



CALEDONIA INVESTMENTS

30 September 2021

Share price: 3430p

NAV/share: 4592p

Discount: 25.3%

About Caledonia

Caledonia is a self-managed investment trust company with net assets of £2.5bn. 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.

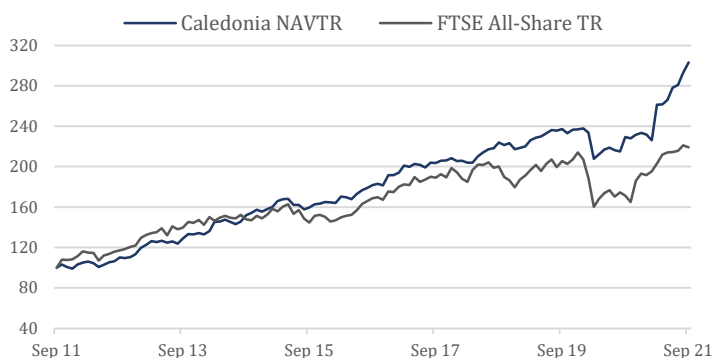
Review

NAVTR in the first six months of the year was 16.1%. This was driven by the performance of the Quoted Equity portfolio, valuation uplifts received for our private equity funds and our biannual revaluation of Private Capital investments, together with the realisation of a gain following the sale of Deep Sea Electronics in June. The FTSE All-Share total return over the same period was 8.0%.

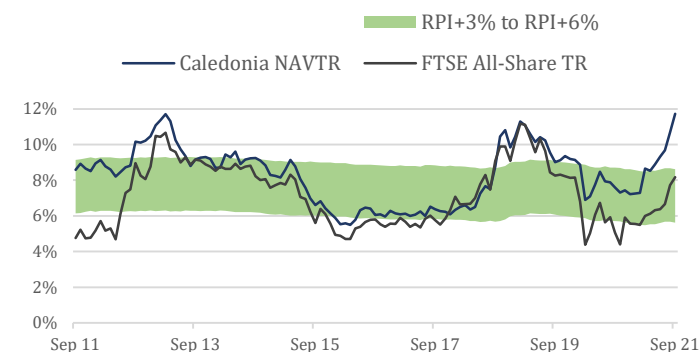
During the month, we invested £13.5m, comprising private equity drawdowns of £7.9m and quoted equity purchases of £5.6m. We realised £15.6m comprising private equity fund distributions of £10.2m and quoted equity sales of £5.4m. Net cash at the month end was £267.7m.

In the financial year to date we have repurchased £16.8m of ordinary shares at a weighted average share price of £32.82.

NAV total return index ten years



Annualised ten year rolling performance



Ten largest holdings

Name	Business	£m
Seven Investment Management	Investment management	138.8
Liberation Group	Pubs and restaurants	135.1
Cobehold	Investment company	127.4
Stonehage Fleming	Family office services	121.8
Aberdeen US PE Funds	Funds of funds	118.2
Cooke Optics	Lens manufacturer	104.0
Axiom Asia Funds	Funds of funds	91.5
Oracle	Software	60.3
Microsoft	Software	59.1
Texas Instruments	Semiconductors	56.1
		1,012.3
Other pool investments		1,225.2
Cash and other items		302.3
Net assets		2,539.8

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

Private equity fund valuation dates

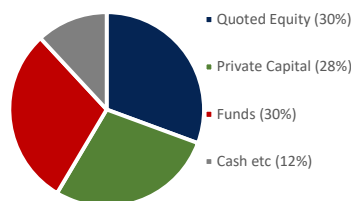
Manager NAV date	£m	%
30 June 2021	742.6	100.0
	742.6	100.0

Caledonia Investments plc

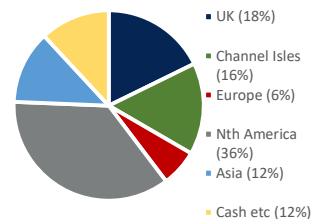
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The price of shares and the income from them may go down as well as up. Past performance is no indication of future performance. Under no circumstances should this information be considered as an offer, or solicitation, to deal in investments.

Pool allocation



Geographic allocation



Performance to 30 September 2021

	YTD %	1 year %	3 years %	5 years %	10 years %
NAV total return	16.1	32.2	35.5	66.9	203.2
<i>Annualised</i>					
NAV total return		32.2	10.6	10.8	11.7
Retail Prices Index		4.7	2.7	3.1	2.6
Caledonia vs RPI		27.5	7.9	7.7	9.1
FTSE All-Share Total Return		27.9	3.1	5.4	8.2
Caledonia vs FTSE				5.4	3.5

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 that its unaudited diluted net asset value per share (“**NAV**”) as at 30 September 2021, calculated on a cum-income basis, was 4592p. This incorporates the biannual revaluation of the Private Capital portfolio.

The NAV total return (“**NAVTR**”) for the six months to 30 September 2021 was 16.1%. A final dividend of 45.9p per ordinary share for the year ended 31 March 2021 was paid to shareholders on 5 August 2021, amounting to a payment of £25m.

This announcement provides a further update on Caledonia’s portfolio and should be read in conjunction with the factsheet dated 30 September 2021 and released on 7 October 2021, a copy of which is available at www.caledonia.com. Caledonia will announce its half year results on 23 November 2021.

Summary

The first half of the year has seen healthy levels of return generated by all three investment pools. The Quoted Equity portfolio has benefited from the continued strength of public equity markets, producing a return of 13.5%. The Private Capital portfolio produced a return of 20.1% following the biannual revaluation of our holdings. All the principal investee companies are progressing well and together with the sale of Deep Sea Electronics (“**DSE**”) in early June, as previously announced, delivered healthy returns for the first half of the year. The Funds portfolio returned 24.3% based on strong valuation growth and turned net cash positive for the first time since the strategy was introduced.

Performance for the first half is summarised in the table below.

Caledonia pool performance

Net asset value – Half year to 30 September 2021

£m	<u>NAV</u> <u>31/3/21</u>	<u>Net</u> <u>investment</u> <u>//(disposal)</u>	<u>Capital</u> <u>gains /</u> <u>(losses)</u>	<u>Other</u>	<u>NAV</u> <u>30/9/21</u>	<u>Income</u>	<u>Total</u> <u>Return</u>
Quoted Equity	716.1	(20.7)	82.3	-	777.7	14.7	13.5%
Private Capital	826.8	(232.6)	112.2	1.9	708.3	21.4	20.1%
Funds	637.1	(32.8)	147.2	-	751.5	3.1	24.3%
Portfolio	2,180.0	(286.1)	341.7	1.9	2,237.5	39.2	
Net Cash/(debt)	(0.8)	286.1	-	(17.6)	267.7		
Other assets	46.1			(11.5)	34.6		
Net assets	2,225.3	-	341.7	(27.2)	2,539.8	NAVTR	16.1%

Caledonia has continued to invest and dispose of assets, in line with our active approach to portfolio management, with a net cash inflow of £269m in the first half of the year. As noted above, DSE was sold in June generating cash proceeds of £242m including a pre-disposal dividend. The Quoted Equity portfolio reduced its holdings in three companies and refined positions in a number of others, generating net investment proceeds of £21m. The Funds portfolio benefitted from elevated levels of fund distributions, particularly from US based funds. There was a net cash inflow of £33m, including £9m from the sale of an existing fund position in the period.

Total liquidity remains healthy with cash of £268m plus undrawn bank facilities of £250m as at 30 September 2021. Caledonia’s £250m banking facilities include £137.5m expiring in May 2025, with the balance of £112.5m expiring in July 2022.

The Company has undertaken share buy-backs since early June. In the period to the end of September, around 512,000 shares were purchased for £16.8m at attractive levels of discount to NAV.

Caledonia Quoted Equity – Capital and Income portfolios (30% of NAV)

The total return on the Quoted Equity pool was 13.5% over the first half 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 17.0% and 5.6% respectively. The performance was driven by good returns from a broad range of sectors and across both UK and US holdings; five holdings – Oracle, Thermo Fisher, Spirax Sarco, Croda and Big Yellow - delivered returns of over 25% during the period.

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

Caledonia Private Capital (28% of NAV)

Caledonia's Private Capital portfolio is dominated by significant positions in four UK centric businesses, one US co-investment and one private European investment company. These six investments represent over 95% of the portfolio value. Investee companies are revalued in March and September each year. The portfolio generated a total return of 20.1% in the first half of the 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. 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 £12.6m. DSE was valued at £193m in Caledonia's accounts as at 31 March 2021.

Seven Investment Management ("**7IM**"), a vertically integrated multi-asset class investment manager continues to perform well. The successful integration of the Partners Wealth Management business has been a major contributor to performance, alongside growth in the Funds & Models business. 7IM's assets under management exceeded £20bn at the end of August 2021, up from £18bn as at 1 January 2021, reflecting a mix of positive investment performance and net fund inflows. Valuation at end September was £138.8m, a return of 8.7% for the first half of the year.

Liberation Group, a pub, restaurant and drinks business with operations in the Channel Islands and the South West of the UK has traded well as Covid-19 restrictions have been gradually relaxed. Its portfolio, with a focus on destination pubs, a strong food offering, large outdoor spaces and, in some cases, quality accommodation, has been well positioned as demand has grown strongly through the late spring and summer, supported by the popularity of UK-based holidays. The pubs recently acquired from Wadworth are performing well following a programme of investment. Overall, the business is trading well ahead of internal plans and performance in July and August was particularly strong, with a return to pre Covid-19 trading levels. Valuation at end September was £135.1m, a return of 5.9% for the first half of the year.

Cobepa, the Belgian based investment company, owns a diverse portfolio of private global investments. The businesses within the Cobepa portfolio continue to develop well, with many delivering strong performance and valuation progression. This is reflected in the valuation of Cobehold (the holding company of Cobepa); the valuation of Caledonia's holding at end September was £127.4m, a return of 15.3% for the first half of its year.

Stonehage Fleming, the international multi-family office, continues to deliver good organic growth. This growth has been supplemented by the successful integration of Cavendish Asset Management, acquired in summer 2020. Valuation at end September was £121.8m, a return of 9.0% for the first half of the year.

Cooke Optics, a leading manufacturer of cinematography lenses, has traded well having maintained production despite the challenges created by Covid-19 constraints. The market is strong as global demand for both streaming and cinema content remains elevated. The business has invested in capacity to fulfil this demand and has plans to bring several innovative new products to the market. Valuation at the end September was £104.0m, an equity return of 13.3% for the first half of the year.

BioAgilytix, a co-investment with Cobepa, specialises in bioanalytical testing solutions for large molecule research and development. The business is a market leader in its sector and has grown strongly through a mix of acquisition and organic growth, and currently has further acquisitions in progress. The valuation is determined by Cobepa, as majority shareholder. At the end of September this was £51.0m, a return of 94.7% for the first half of the year.

Caledonia Funds (30% of NAV)

Caledonia Funds' investments are principally in third party managed private equity funds operating in the USA and in Asia. The total return on the Funds portfolio was 24.3% for the first half of the year. This reflects very strong valuation growth across the maturing portfolio of US and Asia based funds. Our investments with fund of funds managers – Aberdeen US private equity funds, Axiom Asia funds and Asia Alternatives funds – have shown particularly healthy returns. 100% of funds, by value, are valued as at 30 June 2021.

During the first half of the year, £53m was invested and £86m was received, comprising distributions of £77m and £9m from the sale of a fund position in the secondary market. The level of distributions remains positive, particularly from US funds, reflecting merger, acquisition and IPO activity in broader private equity markets.

Company contacts

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7 October 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 September 2021.

Caledonia Private Capital: the holdings are valued biannually, principally on a normalised EBITDA x market multiple basis (in line with the latest IPEV guidelines). This approach was applied to the majority of significant assets in the portfolio on 30 September 2021. There were two exceptions to this approach; firstly Liberation Group where fair value was based on a market based multiple of fixed assets and secondly our holding in Cobehold, where fair value was derived from the external valuation prepared by Cobepa.

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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