

Chrysalis Investments Limited As at 31 March 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 March 2024)

| | |
|---------------------------------|---------------------------------|
| Shares in Issue: | 595,150,414 |
| Share Price: | 83p |
| NAV per share: | 147.46p |
| Market Cap: | £493m |
| Total Net Assets: | £878m |
| Share Price Premium/(Discount): | (43.71%) |
| Listing: | Premium Segment Main Market LSE |
| Ticker: | CHRY (LON) |
| LEI: | 213800F9SQ753JQHSW24 |
| ISIN: | GG00BGJYPP46 |
| Incorporation: | Guernsey |

Investment Adviser



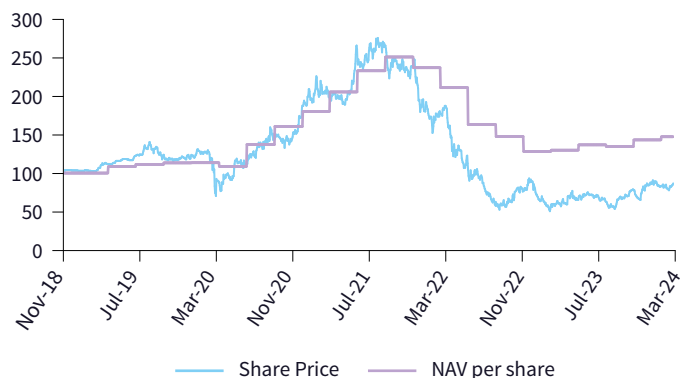
Nick Williamson
Managing Partner

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 | 2.85 | 13.41 | -28.47 | 47.46 |
| Fund Share Price | 6.82 | 41.40 | -57.54 | -17.00 |

Discreet Performance (%)

| | 12 months to 31/03/2024 | 12 months to 31/03/2023 | 12 months to 31/03/2022 | 12 months to 31/03/2021 | 12 months to 31/03/2020 |
|------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Fund NAV | 13.41 | -38.60 | 2.72 | 89.74 | 0.22 |
| Fund Share Price | 41.40 | -66.84 | -9.46 | 122.34 | -21.43 |

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.



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.



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



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.

Chrysalis Investments Limited

As at 31 March 2024

Overview

The Company announces that as at 31st March 2024 the unaudited net asset value (“NAV”) per ordinary share was 147.46 pence.

The NAV calculation is based on the Company’s issued share capital as at 31st March 2024 of 595,150,414 ordinary shares of no par value.

March’s NAV represents a 4.09 pence per share (2.9%) increase since 31st December 2023.

Movement in the fair value of the portfolio accounted for approximately 5.15 pence per share, with foreign exchange generating an adverse movement of approximately 0.87 pence per share. Fees and expenses make up the balance.

Portfolio Activity

Over the quarter a modest, expected investment of approximately £6 million was made into Smart Pension. As with most of the portfolio, Smart continues to look for ways to operate more efficiently, and this additional capital will help it to continue to grow - potentially via M&A as well as organically - and support the company to profitability. The Company believes the latter state is achievable in relatively short order. Elsewhere, the position in Wise was reduced, taking advantage of the rising share price, yielding approximately £3 million.

Portfolio Update

The portfolio in aggregate continues to perform robustly:

Starling

Starling continues to generate significant monthly profitability; over the quarter, there were two important pieces of news flow.

Firstly, the appointment of Raman Bhatia as a new permanent CEO. Raman will take over from John Mountain, who is interim CEO, following the decision of Anne Boden to step back from the role in 2023. Prior to joining Starling, Raman was CEO of OVO, a leading energy retailer in the UK, and before that was Head of Digital Bank for HSBC’s Retail Banking and Wealth Management business in the UK and Europe.

The second centres around Engine by Starling (“Engine”), the Platform-as-a-Service (“PaaS”) offering which enables Engine to deliver a cloud native, modular, API-based banking platform to businesses that want to rapidly deploy a banking solution. This technology is the same that powers Starling Bank.

In the prior quarter, two contracts were announced. The first was with Salt Bank in Romania, and the second with AMP in Australia, which is expecting to spend A\$60 million setting up a new digital bank.

In the quarter, Engine demonstrated the power of the platform with the successful “go-live” of the Salt Bank iteration, which managed to on-board 100,000 customers in two weeks, making it one of the fastest growing banks in Southeastern Europe.

The company views Engine as potentially significant in terms of Starling’s long-term enterprise value as it opens up a wider addressable market for Starling, in an area – recurring software - that typically commands high valuation multiples.

wefox

wefox continues on its road to profitability. While it achieved a full month of profitability in December 2023, the Company is aware that there are also seasonal factors that make extrapolation to a full year inadvisable. Revenues increased to \$800 million in 2023 while the cost base fell year-on-year.

The company is continuing to invest in its technology platform, which uses AI, data analytics and automation to streamline insurance workstreams, and caters to insurance companies, brokers, partners and customers. The Company views further monetisation of the platform as a key future value driver and was encouraged by the announcement of the WindTre partnership towards the end of last year.

Smart Pension

Smart has continued to grow well. In March 2024, Assets under Management (“AuM”) hit £5 billion in the UK Smart Pension Master Trust (“SPMT”), with regular contributions now running at £1 billion per annum. With many schemes being relatively young, the company forecasts faster growth over 2024 and into 2025 from this division.

Keystone - the technology platform underpinning SPMT as well as its international PaaS offering - has an exciting pipeline of opportunities to pursue, in addition to its existing contracts that range from operations in Hong Kong, the Middle East and, nearer to home, in Ireland.

Chrysalis Investments Limited

As at 31 March 2024

Portfolio Update (continued)

Klarna

Klarna released its full year 2023 results during the quarter. These showed revenue growth of 22% over the year, outstripping GMV growth of 17%, due to a mix of effects, such as higher relative growth from the US at higher take-rates. Profit in 4Q23 was negative, due to a pick-up in impairments - reflecting normal seasonal patterns - and operating costs, but the Company understands this to be driving expected growth into 2024.

Elsewhere, the company continues to make multiple statements regarding its AI investments. In particular, in February, Klarna highlighted the deployment of its AI powered assistant into the customer service function. Within a month, this had undertaken 2.3 million conversations with customers, representing two-thirds of all interactions. The impact saw resolution times for queries fall from eleven minutes on average to less than two, a 25% drop in repeat enquiries, and it is now performing the work equivalent to 700 full-time agents. Klarna has quantified its likely positive financial impact at \$40 million in 2024.

Brandtech

Brandtech has spent much of the last nine months integrating the acquisition of Jellyfish, which it acquired in June 2023. Jellyfish has significantly built up the company's media division and has increased the scale of Brandtech, taking group revenues to over \$1 billion.

Another, more recent acquisition by Brandtech - PencilAI - was named by Fast Company as one of the "World's Most Innovative Companies"; it was the only GenAI company to be mentioned. Pencil has now created over one million advertisements and deployed over \$1 billion in media spend since it was founded in 2018. Engagement with its offering is showing strong momentum, as large enterprise clients move towards adoption.

Featurespace

Fraud continues to be a major issue in society. The Nilson Report predicts global fraud losses are likely to be nearly \$400 billion over the next ten years, with approximately \$165 billion being in the US. Scams, such as Authorised Push Payments ("APP"), are also rising. In 2023, the Financial Times reported a 193% increase in APP scams over the last five years, with £239 million lost in 1H23 alone in the UK.

Featurespace saw excellent growth over 2023, as its software sold well against this market backdrop. The company continues to invest in its technology, with products such as TallierLTM - built using a GenAI model - showing significant improvements in performance against its core offerings.

This strong growth has been a factor in Featurespace's upward revaluation.

Cash Update

As of 31st March, the Company had net cash of approximately £16 million and a position in Wise of £11 million, to give a total liquidity position of approximately £27 million.

The majority of the portfolio remains well funded. While there are expected to be additional, modest funding requirements across the portfolio in the short to medium term, it is considered that the Company has sufficient available liquidity over that period to address these.

Looking ahead, the Company is cautiously optimistic that expected realisations will improve this liquidity position, in the near-term particularly via the "likely disposal" [which was announced on 5 December 2023](#) (See Company's website for related RNS).

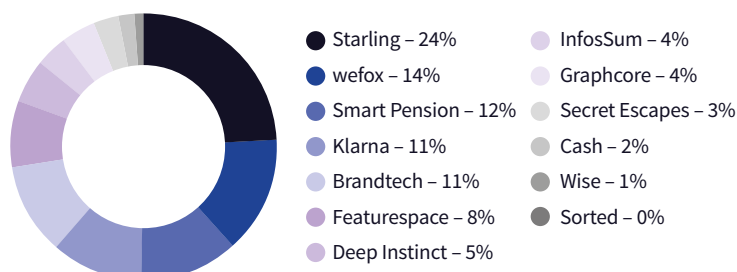
Outlook

With the Continuation Vote passed and shareholders having shown their support for the Capital Allocation Policy ("CAP"), the Company is focused on maximising NAV and looking for opportunities to boost liquidity, which would enable the CAP to take effect. In this context, the Company is in discussions regarding a potential debt facility to provide short-term, low-level gearing which, if completed, could complement the Company's liquidity profile.

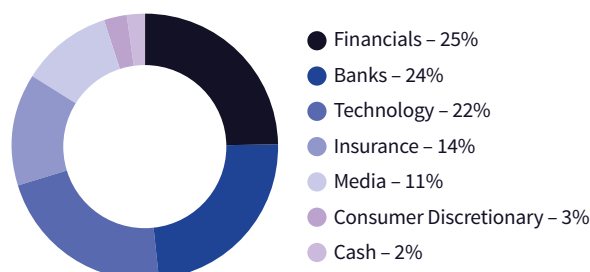
The process around the "likely disposal" [which was announced on 5 December 2023](#) (See Company's website for related RNS) continues; the Company is optimistic that positive news flow will be forthcoming over the coming months. In addition, there are other potential avenues for liquidity, but these need to be finessed to ensure maximisation of value for investors. One of the most obvious of these would be a Klarna IPO and, while the Company has no direct control over this process, it believes the prevailing sentiment in this regard is positive.

Chrysalis Investments Limited As at 31 March 2024

Top Holdings



Sector Exposure



Holdings Details (As at 31 March 2024)

| Name | Description |
|----------------------------|---|
| Starling Bank | Digital challenger bank that delivers financial services to retail and SMEs |
| wefox | One of Europe’s largest digital insurance platform with significant existing scale in Germany, Austria and Switzerland |
| Smart Pension | A provider of workplace and automatic enrolment pension schemes for SMEs |
| Klarna | A leading global payments company that provides direct payments, pay after delivery options and instalment plans for customers online |
| The Brandtech Group | A digital advertising and marketing services holding company that enables marketers to build their brands better, faster and cheaper by using technology |
| Featurespace | 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 |
| Deep Instinct | A US cybersecurity company |
| InfoSum | Data collaboration platform |
| Graphcore | Leading artificial intelligence processor business, which has developed the Intelligent Processing Unit and the related software toolchain |
| Secret Escapes | Travel company that helps hotels minimise unsold inventory |
| Wise | Platform payments business that aims to reduce fees associated with FX |
| Sorted Group | 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 |

Chrysalis Investments Limited

As at 31 March 2024

Company and Fund Information

| | |
|-----------------------------------|--|
| Listing Date | 06-Nov-18 |
| AIFM | G10 Capital Limited |
| Administrator & Company Secretary | Apex Administration (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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Directors

Andrew Haining (Chairperson),
Stephen Coe,
Simon Holden,
Anne Ewing,
Tim Cruttenden,
Margaret O'Connor

Important Information

On 1 April 2024 G10 Capital Limited was appointed as 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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G10 Capital only acts for the fund to which it provides regulated investment management services and does not act for or advise potential investors in connection with acquiring shares in the Company. Prospective investors are strongly advised to take their own legal, investment and tax advice from independent and suitably qualified advisers. The value of investments may go down as well as up and you may not get back the full amount of your investment. Past performance is not a guide to future performance.

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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 Trust 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.