

Chrysalis Investments Limited

As at 31 Dec 2023

RICHARD WATTS, PORTFOLIO MANAGER | NICK WILLIAMSON, PORTFOLIO MANAGER

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 Dec 2023)

| | |
|--------------------------------|---------------------------------|
| Shares in Issue | 595,150,414 |
| Share Price | 77.70p |
| NAV per share | 143.37p |
| Market Cap | £462m |
| Total Net Assets | £853m |
| Share Price Premium/(Discount) | -45.8% |
| Listing | Premium Segment Main Market LSE |
| Ticker | CHRY |
| LEI | 213800F9SQ753JQHSW24 |
| ISIN | GG00BGJYPP46 |
| Incorporation | Guernsey |

Managed by

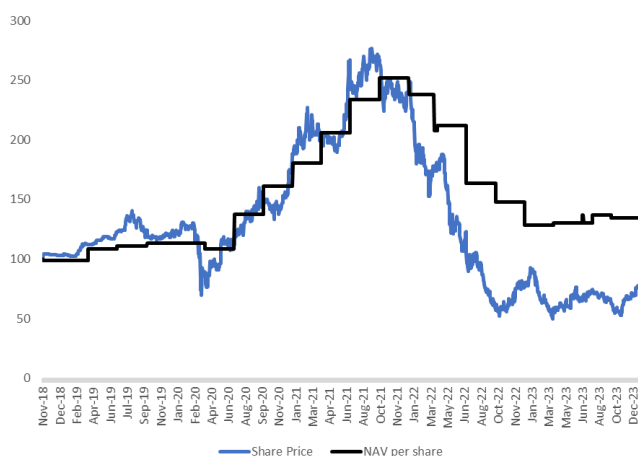


Nick Williamson
Portfolio Manager

Richard Watts
Portfolio Manager



NAV and Share Price



Cumulative Performance (%)

| | 3 Month | 1 Year | 3 Years | SI |
|------------------|---------|--------|---------|--------|
| Fund NAV | 6.48 | 11.78 | -20.68 | 43.37 |
| Fund Share Price | 24.92 | 1.04 | -58.67 | -24.93 |

Discrete Performance (%)

| | 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 | 11.78 | -46.08 | 31.60 | 59.32 |
| Fund Share Price | 1.04 | -68.61 | 30.32 | 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.



Utilising permanent capital to invest in crossover opportunities to help de-risk future IPOs. Jupiter Investment Management Limited (JIML) 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.



The Company is advised by JIML's award-winning UK small- and mid-cap desk.

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Overview

The Company announces that as at 31 December 2023 the unaudited net asset value ("NAV") per ordinary share was 143.37 pence.

The NAV calculation is based on the Company's issued share capital as at 31 December 2023 of 595,150,414 ordinary shares of no par value.

December's NAV represents an 8.72 pence per share (6.5%) increase since 30 September 2023.

Movement in the fair value of the portfolio accounted for approximately 9.89 pence per share, with foreign exchange generating an adverse movement of approximately 1.02 pence per share. Fees and expenses make up the balance.

Portfolio Activity

There was no investment activity in the quarter, with most investments well-funded. In December, the Company announced a likely disposal, which is subject to certain conditions. No further update can be provided at this time.

Portfolio Update

The portfolio in aggregate continues to perform well, particularly in terms of the later-stage assets:

Wefox

wefox continues to grow well, crossing the €1.5 billion milestone in terms of Gross Platform Value (insurance premium volume transacted), and achieving its first full month of profits in December 2023 as it continued its drive towards profitability. While activity has some seasonality, the Investment Adviser expects further progress on profitability over 2024.

As previously announced, the company boosted its governance in the quarter with the appointments of Jonathan Wismer as its new Group Chief Financial Officer and Mark Hartigan as Chairman. Both have considerable industry experience. In addition, in November Paul Onnen, who has 30 years of industry experience including with Amazon, Google and Expedia, was appointed as CTO.

Starling

Starling announced that from 1 October, it will share the benefit of increased interest rates with its customers, by paying 3.25% AER interest on account balances of up to £5,000. The impact of this initiative has been to generate significantly more deposit inflows than in previous months.

Engine by Starling ("Engine") – the Software-as-a-Service subsidiary of Starling – announced two deals in the quarter. Salt Bank will become Engine's first customer. This is a new bank being set up in Romania looking to prove as disruptive as Starling in the UK, with an expected go-live date early in 2024. The second is with AMP, a £1.4 billion Australian listed financial services firm with over one million customers and employing approximately 3,000 people. Engine will build a new digital bank for AMP to go live in early 2025, with AMP expecting to commit AUD60 million of investment.

These successes for Engine show that Starling has other ways to monetise its technology, in addition to using it to run its highly profitable UK bank. In that regard, and given ongoing supportive bank rates, Starling has continued to generate strong operating profits over the quarter.

Brandtech

Despite a well-publicised slowdown in advertising markets, Brandtech continued to grow and has spent the latter part of 2023 consolidating its recent acquisitions of Jellyfish and Pencil AI.

In line with many of our companies, Brandtech looked to reduce its cost base over the year, to ensure it is in the best possible position to grow efficiently and profitably in 2024. The outlook for this year is more optimistic, with a strong sales pipeline and significant interest in its products, particularly its Gen-AI offering.

Klarna

Klarna released its results for the nine months to the end of September during the quarter. These results showed an acceleration in revenue growth and further improvements in profitability, building on its shift back into profitability in the second quarter.

Revenue growth was +30% in 3Q23 year-on-year, increasing from +17% and +13% year-on-year in 2Q23 and 1Q23 respectively. The Investment Adviser believes this partly reflects the overlap of two quarters when growth was impacted by the cost cutting exercise that occurred around 2Q23, but also due to on-going work by Klarna to improve the shopping experience.

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Credit performance was also very strong, with credit losses falling 46% in 3Q23 year-on-year to 0.33% of Gross Merchandise Volume, a figure which the Investment Adviser believes is the lowest Klarna has reported since 2018.

The result of this growth, and impairments falling, was that profitability improved again in the quarter, with Klarna reporting SEK500 million of adjusted operating profit, up from roughly break-even in 2Q23 and compared with losses of SEK1.6 billion in 3Q22. This implies that Klarna's quarterly operating performance has improved by approximately SEK2.1 billion year-on-year, or roughly USD200 million, or approximately USD800 million on an annualised basis.

In January 2024, Klarna's CEO – Sebastian Siemiatkowski – gave an interview with BNN Bloomberg in which he described a Klarna IPO as "...very likely to happen quite soon". This builds on other comments made by him in recent months suggesting that Klarna is gearing up for a flotation. This latest interview also suggested that Klarna is leaning towards a US listing.

If Klarna did choose to IPO this year, then the Investment Adviser believes that this would substantially alter the liquidity profile of Chrysalis.

Smart Pension

Smart announced a new SME pension solution with Mercer in the quarter, called Mercer Smart Pension.

This project looks to combine Smart's market-leading technology platform – Keystone – with Mercer's significant market reach, investment capabilities and retirement services, to provide SMEs with the same level of service and market access as bigger companies. Given Mercer's position in the market, the Investment Adviser believes this could generate significant assets-under-management ("AUM") flows in the coming years.

Featurespace

Featurespace released research in December 2023 that showed the market backdrop for fraud prevention continues to be strongly supportive in relation to financial crime trends. Of the financial institutions surveyed, 70% reported that overall fraud rates had increased over the year, marking an eleven percentage point increase over 2022. Compounding these higher fraud rates were an increase in false positives – where a valid transaction is blocked – which rose 20 percentage points to 63%. Featurespace attributes this to imposition of blanket controls on customer bases. Increased false positives lead to lower revenues for financial institutions, but also higher costs, as customers often query why a transaction has been rejected.

The Investment Adviser believes Featurespace remains at the forefront of the fight against fraud. The previously announced launch of TallierLTM, the world's first Large Transaction Model (LTM) – a foundation AI technology for the payment and financial services industry – is helping to preserve its competitive advantage and potentially open up new applications.

Cash Update

As of 31 December, the Company had net cash of approximately £20 million and a position in Wise of £13 million, to give a total liquidity position of approximately £33 million.

The majority of the portfolio remains well funded. While there may be additional funding requirements across the portfolio in the short to medium term, the Investment Adviser considers that the Company will have sufficient available liquidity over that period to address these.

Outlook

The Investment Adviser has previously expressed optimism that risk appetite will return to markets, a key precursor to the reopening of exit channels for investee companies, including via IPO. Although there has been some volatility in yield expectations into 2024, fundamentally this view is unchanged.

Further comments from Klarna over its potential IPO suggest that the Investment Adviser is not alone in its view that markets are now more amenable to new issuance than over the previous couple of years. The capital allocation policy that has been disseminated as part of the documentation for the AGM in connection with the continuation proposals could provide a significant return of capital to shareholders in the event of a material realisation. At the current level of discount, at which the Company's shares trade at versus NAV per share, any repurchase of shares by the Company could generate significant accretion in NAV per share.

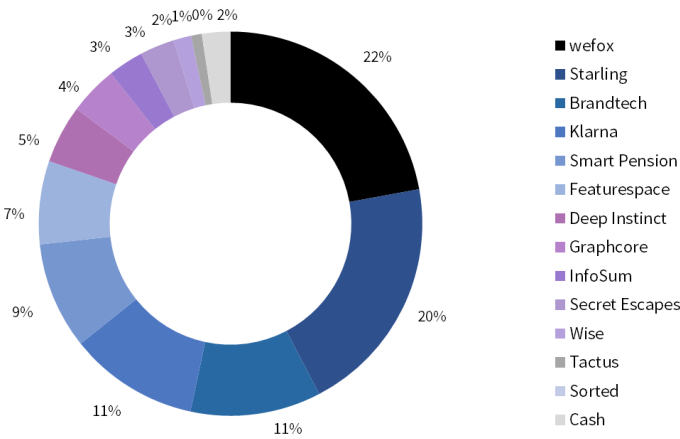
The Investment Adviser remains focussed on assisting other companies in the portfolio in getting to a point where a realisation event is a realistic possibility.

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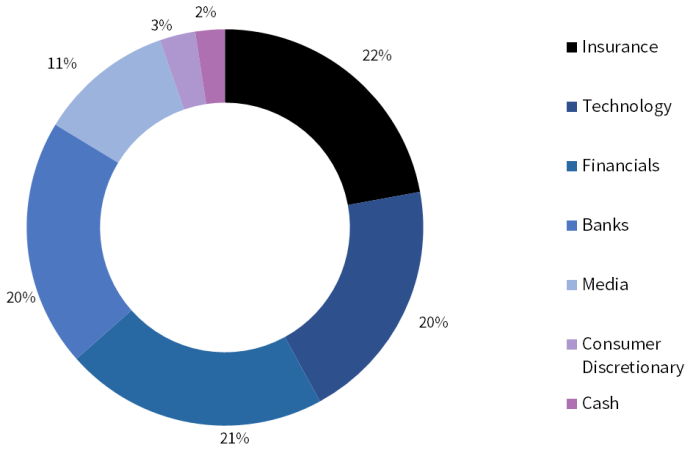
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Top Holdings



Sector Exposure



Holdings Details (As at 31 Dec 2023)

| Name | Description |
|---------------------|---|
| Wise | Platform payments business that aims to reduce fees associated with FX |
| Secret Escapes | Travel company that helps hotels minimise unsold inventory |
| Graphcore | Leading artificial intelligence processor business, which has developed the Intelligent Processing Unit and the related software toolchain |
| Starling Bank | 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 |
| 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 |
| wefox | Europe's largest digital insurance platform with significant existing scale in Germany, Austria and Switzerland |
| 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 |
| 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 |
| Smart Pension | A provider of workplace and automatic enrolment pension schemes for SMEs |
| Deep Instinct | A US cybersecurity company |
| InfoSum | Data collaboration platform |
| Tactus | Leading supplier of custom gaming PCs, components and accessories |

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Company and Fund Information

| | |
|-----------------------------------|--|
| Listing Date | 06-Nov-18 |
| AIFM | Chrysalis Investments 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 | Jupiter Investment Management Limited |



Chrysalis Investments Limited

1 Royal Plaza,
Royal Avenue,
St Peter Port
Guernsey, GY1 2HL

For Information

ClientServices@jupiteram.com
www.chrysalisinvestments.co.uk

Directors

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

Important Information

As of 15th February 2021, Merian Global Investors (UK) Limited became Jupiter Investment Management Limited. This communication is issued by Jupiter Investment Management Limited ("Jupiter"), The Zig Zag Building, 70 Victoria Street, London, SW1E 6SQ, United Kingdom, authorised and regulated by the Financial Conduct Authority (FRN: 171847). Investors may only subscribe for or purchase any shares in Chrysalis Investments Limited ("CIL") on the basis of the information in the prospectus published by CIL. The prospectus and key information document are available at <http://www.chrysalisinvestments.co.uk/>. Jupiter only acts for the funds to which it provides regulated investment management and transaction services and does not act for or advise potential investors in connection with acquiring shares in CIL and will not be responsible to potential investors for providing them with protections afforded to clients of Jupiter. 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. Awards should not be taken as a recommendation.