



**CALEDONIA**  
INVESTMENTS

Annual General Meeting  
17 July 2014



# Financial highlights

## Year ended 31 March 2014



- +14.9% NAV total return per share for year (+18.9% in 2013)
- 4.0% increase in annual dividend; 47<sup>th</sup> consecutive year of dividend growth
- Strong performance across the portfolio
- Sold Amber Chemicals for £23m
- Sold Oval Insurance for £70m (1 April 2014)

| Summary of the year       | 31 Mar<br>2014 | 31 Mar<br>2013 | Change<br>% |
|---------------------------|----------------|----------------|-------------|
| NAV Total Return          | +14.9%         | +18.9%         | n/a         |
| NAV per share             | 2593p          | 2305p          | +12.5       |
| Discount to NAV           | 25.8%          | 20.2%          | +5.7        |
| Annual dividend per share | 49.1p          | 47.2p          | +4.0        |

# NAV summary performance by investment pool

## Year ended 31 March 2014



| Investment pool  | Value<br>31 Mar<br>2014<br>£m | Investment<br>income<br>£m | Total<br>return<br>£m | Total<br>return<br>% |
|------------------|-------------------------------|----------------------------|-----------------------|----------------------|
| Quoted           | 497.8                         | 10.6                       | 92.1                  | 20.5                 |
| Unquoted         | 568.3                         | 22.4                       | 80.1                  | 17.7                 |
| Funds            | 204.4                         | 1.7                        | 21.3                  | 11.8                 |
| Income & Growth  | 189.6                         | 7.0                        | 0.2                   | 0.1                  |
| <b>Portfolio</b> | <b>1,460.1</b>                | <b>41.7</b>                | <b>193.7</b>          | <b>15.4</b>          |
| Net debt         | (7.1)                         |                            | (0.9)                 |                      |
| Other items      | (7.4)                         |                            | (49.6)                |                      |
|                  | <b>1,445.6</b>                |                            | <b>143.2</b>          | <b>14.9</b>          |

# Performance track record

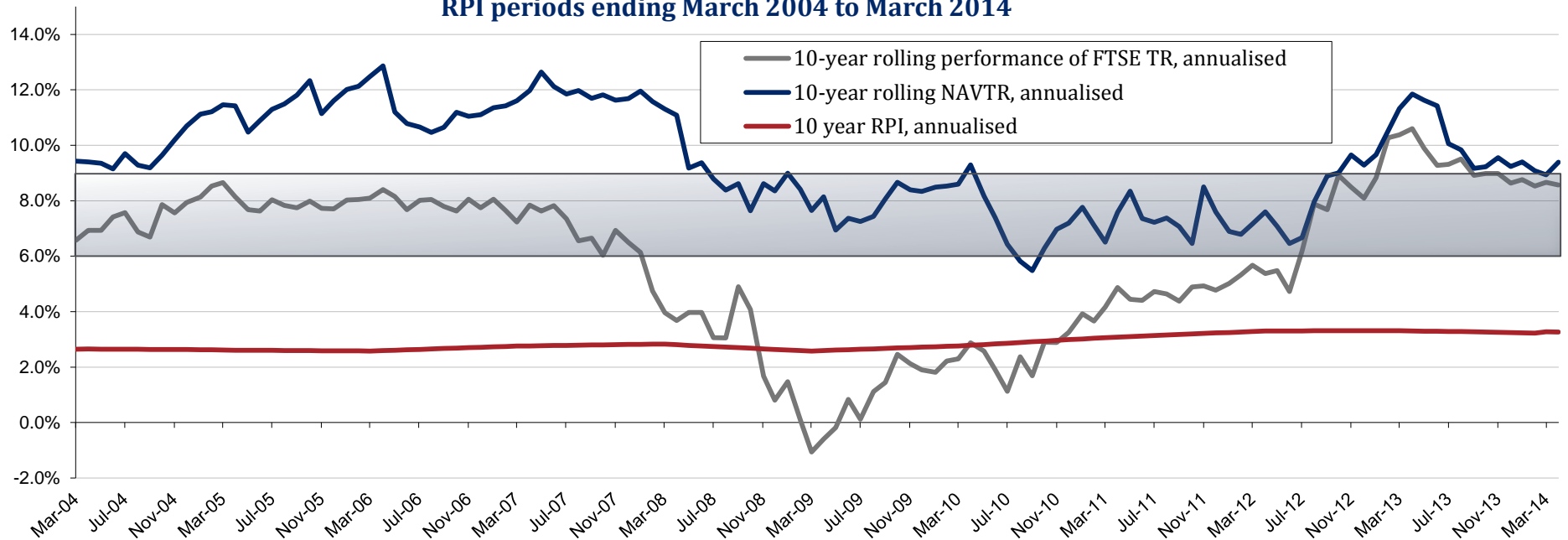
- Aim to grow capital value and income over long term measured in real terms
- Target return RPI +3% to RPI +6% outperforming FTSE over 10 years

|  | 1 year        | 3 years      | 5 years      | 10 years     |
|--|---------------|--------------|--------------|--------------|
| NAV Total Return (absolute)            | +14.9%        | +27.4%       | +83.6%       | +146.0%      |
| NAV Total Return annualised            | +14.9%        | +8.4%        | +12.9%       | +9.4%        |
| RPI annualised                         | +2.5%         | +3.1%        | +3.8%        | +3.3%        |
| <b>Caledonia outperformance</b>        | <b>+12.4%</b> | <b>+5.3%</b> | <b>+9.1%</b> | <b>+6.1%</b> |
| FTSE All-Share Total Return annualised |               |              |              | +8.6%        |
| <b>Caledonia outperformance</b>        |               |              |              | <b>+0.8%</b> |

# Performance reflects embedded portfolio structure

- 10+ year investment horizon
- Return a blend of sustainable yield and longer term capital growth measured in real terms
- Invest in high quality businesses and funds in both quoted and unquoted markets, leveraging Caledonia 'brand'
- Balanced exposure to asset classes, sectors and geographies - achieved through pool structure

**10-year rolling performance of NAVTR v FTSE TR and RPI periods ending March 2004 to March 2014**



# Strategic allocation

| Investment pool      | £m             | Allocation<br>31 Mar<br>2014<br>% | Description                                      | Strategic<br>allocation<br>range<br>% |
|----------------------|----------------|-----------------------------------|--|---------------------------------------|
| Quoted               | 497.8          | 35%                               | Concentrated portfolio of high quality companies | 35-50                                 |
| Unquoted             | 568.3          | 39%*                              | 8-10 direct stakes in private companies >£25m    | 20-35                                 |
| Funds                | 204.4          | 14%                               | Quoted market and PE funds (US & Asia focus)     | 15-20                                 |
| Income & Growth      | 189.6          | 13%                               | Mega cap, 5% yield, global equity portfolio      | 15-20                                 |
| Cash and other items | (14.5)         | (1)%                              |  | (10) - 10                             |
| <b>Total</b>         | <b>1,445.6</b> | <b>100%</b>                       |  |                                       |

\* Unquoted pool 34% as at 1 April 2014, following completion of Oval Insurance disposal

# Quoted pool

- Total NAV return +21%
- Income of £10.6m
- Strong performance driven from established long term investments:

|                  | £m   | %   |
|------------------|------|-----|
| Close Brothers   | 23.7 | +37 |
| Polar Capital    | 16.1 | +69 |
| Quintain Estates | 18.0 | +62 |

- Active top-slicing of outperforming investments into market strength:

|                  | £m           |
|------------------|--------------|
| Close Brothers   | 43.4         |
| Bristow Group    | 35.2         |
| LondonMetric     | 23.2         |
| Quintain Estates | 13.4         |
| Other            | 12.6         |
| <b>Total</b>     | <b>127.8</b> |

# Quoted pool

- Limited investments made during the year
- FTSE 250 valuations currently high, offering little value
- P/E of 19x, dividend yield of 2.5%
- Will continue to take profits into market strength
- New holdings established – Rolls-Royce, Atlas Copco and Diageo

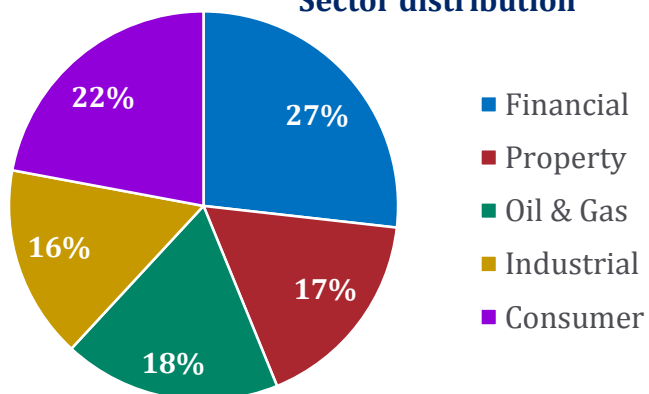




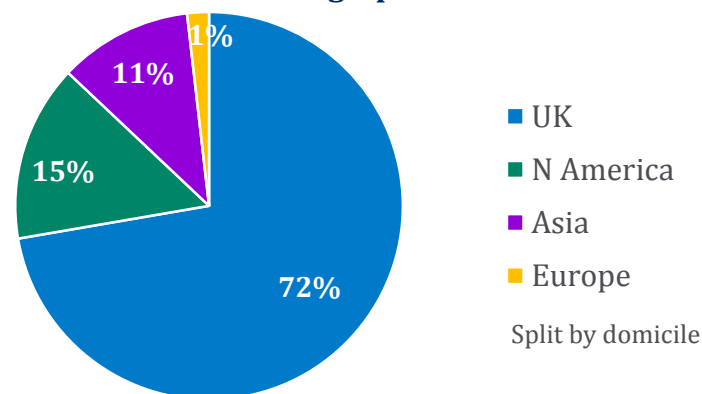
# Quoted pool

| Significant investments | Years held in portfolio | Value 31 Mar 2014<br>£m | Value 31 Mar 2013<br>£m | Income<br>£m | Capital gain/(loss)<br>£m | Total return % |
|-------------------------|-------------------------|-------------------------|-------------------------|--------------|---------------------------|----------------|
| Bristow Group           | 23                      | 74.5                    | 105.7                   | 1.0          | 4.0                       | +4             |
| Close Brothers          | 27                      | 64.6                    | 86.7                    | 2.5          | 21.2                      | +37            |
| AG Barr                 | 37                      | 57.7                    | 51.5                    | 0.3          | 6.1                       | +13            |
| Avanti Communications   | 9                       | 46.8                    | 47.2                    | -            | (0.5)                     | -1             |
| Quintain Estates        | 20                      | 41.2                    | 36.7                    | -            | 18.0                      | +62            |
| Polar Capital           | 13                      | 39.0                    | 24.1                    | 1.2          | 14.9                      | +69            |
| Other                   |                         | 174.0                   | 165.3                   | 5.6          | 17.8                      |                |
| <b>Total</b>            |                         | <b>497.8</b>            | <b>517.2</b>            | <b>10.6</b>  | <b>81.5</b>               | <b>21</b>      |

**Sector distribution**



**Geographic distribution**



# Unquoted pool – two significant realisations

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- **Amber £23m (chemicals):**
  - First invested in 1967
  - Divested German and automotive businesses in 2011 for £18m, focussing on silicones business
  - Sale of remaining silicones business for £23m in March 2014
  - Total proceeds over £40m since 2011
  - +65% uplift to last reported NAV
  
- **Oval £70m (insurance broking) sale completed 1 April 2014:**
  - Initial investment of £15m in 2003 and 2004 taking a 30% stake and providing finance to allow expansion
  - Further £27m net invested to 2008 as Oval acquired 37 regional insurance brokers
  - £11m of revenue income over life of investment
  - Divested for £70m
  - Net asset value increased to sale value at 31 March 2014
  - +64% uplift to last reported NAV
  - 1.9x money

# Unquoted pool – two major new investments

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- **Park Holidays**
  - UK's fourth largest caravan park operator
  - £88m equity investment , which with bank finance, acquired business with enterprise value of £172m
  - 100% owned, with management participation if hurdles met
  - EBITDA £20.9m; gross assets £221m (December 2013)
  - Asset backed, high income generating investment providing an excellent total return opportunity over 5 – 10 years
- **Choice Care**
  - Company owns and operates 49 residential care homes providing support services focussed on adults with learning disabilities, mental health disorders and complex needs
  - £89.5m acquisition in August 2013, with £0.7m added in December 2013
  - Caledonia subscribed £49.5m in cash for 97.7% of the equity enterprise value of £90m
  - EBITDA £9.7m: gross assets £39m (March 2014)
  - Well invested, asset backed investment with strong cashflows and an established platform for growth
- 5 follow-on investments into existing portfolio businesses (£17m)

# Unquoted pool

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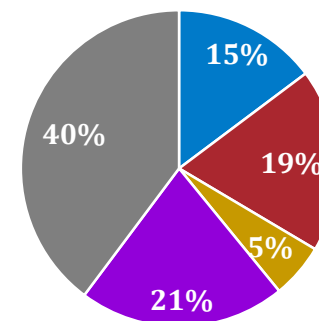
- Majority of capital uplift in year from disposals
- Good profit growth across remainder of portfolio
  - Latshaw Industries
  - TGE Marine
- Difficult year for SIS and Easybox

# Unquoted pool

| Significant investments        | Vintage of original investment | Value 31 Mar 2014<br>£m | Value 31 Mar 2013<br>£m | Income<br>£m | Capital gain/<br>(loss)<br>£m | Total return<br>% |
|--------------------------------|--------------------------------|-------------------------|-------------------------|--------------|-------------------------------|-------------------|
| Cobehold                       | 2004                           | 100.2                   | 91.6                    | 1.9          | 0.3                           | +3                |
| Park Holidays                  | 2013                           | 88.1                    | -                       | -            | -                             | -                 |
| Oval                           | 2003                           | 70.0                    | 37.8                    | 1.2          | 35.3                          | +103              |
| Choice Care                    | 2013                           | 50.2                    | -                       | -            | -                             | -                 |
| The Sloane Club                | 1991                           | 43.8                    | 43.2                    | 5.6          | 0.8                           | +13               |
| TGE Marine                     | 2006                           | 39.3                    | 27.5                    | 1.1          | 12.9                          | +66               |
| Sterling Industries            | 1989/2000*                     | 36.4                    | 30.7                    | 3.5          | 5.7                           | +30               |
| Latshaw Group                  | 2012                           | 33.0                    | 27.5                    | 3.6          | 5.5                           | +33               |
| Bowers & Wilkins               | 2011                           | 24.1                    | 24.0                    | 0.9          | 0.1                           | +4                |
| Satellite Information Services | 2005                           | 20.6                    | 28.5                    | -            | (7.9)                         | -28               |
| Other                          |                                | 62.6                    | 73.7                    | 4.6          | 5.0                           |                   |
| <b>Total</b>                   |                                | <b>568.3</b>            | <b>384.5</b>            | <b>22.4</b>  | <b>57.7</b>                   | <b>+18</b>        |

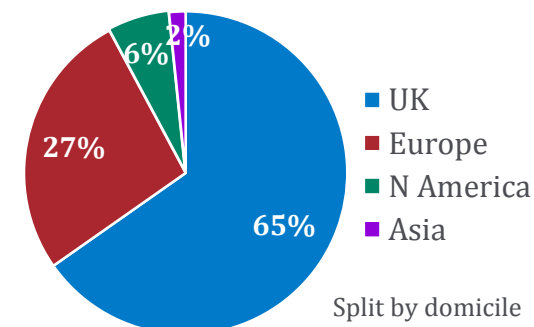
\* 1989 – original stake purchased; 2000 – buy in of balance of holding

## Sector distribution



- Financial
- Funds
- Property
- Industrial
- Consumer

## Geographic distribution



# Funds pool

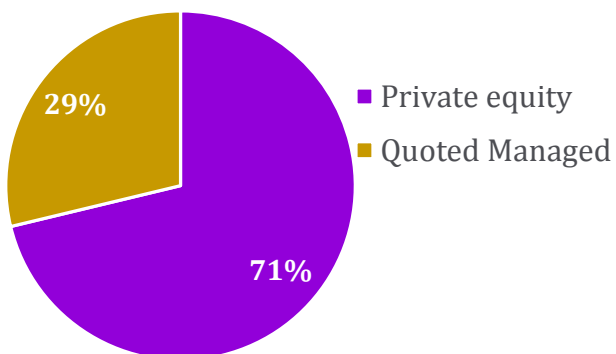
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- Quoted market and private equity funds with a particular focus on USA and Asia
- Total NAV Return +12%
- 4 new investments made during the year, 2 listed, 2 PE
- Rolling programme of commitments to US and Asia private equity
- Capital Today China proving a star investment
  - \$20m commitment in 2006
  - \$14m returned to date
  - Carrying value of \$75m
  - Owns 8% JD.com (pre IPO), listed on Nasdaq May 2014, market cap on 23 May 2014 \$27.5bn
  - Further IPOs expected to follow

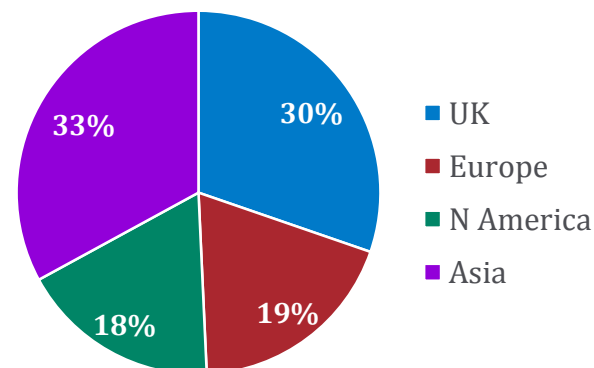
# Funds pool

| Significant investments  | Vintage of original investment | Value 31 Mar 2014<br>£m | Value 31 Mar 2013<br>£m | Income<br>£m | Capital gain/(loss)<br>£m | Total return<br>% |
|--------------------------|--------------------------------|-------------------------|-------------------------|--------------|---------------------------|-------------------|
| Capital Today China      | 2006                           | 44.8                    | 29.2                    | 0.3          | 15.5                      | +54               |
| Perlus Microcap          | 2010                           | 24.3                    | 22.2                    | -            | 2.1                       | +9                |
| Nova Springboard         | 2006                           | 14.9                    | 12.9                    | -            | 2.0                       | +15               |
| Pragma Capital funds     | 2003                           | 13.5                    | 14.3                    | -            | 1.6                       | +11               |
| Nova Caledonia           | 2013                           | 12.7                    | 10.0                    | 0.3          | 2.7                       | +27               |
| Polar Cap Glob Fin Trust | 2014                           | 10.9                    |                         | 0.1          | 0.9                       | +13               |
| Other                    |                                | 83.3                    | 78.2                    | 1.0          | (5.2)                     |                   |
| <b>Total</b>             |                                | <b>204.4</b>            | <b>166.8</b>            | <b>1.7</b>   | <b>19.6</b>               | <b>+12</b>        |

Fund investment style



Geographic distribution



# Income & Growth pool

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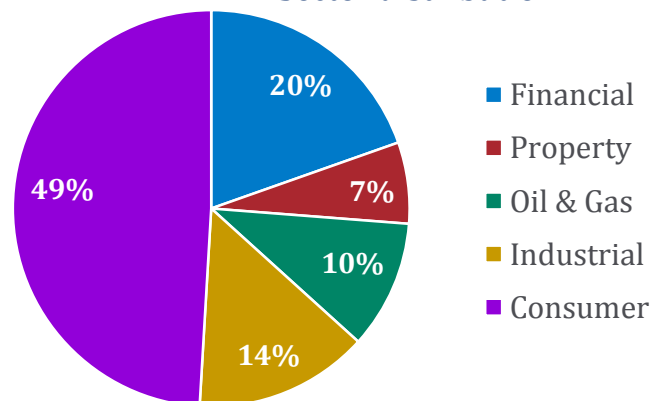
- £190m fund comprising 40 large-cap global businesses
- Total return flat for the year, income increased 40% in the year
- Gross yield 4.3% and income continues to build
- 13% of Caledonia NAV
- 3 year track record NAV Total Return of +28.5%, giving annualised return of 8.7%



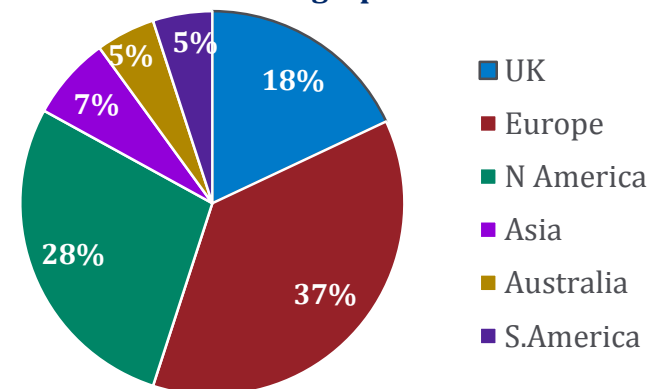
# Income & Growth pool

| Top five holdings | Country     | Value<br>31 Mar<br>2014<br>£m | Total<br>return<br>% |
|-------------------|-------------|-------------------------------|----------------------|
| SES SA            | Luxembourg  | 7.5                           | +15                  |
| Zurich Insurance  | Switzerland | 7.2                           | +6                   |
| Swedbank          | Sweden      | 7.1                           | +10                  |
| HSBC              | UK          | 6.9                           | -1                   |
| General Electric  | US          | 6.7                           | -                    |
| Other             |             | 154.2                         | -1                   |
| <b>TOTAL</b>      |             | <b>189.6</b>                  | <b>-</b>             |

**Sector distribution**

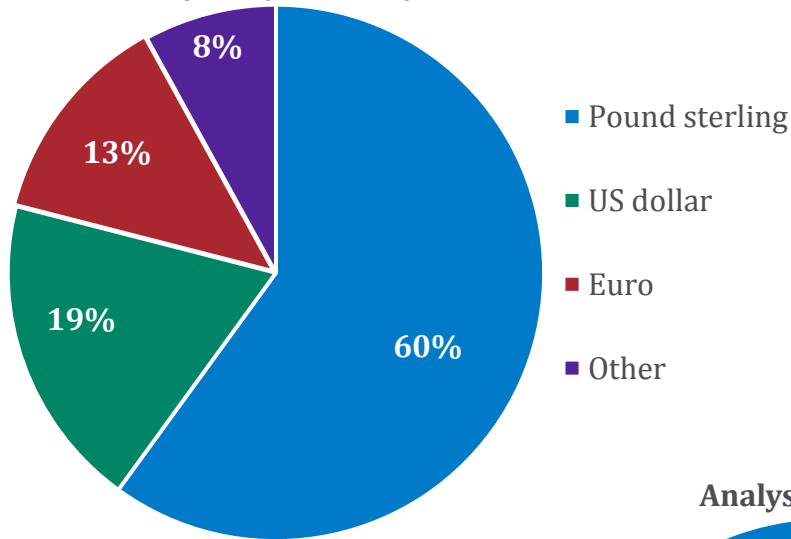


**Geographic distribution**

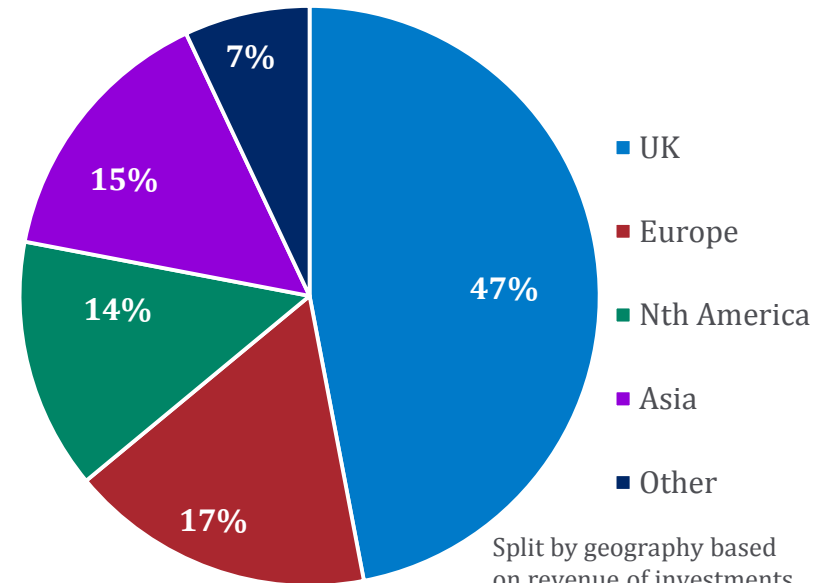


# Balanced sector, geographical & currency distribution

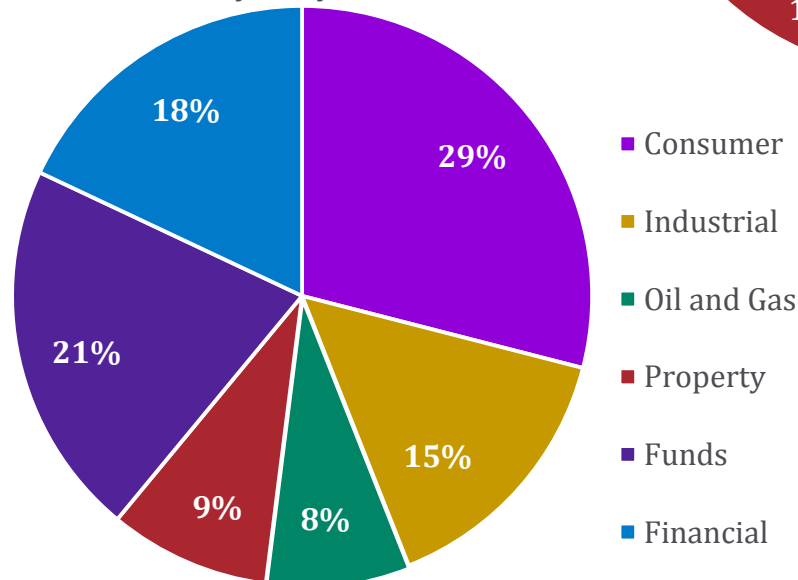
Analysis by currency



Analysis by revenue exposure



Analysis by sector



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

# Summary and outlook

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- A year of strong NAV total return building on similar returns in the previous year
- Returns built on disciplined execution of strategy over last three years
- Strong dealflow in unquoted portfolio
- Western quoted equity markets offering little value and opportunity taken for selective top-slicing
- Some value appearing in Asian markets
- Economies and markets responding to policy initiatives
- Improving economic growth provides positive backdrop to quality long term businesses
- Portfolio cautiously positioned to continue to deliver long term performance in line with strategic aims

# Contact details

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