



KID statement

1. Q: Why are the total cost percentages shown in tables 1 and 2 different?

A: We have prepared our KID in accordance with the PRIIPs regulation, assisted by guidance from the AIC and our own advisors as to how to calculate and present the various costs and impacts on returns required by the new regulation.

It is important to note that methods under which the KID costs and returns are calculated are strictly prescribed and are not the same as the ongoing charges model normally used by investment trusts.

Specifically, **Table 2** has been prepared in accordance with the AIC's guidance and presents total costs as a percentage of Net Asset Value (NAV) and, to this extent, is similar to Ongoing Charges. The table illustrates a total cost percentage of 2.52%. This is circa 1.6% higher than our Ongoing Charges shown in our 2018 annual report and primarily reflects the inclusion of underlying costs attributable to our fund investments and the inclusion of tax. The returns Caledonia receives on these fund investments are net of fund charges and not included in the Caledonia Ongoing Charges ratio.

Table 1 is calculated on a **different basis** showing costs as a percentage reduction in returns to the investor. Since the Caledonia share price has more recently reflected a discount of 15% - 20% to NAV the costs shown in table 1 are higher than in table 2. In addition, the table 1 percentage also effectively includes, as an element of total costs, the impact of the 'lost' opportunity cost (being 9% p.a. from the moderate performance scenario returns) on the costs charged. This therefore further increases the table 1 percentage and exaggerates the difference between the two tables.

2. Q: Why are the cost percentages shown higher than the circa 1.6% shown in Caledonia's 2018 annual report?

A: The table 2 costs (as a percentage of NAV) are higher than the annual report cost percentage principally because the KID table 2 includes the underlying costs of managing the funds Caledonia invests in, primarily in the 'Funds pool'. Funds pool returns are shown **net** of these costs in our annual report and pool performance is managed on a net basis. Therefore, to show the costs **gross** in our annual report would be inconsistent and misleading in comparison with the **net** total returns.

3. Q: Why are other investment trust companies showing significant differences in their KID cost percentages and the methods of calculation?

A: The new KID regulation is proving challenging to interpret, especially for trusts. Guidance from regulators and the Association of Investment Companies (AIC) will no doubt evolve and over time we would expect a greater degree of consistency and interpretation as standard methodologies develop.

4. Q: What is the basis of calculation for the performance scenarios shown in the KID?

A: In the case of investment trust companies, these performance scenarios are based on metrics from changes in daily share price total returns over the previous five years, applied to various confidence intervals over a range of holding periods. Equity markets have however experienced a period high returns and low volatility in recent years, which under the KID's prescribed methodology could lead to indicative returns that are potentially over-optimistic compared with actual future returns. We would therefore remind investors that past performance is not a reliable guide to future returns.

Caledonia has consulted with both the AIC and KPMG in preparing its KID.