



**CALEDONIA**  
INVESTMENTS

Presentation of  
Preliminary results to 31 March 2008



# About Caledonia

- Investment trust since 1 April 2003
- Global Growth sector of investment trusts
- Quoted since 1960 (FTSE 250)
- Distinctive style:
  - Long term supportive shareholder
  - Significant minority stakes
  - Normally with board position
  - Focused approach: top 10 holdings represent more than 50% of portfolio
- 33.5% owned by Cayzer Trust Company and 46.3% by wider concert party
- Market capitalisation £1.2bn

# Principal Objectives

- Outperform FTSE All-Share TR over 5 and 10 years
- Positive total returns over rolling five year periods
- Pay a progressive annual dividend

## Highlights to 31 March 2008

- 4.6% decrease in diluted NAV per share
  - but 6.3% outperformance vs. FTSE All Share Index (down 10.9%)
- TSR increase
  - 254% over 5 years – 155% outperformance
  - 228% over 10 years – 187% outperformance
- Global Growth ranking (source: Lipper)
  - 9<sup>th</sup> out of 32 trusts (1 year)
  - 8<sup>th</sup> out of 30 trusts (3 years)
  - 2<sup>nd</sup> out of 28 trusts (5 years)
  - 4<sup>th</sup> out of 22 trusts (10 years)

Note: Diluted NAV per share decrease compared with FTSE All Share index and TSR increase compared with FTSE All Share TSR index

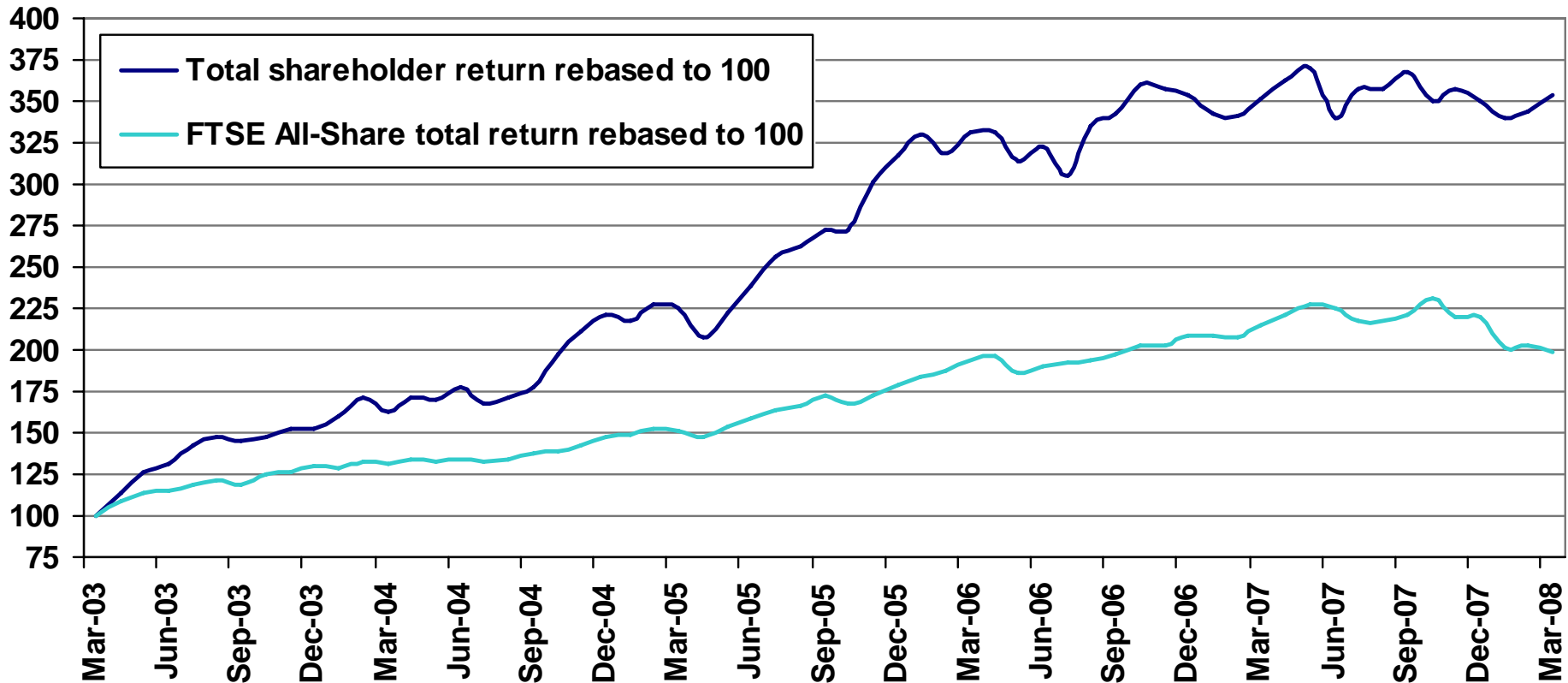
## Highlights to 31 March 2008 (continued)

- £204m invested and £114m realised during the year
- Ungearred at year end
- Cautious stance
  - £12m invested in FTSE 250 put options
  - Counter-cyclical investments (e.g. Begbies Traynor, London & Stamford Property)
  - Hedge funds
- Continuing to invest in Asia
  - Current portfolio exposure: 11%
- Proposed final dividend of 22.6 pence per share (32.5 pence for full year: +4.5%)
- 41<sup>st</sup> consecutive year of annual dividend increase

## Summary of the twelve months to 31 March 2008

	31.03.08	31.03.07	Change
Diluted NAV per share	2155p	2258p	-4.6%
FTSE All-Share Index	2927	3283	-10.9%
Share price	2050p	2066p	-0.8%
Discount	4.9%	8.5%	narrowed

# Total return: 5 years to 31 March 2008



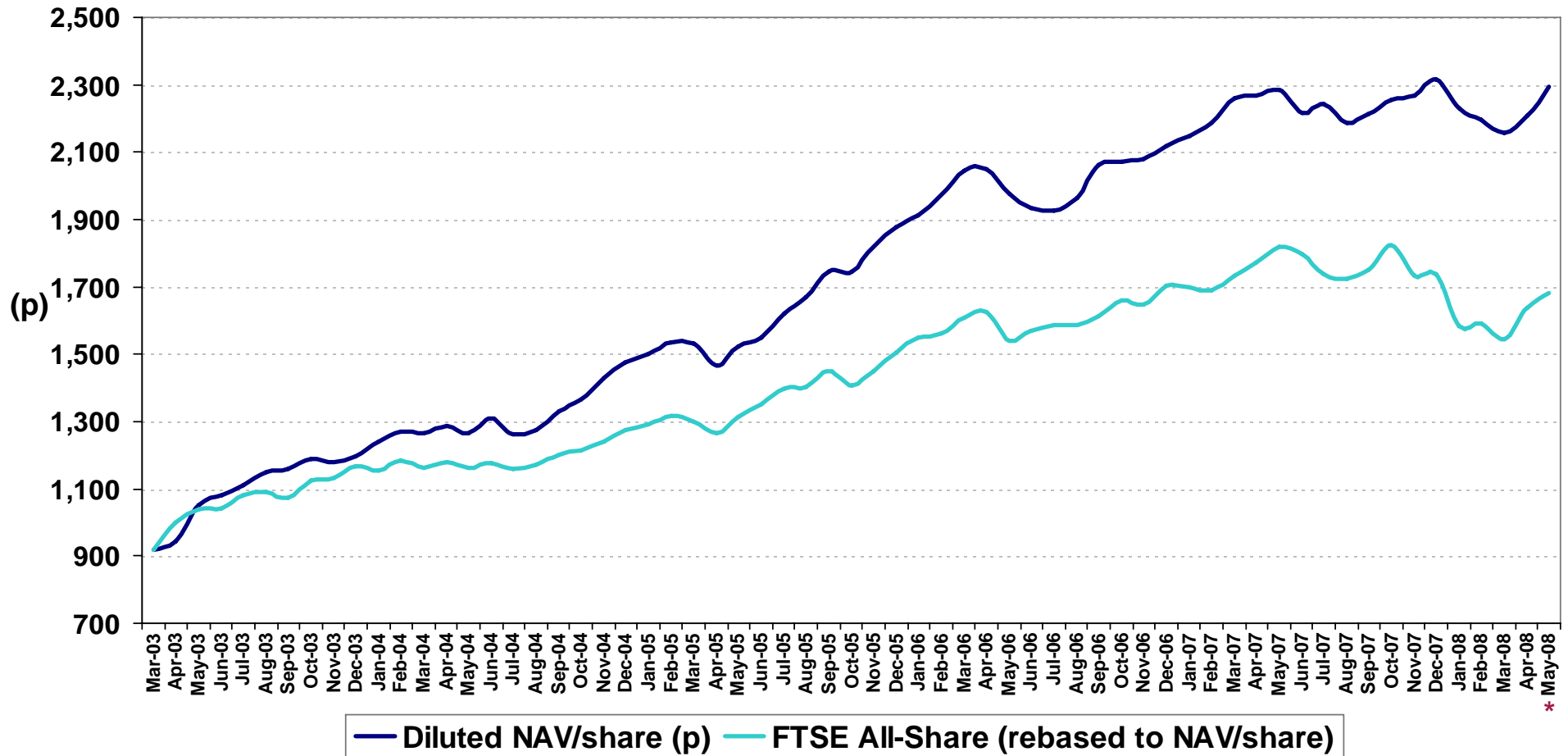
**Caledonia TR CAGR**

**+28.8%**

**FTSE All-Share TR CAGR**

**+14.7%**

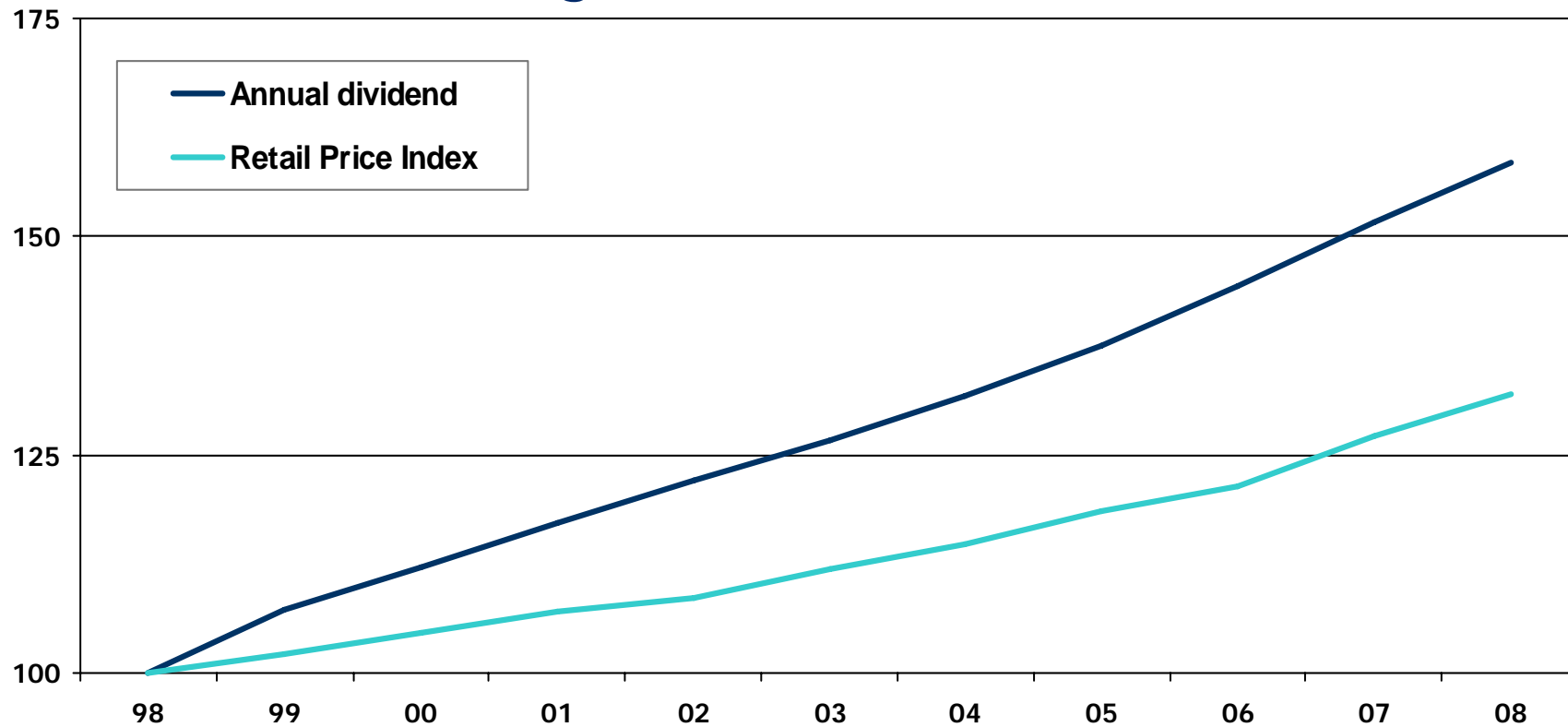
# Diluted NAV per share performance: 31 March 2003 – 15 May 2008



\* May 08 data as at close of business on Thursday 15 May 2008, being the latest available published NAV per share.



# Annual dividend growth: 10 years to March 2008



Excluding a special dividend of 70p per share in relation to 2000

**Caledonia dividend CAGR** **4.7%**

**RPI CAGR** **2.8%**

**Caledonia has a 41 year record of annual dividend growth**

# Performance attribution for the 12 months to 31 March 2008 and 5 years since conversion

	12 month change (%)	5 year change (%)
Net asset value per share performance	-4.6%	+135.0%
FTSE All-Share Index	-10.9%	+68.6%
<b>Outperformance</b>	<b>+6.3%</b>	<b>+66.4%</b>
Relative performance due to sector exposure	-2.2%	+10.7%
Relative performance due to stock selection	+9.5%	+58.6%
Management expenses as a % of NAV	-1.0%	-5.1%
Other*	-	+2.2%
<b>Outperformance</b>	<b>+6.3%</b>	<b>+66.4%</b>

\*FY04: Special advisory costs -0.4%, FY05: Elective Special Dividend +2.3%, FY06: nil, FY07: Elective Special Dividend +0.3%, FY08: nil

## Principal outperformers year to 31 March 2008

Investment	Value 31.03.07	Net additions less income distributions	Value 31.03.08	Gross return	% Change in value
	£m	£m	£m	£m	
Oval	32.6	5.0	65.9	+28.3	+75%
TGE Marine	19.9	-0.1	38.0	+18.2	+92%
Bristow Group	38.8	-0.4	55.0	+16.6	+43%
Cobepa	35.9	-0.8	48.0	+12.9	+37%
Marketform*	10.5	-0.6	21.0	+11.1	+112%
FTSE All-Share Total Return					-8%

\*31.03.08 valuation represents realisation proceeds in March 2008

## Principal underperformers year to 31 March 2008

Investment	Value 31.03.07	Net additions less income distributions	Value 31.03.08	Gross return	% Change in value
	£m	£m	£m	£m	
Close Brothers	182.2	-4.3	118.7	-59.2	-33%
Quintain Estates	84.6	26.1	58.6	-52.1	-47%
Incisive Media	16.5	15.6	14.4	-17.7	-55%
Polar Capital	25.6	-0.7	8.7	-16.2	-65%
Terrace Hill	19.3	2.2	9.3	-12.2	-57%
Ermitage	22.1	0.0	10.6	-11.5	-52%
Rathbones	59.8	-1.7	47.8	-10.3	-18%
FTSE All-Share Total Return					-8%

# Principal investments in the year to 31 March 2008

- Investments of £204m and realisations of £114m

## i) New investments

	Aggregate Percentage held	£m	£m
London & Stamford Property	6.8%	19.5	
Retif	15.4%	12.9	
Vietnamese portfolio		9.7	
Celona	49.9%*	5.0	
Arihant	3.3%	1.0	
		48.1	
	<b>C/fwd</b>		<b>48.1</b>

\* On conversion of warrants

# Principal investments in the year to 31 March 2008

## ii) Follow on investments

	Aggregate Percentage held	£m	£m
Quintain Estates	10.0%	27.5	
Incisive Media		15.6	
Hedging subsidiary (FTSE 250 put options)	100%	12.0	
Polar Capital funds		10.0	
Eddington Capital fund		10.0	
Serica Energy	13.2%	9.8	
Oval	24.1%*	9.1	
Avanti Communications	24.4%	8.0	
Close Brothers	12.9%	7.3	
Other follow-on investments		46.4	
			155.7
New investments (b/fwd)			48.1
<b>Total investments</b>			<b>203.8</b>

\* Excluding conversion

## Principal realisations in the year to 31 March 2008

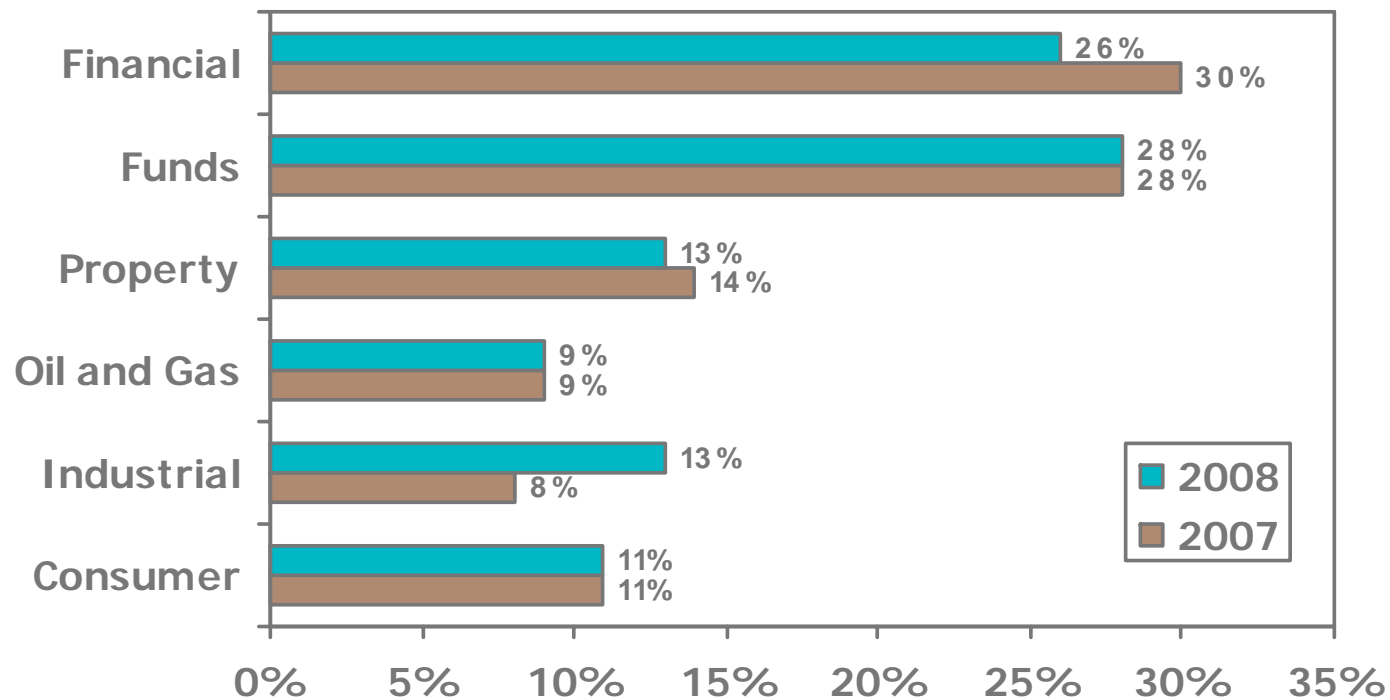
	£m
Polar Capital Funds (Redemption)	23.3
Marketform (Full sale of holding)	21.0
CF AVI Global Fund (Redemption)	9.3
BIA Pacific Fund (Redemption)	6.0
Kandia (Capital distribution)	5.8
Pragma (Capital distribution)	5.7
Conduit Latin American Power Fund (Capital distribution)	5.4
Other realisations	37.9
<b>Total</b>	<b>114.4</b>

## Significant activity since year end

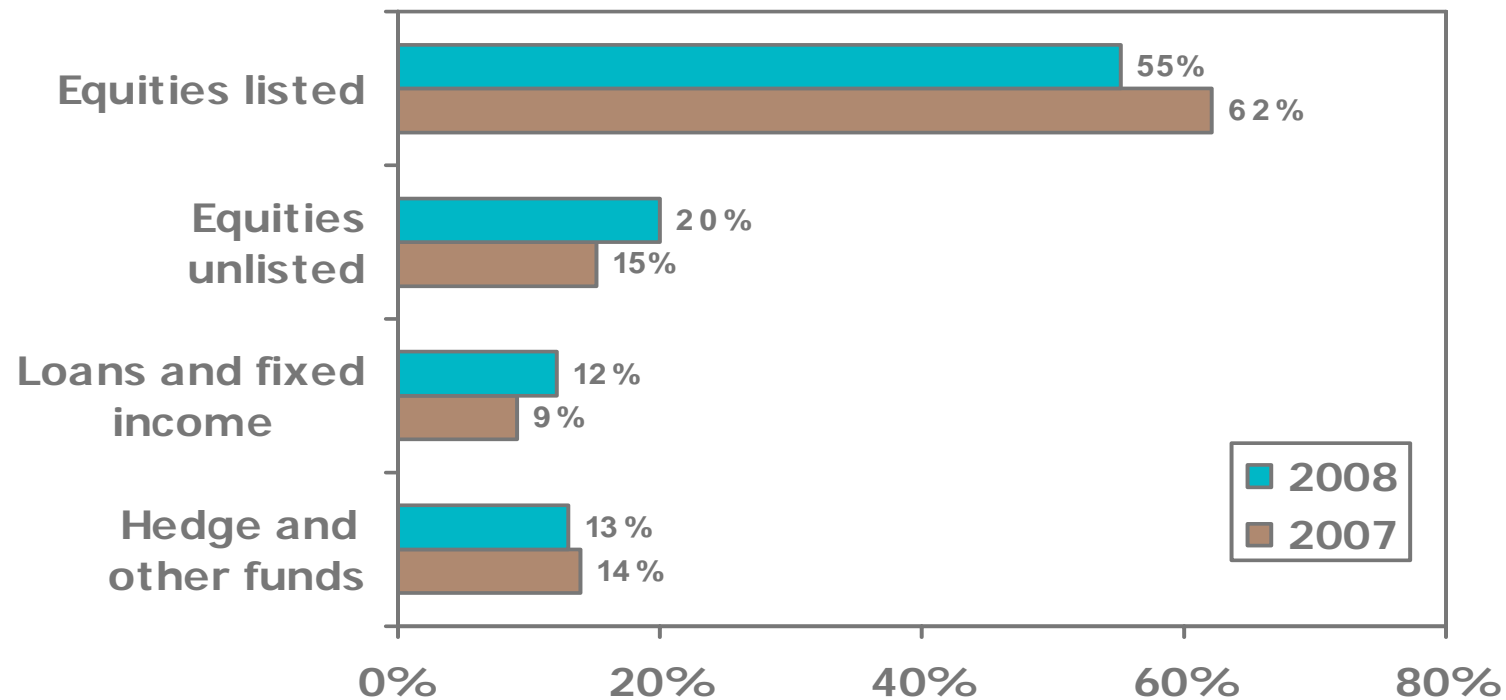
- Flotation of TGE Marine on AIM
- Sale of FTSE put option and purchase of put spread
- ....but no major investments
- £22m of liquidity at the end of April 2008



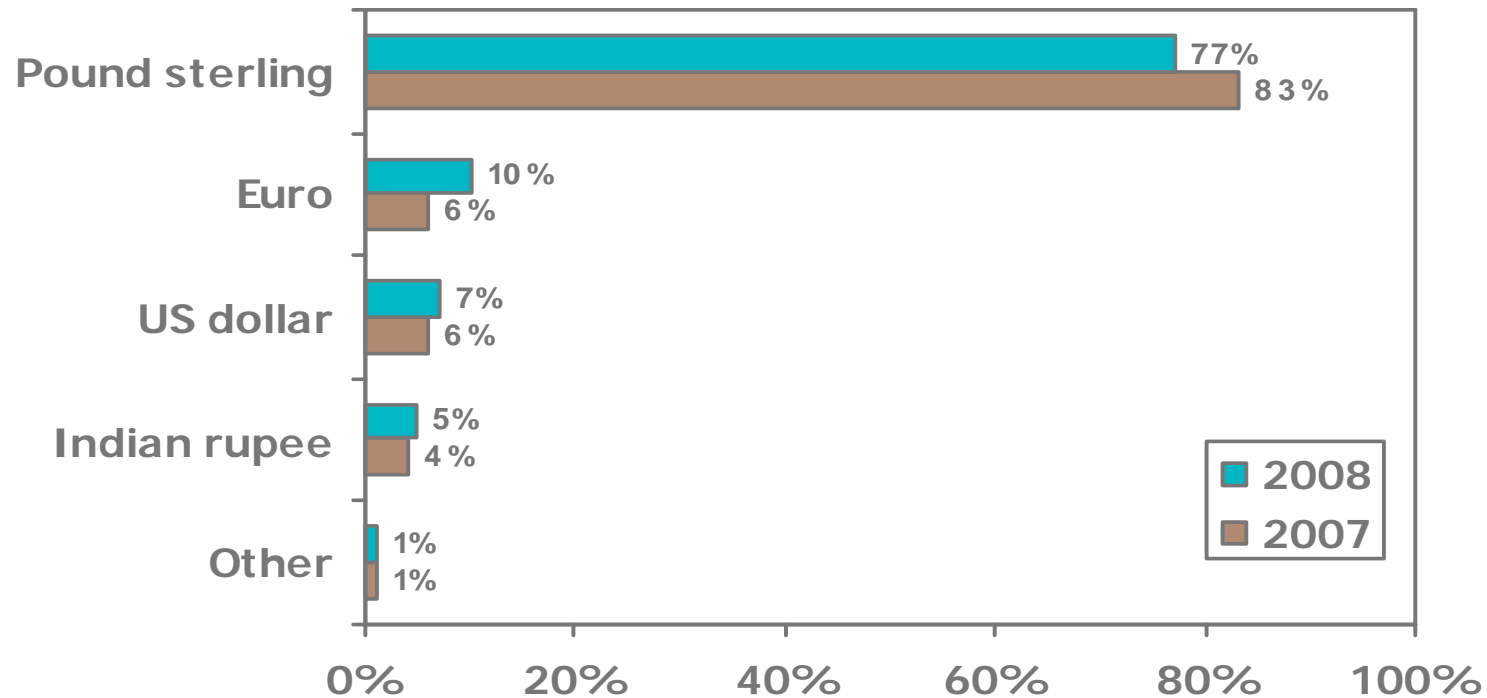
## Portfolio value by business sector as at 31 March 2008



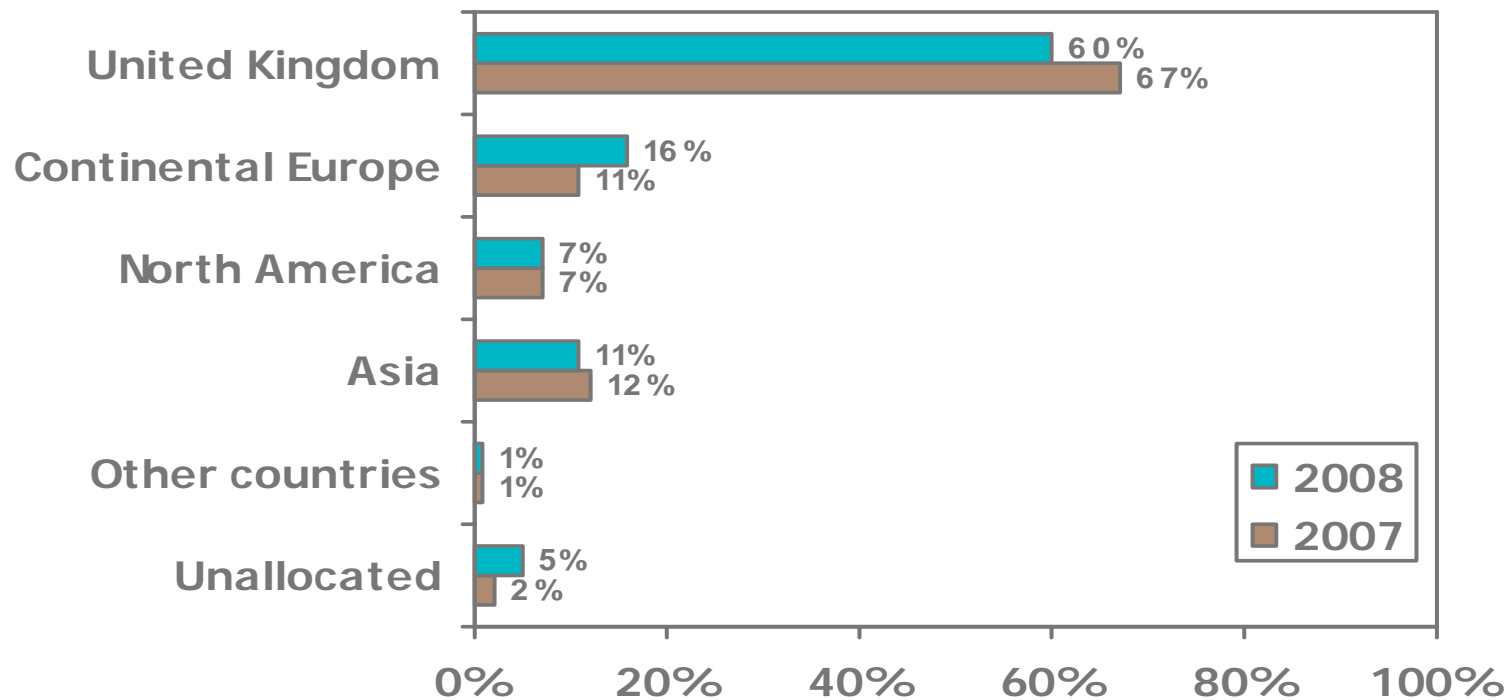
## Portfolio value by security type as at 31 March 2008



## Portfolio value by currency as at 31 March 2008



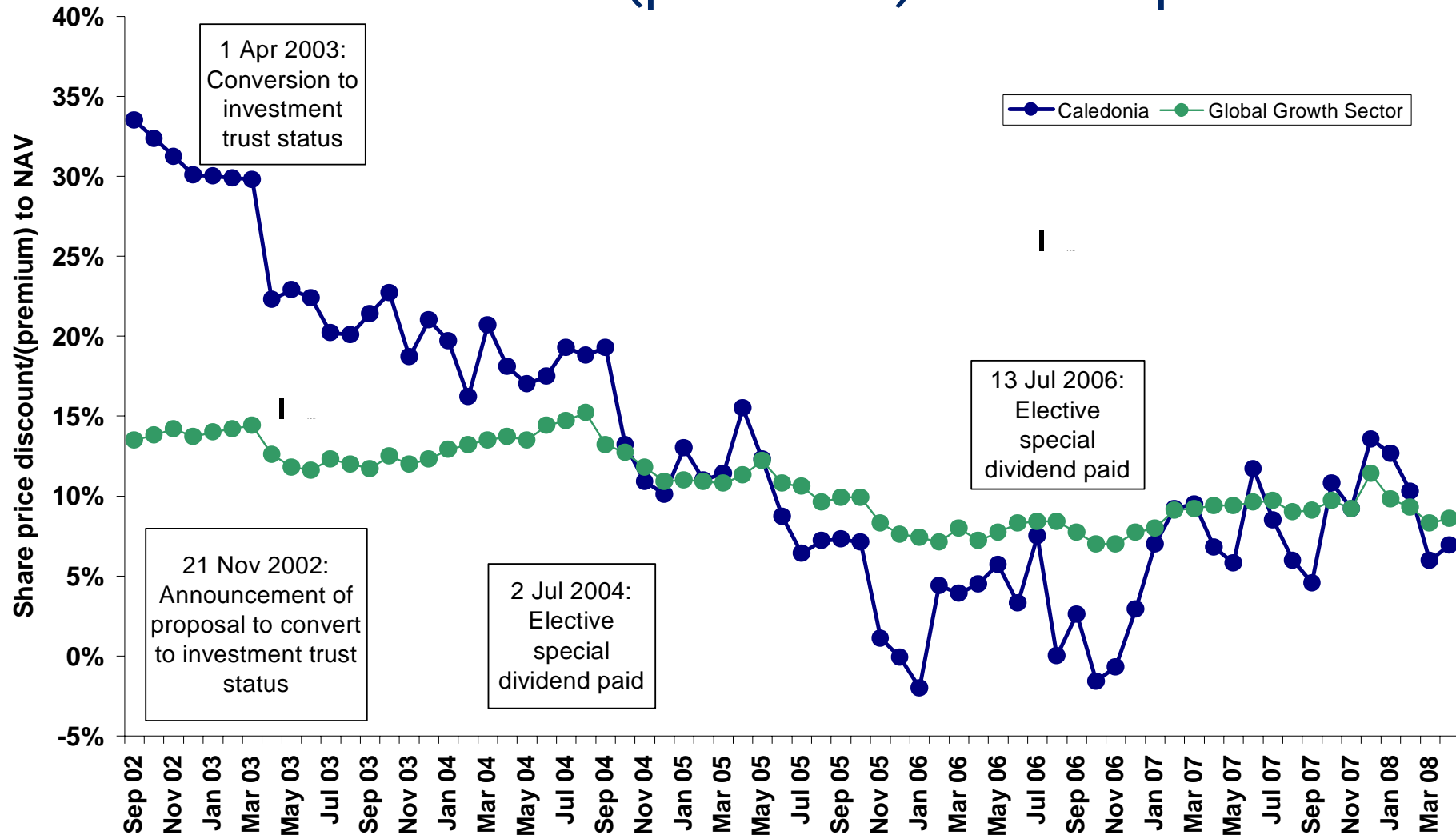
## Portfolio value by geography as at 31 March 2008



# Net assets as at 31 March 2008 vs. current nature limits

<u>Business Sector</u>			<u>Currency</u>		
	Actual	Nature Limit		Actual	Nature Limit
	%	%		%	%
Financial	26	40	Sterling	77	-
Funds	28	30	Euro	10	15
Property	13	20	US Dollar	7	15
Consumer	11	30	Indian Rupee	5	10
Industrial/Oil & Gas	<u>22</u>	30	Other	<u>1</u>	10
	<u>100</u>			<u>100</u>	

# Share Price discount/(premium) to NAV per share



## Movement in Retained Earnings in the year to 31 March 2008

	£m	£m
Opening balance		268.8
Investment income	30.2	
Interest receivable	4.1	
	<hr/>	303.1
Dividends: ordinary	-18.2	
	<hr/>	284.9
Management expenses		-11.2
Other (net)		0.6
Closing balance (all distributable)		<hr/> 274.3 <hr/>

# Key styles for outperformance

- Identifying value creating and committed management teams
- Investing at lower prices than others
- Careful not to overpay
- Prepared to be geared (maximum 20%) when good opportunities available
- Structured unquoted investments
- Focus on few key investments (top 10 >50%)
- Value enhancement of Board representation (26 of top 30 investments)
- Self managed (TER 1.0%)
- Stable management team



# Outlook

- Cautious approach
- Anticipate good conditions for investing
- Asia continues to present opportunities
- May take on some borrowing

# Comparison of Caledonia's costs vs. Private Equity Industry

Year end	Caledonia £m	Private Equity* £m
31.03.04	9.9	65.1
31.03.05	11.4	44.3
31.03.06	12.8	75.6
31.03.07	12.0	40.1
31.03.08	<u>13.4</u>	<u>7.9<sup>#</sup></u>
Total	<u><u>59.5</u></u>	<u><u>233.0</u></u>
Per share	102p	399p

\* Management's estimates. Assumes Private Equity style fee of 2% + 20%.

# Without performance claw-back figure would be £21.6m.

# Potential of Caledonia's Investee Companies

- Fund of Hedge Fund
- VCT?
- Indian funds
- Others?



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INVESTMENTS

Performance driven

