



Castelnau Group Limited (CGL) – May 2023

Share Price: £0.75

Net Asset Value: £0.74

Premium: -1.4%

Market Cap: 236m

Data as of 31 May 2023

Portfolio Position - 31 May 2023	(%)
Dignity Plc / Valderrama	65.5
Hornby	7.3
Phoenix SG Ltd (Stanley Gibbons)	7.1
Cambium	6.8
Others <3%	9.9
Cash Balance	3.4

Investment Performance

In April, the NAV was down 2.3% whilst the share price increased 1.3%, versus the FTSE All Share (incl. Dividends), which was down 4.6%.

Castelnau Update

The acquisition of Dignity is now in the final stages. In conjunction with Sir Peter Wood (SPWOne), we (acting together as Valderrama) have now acquired almost 99% of the outstanding equity and are in the process to mandatorily purchase the rest, which will take up to 3 months. Castelnau Group currently owns 67% of Valderrama.

On May 25th, Dignity delisted from the London Stock Exchange and became a private company.

There remains a process underway to raise equity purely into Valderrama. We expect to conclude in the next 2 months and to leave Valderrama with capital to fund the business strategy. One of the effects of that raise will be to reduce the proportion of Castelnau commitment and thereby reduce its stake in Valderrama to somewhere around 50%.

Currently the Valderrama holding represents 65% of the Castelnau portfolio but 80% of the NAV which is net of loan facility taken on to facilitate the acquisition. That will reduce when the above process is complete, unwinding the leverage and leaving the Valderrama weight at around 65% to 70% of the NAV.

Within Dignity, a new executive has been appointed led by CEO Kate Davidson, joining her we have appointed a new CFO, CMO, CTro (Transformation Officer) and are in the process of appointing a CTO. These are all people drawn from Sir Peter's and Castelnau's network. We are very excited about the team now running Dignity and they are accelerating the strategy execution.

A new board has been appointed and we will soon announce a new Chairman of Dignity plc. The Chairman of DFL, our regulated entity, remains John Castagno.

Now that we are not restricted by the bidding process or constrained by all of the other factors that limited our disclosure previously, we can share our value estimations. Even allowing for dilution, that will come from the additional capital being raised and the upside incentive equity given to management, we estimate intrinsic value per share, if we execute the strategy successfully, at c. £30 per



share using the methodology that Phoenix uses for its investments, that comes to over £2bn.

Our goal is to raise the market value of the equity by at least £1bn in the next 3 years, thereby giving us options to monetise that gain and provide a means for those who wish to crystallise their gains. As stated before, it is Castelnau's current intention to remain controlling shareholders and thereby continue to benefit from the long value creation potential that we believe it has.

The business has immediate challenges to complete the work of ameliorating its capital structure and improving its financial performance. That work is in hand and we will update you on progress in our upcoming quarterly reports.

Currently, the investment in Valderrama is valued at the level of the bid, as this is the most pertinent valuation evidence. In the future, we will move to a valuation model that will reflect the results of strategy execution, current trading and securities valuations in general as we do with the other private holdings in Castelnau.

It is our intention to be as transparent as we can be with you without hurting your interests by hurting the commercial position of Dignity, we think transparency is a key ingredient in helping the market value the Castelnau equity fairly.

The only other notable valuation issue to draw your attention to is that our AI data science company, Ocula, is still valued at where the last external funding round happened which was a £10m valuation. The business continues to add value around the group and is making good progress adding new external clients, and so, its valuation is likely to have risen as a result of that progress and because of the valuation uplift of most businesses involved in the AI field. We won't make an adjustment until we do a Series A round which won't be until the end of the year. Our holding (£4.9m) currently represents just 2% of Castelnau NAV.

Castelnau Group Track Record

Performance	NAV Return %	Share Price Total Return** %	All-Share Index ** %	Relative NAV to ASX %
2023 (to 31 May)	-1.1%	8.7%	1.6%	-2.7%
2022	-19.8%	-34.6%	0.3%	-20.2%
2021 *	-6.5%	5.5%	2.5%	-9.0%
Cumulative*	-25.8%	-25.0%	4.5%	-30.3%

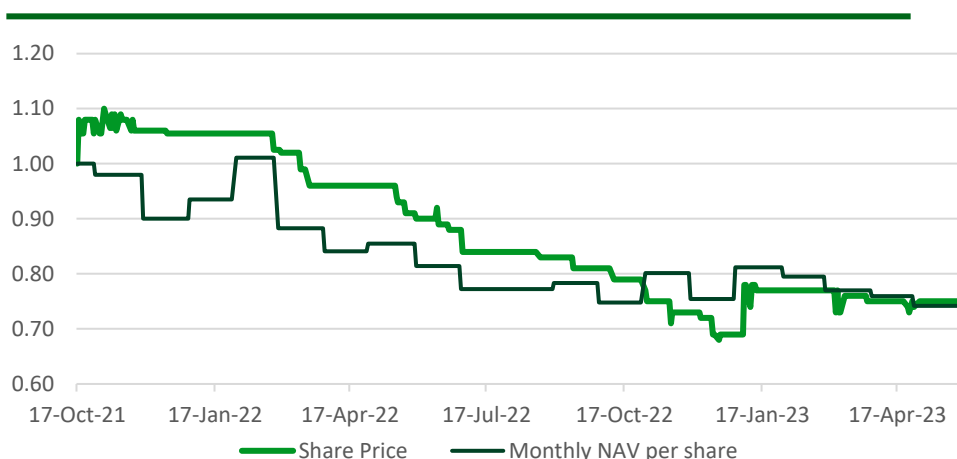
* From 18th October 2021.

** Share price return with dividends reinvested; All Share Index returns with dividends reinvested. Past performance is not a reliable indicator of future performance.

Source: Bloomberg, Phoenix Asset Management Partners Limited



Castelnau Group Share Price & NAV per Share – 31 May 2023



Past performance is not a reliable indicator of future performance.

Source: Bloomberg, Phoenix Asset Management Partners Limited

Net Asset Value Table – 31 st May 2023	£mill
Valderrama	190.3
Hornby	21.2
Phoenix Stanley Gibbons	20.7
Cambium Group	19.8
Rawnet	6.6
Ocula	4.9
Silverwood	3.4
Showpiece	0.0
Dignity	0.0
Total Equities	267.0
CGSL	0.1
Prepaid Fees	0.0
Loans to enabling companies	13.7
Cash	9.9
Short Term Bonds	0.0
GAV	290.7
Accrued Liabilities	-6.1
Borrowing for the Dignity transaction	-48.2
NAV	236.4

Source: Phoenix Asset Management Partners Limited

The Investment Manager does not believe a potential tax charge would arise on the realisation of the fair value gains set out in this report

Investment Objective

The Company's investment objective is to compound Shareholder's capital at a higher rate of return than the FTSE All Share Total Return Index over the long term. The Company will seek to achieve a high rate of compound return over the long term by carefully selecting investments using a thorough and objective research process and paying a price which provides a material margin of safety against permanent loss of capital, but also a favourable range of outcomes. The Company will follow a high conviction investment strategy. The expertise and processes developed by the Investment Manager can be applied to all parts of the capital structure of a business, both private and publicly quoted. These positions could be represented by a minority stake, a control position combined with operational involvement, full ownership of a company, a joint venture, a loan or convertible instrument, a short position or any other instrument which allows the Company to access value.

Contact

Phoenix Asset Management Partners Ltd
64 – 66 Glenthams Road London SW13 9JJ
Tel: +44 (0) 208 600 0100
Fund Manager since 18 October 2021
Email: info@castelnaugroup.com

Portfolio Manager: Gary Channon
Listing: Specialist Fund Segment, London Stock Exchange
Inception Date: 18 October 2021
ISIN: GG00BMWWJM28
Bloomberg: CGL

Fees

Management: None
Performance: In order for the Investment Manager to earn a performance fee, the total NAV return must have outperformed the FTSE All Share Total Return Index over a 3-year period. The performance fee will be equal to one-third of outperformance and will be paid in Castelnaud Group shares.

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