



CALEDONIA INVESTMENTS

31 December 2023

Share price: 3555p

NAV/share: 5180p

Discount: 31.4%

About Caledonia

Caledonia is a self-managed investment trust company with net assets of £2.9bn. 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 month was 0.9% and for the year to date was 3.6%. All three investment pools saw positive underlying performance, particularly our Public Companies portfolio which achieved strong returns in the period. Underlying investment returns were partially offset by the adverse impact of the 3.1% strengthening of Sterling against the US dollar.

During the month we invested £23m and realised £16m. Net debt at the month end was £54m. Caledonia anticipates receipt of cash proceeds of c. £255m from the agreed disposal of Seven Investment Management (net of transaction expenses) in January 2024.

The interim dividend of 18.93 pence per share, totalling £10.3m, was paid on 4 January to shareholders registered on 1 December 2023 and has been included as a liability at month end.

Ten largest holdings

Name	Business	£m
Seven Investment Management	Investment management	249.2
Cobehold	Investment company	178.8
Stonehage Fleming	Family office services	158.5
AIR-serv Europe	Forecourt vending	142.5
HighVista Strategies	Funds of funds	137.0
Liberation Group	Pubs, bars & inns	135.4
Cooke Optics	Cine lens manufacturer	103.0
Axiom Asia Funds	Funds of funds	83.1
Watsco	Ventilation products	78.8
Microsoft	Software	77.4

		1,343.7
Other pool investments		1,528.4
Cash and other items		(8.6)
Net assets		2,863.5

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

Private equity fund valuation dates

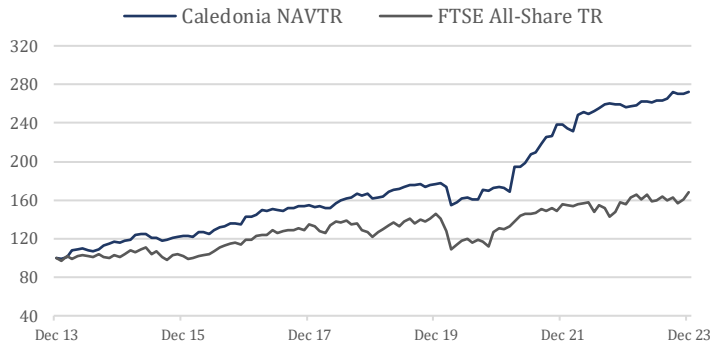
Manager NAV date	£m	%
30 June 2023	0.5	0.1
30 September 2023	930.9	99.9
	931.4	100.0

Caledonia Investments plc

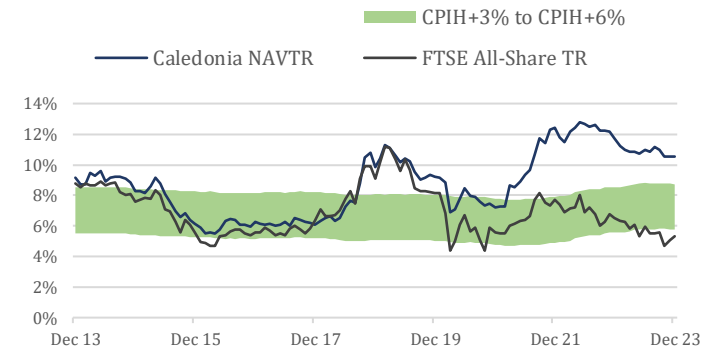
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The price of shares and the income from them may go down as well as up. Past performance is no indication of future performance. Under no circumstances should this information be considered as an offer, or solicitation, to deal in investments.

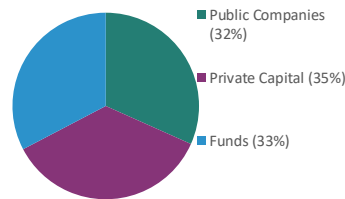
NAV total return index ten years



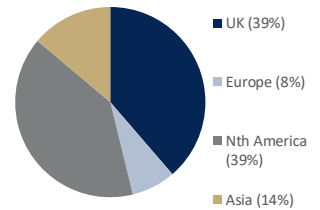
Annualised ten year rolling performance



Pool allocation



Geographic allocation



Performance to 31 December 2023

	YTD %	1 year %	3 years %	5 years %	10 years %
NAV total return	3.6	6.2	56.5	68.1	171.9
<i>Annualised</i>					
NAV total return		6.2	16.1	11.0	10.5
CPIH		3.8	5.9	4.0	2.7
Caledonia vs CPIH		2.4	10.2	7.0	7.8
FTSE All-Share Total Return			8.6	6.6	5.3
Caledonia vs FTSE			7.5	4.4	5.2

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 that its unaudited diluted net asset value per share (“NAV”) as at 31 December 2023, calculated on a cum-income basis, was 5180p.

The NAV total return (“NAVTR”) for the nine months to 31 December 2023 was 3.6%. A final dividend of 49.2p per ordinary share for the year ended 31 March 2023 was paid to shareholders on 3 August 2023 and an interim dividend of 18.93p per ordinary share for the current year was paid on 4 January 2024, amounting to payments of £26.7m and £10.3m respectively.

This announcement provides a further update on Caledonia's portfolio and should be read in conjunction with the factsheet dated 31 December 2023 and released on 8 January 2024, a copy of which is available at www.caledonia.com.

Summary

All three pools generated positive returns during the first nine months of the year. This positive performance was despite the adverse impact of Sterling strengthening against the US dollar in the period.

The Public Companies pool produced a return of 6.8%, reflecting strong performance of a number of our holdings offset by the adverse foreign exchange movement. The Private Capital portfolio produced a return of 6.1%, following good performance from the majority of the investee companies and the contractually agreed disposal of Seven Investment Management (“7IM”). The 7IM transaction is expected to complete in January 2024, with anticipated cash proceeds of c.£255m. The Funds pool returned 1.0% in the period, driven by valuation growth of our North American funds, offset by adverse foreign exchange movements. As previously reported, there has been a notable slowdown in the level of fund distributions over the nine month period reflecting reduced market transaction activity. Based on feedback from fund managers, an improvement in distributions is anticipated over the next six to eighteen months.

Performance for the nine month period to 31 December 2023 is summarised in the table below.

Caledonia pool performance

Net asset value - nine months to 31 December 2023

£m	NAV 31/3/23	Net investment /(disposal)	Capital gains / [losses]	Other	NAV 31/12/23	Income	Total Return
Public Companies	836.9	33.6	39.4	-	909.9	17.7	6.8%
Private Capital	824.0	159.3	37.6	3.0	1,023.9	20.2	6.1%
Funds	873.8	59.0	5.5	-	938.3	3.8	1.0%
Portfolio	2,534.7	251.9	82.5	3.0	2,872.1	41.7	
Net Cash/(Debt)	221.6	(251.9)	-	(23.5)	(53.8)		
Other assets	41.7	-	-	3.5	45.2		
Net assets	2,798.0	-	82.5	(17.0)	2,863.5	NAVTR	3.6%

Caledonia has continued to invest and dispose of assets, in line with our active approach to portfolio management.

The movement in net debt in nine month period was £275m, largely reflecting net investments made by all three pools and, most significantly, the acquisition of a majority stake in the European division of AIR-serv in April 2023 by Private Capital. The Public Companies pool made additions to its holdings in three companies, refined positions in a number of others and reduced positions in two high performing stocks, creating a net investment outflow of £34m. The Funds pool net cash outflow was £55m in the period.

Net debt at 31 December 2023 is £54m. Total liquidity of £196m remains healthy and will increase following the receipt of 7IM sales proceeds of c.£255m in January 2024. The £250m revolving credit facilities include £137.5m expiring in November 2027, with the balance of £112.5m expiring in July 2025.

Caledonia Public Companies – Capital and Income portfolios (32% of NAV)

The total return of the Public Companies pool was 6.8% over the first nine months of the year. This outcome reflected strong performance of a number of our holdings offset by the adverse foreign exchange movement.

The Capital portfolio delivered a return of 8.4%. Key performance contributors included Hill & Smith, Microsoft, Oracle and Watsco, which delivered very strong returns ranging from 15% to 45%. However, these gains were partially offset by negative contribution from companies including Alibaba, Croda International and Thermo Fisher Scientific.

The Income portfolio generated a return of 2.3%. Strong returns from Watsco, RELX (a new position in the portfolio), Sabre and Fastenal were offset by weaker share price performances from Diageo, Reckitt, BAT and Texas Instruments.

Trading activity remained targeted and opportunistic, in line with our long-term investment approach, with increases in our holdings including Croda International, Spirax Sarco, Symrise as well as the new position in RELX. We sold down a portion of our holdings in Microsoft, Oracle and Watsco, following a period of strong share price appreciation. In addition, the Income portfolio moved closer to its target of £250m of invested cost.

Caledonia Private Capital (35% of NAV)

Caledonia's Private Capital portfolio is dominated by significant positions in five UK-centric businesses and one private European investment company. These six investments represent over 90% of the pool's value. Investee companies are revalued in March and September each year. The portfolio generated a total return of 6.1% in the nine-month period.

The five UK centric businesses are well-established and have strong market positions. Of these five businesses four, excluding 7IM, are valued on an earnings multiple basis, with multiples in the range 9 to 14 times current year earnings. Gearing levels are modest, with net debt of approximately 2 to 3 times earnings before interest, tax, depreciation and amortisation (“**EBITDA**”).

In early September 2023, Caledonia announced the agreed sale of a majority stake in 7IM, a vertically integrated retail wealth management business, to Ontario Teachers’ Pension Plan Board. The transaction is expected to complete in January 2024, with cash proceeds of c.£255m (net of transaction expenses) expected. The valuation at the end of December of £249m, reflects expected cash proceeds less a 3% discount to equity value in recognition of the very limited degree of transaction execution risk.

Cobepa, the Belgian based investment company, owns a diverse portfolio of private global investments. The majority of the businesses within the Cobepa portfolio continue to develop well, with many delivering strong performance and valuation progression.

Stonehage Fleming, the international multi-family office, continues to deliver good revenue and margin growth across each of the Family Office, Investment Management and Financial Services businesses, driven by client wins and increased activity levels.

AIR-serv Europe, a leading designer and manufacturer of air, vacuum and jet wash machines, which it provides to fuel station forecourt operators across the UK and Western Europe, was acquired in April 2023. The business is trading ahead of expectations, demonstrating good year on year growth. In September 2023 the valuation was maintained at the equity purchase cost of £143m. The position will be reviewed in March 2024 in line with our valuation policy.

Liberation Group, an inns and drinks business with a pub estate stretching from Southwest London to Bristol and the Channel Islands, continues to deliver strong revenue growth and improving

profitability. The integration of the Cirrus Inns business, acquired in December 2022, is progressing well and now largely complete.

Cooke Optics, a leading manufacturer of cinematography lenses, has been heavily impacted by the Hollywood writers' strike which started in early May 2023 and the subsequent actors' strike. With both disputes now resolved, demand for the company's products is recovering. The valuation as at 30 September 2023, reflected a 15% equity discount to reflect this matter. No change has been made to this discount which will be reviewed in March 2024.

A more detailed update on the trading and valuation of all investee companies within the Private Capital portfolio will be provided in Caledonia's full year results announcement in May 2024.

Caledonia Funds (33% of NAV)

The total return on the Funds portfolio was 1.0% for the nine month period, reflecting valuation growth of the North American holdings offset by the 3.1% strengthening in Sterling versus the US Dollar.

During the nine month period, £90m was invested and distributions of £35m were received. There has been a notable slow down in the level of distributions, compared to the last two years, reflecting more challenging market conditions. Based on feedback from fund managers, an improvement in distributions is anticipated over the next six to eighteen months.

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8 January 2024

Notes

Valuation approach and methodology

The valuation approach utilised for each asset portfolio is summarised below.

Caledonia Public Companies: all listed companies are valued based on the closing bid price on the relevant exchange as at 31 December 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 on 30 September 2023. The exceptions to this approach were our holdings in Cobehold, where fair value was derived from the external valuation prepared by Cobepa, and 7IM, where the valuation was derived from the contractually agreed disposal announced in early September 2023. 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.

Caledonia Investments plc

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

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