



# CALEDONIA INVESTMENTS

30 June 2023

Share price: 3250p

NAV/share: 5026p

Discount: 35.3%

## 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.

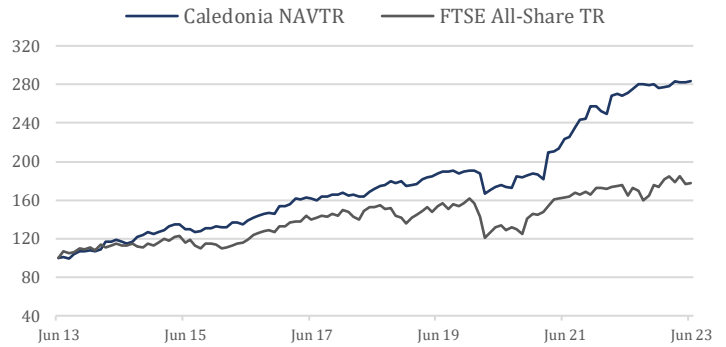
## Review

NAVTR for the year to date was 0.1%. The first quarter saw modest manager valuation uplifts in the Funds pool, and strong performance from US Quoted Equity holdings. These increases were offset by the strengthening of Sterling against the US Dollar (2.8%) and the Euro (2.4%).

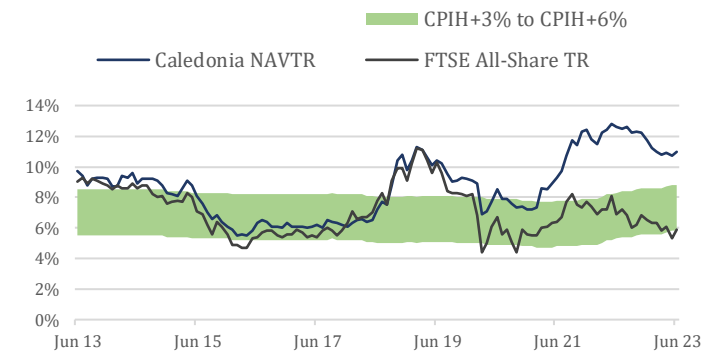
During the month we invested £23m and realised £15m across our three investment pools. Net cash at the month end was £56m.

The proposed final dividend, costing £27m payable on 3 August (the ex-dividend date was 29 June), will be funded from cash.

## NAV total return index ten years



## Annualised ten year rolling performance



## Ten largest holdings

Name	Business	£m
Seven Investment Management	Investment management	183.9
Cobehold	Investment company	169.3
AIR-serv Europe	Forecourt vending	142.4
Stonehage Fleming	Family office services	141.6
Liberation Group	Pubs, bars & inns	132.4
Cooke Optics	Cine lens manufacturer	124.5
Aberdeen US PE Funds	Funds of funds	116.2
Axiom Asia Funds	Funds of funds	86.0
Watsco	Ventilation products	78.3
Oracle	Software	78.2
		1,252.8
Other pool investments		1,458.8
Cash and other items		67.7
Net assets		2,779.3

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

## Private equity fund valuation dates

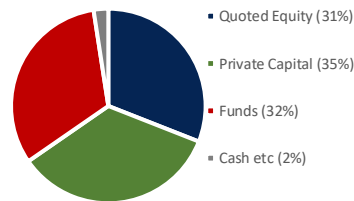
Manager NAV date	£m	%
31 December 2022	120.0	13.5
31 March 2023	770.4	86.5
	890.4	100.0

## Caledonia Investments plc

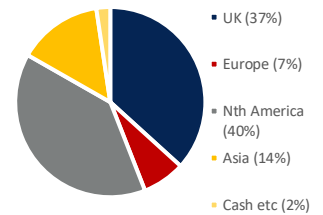
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The price of shares and the income from them may go down as well as up. Past performance is no indication of future performance. Under no circumstances should this information be considered as an offer, or solicitation, to deal in investments.

## Pool allocation



## Geographic allocation



## Performance to 30 June 2023

	YTD %	1 year %	3 years %	5 years %	10 years %
NAV total return	0.1	4.3	61.2	65.0	183.4
<i>Annualised</i>					
NAV total return		4.3	17.3	10.5	11.0
CPIH		7.1	5.9	4.0	2.8
Caledonia vs CPIH		-2.8	11.4	6.5	8.2
FTSE All-Share Total Return		7.9	10.0	3.1	5.9
Caledonia vs FTSE			7.3	7.4	5.1

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 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 2023, calculated on a cum-income basis, was 5026p. The NAV includes an accrual for the proposed final dividend of 49.2p per share.

The NAV total return (“NAVTR”) for the three months to 30 June 2023 was 0.1%.

This announcement provides an update on Caledonia’s portfolio and should be read in conjunction with the factsheet dated 30 June 2023 and released on 7 July 2023, a copy of which is available at [www.caledonia.com](http://www.caledonia.com).

### Summary

The first quarter saw modest increases in manager valuations in the Funds pool and strong performance from our US holdings in the Quoted Equity portfolios. This was somewhat offset by the strengthening of Sterling against the US dollar (2.8%) and the Euro (2.4%).

The Quoted Equity portfolio produced a return of 3.3%, driven by the healthy gains achieved by a number of our US holdings and despite the adverse exchange rate impact. The Capital portfolio, which is weighted towards US stocks with a growth orientation, was the stronger performer. The Income portfolio, with a bias towards UK stocks, did not progress. The Private Capital team completed the purchase of a majority stake in the European division of AIR-serv, a leading designer and manufacturer of air, vacuum and jet wash machines which it provides as turn-key solutions to fuel station forecourt operators across Western Europe. As investee companies are revalued biannually, with the next review taking place on 30 September 2023, the -0.3% return from the Private Capital portfolio principally reflected adverse valuation movement in our US and European investments driven by exchange rate movements. The Funds portfolio produced a return of -1.0% based on modest valuation growth from many of the holdings across our maturing investments, more than offset by the adverse impact of strengthening Sterling on a predominantly US dollar-based portfolio.

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

### Caledonia pool performance

Net asset value – three months to 30 June 2023

£m	Opening balance	Net investment / (disposal)	Capital gains / (losses)	Other	Closing balance	Income	Total Return
Quoted Equity	836.9	1.0	22.7	-	860.6	4.9	3.3%
Private Capital	824.0	142.1	(10.8)	1.1	956.4	7.9	-0.3%
Funds	873.8	30.2	(9.4)	-	894.6	0.8	-1.0%
Portfolio	2,534.7	173.3	2.5	1.1	2,711.6	13.6	
Net Cash/(debt)	221.6	(173.3)	-	7.5	55.8		
Accrued dividend	-	-	-	(26.7)	(26.7)		
Other assets	41.7	-	-	(3.1)	38.6		
Net assets	<b>2,798.0</b>	-	<b>2.5</b>	<b>(21.2)</b>	<b>2,779.3</b>	NAVTR	<b>0.1%</b>

Caledonia has continued to invest and dispose of assets, in line with our active approach to portfolio management, with a net cash outflow of £166m in the first quarter of the financial year. The most significant transaction in the period was the purchase of the European division of AIR-serv. Caledonia invested £142.5m for a 99.8% equity stake, alongside the management team. The Quoted Equity portfolio added a new holding in RELX, and refined positions in a number of others, including reducing exposure to Oracle, one of our most valuable public equity positions. The Funds pool saw a modest level of fund

distributions but with new fund investments, including the purchase of secondary positions in two Decheng funds, requiring £38m of funding, there was a net cash outflow of £30m in the quarter.

Total liquidity remains healthy with cash of £56m and undrawn bank facilities of £250m as at 30 June 2023. Caledonia's £250m banking facilities include £112.5m with ING, expiring July 2025, and £137.5m with RBSI, expiring in November 2027.

#### **Caledonia Quoted Equity** – Capital and Income portfolios (31% of NAV)

The total return for the Quoted Equity pool was 3.3% over the first three months of the year. This outcome reflected the positive performance of the US market over the period, in contrast to small declines in UK public equities, partially offset by exchange as Sterling strengthened by around 3% against the US dollar.

The Capital portfolio, with its notable weighting to US stocks, generated a total return of 4.8%. Strong gains of around US\$50m collectively were produced by our positions in Oracle, Microsoft and Watsco. Weaker performances from Alibaba, Thermo Fisher and Spirax Sarco offset gains across the other holdings in the portfolio. In contrast, the Income portfolio, with its greater UK market focus, delivered a total return of -0.8%. The US stocks Fastenal and Watsco performed strongly, as did Sabre Insurance, but the majority of our holdings recorded valuation declines, with Pennon and DS Smith the most notable.

Trading activity was relatively limited, in line with our long-term investment approach. The main activity was in the Income portfolio, with a purchase in RELX, the global provider of information-based analytics and decision tools. Other activity was restricted to refining positions in existing investments, including a sale of Oracle stock following the rapid growth in valuation during the period.

#### **Caledonia Private Capital** (35% of NAV)

Caledonia's Private Capital added the European division of AIR-serv to the portfolio during the quarter. The portfolio is now comprised of significant positions in five UK centric businesses and one private European investment company. These six investments represent over 90% of its value. Investee companies are revalued in March and September each year. All five UK centric businesses are well-established, profitable, cash generative and have strong market positions. Gearing levels are modest and March 2023 valuations were 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.

The total return on the Private Capital portfolio was -0.3% for the first three months of the year. The return principally reflects the adverse impact of foreign exchange on non-Sterling denominated holdings.

Our financial services businesses, Seven Investment Management ("7IM") and Stonehage Fleming, continue to perform well with both growing revenue and earnings, although the uncertainty in equity markets is impacting the ability to meaningfully grow assets under management. 7IM has maintained a strong focus on its cost base, delivering significant savings from key service providers. The focus at Stonehage Fleming has been on exploiting the benefits of recent acquisitions; this is progressing well and is expected to drive the financial performance of the business in the second half of the year. The Cobehold portfolio continues to develop positively, following a number of acquisitions in the second half of last year.

Liberation Group, an inns and drinks business with a pub estate stretching from Southwest London to Bristol and the Channel Islands, has traded well through the early part of the year and recorded good growth in revenue. The business has made significant steps integrating the Cirrus Inns business. However, the trading environment remains challenging. Whilst customer demand remains reasonable, significant inflationary pressure across the cost base is dampening earnings performance. The business is addressing these issues with targeted interventions, but we anticipate progress in profitability will be challenging throughout the year.

The European division of AIR-serv, acquired in April 2023, has performed in line with expectations in the period.

Cooke Optics, a leading manufacturer of cinematography lenses, has experienced weaker demand during the period reflecting the impact of the Hollywood writers' strike and broader economic factors. The order book for Cooke's high quality cine lenses remains strong, but the rate of sale has slowed with a resulting

impact on earnings. The medium-term outlook remains positive, with sales expected to pick up and earnings growth resume once the writers' strike is resolved.

A more detailed update on trading and valuation of the principal investee companies within the Private Capital portfolio will be provided in Caledonia's half year results announcement in November 2023.

### **Caledonia Funds (32% of NAV)**

The total return on the Funds portfolio was -1.0% for the first three months of the year, including a 3% adverse impact from exchange rate movements. The underlying performance reflects modest valuation growth from holdings across the portfolio in both North America and Asia, with local currency returns of around 2% in both regions.

Caledonia's fund investments are principally in third party managed private equity funds operating in the North America and in Asia. 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 (14% of Funds NAV) with Aberdeen US private equity funds, our largest single manager exposure, over five separate funds.

In contrast, 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 (19% 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 (24% of Funds NAV) is invested with Asia Alternatives, Axiom and Unicorn, all fund of funds providers.

During the first three months of the year, £25m was invested via drawdowns, £13m was invested in the secondary purchase of two Decheng funds positions and distributions of £8m were received. The level of distributions has declined compared to last year, reflecting more challenging market conditions. We anticipate a recovery in the level of distributions over the next six months.

#### **Company contacts**

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7 July 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 30 June 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.

The holdings have not been revalued at 30 June 2023; 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**