



CALEDONIA INVESTMENTS

30 June 2021

Share price: 3205p

NAV/share: 4258p

Discount: 24.7%

About Caledonia

Caledonia is a self-managed investment trust company with net assets of £2.4bn. 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

Year to date NAVTR at 30 June 2021 was 6.5%, driven by the performance of the quoted equity portfolio, valuation uplifts received for our private equity funds, and the realisation of a gain following the sale of Deep Sea Electronics ('DSE').

During the month, we invested £14m into private equity funds and realised £258m, of which £230m related to the sale of DSE, £17m from private equity fund distributions, £9m from the sale of a private equity fund on the secondary market and £2m from quoted equity sales. The net cash balance at the month end was £265.0m, which included £264.6m held in money market funds.

During the month we repurchased £5.7m of ordinary shares at a weighted average share price of £31.82, representing a 25.3% discount to June NAV per share.

Ten largest holdings

Name	Business	£m
Seven Investment Management	Investment management	127.9
Liberation Group	Pubs and restaurants	127.7
Stonehage Fleming	Family office services	115.5
Cobehold	Investment company	111.1
Cooke Optics	Lens manufacturer	95.6
Aberdeen US PE Funds	Funds of funds	91.8
Axiom Asia Funds	Funds of funds	83.4
Watsco Inc	Ventilation products	55.8
Microsoft	Software	55.4
Texas Instruments	Semiconductors	54.8
		919.0
Other pool investments		1,135.9
Cash and other items		315.5
Net assets		2,370.4

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

Private equity fund valuation dates

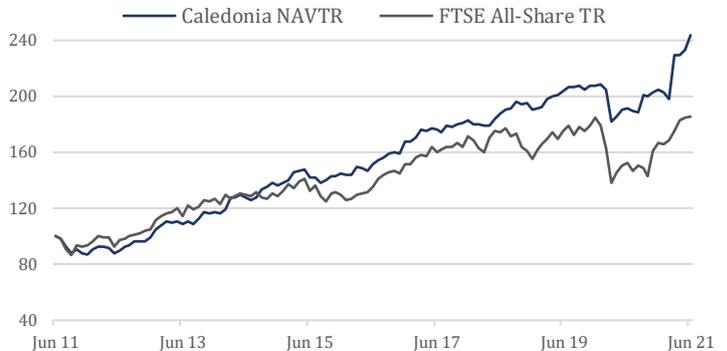
Manager NAV date	£m	%
31/03/2021	547.9	84.0
31/12/2020	104.7	16.0
	652.6	100.0

Caledonia Investments plc

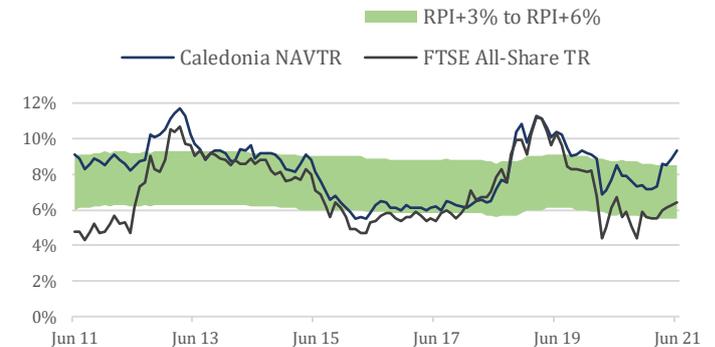
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The price of shares and the income from them may go down as well as up. Past performance is no indication of future performance. Under no circumstances should this information be considered as an offer, or solicitation, to deal in investments.

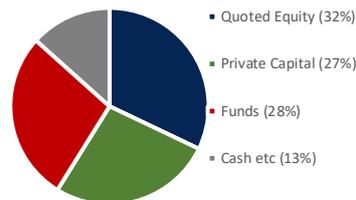
NAV total return index ten years



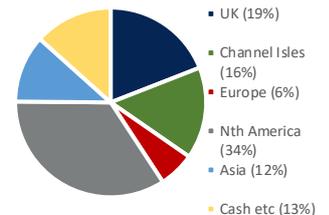
Annualised ten year rolling performance



Pool allocation



Geographic allocation



Performance to 30 June 2021

	YTD %	1 year %	3 years %	5 years %	10 years %
NAV total return	6.5	27.1	30.0	60.9	143.7
<i>Annualised</i>					
NAV total return		27.1	9.1	10.0	9.3
Retail Prices Index		3.3	2.4	2.8	2.5
Caledonia vs RPI		23.8	6.7	7.2	6.8
FTSE All-Share Total Return		21.5	2.0	6.5	6.4
Caledonia vs FTSE				3.5	2.9

¹NAV 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 30 June 2021, calculated on a cum-income basis, was 4258p.

The NAV total return (“**NAVTR**”) for the three months to 30 June 2021 was 6.5%.

This announcement provides an update on Caledonia’s portfolio and should be read in conjunction with the factsheet dated 30 June 2021 and released on 7 July 2021, a copy of which is available at www.caledonia.com.

Summary

The first quarter has seen good returns generated by all three investment pools. The Quoted Equity portfolio has benefited from continued positive public equity markets, producing a return of 9.1%. The sale of Deep Sea Electronics (“**DSE**”), as previously announced, resulted in a healthy gain and was the main contributor to the 6.7% return from the Private Capital portfolio with little change for the rest of the portfolio as investee companies are revalued biannually, with the next review taking place on 30 September 2021. The Funds portfolio produced a return of 7.1% based on strong valuation growth from a number of holdings across our maturing investments.

Performance for the first three months is summarised in the table below.

Caledonia pool performance

Net asset value – three months to 30 June 2021

£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	716.1	(15.9)	61.1	-	761.3	4.2	9.1%
Private Capital	826.8	(228.3)	33.6	0.9	633.0	16.7	6.7%
Funds	637.1	(20.5)	44.0	-	660.6	0.5	7.1%
Portfolio	2,180.0	(264.7)	138.7	0.9	2,054.9	21.4	
Net Cash/(debt)	(0.8)	264.7	-	1.1	265.0		
Other assets	46.1	-	-	4.4	50.5		
Net assets	2,225.3	-	138.7	6.4	2,370.4	NAVTR	6.5%

Caledonia has continued to invest and dispose of assets, in line with our active approach to portfolio management, with a net cash inflow of £266m in the first quarter of the year. As noted below, the DSE business was sold in June generating cash proceeds of £242m including a pre-disposal dividend. The Quoted Equity portfolio reduced its holdings in two companies and refined positions in a number of others, generating net investment proceeds of £16m. The Funds portfolio continued to see an increased level of fund distributions. In the quarter, there was a net cash inflow of £21m, including £9m from the sale of a fund position.

Total liquidity remains healthy with cash of £265m and undrawn bank facilities of £250m as at 30 June 2021. Caledonia’s £250m banking facilities include £137.5m expiring in May 2025, with the balance of £112.5m expiring in July 2022.

Caledonia Quoted Equity – Capital and Income portfolios (32% of NAV)

The total return on the Quoted Equity pool was 9.1% over the first three months of the year. This strong performance reflected the positive movement in global public equity markets and our stock selection within both the Capital and Income portfolios, delivering total returns of 9.9% and 7.1% respectively. The performance reflected good returns from a broad range of sectors and across both UK and US holdings.

Trading activity has been relatively limited, in line with our long-term investment approach. The main activity was in the Capital portfolio, with a reduction in our holdings in A G Barr and Polar Capital. Other activity was restricted to refining positions in existing investments.

Caledonia Private Capital (27% of NAV)

Caledonia's Private Capital portfolio is comprised of significant positions in four UK based businesses and one private European investment company. These five investments represent over 90% of its value. Investee companies are revalued in March and September each year.

On 1 June 2021, Caledonia announced that portfolio company DSE, a leading provider of backup power control systems, had been acquired by Generac Holdings Inc. ("Generac"). Generac is listed on the New York Stock Exchange (NYSE: GNRC) and is a leading global designer and manufacturer of energy technology solutions and other power products. DSE was acquired by Caledonia in October 2018 and had grown strongly. It had secured a larger share of core target markets having developed and launched power control products in load-sharing and synchronisation; successfully captured adjacent market opportunities with new products in off-highway control; and was addressing the control needs of a growing number of customers seeking distributed power solutions enabled with intelligence and data capture. Caledonia received net proceeds of £242m in cash, net of fees, for the sale of its 84.2% fully diluted stake. This included a pre-disposal dividend of £12.7m. DSE was valued at £193m in Caledonia's accounts as at 31 March 2021.

The total return on the Private Capital portfolio, including the impact of the DSE disposal, was 6.7% for the first three months of the year. The positive return was dominated by the disposal transaction, with foreign exchange having a minor impact on non-sterling denominated holdings.

Liberation Group, a pub, restaurant and drinks business with operations in the Channel Islands and the South West of the UK has traded well since Covid-19 restrictions started to be relaxed. Its portfolio is well positioned to benefit from the gradual opening of the hospitality sector with many destination pubs, a strong food offering, large outdoor spaces and, in some cases, quality accommodation. Weekly revenues have picked up strongly and have been broadly in line with, or ahead of historic levels. A number of the pubs recently acquired from Wadworth have been upgraded and are performing well. Overall, the business is trading ahead of internal plans and the outlook for the summer, with the expectation of large numbers of holidaymakers staying in the UK, is positive.

The remaining portfolio businesses have adapted well to the Covid-19 trading and operating environment and continue to perform satisfactorily. The financial services businesses continue to see revenue and profit growth, which reflects underlying investment performance and fund inflows. The integration of last year's acquisitions by both Seven Investment Management and Stonehage Fleming are progressing well. Cooke Optics, the manufacturer of cine lenses, is trading ahead of plan and the Cobehold portfolio continues to perform well.

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

Caledonia Funds (28% of NAV)

The total return on the Funds portfolio was 7.1% for the first three months of the year. This reflects strong valuation growth, particularly from the fund of funds managers. The key managers in this group are Aberdeen US private equity funds (“**Aberdeen**”), Axiom Asia funds and Asia Alternatives funds. Updated valuations dated 31 March 2021 amount to 84% of the Funds’ NAV: the holdings in Aberdeen (16% of Funds NAV) remain at the manager’s 31 December 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 increasingly positive. The majority of the underlying business investments are performing well, in line with, or ahead of plan, with only a small number tracking below expectations. As noted below, the level of deal activity in the market is high and valuations remain strong.

During the first three months of the year, £28m was invested and £49m was received, comprising distributions of £40m and £9m from the sale of a fund position in the secondary market. The level of distributions remains very positive reflecting deal flow and IPO activity in the broader private equity markets.

Company contacts

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7 July 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 30 June 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 significant assets in the portfolio at 31 March 2021, with the exception of our holdings in Liberation Group and Cobehold. Liberation was valued on an industry specific method using a multiple of tangible fixed assets and Cobehold's fair value was derived from the external valuation prepared by Cobepa.

The holdings have not been revalued at 30 June 2021; however, the valuations have been updated to reflect FX movements and 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.

Caledonia Investments plc

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For additional information on Caledonia, please visit www.caledonia.com.

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