Chief Executive Officer's report

Mat Masters
Chief Executive Officer

Our performance has been delivered against a background of increasing macroeconomic and geopolitical uncertainty, underlining the strength of our investment strategy.

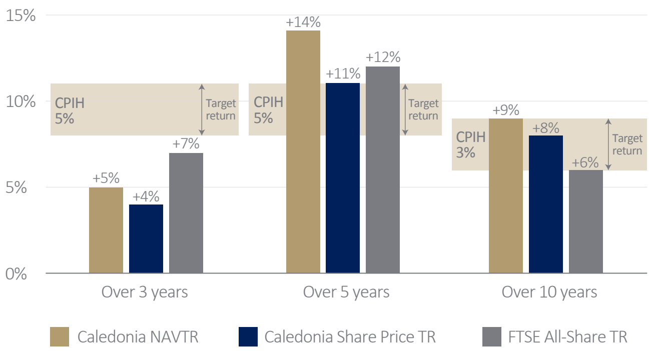
3.3%
NAV total return

Caledonia's long term investment approach of 'Time Well Invested', making thoughtful compounding investments, has underpinned another year of positive performance, with NAVTR of 3.3%. This performance continues to build on our track record of delivering long term real returns, outperforming both inflation and the FTSE All-Share total return over the past decade. Alongside this, we have increased dividends paid to shareholders for 58 consecutive years.

We have delivered this performance against an increasingly uncertain macroeconomic and geopolitical backdrop, demonstrating the strength and resilience of our diversified, global portfolio of quality companies and funds, with all investment pools contributing to growth in the year.

In particular, in the latter part of our financial year, changes in US trade policy introduced significant uncertainty into the global economic outlook. Market volatility rose significantly in March as investors assessed the potential implications of higher tariffs and escalating US-China trade tensions on global growth, productivity and inflation. This volatility, along with recent elevated levels of inflation, has reduced short-term real returns. We believe our focus on investing in high quality, well managed companies, as well as fund managers with track records of success, positions us well to navigate the current uncertainty.

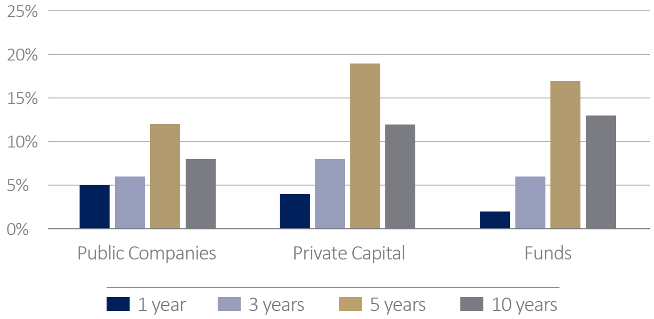
Annualised performance



Performance highlights

We invest across private and public markets. Overall the portfolio generated a return of 3.5% in the year. This included adverse foreign exchange movements which negatively impacted returns by 1.4%.

Annualised investment pool returns



Our Public Companies pool is invested in high-quality, well-managed businesses with strong market positions and pricing power. The global portfolio is split between capital and income investments, with the latter providing an important contribution to cover our cost base and dividend. Performance was affected by the market volatility nearing the end of the year. Despite this, the pool delivered a 4.7% return in the year.

Within Private Capital, we acquired Direct Tyre Management ('DTM'), adding another excellent business to our portfolio of directly held private assets. DTM is the UK's leading provider of outsourced tyre management services - a fantastic technology led solution enabling its customers to maximise fleet efficiency. Both Stonehage Fleming and AIR-serv Europe continued to report a strong performance, resulting in an increase in their valuations. This has been partially offset by a decline in the valuation of Cooke Optics. As previously reported, following the Hollywood strikes in 2023, demand for Cooke's products has taken longer than we anticipated to recover. As a result we have reflected a more conservative outcome in our valuation of the business. Overall, Private Capital reported a return of 3.7%.

Our Funds pool delivered a net positive cashflow of £44m following a subdued prior financial year. Our North America portfolio delivered an 8.4% return in local currency, with gains being driven by strong underlying operating performance and realisation activity. Our Asia portfolio return was -1.6% in local currency, which reflects the more challenging market conditions in the region. Taken together and including the negative impact of foreign exchange movements, our Funds pool produced a return of 2.2% in the year.

Liquidity and balance sheet

A strong financial position is core to Caledonia's strategy. We ended the year with net cash of £151m which, alongside our £325m revolving credit facility, provides significant liquidity to invest in attractive opportunities as they arise.

Shareholder returns

Broader market volatility and sentiment towards investment companies continue to weigh on ratings across the sector, and in particular those investment companies that invest in private assets, many of which continue to trade at significant discounts to net asset value.

Caledonia's share price increased by 10.2% on a total return basis over the year, with the discount narrowing from 39% to 35%. Despite this reduction in discount, we believe the share price continues to fundamentally undervalue the quality of our portfolio and our long-term track record.

Alongside continuing to deliver long-term compounding returns, addressing the discount remains a priority for the board and management team; it is important for shareholders to capture more fully the long-term increase in net asset value per share. There is no single solution to narrowing the discount. During the year we have focused much of our efforts on improving our investor relations and communications activities including launching a series of events profiling each of our investment pools and our differentiated approach. The first of these, the Private Capital Spotlight, was held in January and we will host a similar spotlight for our Public Companies pool in June 2025.

As covered in the Chair's statement, alongside improving communication, we also increased our ability to repurchase shares, which is highly accretive to NAV per share. We are announcing today two further initiatives: a 10:1 share split which we hope will make our shares more accessible to a wider range of investors and a change to our dividend payment profile. A reliable source of income is important to our shareholders and our progressive dividend policy aims to increase annual dividends by at least the rate of inflation over the long term.

Chief Executive Officer's report (continued)

People

Our employees remain our greatest asset and we are committed to fostering an environment that enables us to attract, retain and nurture exceptional people. This year, we have continued to strengthen the team across a number of functions, promoting internal talent and bringing in new expertise. I would like to thank my colleagues for their unwavering enthusiasm and dedication, which drives the success of our business.

Caledonia's long-term ethos and culture focused on 'Time Well Invested' is central to our working environment. During the year, we completed our second anonymised employee engagement survey and are delighted to have received a 92% response rate with 96% of responders recommending Caledonia as a 'great place to work'. We benchmark our analysis against businesses within the UK's financial services sector and are pleased that Caledonia is represented in the top quartile for both participation rates and engagement scores.

Further information on our people and culture can be found in our Sustainability section
Turn to pages 57-62

Our approach to responsible investment

As we highlight in the Sustainability section, we have further developed our approach to responsible investment. During the year, through our working group, we have strengthened our investment processes and continue to consider the issues associated with climate change and its potential impact on our business and portfolio. This year, for the first time, we are disclosing emissions for our Private Capital pool. Our third Taskforce on Climate-related Financial Disclosures report will be published alongside this annual report.

Further details on our activities in this area are provided within the Sustainability section
Turn to pages 52-56

Looking forward

We believe our diversified, global portfolio is well positioned to weather the uncertainties of the current market. We invest in businesses with strong market positions and fundamentals. We have a diversified portfolio of high quality, well managed and profitable companies. This strategy has delivered compounding real returns. Central to our success is a long term perspective underpinned by our robust evergreen balance sheet. These strengths enable us to look through shorter term volatility and take advantage of the long term opportunities arising from market disruptions.

Mat Masters
Chief Executive Officer
19 May 2025

The Strategic report includes the Section 172 statement, which sets out further detail of our stakeholders, on pages 80 to 85