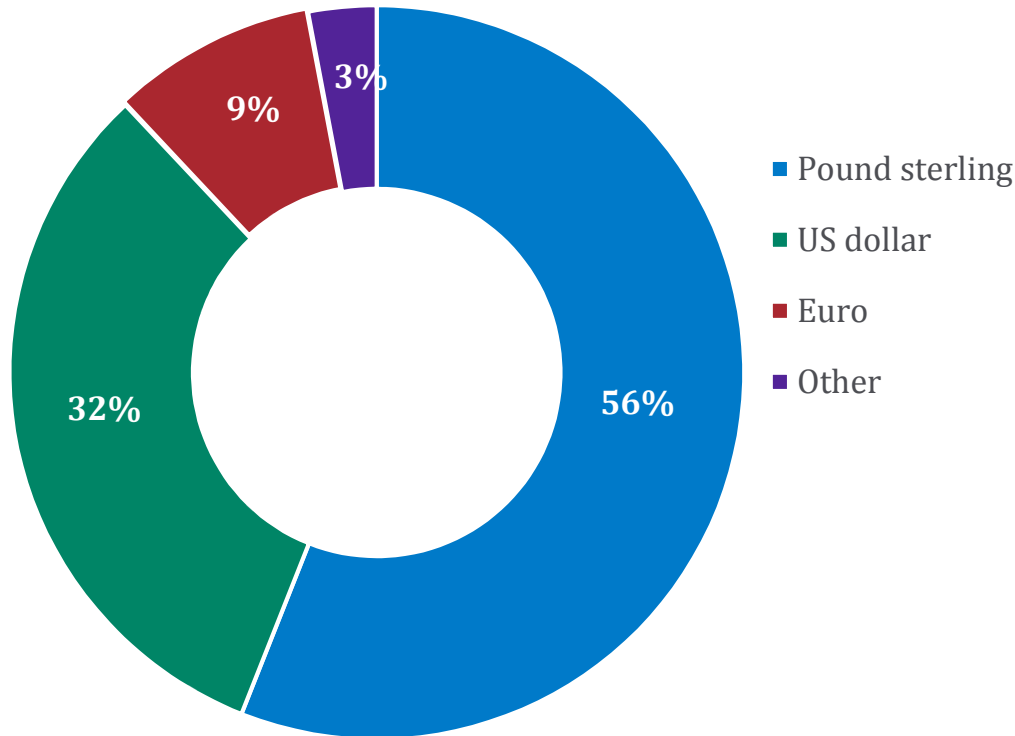


### Portfolio liquidity

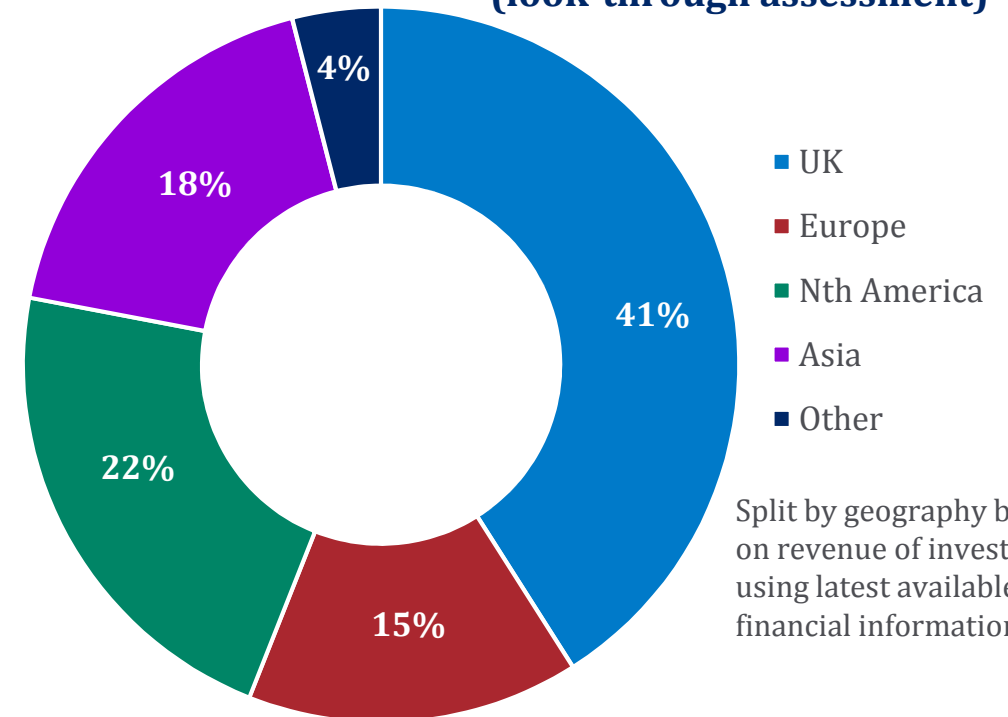


# Balanced geographical & currency distribution

### Analysis by currency

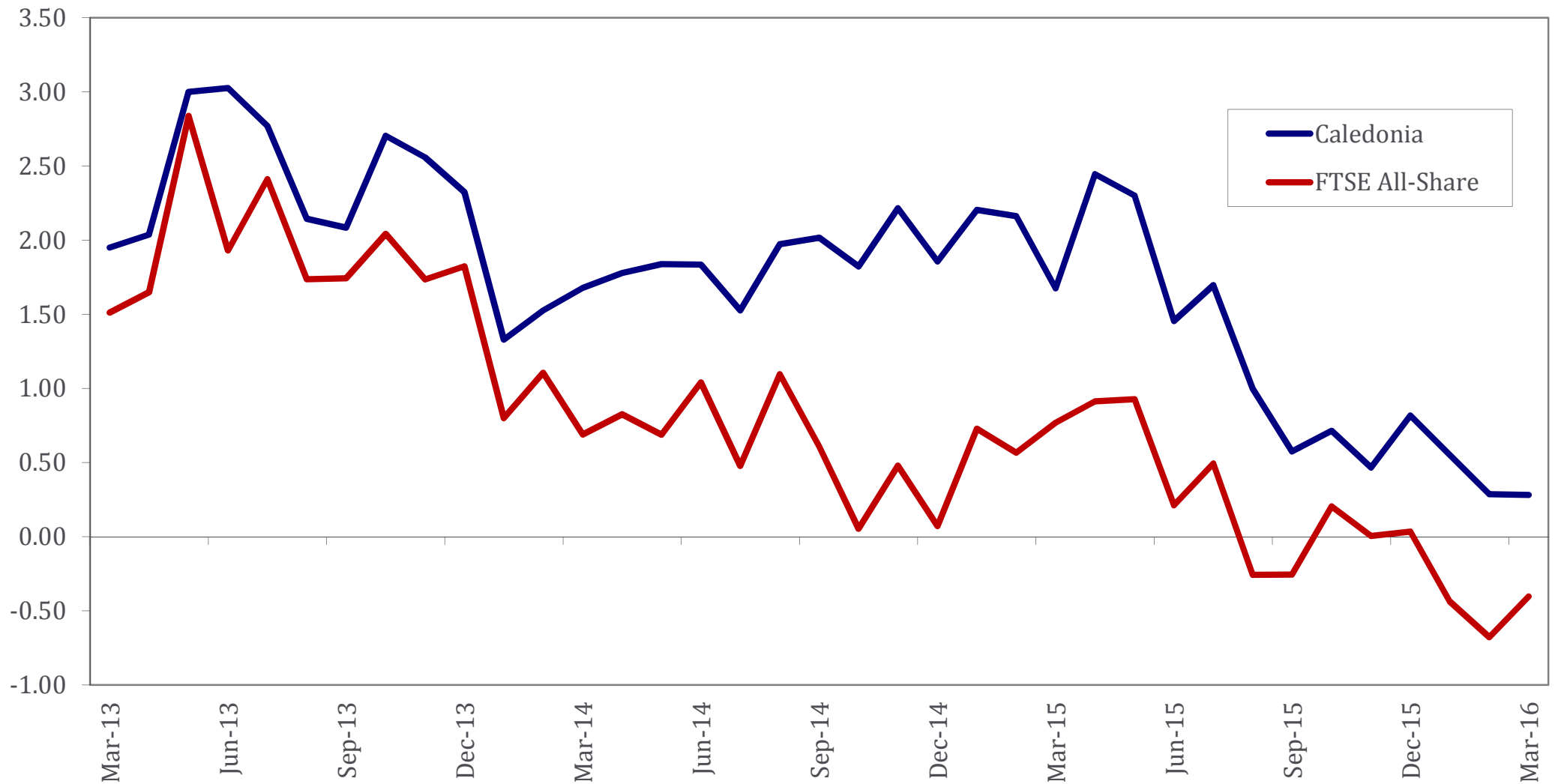


### Analysis by revenue exposure (look-through assessment)



Split by geography based on revenue of investments using latest available financial information

# Portfolio Sharpe Ratio – an outperforming risk/return



Illustrates the return on a risk-weighted basis – i.e. the annual return (NAVTR) for a year divided by the standard deviation of those returns

# Net cash and facilities

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- Caledonia had £23m of net cash at 31 March 2016 (£131m net cash at 31 March 2015)
- £175m committed facilities:
  - £125m revolving facility (RBS/ING) at a blended average margin: 208bp over LIBOR
  - £50m revolving facility (RBS) at LIBOR +0.9%
- £27m of overdraft facilities



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## Summary and outlook

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Will Wyatt  
Chief Executive

# Post year end update

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- Brexit
  - Portfolio performed well (NAV +1.5% in three months to 30 June 2016)
  - Exposure to large cap shares with foreign earnings and US\$ denominated investments provided protection
  - Uncertainty never good for business
  
- Liberation Group
  - Agreement to purchase brewery and pub company for £118m subject to competition clearance
  - 94 pubs, 2 breweries, majority freehold, based in Channel Islands and SW England
  - Strategy to build group through additional acquisitions and investment in the estate

# Summary and outlook

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- A positive NAV total return in a difficult year for markets, underpinning long term (ten year) target returns
- Returns built on disciplined investment execution in line with strategy
- Pricing discipline for new investments remains key
- Uncertain growth prospects, Brexit and US elections will lead to increasingly volatile public markets
- Portfolio positioned to continue to deliver long term performance in line with strategic returns and risk appetite



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