

# Annual General Meeting

19 July 2023

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**CALEDONIA**  
INVESTMENTS



David Stewart  
Chair

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# Presentation of Final Results

Year ended 31 March 2023

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**CALEDONIA**  
INVESTMENTS

Mat Masters  
CEO

Tim Livett  
CFO

Tom Leader  
Head of Private Capital

[www.caledonia.com](http://www.caledonia.com)



# Highlights

Year ended 31 March 2023

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## NAV total return

**+5.5%**  
(2022: +27.9%)

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## NAV per share

**5068 pence**    **+0.5%**  
(2022: 5041p)

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## Net assets

**£2,798m**    **+0.5%**  
(2022: £2,783m)

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## Share price

**3390 pence**    **-4.2%**  
(2022: 3540p)

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## Annual dividend per share

**67.4 pence**    **+4.0%**  
(2022: 64.8p)

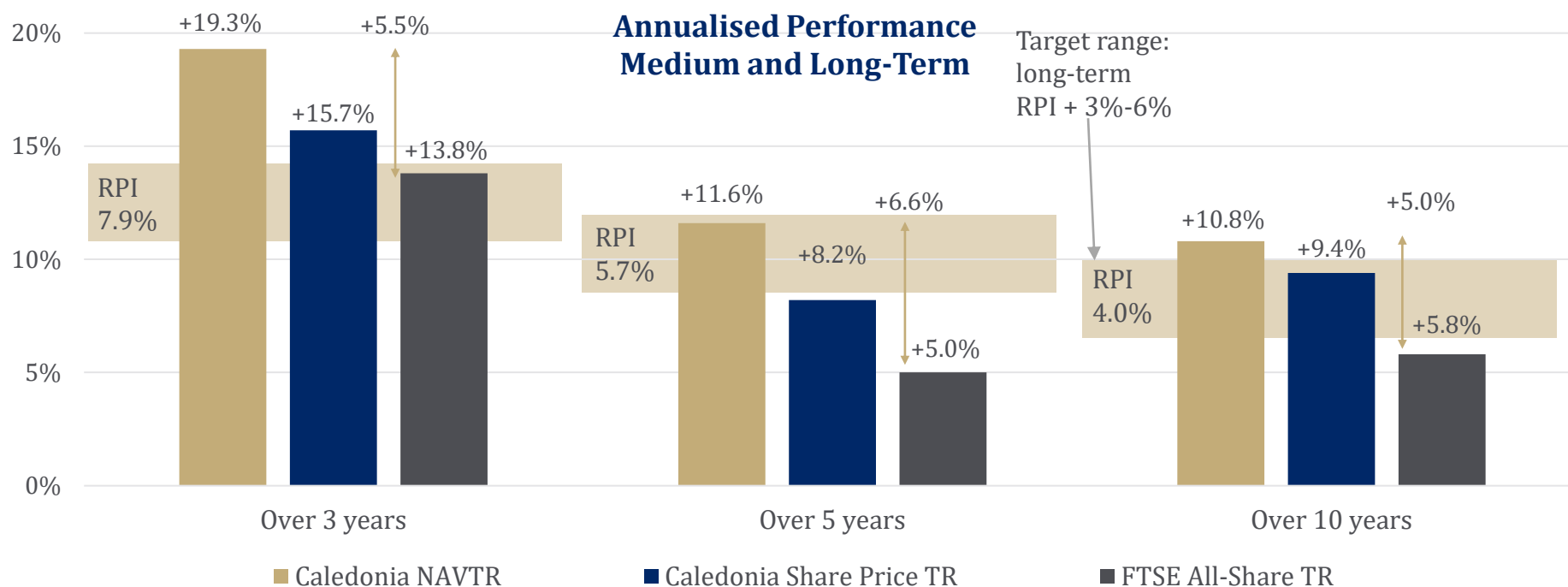
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- +5.5% NAV per share total return for year
- Private Capital and Funds pools generated good returns
- Favourable impact of fall in value of Sterling v. US dollar
- Payment of special dividend limited growth in NAV
- 4.0% increase in full year dividend
- CFO succession – Rob Memmott appointment announced
- Post year-end (April 2023): Acquired majority stake in European division of AIR-serv for £142.5m

# Performance Track Record

Consistent long term outperformance

- Aim to grow capital value and income over the long term (10 years) measured in real terms
- Target return of RPI +3% to +6% over medium / long term
- Aim to outperform FTSE All-Share Total Return over 10 years

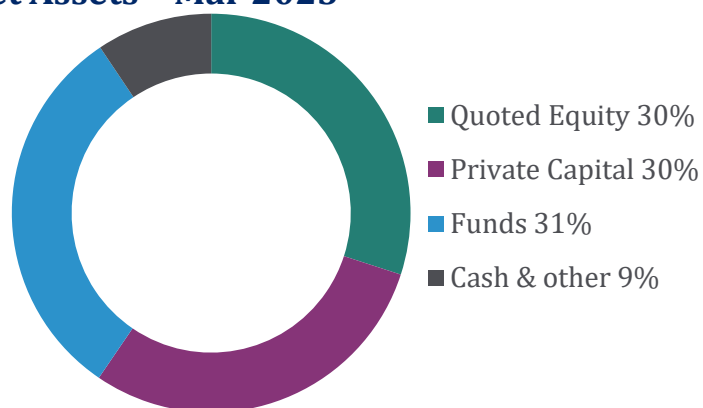


# Strategy & Allocation

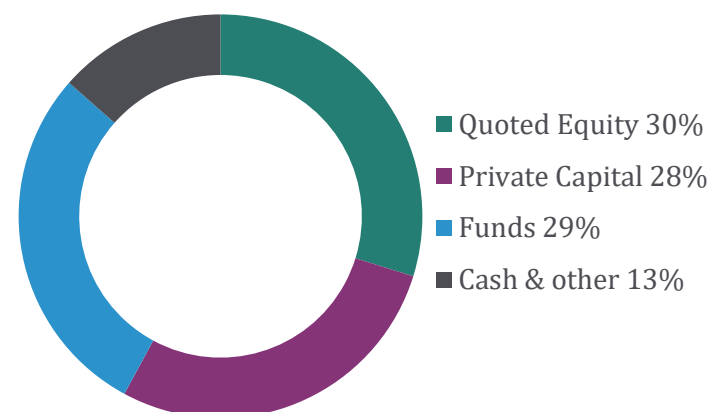
## Investment portfolio construction

Investment Pool	Description	Total Return Targets	Strategic Allocation
Quoted Equity	Capital portfolio	10%	30%-40%
	Income portfolio	7% (3.5% yield on cost)	
Private Capital	UK mid-market companies	14% (2.5% yield on cost)	25%-35%
Funds	US & Asia PE funds	12.5%	25%-35%

Net Assets – Mar 2023



Net Assets – Mar 2022



# Summary Performance by Pool

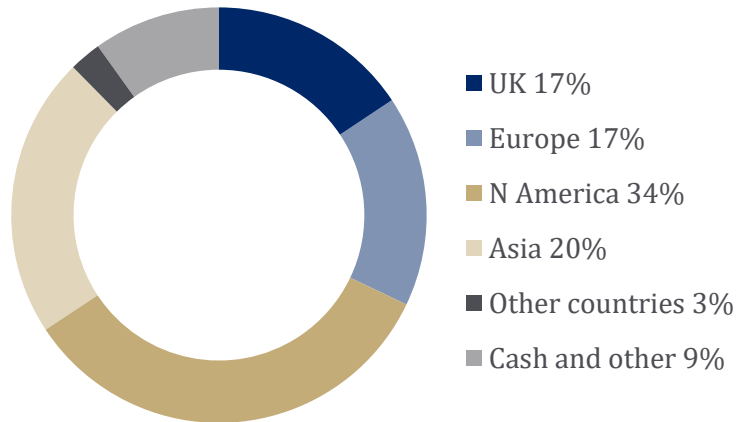
Annual returns for the three pools

Investment Pool	Value 31 Mar 2023 £m	NAV Breakdown %	Investment Income £m	Total Return £m	Total Return %
Quoted Equity	836.9	30%	20.8	1.4	0.2%
Private Capital	824.0	30%	20.6	64.6	8.4%
Funds	873.8	31%	1.8	103.6	13.3%
<b>Total Pools</b>	<b>2,534.7</b>	<b>91%</b>	<b>43.2</b>	<b>169.6</b>	<b>7.2%</b>
Cash	221.6	8%	-	-	
Other	41.7	1%		(25.6)	
<b>Caledonia Total</b>	<b>2,798.0</b>	<b>100%</b>	<b>43.2</b>	<b>144.0</b>	<b>5.5%</b>

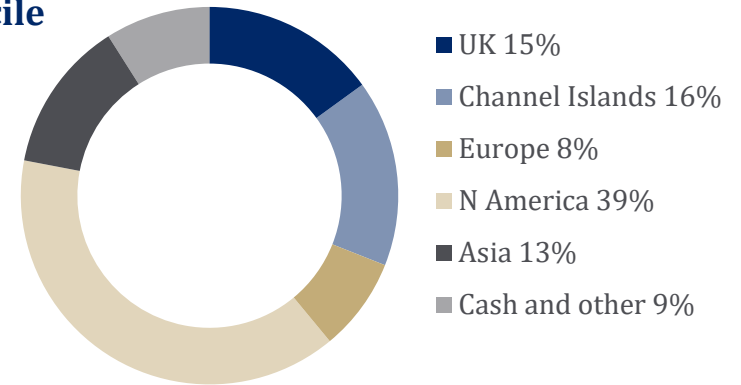
# Analysis by Geography

Good geographical diversification

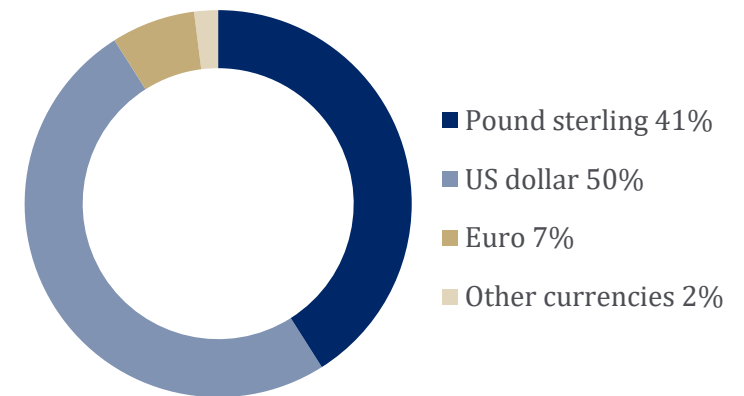
## Geography by Revenue Source



## Geography by Domicile



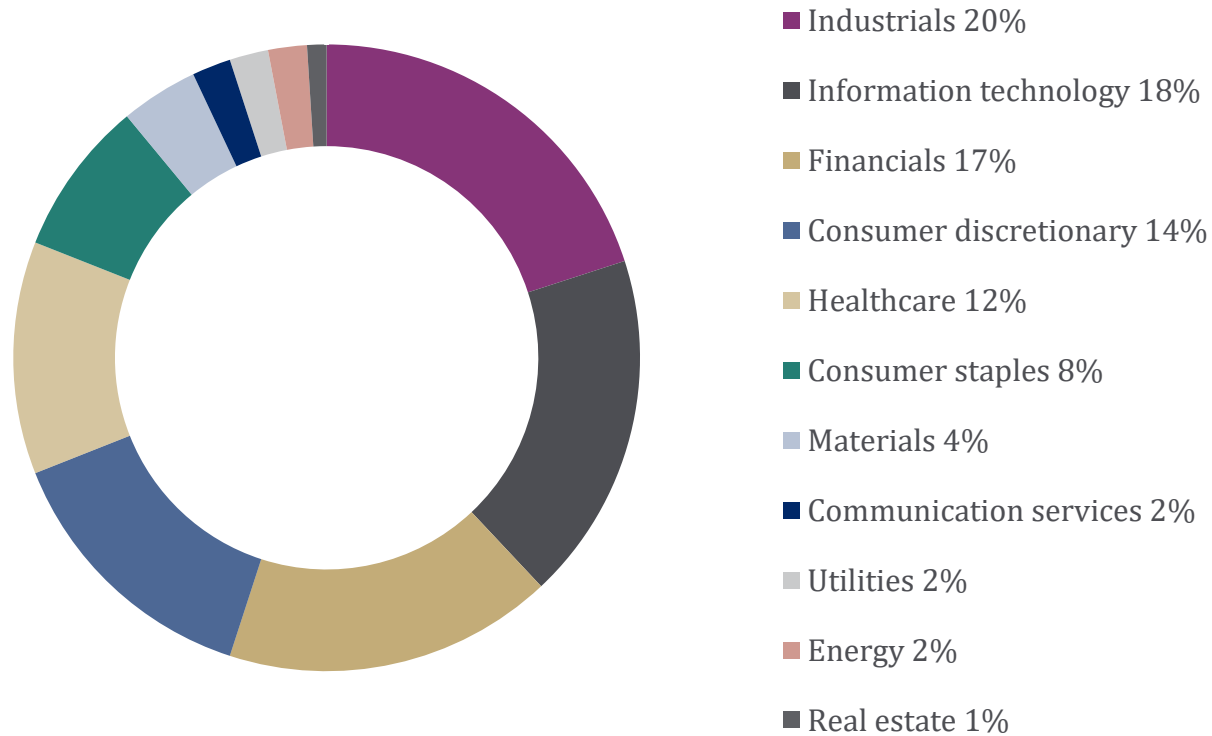
## NAV Currency Distribution





# Analysis by Sector

See-through basis



# Quoted Equity

Sector leading businesses: good margins, well-managed & often global

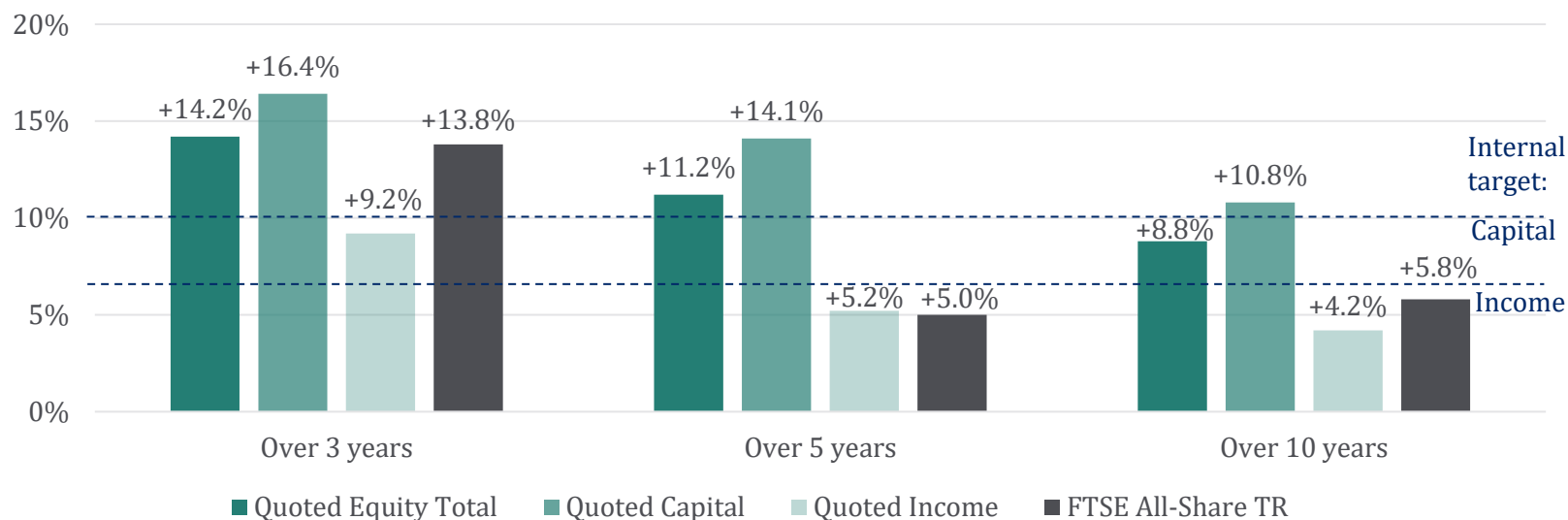
- **0.2%** total return for year, split: Capital +1.1%; Income -2.4%
- £837m across 2 portfolios / 30% of net assets
- Strong medium and long-term performance
- Long-term compounding businesses

Target annual return

Capital portfolio 10%

Income portfolio 7%

## Annualised Performance



# Quoted Equity – Capital Portfolio

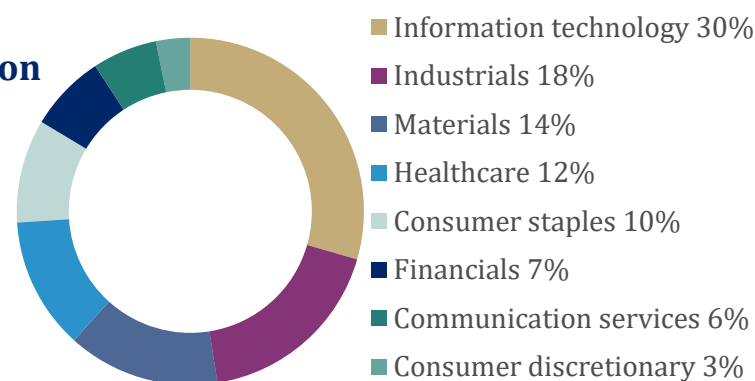
Top holdings as at 31 March 2023

Top Holdings (£m)	Value 31 Mar 2023
Oracle	70.1
Microsoft	66.6
Watsco*	51.5
Thermo Fisher Scientific	46.7
Texas Instruments*	45.4
Charter Communications	37.3
Philip Morris*	34.9
Spirax Sarco	31.8
Hill & Smith	31.4
Becton Dickinson	29.2
Fastenal*	28.1
Moody's Corporation	26.2
Other investments	118.8
<b>Total</b>	<b>618.0</b>

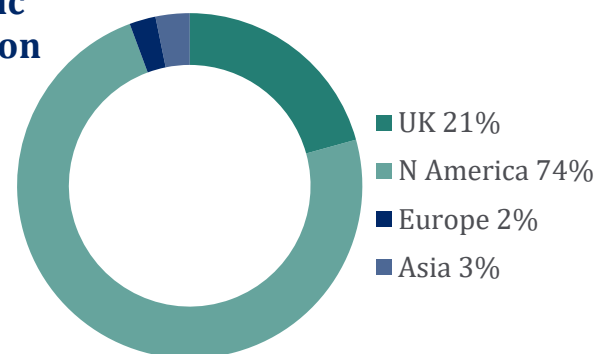
\* Also held in Income portfolio

	3 years	5 years	10 years
Annualised Returns	16.4%	14.1%	10.8%

## Sector Distribution



## Geographic Distribution



# Quoted Equity – Income Portfolio

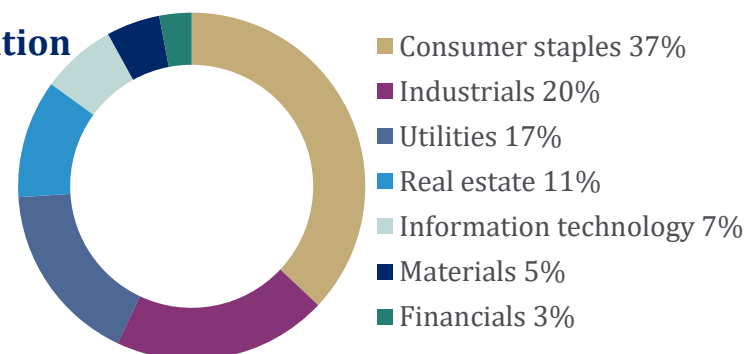
Top holdings as at 31 March 2023

Top Holdings (£m)	Value 31 Mar 2023	Yield %
Unilever	19.0	4.7
Watsco*	18.9	2.8
Reckitt	18.4	2.9
Diageo	17.0	2.5
National Grid	16.6	4.5
Texas Instruments*	16.1	3.0
Philip Morris*	15.1	5.3
Fortis	14.8	3.6
SGS	13.6	4.0
LondonMetric	12.6	5.1
British American Tobacco*	12.3	7.8
Other investments	44.6	4.4
<b>Total</b>	<b>219.0</b>	<b>4.0</b>

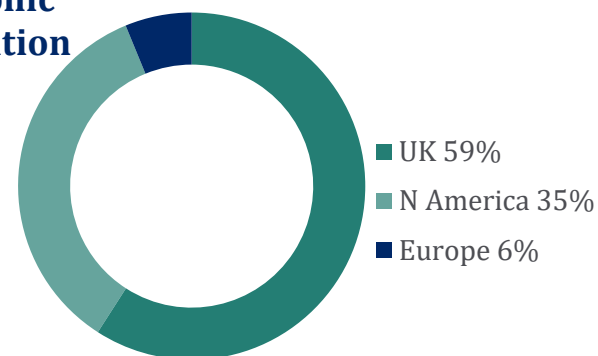
\* Also held in Capital portfolio

	3 years	5 years	10 years
Annualised Returns	9.2%	5.2%	4.2%
Annualised Yield	3.9%	4.4%	4.6%

## Sector Distribution



## Geographic Distribution



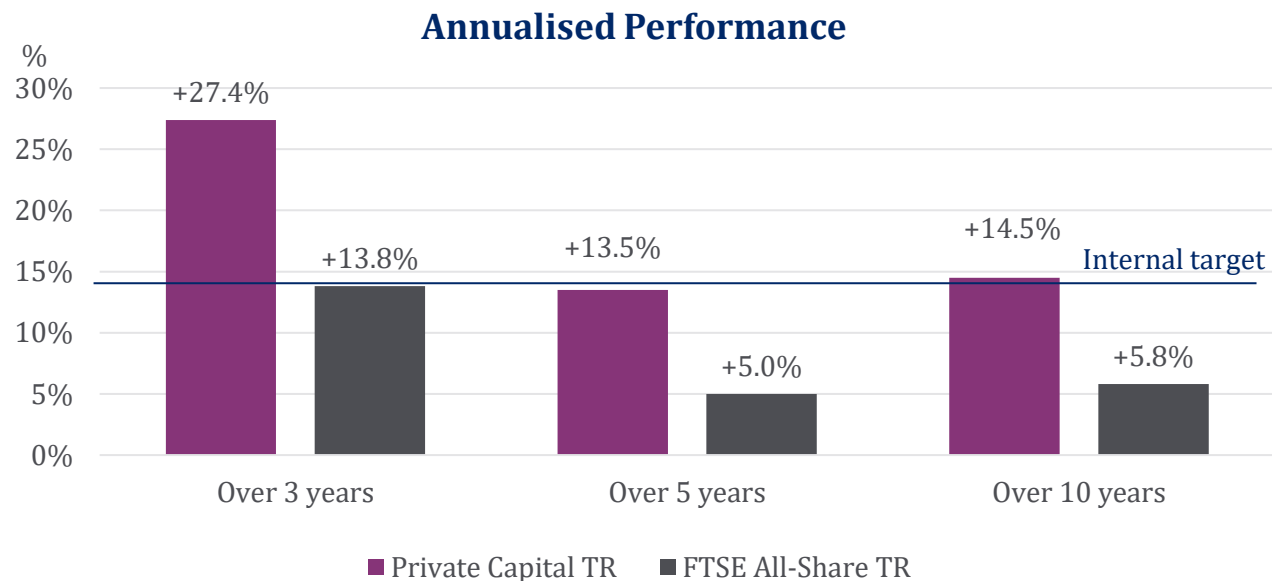
# Private Capital

Majority and minority growth capital in established UK businesses

- **8.4%** return for year
- £824m portfolio / 30% of net assets
- Good annual performance underpinned by progress at the underlying portfolio companies
- Longer term performance remains strong
- We acquired a significant business; AIR-serv Europe, in April 2023

Target annual return

Private Capital 14%



# Private Capital

Portfolio as at 31 March 2023

Portfolio (£m)	First Invested	Value 31 Mar 2023
Seven Investment Management	2015	187.1
Cobehold	2004	176.1
Stonehage Fleming	2019	141.6
Liberation Group	2016	131.9
Cooke Optics	2018	124.5
Other		62.8
<b>Total</b>		<b>824.0</b>

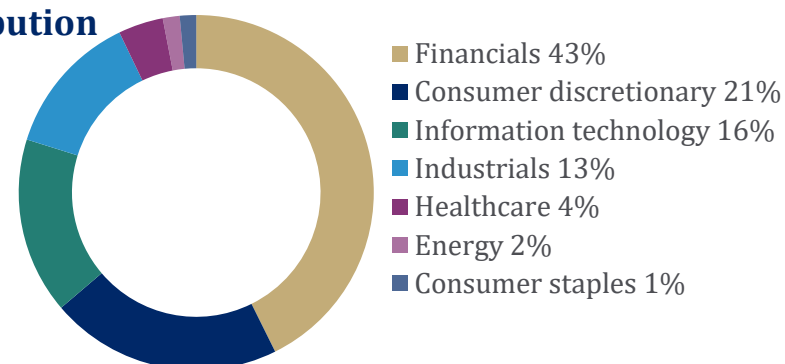
**Total Income**

**£20.6m**

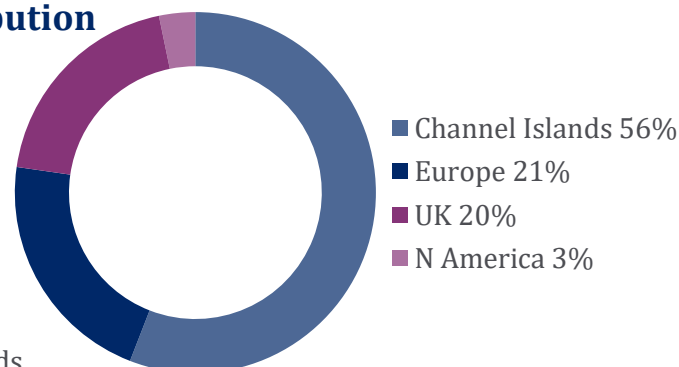
Note: Liberation, Stonehage Fleming and 7iM are all headquartered in the Channel Islands

	3 years	5 years	10 years
Annualised Returns	27.4%	13.5%	14.5%

## Sector Distribution



## Geographic Distribution



# Private Capital: Financial Services Businesses



Year ended 31 March 2023

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## 7iM

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**Valuation** £187m

**FY return** 16%

**Year of Investment**  
2015

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- Intermediary and private client investment management
- Adversely affected by global equity markets, AUM off 5%
- Net fund inflows from new and existing customers
- Earnings advanced through cost savings



COBEPA

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**Valuation** £176m

**FY return** 12%

**Year of Investment**  
2004

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- Brussels based investment company, diverse global portfolio
- Portfolio of well developed profitable private businesses
- 4 new businesses acquired in the year



STONEHAGE  
FLEMING

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**Valuation** £142m

**FY return** 4%

**Year of Investment**  
2019

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- International multi-family office
- Growth in earnings from acquisitions and tax, legal, trust and related activity
- Volatile markets has impacted revenues for investment management
- Successful integration of Maitland private client business

# Private Capital: Leisure & Industrial Businesses

Year ended 31 March 2023



**Valuation** £132m

**FY return** -12%

**Year of Investment**  
2016

- Pubs, bars and inns business
- Estate is dominated by quality destination pubs
- Some adverse impact from cost inflation and weaker consumer demand
- Merger with Cirrus Inns, portfolio of 22 quality pubs in SE England
- £12.5m of new equity to support transaction



**Valuation** £125m

**FY return** 20%\*

**Year of Investment**  
2018

- Leading manufacturer of cinematography lenses
- Good earnings progression with strong order book
- Supply chain issues in China resolved and production increasing
- Long-term demand for film content remains strong

\* Equity return



# Private Capital: New Acquisition – AIR-serv

April 2023



**Investment £142.5m**

**Equity stake 99.8%**

**Year of Investment  
2023**



- Leading designer and manufacturer of air, vacuum and jet wash machines
- Provides machines on revenue share or rental basis to fuel station forecourt operators across UK and Western Europe
- Headquartered in Wigan, Lancashire: 200+ employees operating from 9 offices
- £142.5m for 99.8% equity stake, in European division, alongside c.£0.5m investment from management team
- Balance of purchase price financed from bank debt facilities of £60.0m

# Funds

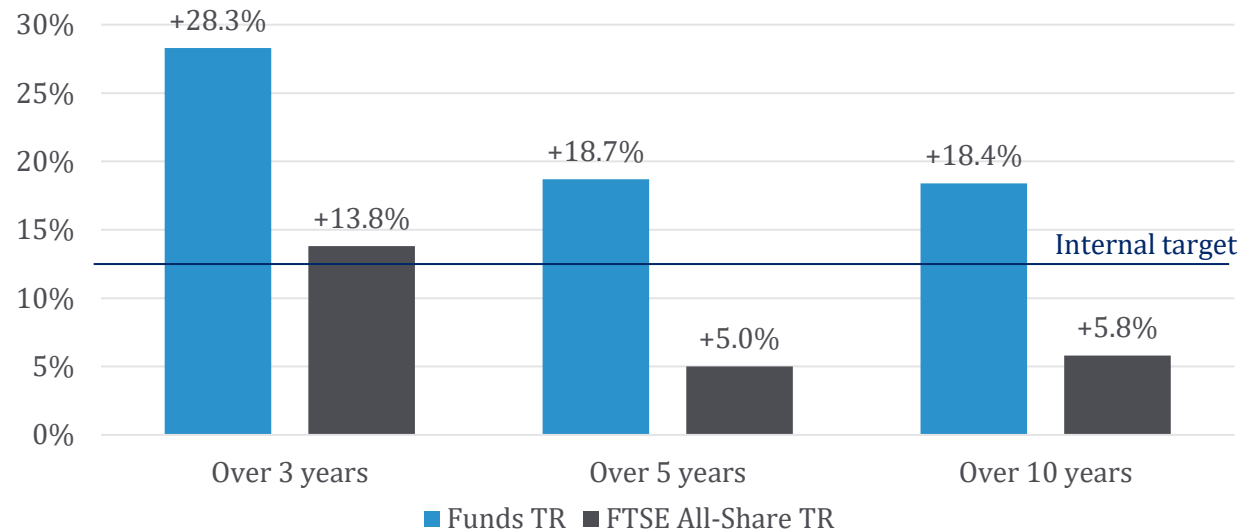
A portfolio of PE funds operating in North America and Asia

- **13.3%** total return for year, aided by favourable FX movements
- £874m portfolio / 31% of net assets – invested in US and Asian PE funds
- Portfolio invested in 64 funds managed by 40 managers
- US fund investment focuses on buyout funds in lower mid-market
- Asian fund investment focuses on venture and growth in non-cyclical, new economy sectors

Target annual return

Funds 12.5%

## Annualised Performance



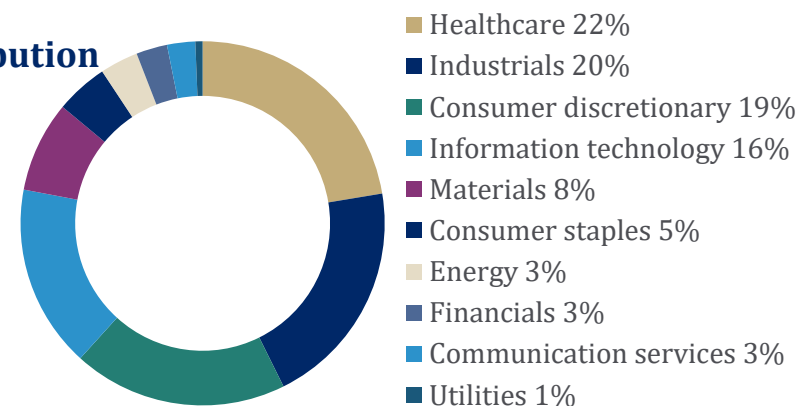
# Funds

Top holdings as at 31 March 2023

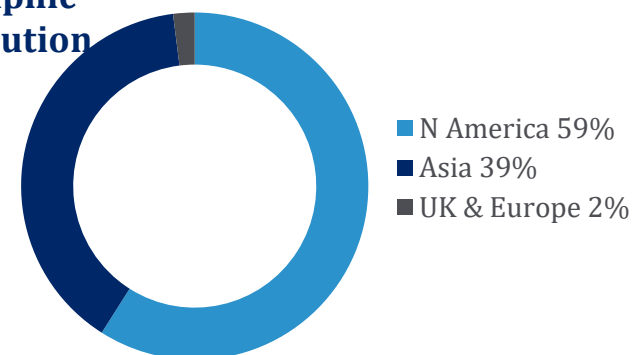
Top Holdings (£m)	Value 31 Mar 2023
Aberdeen US PE funds	114.9
Axiom Asia funds	84.3
Asia Alternatives funds	48.1
Unicorn funds	37.7
Stonepeak funds	37.1
CenterOak funds	33.5
Decheng funds	33.2
Ironbridge funds	30.3
Other investments	454.7
<b>Total</b>	<b>873.8</b>

	3 years	5 years	10 years
Annualised Returns	28.3%	18.7%	18.4%

## Sector Distribution



## Geographic Distribution



# Financial Review



# Summary of Comprehensive Income

	31 Mar 2023 £m	31 Mar 2022 £m	Change £m
Investment and other income	45.3	56.4	(11.1)
Gains on investments and property	131.6	570.7	(439.1)
<b>Total income</b>	<b>176.9</b>	<b>627.1</b>	<b>(450.2)</b>
Expenses - ongoing management	(21.3)	(21.0)	(0.3)
- performance awards (allocated to capital expenses)	(8.2)	(11.4)	3.2
- transaction costs and other non-recurring expenses	(0.4)	(0.4)	-
Pensions	1.4	(1.4)	2.8
Treasury/taxation	(4.4)	18.4	(22.8)
<b>Total comprehensive income</b>	<b>144.0</b>	<b>611.3</b>	<b>(467.3)</b>
<b>Dividends paid</b>	<b>(130.5)</b>	<b>(34.6)</b>	<b>(95.9)</b>
<b>Retained profit for the period</b>	<b>13.5</b>	<b>576.7</b>	<b>(563.2)</b>

- Ordinary dividends of £36.6m covered by net revenue of £20.6m in year plus the net cash inflow of £24.2m into the Funds pool in line with our revised dividend policy
- Long term share award costs charged to capital, in line with industry best practice
- Management expenses of £21.3m (2022: £21.0m) charged to revenue
- Ongoing Charges Ratio 0.77% (2022: 0.84%)

# Statement of Financial Position

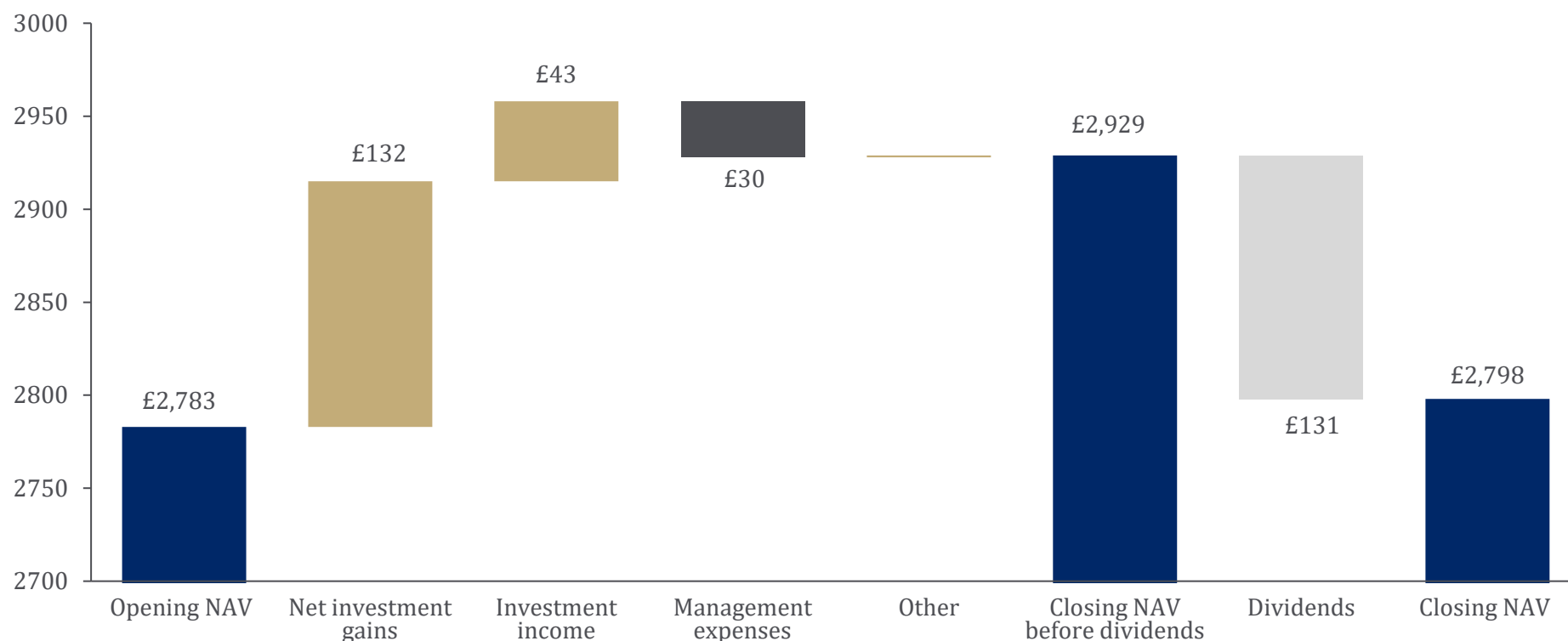
	31 Mar 2023 £m	31 Mar 2022 £m	Change £m
Investments	2,795	2,385	410
Property and PPE	43	45	(2)
Other assets	35	44	(9)
Cash	222	341	(119)
<b>Total assets</b>	<b>3,095</b>	<b>2,815</b>	<b>280</b>
Interest bearing loans (inter-company)	(266)	-	(266)
All other liabilities	(31)	(32)	1
<b>Net assets</b>	<b>2,798</b>	<b>2,783</b>	<b>15</b>

- Growth in investment value principally from capital growth (£133m) plus receivable and cash arising in Caledonia US Investments Ltd ('CUSIL') following transfer of US PE fund holdings
- Decline in cash dominated by special and annual dividend payments (£131m) made in the year
- Reduction in Other assets primarily relates to reduction in deferred tax asset recognition following transfer of assets from CUSIL to parent company
- Loan relates to funds in CUSIL lent back to the parent following the US PE fund holdings transfer

# Change in Net Asset Value

Year ended 31 March 2023

## NAV Movement (millions)



# Net Cash & Facilities

- Revised facility arrangement signed with RBSI in November 2022
- Total value maintained at £137.5m and extended to November 2027
- Special dividend paid in August 2022 cost £95m and took shareholder yield, over last 5 years, over 3%

## Caledonia Net Cash

31 March 2023

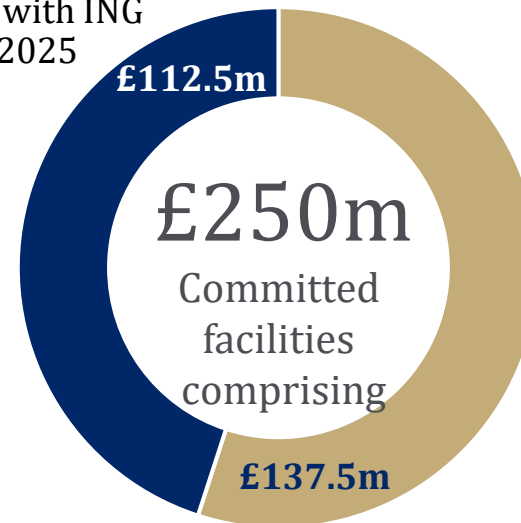
£221.6m

## Caledonia Net Cash

31 March 2022

£341.1m

Revolving 3-year  
facility with ING  
to July 2025



Revolving 5-year  
facility with RBSI  
to November 2027

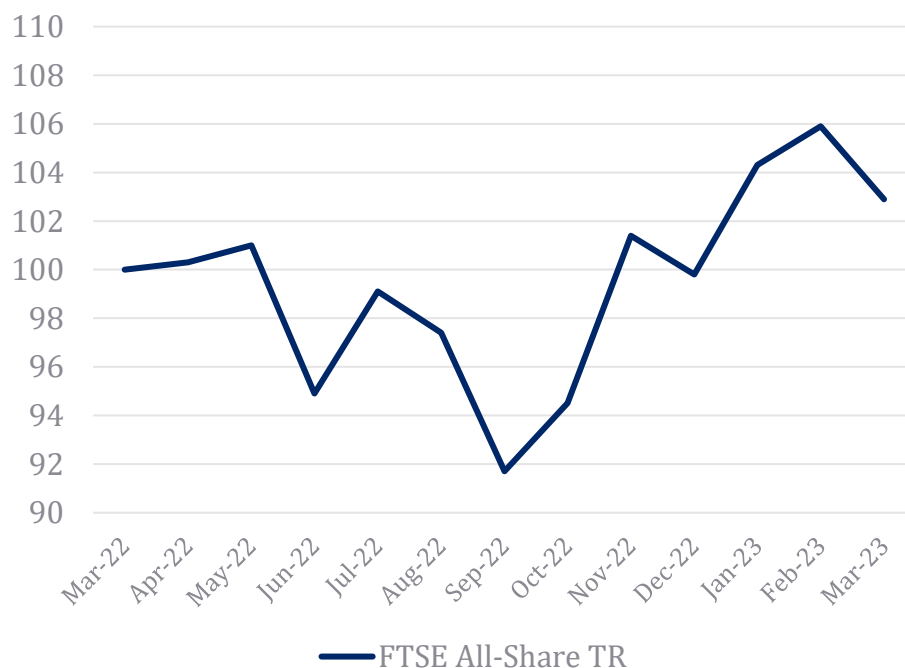


# Share Price Performance

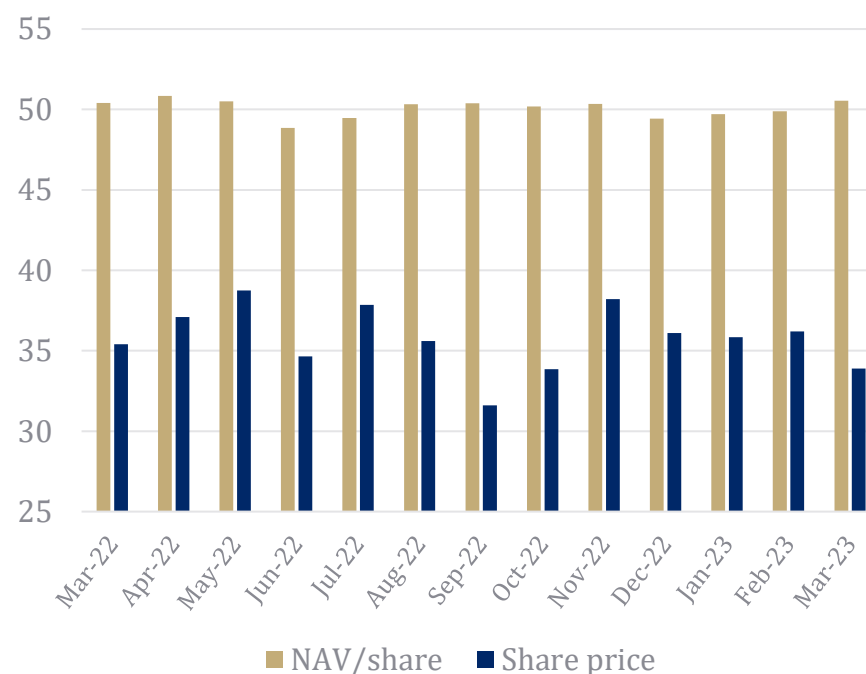
Year to 31 March 2023

- Share price and discount has fluctuated from the impact of market volatility
- NAV per share has remained stable throughout the financial year

**FTSE All-Share TR Index  
(rebased to 100 at 31 March 22)**



**Caledonia NAV v Share Price  
(£ per share)**

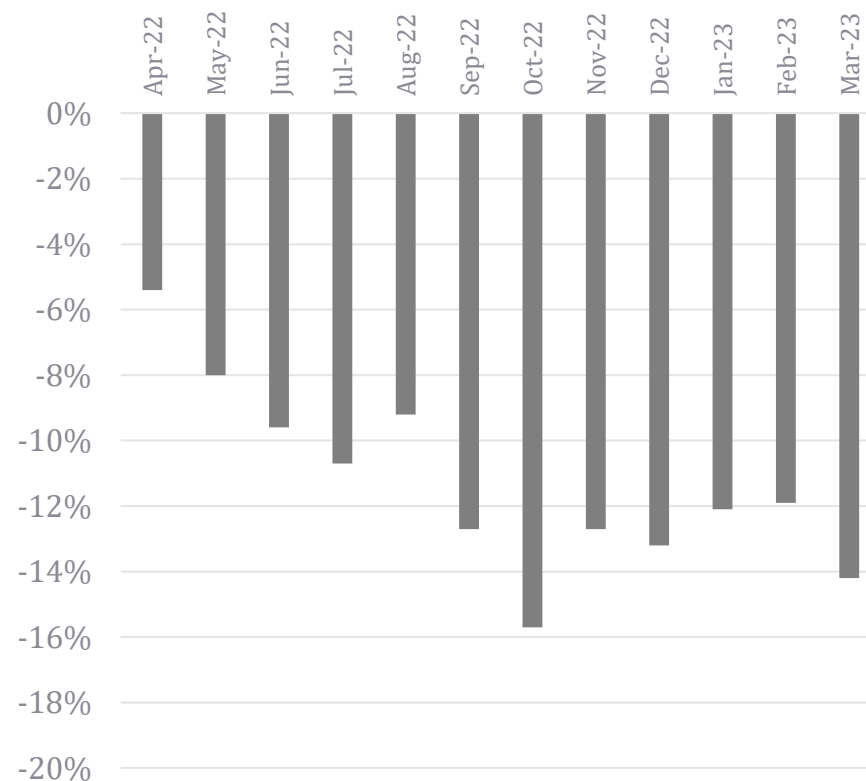


# Share Price Performance

Year to 31 March 2023

- UK Investment Trusts have seen average discounts widen significantly during FY22/23
- Average discount in March 2023 was 14.2% - up 160% from the average of 5.4% in April 2022
- There has been a notable outflow of capital from both Investment Trusts and Open Ended equity funds over the last 12 months – evidence of investors moving out of equities
- Investment Trusts holding private assets have been more adversely impacted – particularly funds of funds such as HarbourVest and Pantheon (discounts of 40%-45%)
- Caledonia's discount is high: range during the year from 23% up to 35%
- Caledonia's discount was similar in April 2023 to the same period a year ago

**Monthly average discount to NAV  
(UK Investment Trusts)**



April 2022	30.1%
April 2023	29.6%

# Share Price Performance

Year to 31 March 2023

- Key tool used by Investment Trusts to manage the level of discount is share buy-backs. Caledonia is unable to use this approach due to the holding of the Cayzer Concert Party (c.48% holding).
- Main focus is to deliver high quality performance and to communicate this well to the market. Historic performance has been good – maintaining delivery will be the key focus.
- Free float is principally with retail shareholders – through wealth managers or the major platforms. CEO/CFO meet regularly with shareholder representatives.
- Liquidity in Caledonia stock is relatively light – leads to marginal buyers/sellers impacting market pricing.
- Work is underway to enhance our Investor Relations activity, with support from experienced consultants.

## Ten Year Record

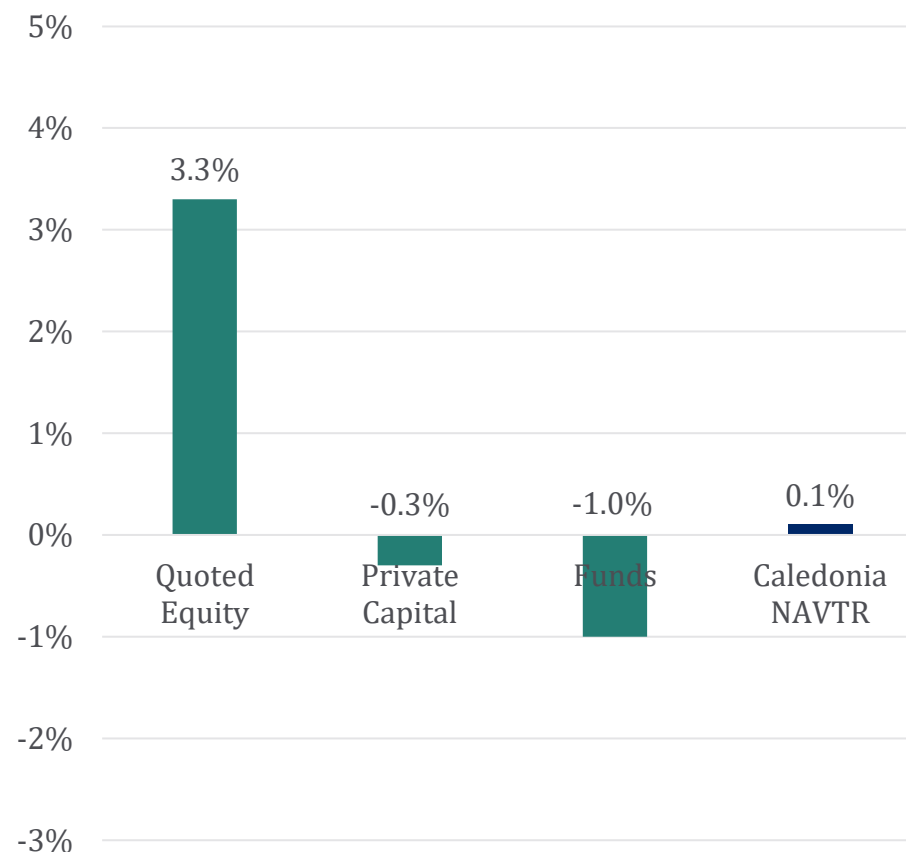
In p/share	<u>NAV</u>	<u>Share Price</u>	<u>Discount</u>
31/03/2013	2,299	1,840	-20%
31/03/2023	5,068	3,390	-33%
Growth	120%	84%	
Annualised	8.2%	6.3%	
Dividends paid:			
Ordinary dividends	562	562	
Special dividends	275	275	
Total	837	837	
Return including dividends	10.8%	9.4%	

# Trading Update – Quarter 1 FY2024

## Performance summary

- NAVTR of 0.1% for the quarter
- Strong US equity performance and modest fund valuation improvements
- Sterling strengthening by c.3% against US dollar has adversely impacted returns across our investments – in particular for Funds
- Quoted Equity portfolio aided by key US stocks – greater impact on the Capital portfolio
- Purchase of the European division of AIR- serv by the Private Capital team
- Underlying Funds showed modest uplifts of around 2% and added positions with DeCheng funds through a secondary purchase

### April – June Returns



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- 1 Diverse portfolio of listed, fund and privately owned assets managed to deliver target returns over the long term
  - 2 High-quality holdings capable of responding to the challenges posed by inflation, increased interest rates and potentially lower future growth in GDP
  - 3 Strong balance sheet, with banking facilities to provide short term additional liquidity if required
  - 4 Portfolio remains well placed to achieve aims of growing net assets and dividends over the long term
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David Stewart  
Chair

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[www.caledonia.com](http://www.caledonia.com)

# Q&A

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# Formal business

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# Annual General Meeting

19 July 2023

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**CALEDONIA**  
INVESTMENTS

