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Welcome to Caledonia

Caledonia is a FTSE 250 self-managed investment trust company with a long track record of delivering consistent returns and progressive annual dividend payments to shareholders.

Our aim is to generate long-term compounding real returns that outperform inflation by 3%-6% over the medium to long term, and the FTSE All-Share index over 10 years.



The images displayed throughout the annual report are a selection of the following:

Charities supported by The Caledonia Investments Charitable Foundation

The Caledonia office and artefacts on display from the Cayzer Family archive

Employees of Caledonia, either in the central London office or on an offsite strategy day

Images relating to Caledonia portfolio companies

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Performance

“Caledonia has delivered another year of positive performance, with our long-term, disciplined investment approach continuing to prove its strength within a macroeconomic and geopolitical backdrop that remains highly volatile. All three of our investment pools contributed to growth, demonstrating the resilience and quality of our diversified portfolio.

The performance has further extended our track record of delivering consistent real returns for shareholders, alongside 58 years of consecutive dividend growth. The uncertain operating environment currently shows little sign of easing, but our focus remains on allocating capital prudently, investing in high-quality companies and fund managers with track records of success, and continuing to position Caledonia to compound value for our shareholders over the long term.”

Mat Masters

Chief Executive Officer

Highlights

£2.9bn

Net asset value (NAV)

(31 March 2024: £3.0bn)

3.3%

NAV per share total return¹

(31 March 2024: 7.4%)

73.6p

Dividend per share

(31 March 2024: 70.4p)

4.5%

Dividend growth

(31 March 2024: 4.5%)

3,540p

Share price

(31 March 2024: 3,280p)

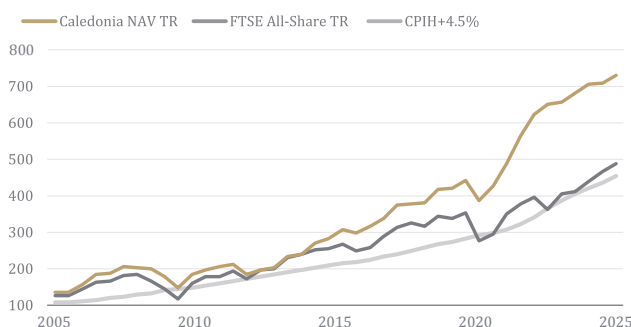
10.2%

Total shareholder return¹

(31 March 2024: -1.2%)

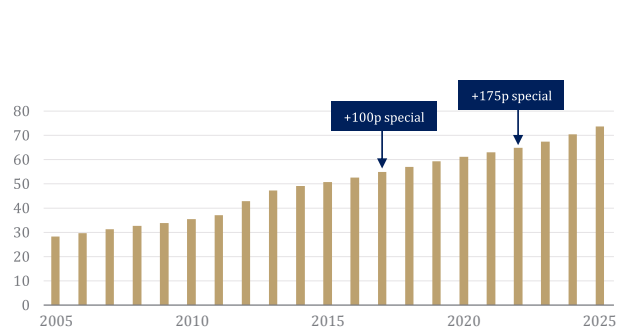
Strong consistent long-term NAV growth

NAV total return growth since 2005



58 consecutive years of dividend increases

Annual dividend / share (p)



1. Alternative Performance Measure **APM** – see page 159 for details.

At a glance

Time well invested

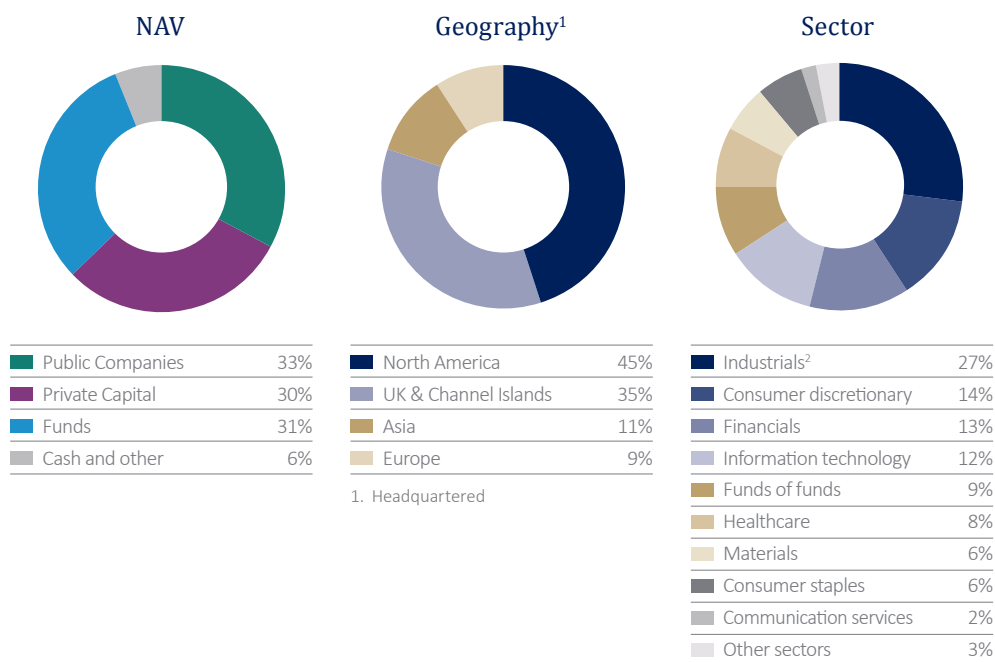
We are investors, not traders, driven by fundamentals, not trends. We think in decades, not quarters and invest time to make confident, well-balanced compounding investments and build rewarding partnerships.

A history that dates back to the late 1800s...

Caledonia traces its history back to the Cayzer family's shipping business, founded in the late 1800s. Towards the end of the boom in shipping, Caledonia was converted into a broader investment holding company, and later to an investment trust. The Cayzer family remain supportive shareholders and the family's long-term investment approach underpins how Caledonia is run today.

To today – a long track record of delivering consistent returns and progressive annual dividend payments

With net assets of £2.9bn, Caledonia holds investments in both listed and private markets across three pools: Public Companies, Private Capital and Funds. Each has a strategic allocation of capital, investment strategy and target return. The result is a well-balanced diversified portfolio of investments with a global reach.



1. Headquartered

2. Includes AIR-serv Europe, DTM and Cooke Optics

At a glance (continued)

What differentiates us



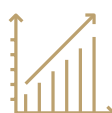
Our expert team

Our team has deep knowledge of the companies and sectors in which we invest. Our culture is centred around a collection of values that shape our approach to every aspect of investing: insightful, supportive, responsible, considered and long-term.



We are long-term investors

Our evergreen balance sheet underpins our investment philosophy. We buy to hold, investing in high-quality companies with strong market positions and fundamentals, alongside investments in funds with track records of success.



Our investment process

We build rewarding relationships and a deep understanding of our investments that aligns with our risk appetite, with ESG factors embedded.



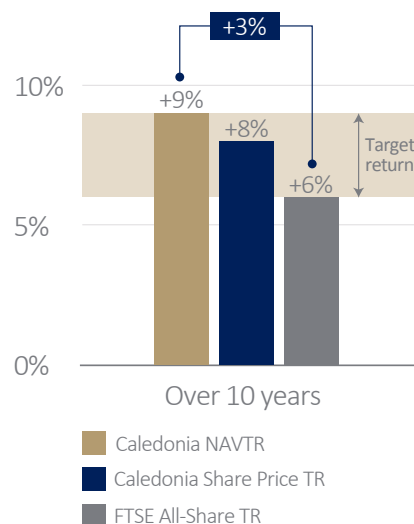
Wholly aligned with shareholders

As a self-managed vehicle, we invest from the balance sheet, ensuring our interests are wholly aligned with our shareholders.

With an investment approach and purpose grounded in Time Well Invested

Our history, structure and culture underpins our long-term approach to investment and is captured in our manifesto, which underpins our focus on generating long-term compounding real returns that outperform inflation by 3%-6% over the medium to long-term, and the FTSE All-Share over 10 years.

Annualised performance



1. Target return is CPIH plus 3% to 6%. CPIH over the last 10 years was 3%. CPIH is Consumer Prices Index including owner occupiers' housing costs



**CALEDONIA
INVESTMENTS**
Time Well Invested

Our manifesto

We believe in the power of time.
While others fight against it,
Trying to conquer every passing minute,
We work with it.
We invest it patiently and judiciously,
Harnessing its power year after year.
Never afraid to wait, but always ready to act.
Time is key to our knowledge, the trust we're given,
And the relationships we build
It is the source of our enduring partnerships,
Carefully tended over decades.
Never fleeting, always meaningful
We dedicate time to our people:
Giving it generously to nurture their growth,
Both personal and professional.
We invest time now to plan for success in the future,
To sow seeds that will flourish for generations to come.
Time cannot be tamed or altered,
But its power can be harnessed,
Invested in the things that matter most,
To create something that lasts.

At a glance (continued)

Public Companies

Investing in high quality quoted businesses where long term ownership will be rewarded.

Strategic allocation

30%-40%
of net assets

Actual

33%
of net assets

£965m of NAV
30 companies

Our Public Companies team believe, over the long term, performance of the portfolio is primarily driven by the operational performance of the underlying companies. Underpinned by Caledonia's evergreen balance sheet, the team targets companies that are built on solid foundations that will continue to provide compounding returns for shareholders over time.

The global portfolio is managed by one investment team across two strategies, with the same quality criteria, research methodology and operational discipline. Each portfolio generally holds between 15 and 20 companies, with a small number of companies held in both portfolios.

The companies in our Public Companies pool typically have similar characteristics, including:



Strong market position



Underlying growth and pricing power

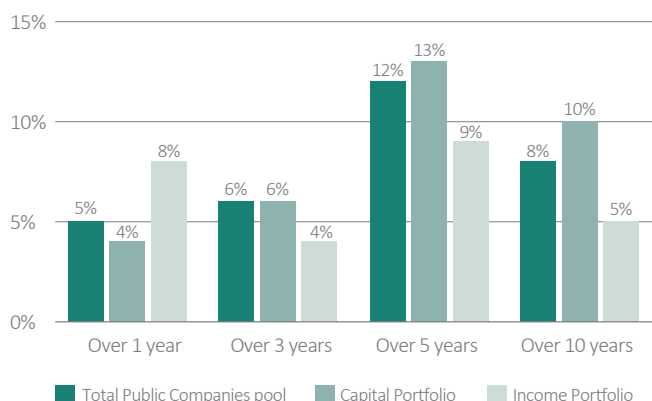


Profitable with good and sustainable returns on capital



Capable management closely aligned with long-term investors

Annualised performance – total return



Capital portfolio

10% p.a.
Total return target

Unconstrained investments in well-managed companies, held for the long term. We look to select publicly quoted businesses with a number of quality characteristics including pricing power, strong returns on capital and a long reinvestment and growth runway. Our objective is to deliver a 10% annual return.

Income portfolio

7% p.a.
Total return target

We invest selectively in mature, well managed, long-term businesses with resilient business models, and the capacity and management culture to pay sustainable dividends. Our objective is to deliver a 7% annual return, with an initial yield of 3.5% based on the cost of investment.

Case study

FASTENAL®

A leading North American distributor of wide-ranging industrial and construction products, partnering with organisations to simplify and secure supply chains for a vast range of industrial products.

£22m

Weighted average cost

2020

Date of initial investment

£43m

Valuation at 31 March 25

23% p.a.

Total return since initial investment (£)

\$44bn

Market capitalisation

Distribution

Sector

Original investment thesis

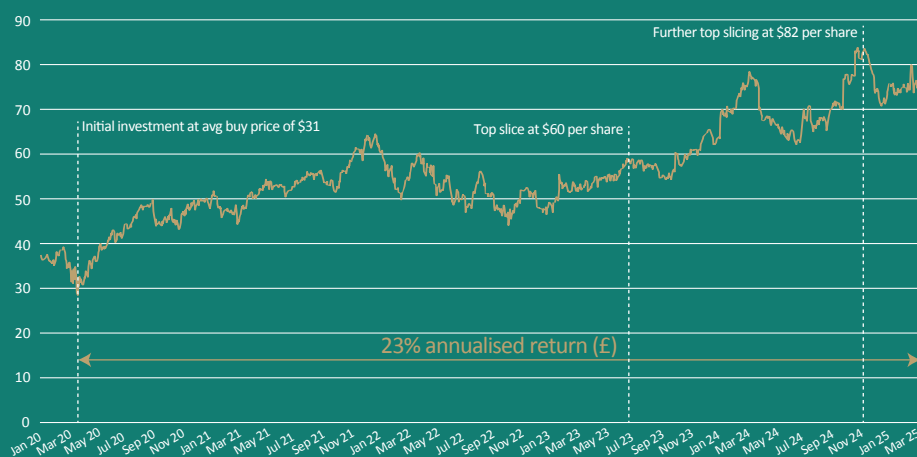
Well-run supply chain distribution business with a strong long term track record

- Outsourced supply chain management
- De-centralised business
- Cost and customer focused culture
- Strong balance sheet

The Public Companies team identified Fastenal as a potential investment in 2017 and then followed the company until March 2020 when the team took advantage of market conditions relating to the Covid-19 pandemic to make an investment. Since this investment, the business has grown revenues from \$5.3bn to \$7.5bn¹, a CAGR of 7.2%, reporting an EBIT growth of 7.4% over the same period and a margin of 20.0% in 2024. Over the same period, the share price has more than doubled, reporting an annualised total return of 23%, including dividends.

1. FY 2019 to FY 2024

Share price US\$



At a glance (continued)

Private Capital

Direct investments in a small number of high quality companies, predominantly in the UK mid-market.

Strategic allocation

25%-35%
of net assets

Actual

30%
of net assets

£871m of NAV
8 companies

Our Private Capital team has a “buy-to-own” investment philosophy. Unlike typical private equity investors, the team, as balance sheet investors, are under no pressure to invest or divest. This freedom allows them to be highly selective and only focus on the best opportunities. They work closely with companies, providing operational and strategic support along with long-term capital to drive growth. The team exits the company when the time is right to maximise value for shareholders.

The companies in our Private Capital pool typically have similar characteristics, including:



Well-established businesses with strong market positions and a sustainable competitive advantage



Strong and experienced management teams

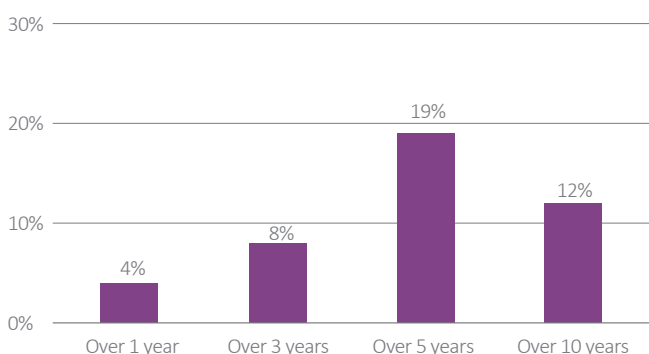


Profitable and cash generative with multiple levers for growth



Prudent capital structures

Annualised performance – total return



14% p.a.
Total return target

We target a total return of 14% p.a. with a 2.5% yield on cost, across a portfolio of up to 10 predominantly UK headquartered mid-market private companies. We typically invest in companies that have an enterprise value of £75 million to £250 million.

17%¹
IRR on realised investments

£1.1bn of proceeds generated on investments made since 2012, at a 1.8x multiple of cost.

1. From investments made since 2012

Case study



The UK's leading independent tyre management provider of outsourced tyre management services to fleet operators, with a differentiated, customer centric, service proposition.

£55m

Cost

2024

Date of initial investment

£55m

Valuation at 31 March 2025 (at cost)

Industrials

Sector

Why we like DTM

- **Strong market presence** – national service provider network
- **Market leading proposition** – low churn in existing customer base
- **Impressive long term track record** – c.15% CAGR in revenues over the last 15 years
- **Technology enabled solutions** – scalable proprietary digital platform
- **Multiple levers for growth** – organic wins, performance efficiencies, adjacent services/geographies
- **High calibre management team** – experienced industry operators who are excited to grow the business
- **Technology led, environmentally considerate tyre management** – 100% of used tyres fitted by DTM recycled or reused – no waste to landfill

Headquartered in Blackpool, DTM has over 100 employees and serves c.250 fleet customers with c.285,000 vehicles and c.1.3m tyres under management. Enabled by a proprietary technology platform, which allows customers to maximise their fleet efficiency, compliance and output, DTM connects the vehicles it manages to a national network of over 3,500 service provider locations.

Caledonia acquired a majority stake in the business, investing alongside management, in August 2024, with Caledonia's differentiated offering playing a key part in securing the transaction. Since the acquisition, the Caledonia team has worked with the management team to support DTM's value creation plan and supported the appointment of a new non-executive Chairman, Chief Revenue Officer and Director of Network Services. The business continues to perform well with some notable recent sales wins.

 **Watch the video**
www.caledonia.com



At a glance (continued)

Funds

Investing in funds managed by leading managers in North America and Asia.

Strategic allocation

25%-35%

of net assets

Actual

31%

of net assets

£897m of NAV

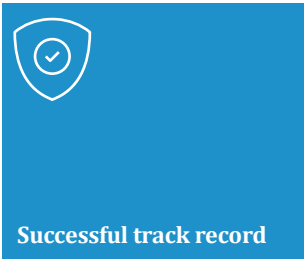
45 managers

80 funds

600+ companies

Our Funds team seek to partner with some of the world’s most talented managers in long and profitable relationships. The team focus on regions that are the engines of well-proven global growth, namely North America and Asia, providing a counterbalance to our quoted equity and UK-centric Private Capital investments. The team build relationships that typically span multiple fund vintages and often take advisory board positions for deeper insight.

The qualities that the Funds team focus on are:



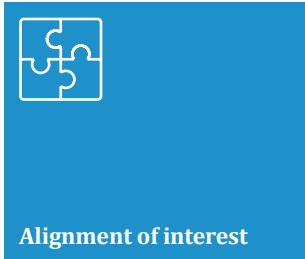
Successful track record



Stable team



Expertise in driving value through cycles



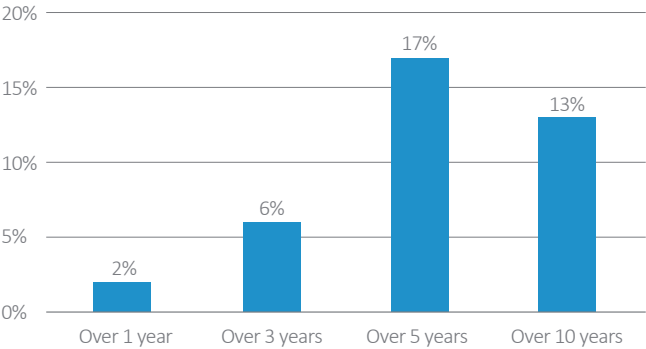
Alignment of interest

12.5% p.a.

Total return target

We seek diversified fund holdings in private companies that provide long-term and consistent returns in North America and Asia.

Annualised performance – total return



Further detail
Turn to page 36

North America fund investments

63%

of pool NAV

- buyout, lower mid-market. Focus on small to medium sized, often owner-managed, established businesses.
- usually first institutional investment and will support their professionalisation and growth, both organically and through M&A activity.

Asia fund investments

37%

of pool NAV

- focus on venture, growth and buyout investments in non-cyclical, new economy sectors such as healthcare and technology, which are well placed to benefit from wider demographic trends.
- investing into businesses in the early years of significant growth, having successfully developed their business model. Whilst focused on local markets, a small number, particularly those with a healthcare focus, also invest into the US.

Case study



Founded in 2012, De Cheng Capital is a leading investor in the life science and healthcare sectors, with deep commercial and scientific expertise within the two largest healthcare markets in the world; US and China. De Cheng focuses on providing capital and strategic support to early-stage life science companies with revolutionary technologies and growth stage healthcare companies with strong market presence. It is a preferred partner for entrepreneurs, world-class scientists and strategic partners, and its extensive market knowledge allows it to capitalise on the rapid growth of the Chinese healthcare industry, as well as breakthroughs in life science research, typically found in the US.

Target company criteria

**Data
driven**

**Strong
management
teams with
proven
track records**

**Clear value
proposition
to potential
acquirers**

Portfolio company snapshot

Alpine Immune Sciences – seeking to create first or best-in-class multifunctional immunotherapies via unique protein engineering technologies to improve patients' lives. De Cheng led, co-led and participated in three PIPE investments in the business between 2019 to 2022. Alpine Immune Sciences was acquired by Vertex in 2024 for \$4.9bn, generating an 8.2x gross money multiple on cost.

Caledonia's commitment

De Cheng manages \$2.1bn of capital across five funds. Caledonia first identified De Cheng soon after its launch in 2012, and made its first commitment to De Cheng II in 2016. Caledonia has since invested in all of De Cheng's subsequent funds.

Fund name	De Cheng II	De Cheng III	De Cheng IV	De Cheng V
Vintage year	2016	2018	2021	2024
Fund size	\$303m	\$470m	\$673m	\$700m ¹
Caledonia's commitment	\$12.0m	\$18.0m	\$15.0m	\$20.0m

1. Target Fund Size