

31 March 2023

Share price: 3390p

NAV/share: 5043p

Discount: 32.8%

About Caledonia

Caledonia is a self-managed investment trust company with net assets of £2.8bn. 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 listed and fund investments, have a global reach.

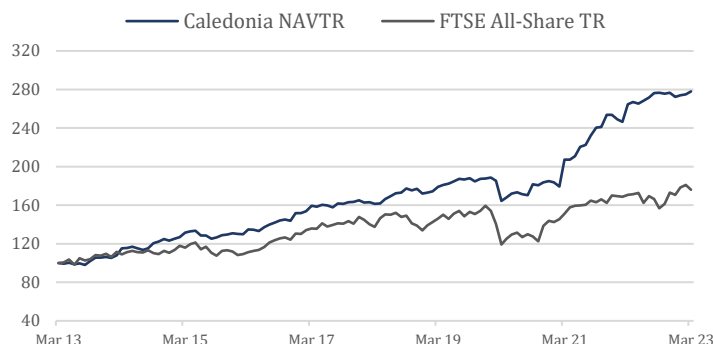
Review

NAVTR for March, which included our biannual revaluation of unquoted investments, was 1.1% and for the full financial year was 5.0%. During the month we invested £17m and realised £12m across our three investment pools. Net cash at the month end was £222m.

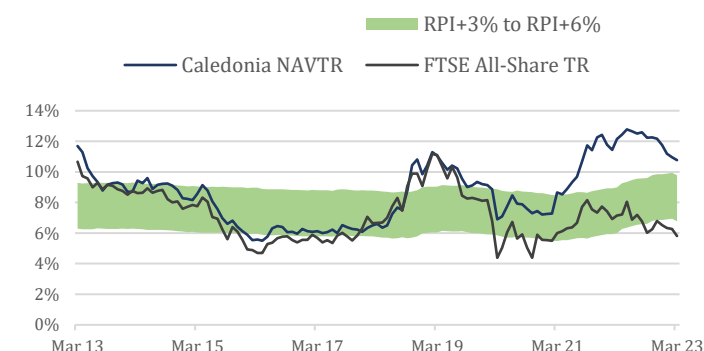
Our private assets, in both Private Capital and Funds, have generated good returns during the year, based on a mix of positive underlying performance and the favourable impact of the 6% fall in the value of Sterling against the US dollar. In contrast, our public equity holdings were adversely impacted by volatility and weakness in global equity markets

Further commentary regarding annual performance can be found in the NAV and portfolio update released alongside this Factsheet.

NAV total return index ten years



Annualised ten year rolling performance



Ten largest holdings

Name	Business	£m
Seven Investment Management	Investment management	187.1
Cobehold	Investment company	176.1
Stonehage Fleming	Family office services	141.6
Liberation Group	Pubs & restaurants	131.9
Cooke Optics	Cine lens manufacturer	124.5
Aberdeen US PE Funds	Funds of funds	114.9
Axiom Asia Funds	Funds of funds	84.3
Watsco	Ventilation products	70.4
Oracle	Software	70.1
Microsoft	Software	66.6
		1,167.5
Other pool investments		1,360.5
Cash and other items		256.4
Net assets		2,784.4

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

Private equity fund valuation dates

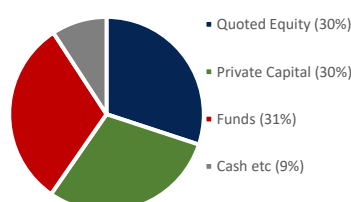
Manager NAV date	£m	%
30 September 2022	312.0	36.2
31 December 2022	550.3	63.8
	862.3	100.0

Caledonia Investments plc

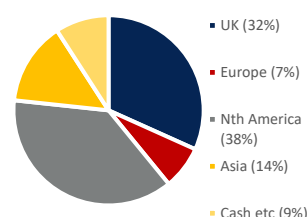
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The price of shares and the income from them may go down as well as up. Past performance is no indication of future performance. Under no circumstances should this information be considered as an offer, or solicitation, to deal in investments.

Pool allocation



Geographic allocation



Performance to 31 March 2023

	YTD %	1 year %	3 years %	5 years %	10 years %
NAV total return	5.0	5.0	68.9	72.0	178.0
Annualised					
NAV total return		5.0	19.1	11.5	10.8
Retail Prices Index		11.4	7.2	5.3	3.8
Caledonia vs RPI		-6.4	11.9	6.2	7.0
FTSE All-Share Total Return		2.9	13.8	5.0	5.8
Caledonia vs FTSE			5.3	6.5	5.0

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
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+44 20 7802 8080 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 March 2023, calculated on a cum-income basis, was 5043p.

The NAV total return ("**NAVTR**") for the year to 31 March 2023 was 5.0%. A final dividend of 47.3p per ordinary share for the year ended 31 March 2022 plus a special dividend of 175p per share was paid to shareholders on 4 August 2022. An interim dividend of 18.2p per ordinary share for the year ended 31 March 2023 was paid on 5 January 2023.

The NAVTR of 5.0% was below our long-term target of inflation (RPI) plus 3% to 6%. However, it compares favourably to the FTSE All Share return of 2.9% for the same period. This follows strong returns of 27.9% last year and 25.9% in the preceding year. The three-year annualised NAVTR is 19.1%.

This announcement provides an update on Caledonia's portfolio and should be read in conjunction with the factsheet dated 31 March 2023 and released on 11 April 2023, a copy of which is available at www.caledonia.com. Caledonia will announce its audited full year results on 23 May 2023.

Summary

Our private assets, in both Private Capital and Funds, have generated good returns during the year, based on a mix of positive underlying performance and the favourable impact of the 6% fall in the value of Sterling against the US dollar. In contrast, our public equity holdings were adversely impacted by volatility and weakness in global equity markets.

The Quoted Equity pool produced a return of 0.2%, reflecting the general trends across public equity markets, with some mitigation from the movement in foreign exchange rates. The Private Capital pool produced a return of 8.4%, based on the biannual valuation review in March 2023. The return reflects continued investee company development, where all the businesses made good progress across the year, with the exception of Liberation Group which, despite making good strategic and operational progress, faced rising costs and weakening consumer demand. The Funds pool produced a return of 12.4%, generated by the positive exchange rate position and valuation growth from our North American based funds.

Performance for the year is summarised in the table below.

Caledonia pool performance

Net asset value – year to 31 March 2023

£m	NAV 31/3/22	Net investment /(disposal)	Capital gains / (losses)	Other	NAV 31/3/23	Income	Total Return
Quoted Equity	830.1	26.2	(19.4)	-	836.9	20.7	0.2%
Private Capital	781.7	(1.0)	44.0	(0.6)	824.1	20.6	8.4%
Funds	794.4	(22.4)	95.1	-	867.1	1.8	12.4%
Portfolio	2,406.2	2.8	119.7	(0.6)	2,528.1	43.1	
Net Cash/(debt)	341.1	(2.8)	-	(116.8)	221.5		
Other assets	35.4	-	-	(0.6)	34.8		
Net assets	2,782.7	-	119.7	(118.0)	2,784.4	NAVTR	5.0%

Caledonia has continued to invest and dispose of assets, in line with our active approach to portfolio management. There was a net cash outflow of £120m in the year, largely due to dividends of £131m paid to shareholders in August and January. Investment activity within the Quoted Equity pool resulted in a net cash outflow of £26m. The Private Capital pool made an additional investment into Liberation Group to support the recently completed merger with Cirrus Inns and received repayment of a tranche of preference shares, plus accrued dividends, from Seven Investment Management. The Funds pool continued to see good levels of distributions, with net cash inflows of £22m.

Total liquidity remains healthy with cash of £222m and undrawn bank facilities of £250m at 31 March 2023. In late November 2022 we completed the renegotiation of our banking facilities with RBSI, creating a single facility of £137.5m which runs to November 2027. The balance of £112.5m with ING expires in July 2025.

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

The total return on the Quoted Equity pool was 0.2% over the year. Global public equity markets have been impacted by a number of adverse factors, notably rising inflation and resulting interest rate increases, together with uncertainty created by the ongoing conflict in Ukraine and, more recently, issues affecting the banking sector. These factors have contributed to market volatility and a general weakening in market pricing across many sectors. Our portfolios have been directly impacted with many of our stocks registering price reductions over the course of the financial year.

The Capital portfolio delivered a return of 1.1%. Individual stock performance was mixed with good returns from Oracle, Philip Morris and Watsco being more than offset by significant valuation declines impacting our holdings in Charter Communications, Croda and Polar Capital. The portfolio has significant exposure to US stocks and saw some return mitigation from the increased strength of the US dollar compared to Sterling.

The Income portfolio delivered a return of -2.4%, with notable valuation reductions for our property stocks, Big Yellow Group and London Metric, and also for Sabre Insurance. The positive performance of Unilever, Watsco and our tobacco holdings provided some mitigation to these adverse returns.

Trading activity was relatively limited, in line with our long-term investment approach, with net investment of £26m. Activity included increasing our holdings in Moody's, Charter Communications and London Metric. We disposed of our remaining holdings in A G Barr and Imperial Brands during the first half of the year. Other activity was restricted to refining positions in existing investments, with a focus on augmenting our holdings at attractive entry price levels.

Caledonia Private Capital (30% of NAV)

Caledonia's Private Capital portfolio is dominated by significant positions in four UK centric businesses and Cobepa, a private European investment company. These five investments represent over 90% of portfolio value. Investee companies are revalued in March and September each year. The portfolio generated a total return of 8.4% for the year. All four UK centric businesses are well-established, growing, profitable, cash generative and have strong market positions. Each is valued on an earnings multiple basis, with multiples in the range 9 to 14 times current year earnings, with the two financial services businesses at the upper end of the range. Gearing levels are modest, with net debt ranging from one to two times earnings before interest, tax, depreciation and amortisation ("**EBITDA**").

Seven Investment Management ("**7IM**"), a vertically integrated multi-asset class investment manager continues to perform well. The company saw strong net fund inflows supported by new customer contracts, but the fall in global equity markets adversely impacted assets under management which declined by 5% over the year to £20bn. Earnings advanced materially, aided by savings on key supplier contracts and improved interest income. The valuation at 31 March 2023 was £187m, a return of 16% for the year.

Cobepa, the Belgium based investment company, owns a diverse global portfolio of well developed, profitable, private investments. Following significant disposals agreed in the previous financial year, its management team has focused on deploying capital in new investments. Four new businesses were acquired in the year, covering a broad range of industries and geographies. Cobepa's portfolio continues to trade well and valuations have progressed accordingly. The valuation of Caledonia's holding in Cobehold (the holding company of Cobepa) was £176m at 31 March 2023, a return of 12% for the year.

Stonehage Fleming, the international multi-family office, successfully completed the integration of the Maitland private client business acquired in January 2021 and has grown earnings year on year. Family office services focused on tax, legal, trust and related activity have performed well, delivering healthy earnings progression. In contrast, progress in the investment management division has been more limited with market volatility and lower public equity markets adversely impacting revenues. Acquisition activity continues with Rootstock, a South African focused investment management business, being added in March 2023. The valuation at 31 March 2023 was £142m, a return of 4% for the year.

Liberation Group, a pub, restaurant and drinks business with a pub estate stretching from Southwest London to Bristol and the Channel Islands traded well through the summer, but has been impacted by the more challenging trading conditions in the last six months. Whilst year on year earnings have grown, the weaker second half has reflected a reduction in demand, due to lower consumer discretionary spending as a result of the cost of living crisis, plus increased costs due to higher inflation, particularly energy and food costs. The business successfully completed the merger of Cirrus Inns, a portfolio of 22 quality pubs throughout London and the South of England, in December 2022. An integration process is now underway to consolidate these pubs into Liberation's UK business. The transaction was supported by a new equity investment of £12.5m from Caledonia. The valuation at 31 March 2023 was £132m, a return of -12% for the year.

Cooke Optics, a leading manufacturer of cinematography lenses, continues to trade well with a strong order book. The business has delivered good earnings progression and has been successfully addressing supply chain issues in China, which have limited an expected uplift in production levels. With demand for the recently launched range of full frame lenses still strong, the business anticipates increased production and resulting earnings growth through the rest of 2023. The market remains robust as global demand for both streaming and cinema content continues at an elevated level. The valuation at 31 March 2023 was £125m including £24m of term debt, an equity return of 20% for the year.

Caledonia Funds (31% of NAV)

Caledonia's fund investments are principally in third party managed private equity funds operating in North America and in Asia. The total return on the Funds portfolio was 12.4% for the year. This performance reflects valuation growth across the portfolio of North American based funds, which was partially offset by valuation declines for some of our Asian based funds, together with the positive impact of exchange rate movements, given that most holdings are US dollar denominated.

Caledonia's valuation policy is to utilise the latest valuations reported by the managers of the funds in which we invest, adjusted for any cash movements to our reporting date. 64% of NAV is based on valuations dated 31 December 2022, primarily our directly owned funds. The remainder, mostly fund of funds holdings, are dated 30 September 2022. The valuation information is summarised below.

Private equity fund valuation dates included in NAV at 31 March 2023

<u>Manager NAV date</u>	<u>£m</u>	<u>% of NAV</u>
30 September 2022	312.0	36.2
31 December 2022	550.3	63.8
Total	862.3	100.0

Note: The balance of £4.8m of the Funds pool NAV is invested in a quoted market fund.

The North American based funds invest into the lower-mid market, with a focus on small to medium sized, often owner-managed, established businesses. These funds normally provide the first institutional investment into these businesses, and support their professionalisation and growth, both organically and through M&A activity. The entry pricing levels are relatively modest and there is a deep, robust market for future divestment, either via trade sales or to other, larger private equity funds. The portfolio is a combination of directly owned funds (43% of Funds NAV), with a broad range of managers generally managing funds in the range of US\$250m to US\$500m. The balance is fund of funds investments (13% of Funds NAV) with Abrdn US private equity funds, our largest single manager exposure, over five separate funds. The valuation of our North America based funds, which have continued to perform strongly in terms of return and distributions, was £488m at 31 March 2023, generating a return of 20.2% for the year.

Our Asian based funds invest across a wide range of sectors with a focus on businesses in the early years of significant growth, having successfully developed their business model. Whilst focused on local markets, a number, particularly those with a healthcare focus, also invest into the US. The market is less developed than in North America with divestments, in the absence of a mature buyout market, mainly through an IPO or trade sale. The portfolio is a combination of directly owned funds (24% of Funds NAV), with a broad range of managers, some sourced through our fund of funds relationships but mostly through our own knowledge and contacts in the region. The balance (20% of Funds NAV) is invested with Asia Alternatives, Axiom and Unicorn, all fund of funds providers who continue to be strategically important to us in navigating the dynamic landscape of Asia, whilst investing successfully across the region. The Asian based funds have had a more challenging year. Although a good level of distributions has been maintained, there were some valuation declines on a local currency basis, resulting in a valuation of £375m at 31 March 2023 and a return of 3.5% for the year.

During the year net cash flows were positive, with £125m being invested and distributions of £147m received. The level of distributions remains strong, with both Asian and North American based funds generating notable cash inflows, reflecting ongoing deal flow and some limited IPO activity in the broader private equity market.

The Funds portfolio is made up of investments in over 50 direct fund positions, covering more than 500 individual company investments, plus 15 fund of fund holdings, which are spread over multiple underlying funds. The outcome of our approach is a highly diversified set of holdings, over a wide range of businesses, allowing us to manage risk whilst investing in private assets.

Company contacts

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11 April 2023

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 2023.

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 at 31 March 2023. The single exception to this approach was our holding in Cobehold, where fair value was derived from the external valuation prepared by Cobepa. In the case of Liberation Group, the earnings derived valuation was supported by the underlying value of the principally freehold pub estate plus the value of the drink production and distribution business.

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.

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

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