

## About Caledonia

Caledonia is a self-managed investment trust company with net assets of £2.0bn. Our aim is to grow net assets and dividends paid to shareholders, whilst managing risk to avoid permanent loss of capital. We achieve this by investing in proven well-managed businesses that combine long term growth characteristics with an ability to deliver increasing levels of income. We hold investments in both listed and private markets, a range of sectors and, particularly through our fund investments, a global reach.

## Review

NAVTR for December was 0.7% and for the nine months of the financial year to date was 12.4%.

During the month, we invested £56.1m which included £36.1m to finance an acquisition by Liberation Group. We realised £47.5m, which included £24.8m from private equity fund distributions and £21.2m from selling our holding in Waters Corporation. The net debt balance at the month end was £16.5m.

The interim dividend of 17.0p per share, totalling £9.3m, was paid on 7 January 2021 to shareholders registered on 4 December 2020 and has been included as a liability at the month end.

## Ten largest holdings

Name	Business	£m
Deep Sea Electronics	Control systems	131.6
Seven Investment	Investment management	104.3
Cobehold	Investment company	104.1
Stonehage Fleming	Family office services	101.0
Liberation Group	Pubs and restaurants	95.9
Aberdeen US PE Funds	Funds of funds	92.7
Cooke Optics	Lens manufacturer	81.0
Axiom Asia Funds	Funds of funds	64.9
Microsoft	Software	48.2
Texas Instruments	Semiconductors	47.3
		871.0
Other pool investments		1,081.5
Cash and other items		30.7
Net assets		1,983.2

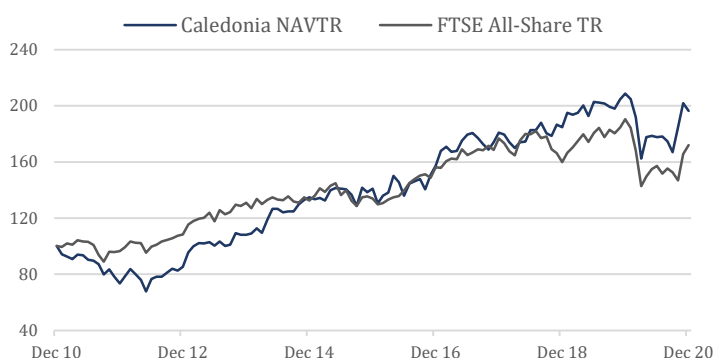
<sup>1</sup>Caledonia reviews the valuation of its unquoted investments biannually, in March and September.

## Caledonia Investments plc

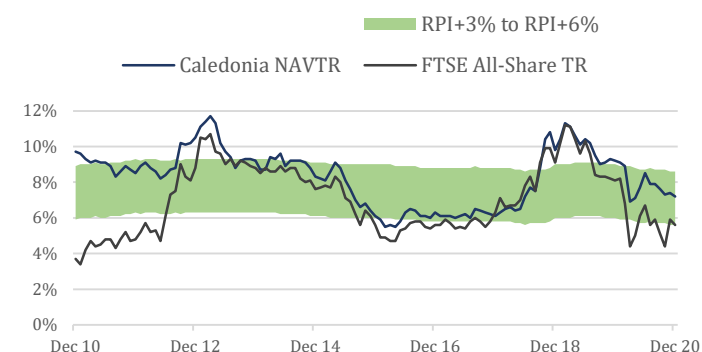
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The price of shares and the income from them may go down as well as up. Past performance is no indication of future performance. Under no circumstances should this information be considered as an offer, or solicitation, to deal in investments.

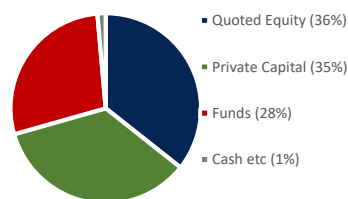
## NAV total return index ten years



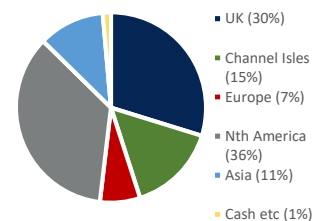
## Annualised ten year rolling performance



## Pool allocation



## Geographic allocation



## Performance to 31 December 2020

	YTD %	1 year %	3 years %	5 years %	10 years %
<b>NAV total return</b>	<b>12.4</b>	<b>(1.5)</b>	<b>12.0</b>	<b>41.4</b>	<b>100.5</b>
<i>Annualised</i>					
<b>NAV total return</b>		<b>(1.5)</b>	<b>3.9</b>	<b>7.2</b>	<b>7.2</b>
Retail Prices Index		0.9	1.9	2.5	2.6
<b>Caledonia vs RPI</b>		<b>(2.4)</b>	<b>2.0</b>	<b>4.7</b>	<b>4.6</b>
FTSE All-Share Total Return		(9.8)	(0.9)	5.1	5.6
<b>Caledonia vs FTSE</b>				<b>2.1</b>	<b>1.6</b>

<sup>1</sup>NAV is calculated on a diluted, cum-income basis.

## Investor information

Sector	Flexible Investment
Fund Type	Investment Trust
Listing	London Stock Exchange (SEDOL 0163992, TIDM CLDN)
Investing	Direct through a broker or financial intermediary
Contact	Cayzer House, 30 Buckingham Gate, London SW1E 6NN +44 20 7802 8080 email enquiries@caledonia.com
Website	www.caledonia.com

## Caledonia Investments plc

### Unaudited net asset value and portfolio update

Caledonia Investments plc (“**Caledonia**”) announces its unaudited diluted net asset value per share (“**NAV**”) as at 31 December 2020, calculated on a cum-income basis, was 3571p.

The NAV total return (“**NAVTR**”) for the nine months to 31 December 2020 was 12.4%. A final dividend of 44.5p per ordinary share for year ended 31 March 2020 was paid to shareholders on 6 August 2020; an interim dividend of 17.0p per ordinary share for the current year was paid on 7 January 2021.

This announcement provides an update on Caledonia’s portfolio and should be read in conjunction with the factsheet dated 31 December 2020 and released on 8 January 2021, a copy of which is available at [www.caledonia.com](http://www.caledonia.com).

### Summary

As seen at the half year, the strong NAVTR performance continued to be driven by the Quoted Equity and Funds pools, with year to date returns of 28.5% and 17.9% respectively despite the performance of both pools being adversely affected by Sterling’s recent strengthening against the US dollar. The Quoted Equity pool continued to produce excellent returns benefitting from underlying portfolio positioning and the recovery in global public equity markets. The underlying performance of the Funds pool, particularly the Asian funds, together with the reassessment of the Covid-19 impact based on updated valuations from fund managers, generated strong gains. The performance of the Private Capital portfolio was broadly flat: the businesses are revalued biannually with the next review taking place on 31 March 2021. Performance for the first nine months of the year is summarised in the table below.

Caledonia has continued to invest, in line with an active approach to portfolio management, with a net cash outflow of £131m in the nine month period. Businesses within the Private Capital pool have been supported with £87m of capital for acquisitions and, in one case, as part of a recapitalisation. The Funds pool experienced increased drawdowns in the first half of the year as fund managers generated liquidity to address the potential impact of Covid-19. However, fund distributions picked up markedly over the last quarter reflecting an increase in merger and acquisition and IPO activity resulting in net investment of £27m in the period.

Total liquidity remains satisfactory with £233m available as at 31 December 2020, comprising £17m of net debt and £190m of undrawn committed bank facilities. Caledonia’s £250m banking facilities include £137.5m expiring in May 2025, with the balance of £112.5m expiring in July 2022.

### Caledonia pool performance

Net asset value – nine months to 31 December 2020

£m	<u>Opening balance</u>	<u>Net investment</u> <u>/(disposal)</u>	<u>Capital gains /</u> <u>(losses)</u>	<u>Other</u>	<u>Closing balance</u>	<u>Income</u>	<u>Total Return</u>
Quoted Equity	574.0	(13.5)	146.0	-	706.5	13.9	28.5%
Private Capital	611.3	90.4	(9.7)	-	692.0	12.7	0.5%
Funds	450.1	27.1	76.7	-	553.9	5.6	17.9%
Portfolio	1,635.4	104.0	213.0	-	1,952.4	32.2	
Net Cash/(debt)	114.7	(104.0)	-	(27.2)	(16.5)		
Interim Dividend	-	-	-	(9.3)	(9.3)		
Other assets	37.2	-	-	19.4	56.6		
Net assets	<b>1,787.3</b>	<b>-</b>	<b>213.0</b>	<b>(17.1)</b>	<b>1,983.2</b>	NAVTR	<b>12.4%</b>

(Net Cash – Other: includes final dividend for the year ended 31 March 2020 of £24.4m paid on 6 August 2020)

Caledonia's March 2020 NAV incorporated additional discounts within the valuations of both the Private Capital and Funds portfolios to account for the potential impact of Covid-19. As the operating environment and trading outlook has become clearer, valuations have returned to a more standard approach. The biannual valuation of the Private Capital businesses at end September 2020 reverted to a normalised earnings multiple basis for most investee companies. The most recent managers' NAV were used for the valuation of the Funds portfolio.

#### **Caledonia Quoted Equity – Capital and Income portfolios (36% of NAV)**

The total return on the Quoted Equity portfolio was 28.5% over the first nine months of the year. This very strong performance reflected the notable rebound in global equity markets and considered stock selection within both the Capital and Income portfolios, delivering total returns of 33.7% and 14.7% respectively. The performance of US public equities in both portfolios was particularly important, driving a significant element of the returns over the period. On a calendar year basis, the Capital portfolio returned 18.6% and the Income portfolio 0%. In comparison, the total returns of the FTSE All-Share and the MSCI World Index (GBP) were -13.2% and 12.3% respectively.

Trading activity has been relatively limited, in line with our long-term investment approach. In the Capital portfolio, the position in Waters Corporation, a laboratory instrument and software company, was sold in December, having delivered good returns over a four year holding period. The development of the Income portfolio has continued with new positions established in consumer goods business Reckitt Benckiser and in Fortis Inc, a North American utilities business, together with the disposal of holdings in Direct Line and Tritax Big Box. Other activity was restricted to refining positions in existing investments.

#### **Caledonia Private Capital (35% of NAV)**

Caledonia's Private Capital portfolio includes significant positions in six UK based businesses and one private European investment company. These seven investments represent over 90% of the value of the Private Capital portfolio. Investee companies are revalued in March and September each year. The industrial and financial services businesses have adapted well to the new Covid-19 trading and operating environment and continue to trade strongly. In contrast, the two consumer facing businesses, Buzz Bingo and Liberation Group, have been more directly impacted. The investment in Cobehold continues to perform well. The total return on the portfolio was 0.5% for the first nine months of the year. The positive return achieved across most of the portfolio was largely offset by the capital loss of £46m sustained from the financial restructuring of Buzz Bingo. The only notable movement from the valuations at the end of September 2020 relates to an investment of £36m into Liberation Group to facilitate an acquisition, as covered below.

As noted at the half year, Buzz Bingo, the UK's biggest omni-channel bingo business, completed a company voluntary arrangement process and financial restructuring in August 2020 to protect the long-term prospects of the business. A phased reopening of its retail venues was completed in the summer, with the business trading ahead of plan. However, the introduction of the Covid-19 tier system led to a significant number of retail venues closing in England and Scotland in the latter part of 2020. All venues closed in January in response to national lockdowns. The online business ([www.buzzbingo.com](http://www.buzzbingo.com)), which expects to benefit from the latest restrictions, continues to grow player numbers and operate on a break-even basis. The valuation of Buzz Bingo at 31 December is £22m.

Liberation Group, a pub, restaurant and drinks business with operations in the Channel Islands and the South West of the UK traded well through the summer period as Covid-19 restrictions were eased. Weekly revenues picked up strongly and were often in line with, or ahead of, the prior year. However, the introduction of the English Covid-19 tier system caused some closures in the UK estate and from early December and following a rise in cases on the island, all pubs and restaurants in Jersey were closed. Venues in Guernsey remain open and the distribution business in the Channel Islands continues

to trade strongly. The recently announced lockdown in England will have an adverse impact although trading is generally weakest in January and February. The business has significant cash resources and will manage the cost base tightly over the next few months.

Caledonia invested an additional £36m of new equity into Liberation Group in November to support the acquisition of a substantial portfolio of pubs from Wadworth and various value accretive capital investment projects across the enlarged estate. This reflects our confidence in the long-term prospects of the business.

A more detailed update on trading and valuation of all investee companies within the Private Capital portfolio will be provided in Caledonia's full year results announcement in May 2021.

#### **Caledonia Funds (28% of NAV)**

The total return on the Funds portfolio was 17.9% for the first nine months of the year. This reflects underlying fund performance, reverting to basing valuations on managers' NAV, without the need to reflect the Covid-19 impact as was the case in March 2020, and the impact of exchange on these US dollar based assets. Updated valuations dated 30 September 2020, amounting to 83% of the Funds' NAV have been included: the holdings in Aberdeen US private equity funds (17% of Funds NAV) remain at the manager's 30 June 2020 valuation.

Caledonia's fund investments are principally in third party managed private equity funds operating in the US and in Asia. The feedback from the fund managers is one of gradual improvement since the end of March. The majority of the underlying business investments are performing well, in line with, or ahead of pre-Covid plans, with only a small number suffering a notable decline in trading. In general, the Asian fund investments have performed well with good underlying returns, most notably for businesses with a technology or healthcare focus. In contrast, US funds show a more diverse performance mix. Whilst there are some good performers, several funds show underlying valuation reductions which reflect the impact of Covid-19 and the sector mix of the investee businesses. All of US and Asian funds are denominated in US dollars. Over the nine months to 31 December 2020, Sterling has strengthened by 10% compared to the US dollar, creating a significant headwind to the positive returns from this portfolio.

During the first nine months of the year, £86m was invested and distributions of £59m were received. The recent pick up in distributions is notable, with 69% of the year to date distributions received in the last three months.

#### **Company contacts**

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**8 January 2021**

## Notes

### Valuation approach and methodology

The valuation approach utilised for each asset portfolio is summarised below.

*Caledonia Quoted Equity*: all listed companies are valued based on the closing bid price on the relevant exchange as at 31 December 2020.

*Caledonia Private Capital*: the holdings are valued biannually, on a normalised EBITDA x market multiple basis where appropriate (in line with the latest IPEV guidelines). This approach was applied to the majority of the portfolio at 30 September 2020, with the following amendment:

- Trading in the current year has been impacted by Covid-19 for a number of businesses in the portfolio. Valuations would use normalised LTM EBITDA as a key input under standard circumstances; however, historic and forecast earnings information has been used at this time in order to address this issue and provide a more balanced view of valuation.

The holdings have not been revalued at 31 December 2020; however, the valuations have been updated to reflect cash transactions completed in the last quarter.

*Caledonia Funds*: the fund valuations are based on the most recent valuations provided by the fund managers, subject to cash movements from the valuation date. Valuations are received 60 to 180 days from the valuation date. This approach has been applied for 31 December 2020 valuations in contrast to the year ended 31 March 2020 when a Covid-19 adjustment was applied to December 2019 fund managers' NAVs in light of the uncertainty created by the Covid-19 pandemic.

### Caledonia Investments plc

Caledonia is a self-managed investment trust company. Its aim is to grow net assets and dividends paid to shareholders, whilst managing risk to avoid the permanent loss of capital. This is achieved by investing in proven, well-managed businesses that combine long term growth characteristics with an ability to deliver increasing levels of income. Investments are held in both listed and private markets, a range of sectors and, particularly through the fund investments, with a global reach.

For additional information on Caledonia, please visit [www.caledonia.com](http://www.caledonia.com).

**END**