

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 2.43%. This is circa 1.5% higher than our Ongoing Charges shown in our 2019 annual accounts 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 the 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 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 1.5% shown in Caledonia's 2019 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 invest 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.

3. 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 of 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.