



# CALEDONIA INVESTMENTS

31 December 2021

Share price: 4070p

NAV/share: 4833p

Discount: 15.8%

## About Caledonia

Caledonia is a self-managed investment trust company with net assets of £2.7bn. 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 nine months of the year was 22.6%, driven by strong performance across all three investment pools. As previously announced, during December we completed the disposal of our minority interest in BioAgilytix to Cinven for gross proceeds of US\$183m net of fees, before re-investing US\$42m. Of the resulting US\$141m proceeds, US\$138m was received upon completion.

During the month, we invested £52.6m, and realised £158m. Net cash at the month end was £343.1m.

In the financial year to date we have repurchased £22.1m of ordinary shares at a weighted average share price of £33.57.

The interim dividend of 17.5 pence per share, totalling £9.5m, was paid on 6 January to shareholders registered on 3 December 2021 and has been included as a liability at month end.

## Ten largest holdings

Name	Business	£m
Seven Investment Management	Investment management	136.3
Liberation Group	Pubs and restaurants	135.2
Cobehold	Investment company	124.4
Aberdeen US PE Funds	Funds of funds	122.5
Stonehage Fleming	Family office services	121.8
Cooke Optics	Lens manufacturer	103.6
Axiom Asia Funds	Funds of funds	91.4
Microsoft	Software	66.2
Watsco	Ventilation products	62.0
Oracle	Software	60.1
		1,023.5
Other pool investments		1,263.0
Cash and other items		383.2
Net assets		2,669.7

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

## Private equity fund valuation dates

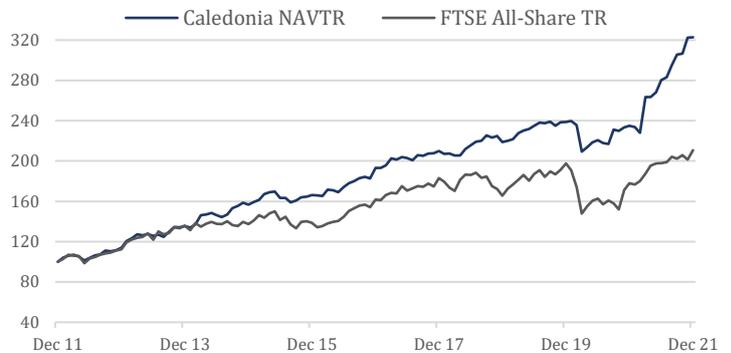
Manager NAV date	£m	%
30 June 2021	5.5	0.7
30 September 2021	737.6	99.3
	743.1	100.0

## Caledonia Investments plc

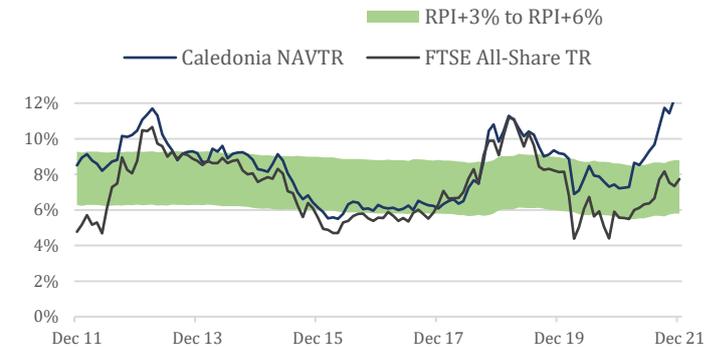
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The price of shares and the income from them may go down as well as up. Past performance is no indication of future performance. Under no circumstances should this information be considered as an offer, or solicitation, to deal in investments.

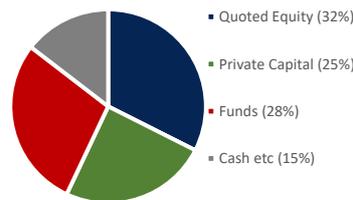
## NAV total return index ten years



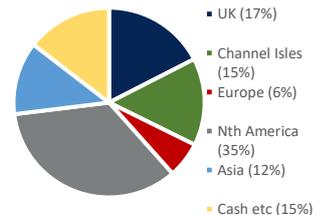
## Annualised ten year rolling performance



## Pool allocation



## Geographic allocation



## Performance to 31 December 2021

	YTD %	1 year %	3 years %	5 years %	10 years %
<b>NAV total return</b>	<b>22.6</b>	<b>37.3</b>	<b>47.5</b>	<b>67.2</b>	<b>222.8</b>
<i>Annualised</i>					
<b>NAV total return</b>		<b>37.3</b>	<b>13.8</b>	<b>10.8</b>	<b>12.4</b>
Retail Prices Index		6.7	3.3	3.4	2.8
<b>Caledonia vs RPI</b>		<b>30.6</b>	<b>10.5</b>	<b>7.4</b>	<b>9.6</b>
FTSE All-Share Total Return		18.3	8.3	5.4	7.7
<b>Caledonia vs FTSE</b>				<b>5.4</b>	<b>4.7</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 that its unaudited diluted net asset value per share (“**NAV**”) as at 31 December 2021, calculated on a cum-income basis, was 4833p.

The NAV total return (“**NAVTR**”) for the nine months to 31 December 2021 was 22.6%. A final dividend of 45.9p per ordinary share for the year ended 31 March 2021 was paid to shareholders on 5 August 2021. An interim dividend of 17.5p per ordinary share for the current year was paid on 6 January 2022.

This announcement provides an update on Caledonia’s portfolio and should be read in conjunction with the factsheet dated 31 December 2021 and released on 7 January 2022, a copy of which is available at [www.caledonia.com](http://www.caledonia.com).

### Summary

The first nine months of the year has seen strong returns generated by all three investment pools. The Quoted Equity portfolio has benefited from the continued strength of public equity markets, producing a return of 20.8%. The Private Capital portfolio produced a return of 34.2%. This was driven by the healthy gains arising from two transactions, the sale of Deep Sea Electronics (“**DSE**”) and the sale of and subsequent re-investment into BioAgilytix, both of which completed in the period. It also reflects the good progress of the principal investee companies in the year to date though these remain valued as at 30 September 2021 with the biannual review taking place in March 2022. The Funds portfolio produced a return of 27.4% based on strong valuation growth and continues to generate net cash inflows.

Performance for the nine month period is summarised in the table below.

### Caledonia pool performance

Net asset value – nine months to 31 December 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	716.1	11.1	129.6	-	856.8	19.5	20.8%
Private Capital	826.8	(341.2)	189.5	2.7	677.8	25.6	34.2%
Funds	637.1	(47.5)	162.4	-	752.0	5.1	27.4%
Portfolio	2,180.0	(377.6)	481.5	2.7	2,286.6	50.2	
Net Cash/(debt)	(0.8)	377.6	-	(33.7)	343.1		
Interim Dividend	-	-	-	(9.5)	(9.5)		
Other assets	46.1	-	-	3.4	49.5		
Net assets	<b>2,225.3</b>	<b>-</b>	<b>481.5</b>	<b>(37.1)</b>	<b>2,669.7</b>	NAVTR	<b>22.6%</b>

(Net Cash/(debt) – Other: includes final dividend for the year ended 31 March 2021 of £25.1m paid on 5 August 2021)

Caledonia has continued to invest in and dispose of assets, in line with our active approach to portfolio management, generating a net cash inflow of £344m in the first nine months of the year. As noted below, transactions in the Private Capital portfolio involving DSE and BioAgilytix collectively generated cash proceeds of £347m, including a pre-disposal dividend from DSE. Investment activity within the Quoted Equity portfolio resulted in a net cash outflow of £11m. The Funds portfolio continued to see an increased level of fund distributions. In the nine month period, there was a net cash inflow of £48m, including £9m from the sale of a fund position.

Total liquidity remains healthy with cash of £343m and undrawn bank facilities of £250m as at 31 December 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 buybacks since early June. In the period approximately 658,000 shares were purchased at a cost of £22.1m at attractive levels of discount to NAV.

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

The total return on the Quoted Equity pool was 20.8% over the first nine 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 23.9% and 14.6% respectively. The performance was driven by good returns from a broad range of sectors and across both UK and US holdings; five holdings – Microsoft, Thermo Fisher, Spirax Sarco, Croda and Big Yellow – delivered returns of over 40% during the period, with a further four holdings generating returns between 30% and 40%. Trading activity has been relatively limited, in line with our long-term investment approach, notably the addition to the Capital portfolio of a new position in Alibaba Group.

#### **Caledonia Private Capital (25% of NAV)**

Caledonia's Private Capital portfolio is dominated by significant positions in four UK centric businesses, one US co-investment (BioAgilytix) and one private European investment company (Cobepa). These six investments represent over 95% of its value. Investee companies are revalued in March and September each year. The portfolio generated a total return of 34.2% in the nine month period, including gains from two transactions outlined below.

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 had grown strongly since its acquisition by Caledonia in October 2018. 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.

On 17 November 2021, Caledonia announced that the shareholders of portfolio company BioAgilytix, a leading provider of bioanalytical testing for large molecule research and development, had agreed terms of a majority investment in the company by international private equity firm Cinven. Caledonia co-invested in BioAgilytix in February 2019 alongside Cobepa. Since then, the business has grown strongly via a mix of impressive growth and acquisitions in the US and Australia, expanding its geographic reach and capabilities. The transaction completed on 22 December 2021 delivering gross proceeds of US\$183m, net of fees. The BioAgilytix co-investment was valued at US\$69m in Caledonia's accounts as at 30 September 2021. Caledonia has agreed to re-invest US\$42m alongside Cinven and a consortium of investors including Cobepa, for a minority investment in BioAgilytix. Caledonia's proceeds were US\$141m, net of fees and re-investment, of which US\$138m was received on completion.

The four UK centric business have adapted well to Covid-19 operating arrangements and have been trading positively. The financial services businesses continue to deliver growth in revenue and profits, with assets under management progressing well based on underlying investment performance and fund inflows. The acquisitions made last year by Seven Investment Management and Stonehage Fleming have been successfully integrated and are delivering returns as anticipated; Stonehage Fleming expects to complete its acquisition of the Private Client Services business of Maitland Group in January 2022. Cooke Optics, the manufacturer of cine lenses, is trading ahead of plan as demand for content production, to support cinema and streaming services, remains strong. Liberation Group, the pub, restaurant and drinks business with operations in the Channel Islands and the South West of the UK has traded well through the summer and autumn. Its portfolio is well positioned with many destination pubs, a strong food offering, large outdoor spaces and, in some cases, quality accommodation. The recent turbulence in the hospitality sector has been a challenge, but Liberation has managed the impact well, continuing to trade almost all of its sites across both the UK and the Channel Islands throughout the holiday period.

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 corresponding growth in value. Cobepa was the majority owner of BioAgilytix prior to the transaction with Cinven. The impact of the

transaction will be reflected in the March 2022 revaluation of our holding in Cobehold, the entity through which we hold our interest in Cobepa.

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 2022.

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

Caledonia's fund investments are principally in third party managed private equity funds operating in the US and in Asia. The total return on the Funds portfolio was 27.4% for the first nine months of the year. This reflects strong valuation growth across the maturing portfolio of US and Asia based funds. The US based funds delivered over 60% of the total return for the period, with major contributions from our fund of funds provider Aberdeen US private equity funds (five funds in the portfolio) and JF Lehman funds (two funds in the portfolio). In our Asia based portfolio, the return from fund of funds provider Asia Alternatives (two funds in the portfolio) was particularly strong. Updated valuations dated 30 September 2021 amount to 99% of the pool's NAV.

During the first nine months of the year, £83m was invested and £131m was received, comprising distributions of £122m and £9m from the sale of a fund position in the secondary market. The level of distributions remains very positive, particularly from US based funds, reflecting deal flow and IPO activity in the broader private equity market.

#### **Company contacts**

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Lisa Jarrett-Kerr

7 January 2022

## **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 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 30 September 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 31 December 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](http://www.caledonia.com).

**END**