Chrysalis Investments Limited As at 31 December 2024

Investment Opportunity

Aims to provide access to returns available from investing in later stage private companies with long-term growth potential, an investment class that has traditionally been difficult to access for individual investors.

Key Facts (As at 31 December 2024)

Shares in Issue:	567,167,153
Share Price:	108p
NAV per share:	156.62p
Market Cap:	£613m
Total Net Assets:	£888m
Share Price Premium/(Discount):	(31.04%)
Listing:	Closed Ended Investment Fund Segment Main Market LSE
Ticker:	CHRY (LON)
LEI:	213800F9SQ753JQHSW24
ISIN:	GG00BGJYPP46
Incorporation:	Guernsey

Investment Adviser

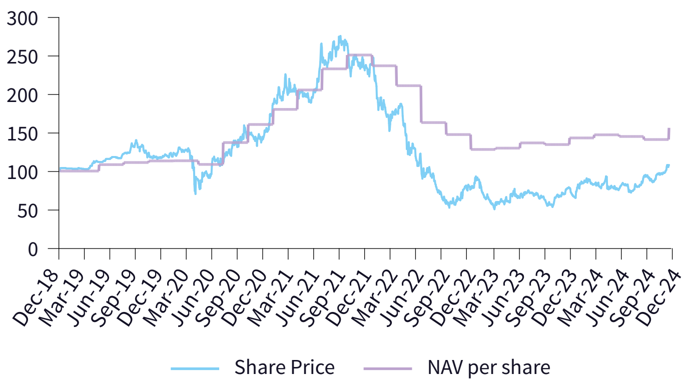
chrysalis investment partners

Nick Williamson
Managing Partner

Richard Watts
Managing Partner

Chrysalis Investment Partners LLP is the investment adviser to G10 Capital Limited. G10 Capital Limited is the AIFM to Chrysalis Investments Limited.

NAV and Share Price



Cumulative Performance (%)

	3 month	1 year	3 years	SI
Fund NAV	10.84	9.24	-34.15	56.62
Fund Share Price	15.76	39.00	-55.92	8.00

Discreet Performance (%)

	12 months to 31/12/2024	12 months to 31/12/2023	12 months to 31/12/2022	12 months to 31/12/2021	12 months to 31/12/2020
Fund NAV	9.24	11.78	-46.08	31.60	59.32
Fund Share Price	39.00	1.04	-68.61	30.42	52.85

Past performance is not a guide to future performance. The Company NAV per share is calculated on a quarterly basis. The Share Price is available daily, source London Stock Exchange. Since inception (SI) is from 6 Nov 2018.

Investment Strategy

Utilising permanent capital to invest in crossover opportunities to help de-risk future IPOs. Chrysalis Investments has the scale, expertise and relevance to be a crossover investor.

Investment Objective

To generate long-term capital growth through investing in a portfolio consisting primarily of equity or equity-related investments in unquoted companies.

Investment Adviser

Chrysalis Investment Partners LLP is the Investment Adviser to G10 Capital Limited. The team members experience across public and private markets has given the Investment Adviser the insight and expertise to help later-stage businesses deliver profitable growth and successful outcomes.

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Overview

The Company announces that as at 31 December 2024 the unaudited net asset value ("NAV") per ordinary share was 156.62 pence.

The NAV calculation is based on the Company's issued share capital as at 31 December 2024 of 567,167,153 ordinary shares of no par value.

December's NAV per share represents a 15.36 pence per share (11%) increase since 30 September 2024. The increase in the fair value of the portfolio accounted for approximately 11.38 pence per share, with foreign exchange generating a favourable movement of approximately 1.39 pence per share. The share buyback led to 2.76 pence per share of accretion; other income, fees and expenses make up the balance.

Portfolio Activity

Chrysalis invested €20 million (c£16.6 million) into wefox in the period, which is expected to be the last material funding commitment to the business for the foreseeable future. The Investment Adviser is working towards a solution, alongside management and other shareholders, that would provide sufficient funding for the company to execute its growth plan, enhance the valuation protection mechanisms of supportive wefox shareholders, and offer potential upside through the successful delivery of its strategy.

The Company also invested $10 million (c£8.2 million) in a secondary offering in Klarna at a price which the Investment Adviser believes will yield a strong return for shareholders. Given Klarna has filed for an IPO, this investment is expected to become a liquid asset in the near-term.

In December, initial cash proceeds (c£79.0 million) were received from the sale of Featurespace to Visa.

As a result of this activity, the Company recorded a net inflow of cash from the portfolio over the period of approximately £54.2 million. This inflow was partly used to undertake the share buyback programme (c£27 million).

Portfolio Update

Starling

Starling's valuation rose over the period, reflecting higher valuation multiples, typically derived from listed comparable companies, as well as the construction of the peer group, which the valuer assessed to more accurately reflect Starling's characteristics.

In the period, Starling launched an instant-access saver account ("Easy Saver"), which initially is only available to certain existing customers of the bank. Despite only being launched approximately two months ago, and without widespread marketing, this product has taken significant deposits.

As mentioned in the last quarterly NAV report, the FCA fined Starling £29 million in relation to failings that occurred between December 2019 and November 2023, in onboarding certain high-risk customers and its sanctions screening processes. The fine was paid in full and final settlement from the company's capital "headroom" to its capital requirements, which was £284 million as of March 2024.

With the FCA fine now resolved; a significantly strengthened management team; the launch of Easy Saver in November 2024 – which is on track for £1 billion in deposits imminently– and with other products being considered, the Investment Adviser is confident in the outlook for Starling.

Smart Pension

The carrying value of Smart was unchanged in the period.

The business continues to perform well, with profitability now achieved on an underlying EBITDA basis. This marks a significant turnaround from the material losses recorded in the prior year, and is testament to the success of the restructuring programme, which broadly completed in early 2024.

Of most relevance to Smart during the period was the announcement by the UK government to consult on setting a minimum size for multi-employer pension schemes – indicated to be £25 billion – by 2030. Currently, the Smart Pension Master Trust has AuM of approximately £6.4 billion, implying it would need to scale roughly fourfold to meet these mooted criteria. So saying, Smart has been highly active in Master Trust consolidation, with ten acquisitions undertaken since inception, assisted by the flexibility of its platform architecture. While such regulatory change is not without risk, the Investment Adviser believes it may prompt smaller Master Trusts to seek an exit and accelerate consolidation in the sector.

Outside potential M&A, the Investment Adviser sees significant opportunities for organic growth, including via Smart's Keystone platform.

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Portfolio Update (continued)

Klarna

The value of Klarna rose in the period, driven by an increase in the assessed valuation of the company – due to the strong performances of a number of its listed peers – as well as the impact of the recent small, secondary investment of £8.2 million, which was also revalued to the new assessed valuation level.

Klarna released its third quarter results in the period. The financial highlight was the further improvement in profitability, with the third quarter delivering adjusted operating income of approximately SEK880 million, representing more than half of the year-to-date quantum of SEK1.6 billion.

As announced at the last NAV update, Klarna has unveiled a range of new relationships with significant payment service providers, such as Apple Pay and Google Pay, and this spate of new wins continued post period end, with the announcement of a deeper relationship with Stripe in January. The new Stripe deal will see Stripe-powered businesses able to easily offer Klarna as a payment solution to their customers. This helped Klarna to double the number of first-time merchants in 4Q 2024.

With a range of new, potentially significant, deals recently signed, the Investment Adviser remains optimistic Klarna will be able to execute a successful IPO in 2025.

Brandtech

Brandtech also saw a modest uptick in its carrying value.

The company continues to invest in its AI proposition, with David Jones (CEO) recently predicting in a Sunday Times article that “big companies will be able to cut their content creation costs by at least 50 per cent over the next three years”.

As part of this focus on AI, in the period Brandtech announced a partnership with Adobe to integrate Pencil Pro (Brandtech’s AI software platform) with Adobe Firefly Services. The combined solution is expected to offer brands the ability to create AI generated assets, underpinned by the security of Adobe products.

wefox

With the exit of its insurance carrier and non-core assets, wefox is now focused on expanding its insurance distribution and MGA businesses. This streamlined, asset-light model enables efficient growth, while allowing wefox to capture distribution margin and some of the underwriting margin through its MGA strategy. As an MGA, wefox underwrites policies on behalf of insurers without taking on underwriting risk itself, earning a share of the underwriting margin through commission payments. By strengthening insurer partnerships and scaling its platform, wefox believes it is positioned for sustainable expansion and improved profitability.

Cash Update

As of 31 December, the Company had gross cash and equivalents of approximately £141 million and a position in Wise of approximately £3 million, to give a total liquidity position of approximately £144 million. The cash position improved substantially over the quarter, due to the sale of Featurespace to Visa in December 2024 and the drawdown of the Barclays loan.

Outlook

The Company’s NAV rose considerably in the quarter, supported by both the strong performances from listed peers and the buyback of approximately £27 million of shares, which was accretive to NAV per share to the tune of nearly three pence.

Nearly all the Company’s assets saw an increase in carrying value, albeit the position in Klarna benefited from the modest secondary investment ($10 million) made in the quarter and the wefox position rose due to a decrease in the assessed downside scenario, a reassessment of the flow of capital via the waterfall and a follow-on primary capital injection of €20 million.

Our primary aims, as articulated in the recent full year results, are to maximise the value of the portfolio companies and sustainably narrow the share price discount to NAV.

In terms of managing the share price discount to NAV, the Company is currently just over a third of the way through the programme to return up to £100 million of capital to shareholders, to which it remains committed.

In terms of maximising value, we are confident in the outlook for the portfolio in 2025. We believe Starling is excellently positioned to continue to build out a comprehensive banking experience for its customers; Smart Pension has a great platform from which to continue to grow, likely assisted by regulatory drivers from mooted changes to pensions schemes; and Klarna is actively exploring an IPO, which would deliver further liquidity to the Company. These three portfolio companies account for c. 61% of NAV.

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Top Holdings

Sector Exposure

Holdings Details (As at 31 December 2024)

Name	Description
Starling	Digital challenger bank that delivers financial services to retail and SMEs
Klarna	A leading global payments company that provides direct payments, pay after delivery options and instalment plans for customers online
Smart Pension	A provider of workplace and automatic enrolment pension schemes for SMEs
Brandtech	A digital advertising and marketing services holding company that enables marketers to build their brands better, faster and cheaper by using technology
wefox	One of Europe's largest digital insurance platform with significant existing scale in Germany, Austria and Switzerland
InfoSum	Data collaboration platform
Deep Instinct	A US cybersecurity company
Secret Escapes	Travel company that helps hotels minimise unsold inventory
Featurespace (exited)	Featurespace is a world leader in financial crime risk management. The company utilises real time machine learning software risk scores events in 180 countries to reduce Fraud and AML
Wise	Platform payments business that aims to reduce fees associated with FX
Graphcore (exited)	Leading artificial intelligence processor business, which has developed the Intelligent Processing Unit and the related software toolchain
Sorted (exited)	A global Software as a Service (SaaS) company that has developed a Delivery Management Platform which allows retailers (both digital and physical) to effectively manage their delivery / returns

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Company and Fund Information

Listing Date	06-Nov-18
AIFM	G10 Capital Limited
Administrator & Company Secretary	IQEQ Fund Services (Guernsey) Limited
Registrar	Computershare Investor Services (Guernsey) Limited
Legal Adviser	Travers Smith LLP
Auditor	KPMG Channel Islands Limited
Corporate Brokers	Liberum Capital Limited, Numis Securities Limited
Investment Adviser	Chrysalis Investment Partners LLP

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Simon Holden,
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Tim Cruttenden,
Margaret O'Connor

Important Information

G10 Capital Limited is the Alternative Investment Fund Manager ("AIFM") to Chrysalis Investments Limited (the "Company"). Chrysalis Investment Partners LLP is the investment adviser to G10 Capital Limited. Chrysalis Investment Partners LLP is an appointed representative of G10 Capital Limited which is authorised and regulated by the Financial Conduct Authority (FRN 648953).

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Key Risks

Any return you receive depends on future market performance and is uncertain. The Company does not seek any protection from future market performance so you could lose some or all of your investment.

Before purchasing any securities or otherwise investing in the Company, persons viewing this document should ensure that they understand and accept fully the risks the Company is exposed to as disclosed in the Company's Annual Report, Key Information Document or Article 23 Disclosure Document, available at chrysalisinvestments.co.uk/investor-relations/

Past Performance

Past performance is not a guide to future performance. The value of investments may fall as well as rise and is not guaranteed. An investor may receive back less than the original amount invested. This Company may not be appropriate for investors who plan to withdraw their money within the short to medium term.

Target Market

The Company is suitable for investors seeking an investment that aims to deliver total returns over the longer term (at least five years), is compatible with the needs for retail clients, professional clients and eligible counterparties, and is eligible for all distribution channels. The Company may not be suitable for investors who are concerned about short-term volatility and performance, have low or no risk tolerance or are looking for capital protection, who are seeking a guaranteed or regular income, or a predictable return profile. The Company does not offer capital protection. Prospective investors are strongly advised to take their own legal, investment and tax advice from independent and suitably qualified advisers.

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