

31 March 2021

Share price: 2645p

NAV/share: 3940p

Discount: 32.9%

## About Caledonia

Caledonia is a self-managed investment trust company with net assets of £2.2bn. 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 March, which included our biannual revaluation of unquoted investments, was 13.8% and for the full financial year was 24.0%.

The Quoted Equity pool delivered an annual return of 30.3%, reflecting the rebound in global equity markets, our focus towards US public equities and its portfolio of high quality companies. Private Capital investee companies, with the exception of Buzz Bingo, adapted well to the challenges of Covid-19 with impressive performance through the second half of the year to produce a total return of 21.8% for the year, inclusive of a full write-down of the investment in Buzz Bingo. The Funds portfolio delivered an annual return of 30.9% following the release of the adjustment made in March 2020 to account for the potential impact of Covid-19 and good underlying results, particularly from the Asian PE funds. Further commentary regarding annual performance can be found in the NAV and portfolio update released alongside this Factsheet.

During the month, we invested £13.8m and realised £11.6m. This included private equity fund drawdowns of £13.7m and distributions of £9.9m. The net debt balance at the month end was £0.9m.

## Ten largest holdings

Name	Business	£m
Deep Sea Electronics	Control systems	177.8
Liberation Group	Pubs and restaurants	127.7
Seven Investment Management	Investment management	126.4
Stonehage Fleming	Family office services	115.5
Cobehold	Investment company	112.3
Cooke Optics	Lens manufacturer	95.6
Aberdeen US PE Funds	Funds of funds	94.8
Axiom Asia Funds	Funds of funds	72.5
Texas Instruments	Semiconductors	54.0
Watsco Inc	Ventilation products	50.8
		1,027.4
Other pool investments		1,119.1
Cash and other items		45.6
Net assets		2,192.1

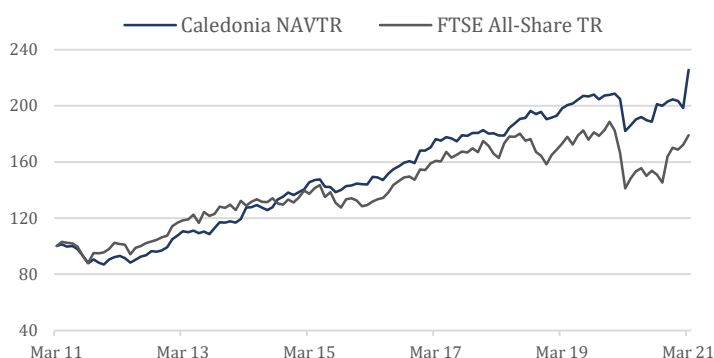
<sup>1</sup>Caledonia reviews the valuation of its unquoted investments biannually, in March and September.

## Caledonia Investments plc

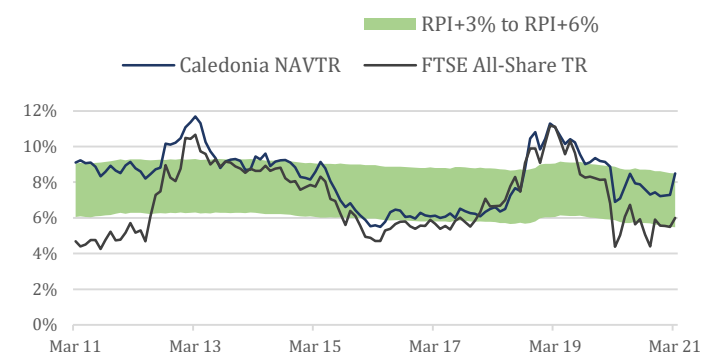
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The price of shares and the income from them may go down as well as up. Past performance is no indication of future performance. Under no circumstances should this information be considered as an offer, or solicitation, to deal in investments.

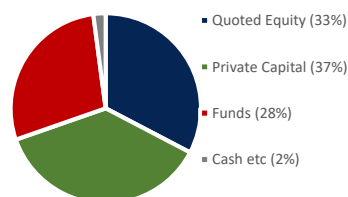
## NAV total return index ten years



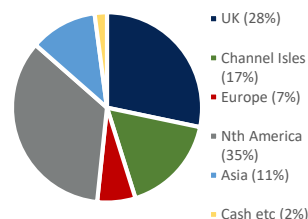
## Annualised ten year rolling performance



## Pool allocation



## Geographic allocation



## Performance to 31 March 2021

	YTD %	1 year %	3 years %	5 years %	10 years %
NAV total return	24.0	24.0	26.3	51.1	125.7
Annualised					
NAV total return	24.0	8.1	8.6	8.5	
Retail Prices Index		1.6	2.2	2.6	2.5
Caledonia vs RPI	22.4	5.9	6.0	6.0	
FTSE All-Share Total Return	26.7	3.2	6.3	6.0	
Caledonia vs FTSE			2.3	2.5	

<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

# Unaudited net asset value and portfolio update

Released : 9 April 2021

RNS Number : 9684U  
Caledonia Investments PLC  
09 April 2021

## **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 March 2021, calculated on a cum-income basis was 3940p. This incorporates the biannual revaluation of the Private Capital portfolio.

The NAV total return ("**NAVTR**") for the year to 31 March 2021 was 24.0%. A final dividend of 44.5p per ordinary share for the 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 March 2021, a copy of which is available at [www.caledonia.com](http://www.caledonia.com). Caledonia will announce its audited full year results on 27 May 2021.

### **Summary**

The strong NAVTR performance includes positive returns from each part of the portfolio. The Quoted Equity pool delivered an annual return of 30.3%, reflecting the rebound in global equity markets, the focus towards US public equities and its portfolio of high quality companies. Private Capital investee companies, with the exception of Buzz Bingo, adapted well to the challenges of Covid-19 with impressive performance through the second half of the year to produce a total return of 21.8% for the year, inclusive of a full write-down of the investment in Buzz Bingo. The Funds portfolio delivered an annual return of 30.9% following the release of the adjustment made in March 2020 to account for the potential impact of Covid-19 and good underlying results, particularly from the Asian PE funds.

There were two notable adverse impacts on investment returns for the year. Caledonia supported an initial financial restructure of Buzz

Bingo in the summer of 2020, before choosing not to participate in a further fundraising in March 2021, which resulted in the sale of our interest for a nominal sum as announced on 17 March 2021. This created a total write-down for the year of £68m. In addition, with approximately 45% of our assets denominated in US dollars, the strengthening of Sterling by some 11% over the year negatively impacted the annual return by more than six percentage points.

We continued to invest in the portfolio throughout the year, which resulted in a net cash outflow of £116m. Investee companies in the Private Capital pool have been supported with £56m of capital to make three bolt-on acquisitions. There was a modest net investment into the Funds pool, with stronger distributions in the second half of the year following a higher level of drawdowns in the first half, reflecting actions taken by managers in the early stages of the pandemic to bolster liquidity levels in their portfolios.

Total liquidity remains satisfactory with £249m available at 31 March 2021, reflecting the full value of our banking facilities and £0.9m of net debt. The £250m of banking facilities include £137.5m expiring in May 2025 and the balance of £112.5m expiring in July 2022.

### **Caledonia pool performance**

Net asset value - year to 31 March 2021

£m	<u>Opening balance</u>	<u>Net investment / (disposal)</u>	<u>Capital gains / (losses)</u>	<u>Other</u>	<u>Closing balance</u>	<u>Income</u>	<u>Total Return</u>
Quoted Equity	574.0	(14.8)	157.0	-	716.2	17.1	30.3%
Private Capital	611.3	90.1	110.2	-	811.6	22.7	21.8%
Funds	450.1	21.8	146.8	-	618.7	0.7	30.9%
Investments	1,635.4	97.1	414.0	-	2,146.5	40.5	
Other assets	151.9	(97.1)	-	(9.2)	45.6		
Net assets	<b>1,787.3</b>	<b>-</b>	<b>414.0</b>	<b>(9.2)</b>	<b>2,192.1</b>	NAVTR	<b>24.0%</b>

Caledonia's March 2020 NAV incorporated additional price adjustments within the valuations of both the Private Capital and Funds portfolios to account for the potential impact of Covid-19. Valuations have now reverted to a more standard approach: the biannual valuation of the Private Capital businesses were based on a normalised earnings multiple basis for most investee companies and the most recent managers' NAV were used for the valuation of the Funds portfolio.

### **Caledonia Quoted Equity - Capital and Income portfolios (33% of NAV)**

The total return of the Quoted Equity portfolio was 30.3% for the year. This strong performance reflected the significant rebound in global public equity markets and considered stock selection within both the Capital and Income portfolios, which delivered total returns of 35.9% and 17.5% respectively. The performance of the US public equities in both portfolios was particularly notable and was responsible for a majority of the returns.

Trading activity over the year has been limited, in line with our long-term investment approach. In the Capital portfolio there was one significant disposal of Waters Corporation, a laboratory and software company, alongside reduced positions in a small number of other holdings. The evolution of the Income portfolio has included

developing new positions in Fortis Inc, a North American utilities business, and in international consumer business Reckitt Benckiser and the sale of our holdings in Direct Line and Tritax Big Box.

### **Caledonia Private Capital (37% of NAV)**

Caledonia's Private Capital portfolio includes significant positions in five UK businesses and one private European investment company. These six investments represent over 90% of its value. The portfolio generated a total return of 21.8% for the year, including the absorption of the write-down of £68m relating to the holding in Buzz Bingo. The industrial and financial services business have adapted well to the Covid-19 environment and have been trading strongly. The impact of the pandemic has been felt more acutely by Liberation Group and, prior to disposal, Buzz Bingo. The investment in Cobehold and its diverse portfolio continues to perform well. The private equity market is currently very active and the pricing of high-quality private companies has increased in line with quoted markets.

The holding in Buzz Bingo, the UK's biggest omni-channel bingo business, was sold for a nominal sum in March 2021 after a very challenging year. In summer 2020, following a period of retail club closures caused by the Government's response to the Covid-19 pandemic, the business successfully completed a company voluntary arrangement. Retail trading post re-opening was good but renewed opening restrictions through the late autumn and winter periods resulted in further significant losses which led Buzz Bingo to review its funding options once again. Caledonia, having carefully assessed the available investment opportunity, chose not to participate in the resulting funding round and disposed of its interest.

Liberation Group ("**Liberation**"), a pub, restaurant and drinks business with operations in the Channel Islands and the South West of the UK has been heavily impacted by Covid-19 restrictions. While the business traded well through the summer and autumn periods, it has suffered further pandemic related closures of its pubs and restaurants over recent months. However, the UK brewery has operated throughout the period, supporting trade and growing online sales. The wholesale businesses in Jersey and Guernsey also remained open and traded strongly. In November 2020, Caledonia invested £36m of new equity to support Liberation's acquisition of a substantial portfolio of pubs from Wadworth, complementing the existing UK estate, and various value accretive capital projects across the enlarged estate. This investment, backed by the strong trading performance last summer, reflects our confidence in the long-term prospects for the business.

The financial services businesses, Seven Investment Management ("**7IM**") and Stonehage Fleming, have developed well during the year. Both businesses have seen strong growth in the level of assets under management achieved through a mix of fund performance, fund inflows and acquisitions which has resulted in good trading performances. 7IM acquired Partners Wealth Management, a high net worth financial planning business, at the end of September, and Stonehage Fleming acquired Cavendish Asset Management in July 2020.

Deep Sea Electronics ("**DSE**") and Cooke Optics, our industrial businesses, have traded successfully through the year. The performance of DSE has been particularly strong, with good growth, product development and cash generation. The control technology developed by DSE should have wide applications in the development of mixed source power provision, providing further growth opportunities. Performance at Cooke improved in the second half of the year due to better operational planning and controls, new senior

appointments and an uplift in demand as film related activity returned to more normal levels.

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

The total return on the Funds portfolio was 30.9% for the year. This reflects good underlying fund performance, which reverted to valuations based on managers' NAV, without the need to reflect the potential Covid-19 impact as was the case in March 2020. Caledonia's valuation policy is to utilise the latest valuations reported by managers of the funds in which it is invested. 70% of the NAV is based on valuations dated 31 December 2020, primarily the directly owned funds. The remainder, mostly fund of funds holdings, are dated 30 September 2020.

Caledonia's fund investments are principally in third party managed private equity funds operating in the US and Asia. The feedback from the fund managers is currently positive, with a clear majority of the investee businesses progressing in line with or ahead of internal plans. The level of transactional activity picked up strongly in the second half of the year with several successful exits delivered through trade sales or IPOs. Over the year, Sterling has strengthened by 11% compared to the US dollar, creating a significant headwind to the positive returns from this portfolio.

The strategy for the Funds portfolio involves committing around US\$100m per annum to new fund opportunities. During the year, £109m was invested and distributions of £87m were received. As noted earlier, there was a notable pick up in distributions as we progressed through the year, with 84% of the distributions received in the second half of the year.

### **Company contacts**

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**9 April 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 March 2021.

*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 31 March 2021. However, trading for several businesses in the portfolio in the current year has been impacted by Covid-19. Our valuations would use normalised LTM EBITDA as a key input under standard circumstances; however, we have also used historic and forecast earnings information in order to address this issue and provide a more balanced view of valuation.

*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 March 2021 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**

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

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