

# Chrysalis Investments Limited As at 30 Sep 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 30 Sep 2023)

Shares in Issue	595,150,414
Share Price	62.20p
NAV per share	134.65p
Market Cap	£370m
Total Net Assets	£801m
Share Price Premium/(Discount)	-46.2%
Listing	Premium Segment Main Market LSE
Ticker	CHRY
LEI	213800F9SQ753JQHSW24
ISIN	GG00BGJYPP46
Incorporation	Guernsey

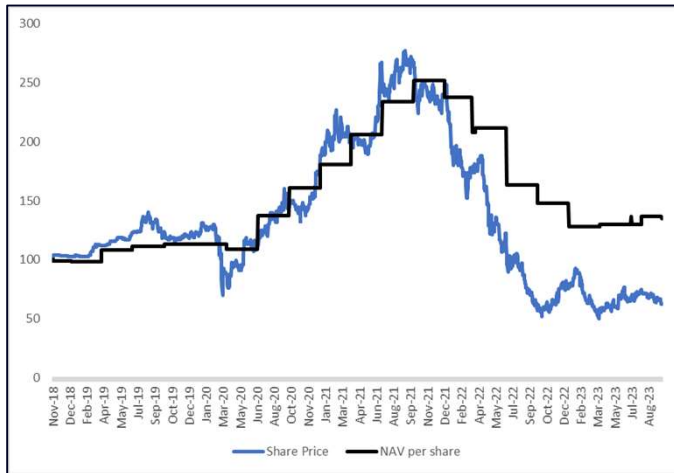
Managed by



**Nick Williamson**  
Portfolio Manager  
**Richard Watts**  
Portfolio Manager



## NAV and Share Price



## Cumulative Performance (%)

	3 Month	1 Year	3 Years	SI
Fund NAV	-1.61	-8.89	-16.35	36.22
Fund Share Price	-9.33	0.81	-57.10	-39.90

## Discrete Performance (%)

	12 months to 30/09/2023	12 months to 30/09/2022	12 months to 30/09/2021	12 months to 30/09/2020
Fund NAV	-8.89	-41.34	56.53	42.07
Fund Share Price	0.81	-76.89	84.14	16.94

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 30 September 2023 the unaudited net asset value (“NAV”) per ordinary share was 134.65 pence.

The NAV calculation is based on the Company’s issued share capital as at 30 September 2023 of 595,150,414 ordinary shares of no par value.

September’s NAV represents a 2.21 pence per share (1.6%) decrease since 30 June 2023.

Movement in the fair value of the portfolio accounted for approximately 3.99 pence per share, with foreign exchange generating a favourable movement of approximately 2.01 pence per share. Fees and expenses make up the balance.

## Portfolio Activity

Investment activity during the quarter was limited.

In July the Company invested a further £6.5 million in Secret Escapes as part of a wider £31.7 million fundraise, supporting the refinancing of existing debt facilities. This capital will enable the company to accelerate marketing spend with a view to driving customer acquisition and ultimately growth. The company is already profitable, but it is hoped that the additional capital raised will result in a faster rate of growth and an even more profitable business in the near to medium term.

## Portfolio Update

The portfolio in aggregate continues to make solid progress against its financial and operating targets; this is particularly true across the core portfolio which consists of our later-stage assets:

### wefox

wefox continues to grow strongly and has demonstrated a clear roadmap to profitability. The Investment Adviser believes that wefox will be profitable towards the end of 2023, a target the company set itself at the beginning of the period, and is well positioned to post its first full year of profitability in 2024.

In the previous quarter, wefox announced that it had launched its global affinity business, which will connect insurance companies with partners that can distribute their insurance products. In recent weeks, wefox has announced that WINDTRE, Italy’s leading telecommunications business, has signed a 10-year deal to launch the sale of home and travel insurance products in-store.

On 1 October, wefox appointed Jonathan Wismer as its new Group Chief Financial Officer. Jonathan brings more than 25 years of experience in the insurance industry, having held senior finance roles at Zurich, AIG and Resolution Life. The appointment represents the company’s continued strengthening of its C-suite as it steps up its plans for profitable growth and global expansion.

On 24 October, wefox also appointed Mark Hartigan as Chairman. Mark was previously Chief Executive at LV and Head of Operations for Europe, Middle East and Africa at Zurich Insurance Group. He was Chief Executive Officer for Zurich Global Life in the Asia Pacific and Middle East region and led its regional business in Europe.

### Starling

Starling continues to benefit from an increase in yields on cash and debt securities, as a result of increases in the Bank of England’s Base Rate, and this continues to drive interest income and profitability. Starling generates a post-tax return on equity of over 40%, making it, the Investment Adviser believes, one of the most profitable digital banks globally. Engine, the tech platform that powers Starling, offers the potential to license Starling’s award-winning technology to financial organisations around the world.

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 accounts balances of up to £5,000. Starling also offers a One Year Fixed Saver paying 5.53% interest on deposits between £2,000 and £1,000,000 that are held for a year. These represent extremely competitive rates of interest versus high-street banks.

The Investment Adviser views these moves as consistent with Starling’s brand values, as well as likely providing an incremental boost to deposit growth. Sharing the benefits of technology and scale with customers is a key enabler of growth, as has been seen in other portfolio companies.

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## Klarna

Klarna released its first half results during the quarter which demonstrate sustained revenue growth and a return to profitability through the second quarter of the year.

Gross Merchandise Volume (GMV) increased by +14% year-on-year (to SEK239 billion) while revenues grew by +17% year-on-year (to SEK5.5 billion). The Investment Adviser is encouraged by revenues continuing to grow ahead of GMV as it demonstrates Klarna's ability to monetise its existing customer base. Fundamental to the improved operating performance was the increase in gross profit for the period, which rose 83% year-on-year to SEK2.7 billion, driven by a 49% reduction in credit losses as a percentage of GMV.

In the second quarter, Klarna generated an adjusted operating profit of SEK10 million which represents a material improvement in profitability year-on-year and the first full quarter of profitability since the Company's investment. To give a sense of how much progress Klarna has made, in the second quarter of 2022, Klarna's adjusted operating loss was in excess of USD280 million, which implies the company has moved from an annualised operating loss of over USD1 billion, into an annualised profit in the space of 12 months.

## Deep Instinct

Deep Instinct continues to innovate and in recent weeks has launched 'Deep Instinct Prevention for Storage' (DPS). This new product applies a prevention-first approach to storage protection, wherever data is stored – Network Attached Storage (NAS), hybrid, or public cloud environments – and seamlessly integrates into existing environments to deliver unparalleled efficacy and accuracy along with enterprise-grade scalability.

This is an exciting development in the industry given that the amount of data being stored in public and hybrid cloud environments continues to grow exponentially and a single infected file can put an enterprise at risk. As part of the Deep Instinct Prevention Platform, DPS fills gaps in data protection by applying a unique deep learning framework dedicated to cybersecurity. Whenever a file is added or changed in a storage environment, it is scanned immediately, and malicious files are either quarantined or deleted to prevent execution.

## Featurespace

Featurespace is a world leader in enterprise grade technology preventing fraud and financial crime. This is evidenced by a number of recent awards and product releases.

As highlighted earlier in the year, Featurespace has developed a bespoke fraud transaction monitoring framework for NatWest that led to a +135% improvement in Natwest's financial scam detection rate and a 75% reduction in false positives. During the quarter, NatWest and Featurespace won 'Best Innovation by a Financial Institution' at the Datos Insights 2023 Fraud and AML Impact Awards for that specific initiative.

More recently, the company has launched TallierLTM, the world's first Large Transaction Model (LTM). TallierLTM, a foundation AI technology for the payment and financial services industry, is a large-scale, self-supervised, pre-trained model designed to power the next generation of AI applications. The model has shown improvements of up to 71% in fraud value detection when compared to industry standard models.

## Cash Update

As of 30 September, the Company had net cash of approximately £23 million, subsequent to the follow-on investment in Secret Escapes, and a position in Wise of £10 million, to give a total liquidity position of approximately £33 million.

The majority of follow-on investments have now been completed and most of the portfolio is now either profitable or funded through to profitability. While there may be additional funding requirements across the portfolio in the short to medium term, the Investment Adviser considers the Company has sufficient available liquidity to address these.

## Outlook

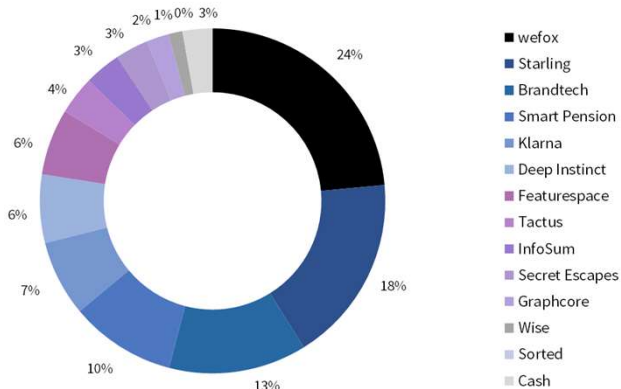
The Investment Adviser remains optimistic about the prospects for the Company. As noted in the last NAV update, IPO and private markets have shown some signs of life, which is an indication that investor risk appetite is recovering to some degree.

The Investment Adviser remains focused on helping the portfolio companies get to a position where they can "exit" and considers a number of assets "IPO ready". It is intended that any future realisations flow through the proposed Capital Allocation Policy that was outlined to shareholders on 13 October 2023. The Investment Adviser believes this policy would be an essential mechanism to help unwind the current share price discount to NAV.

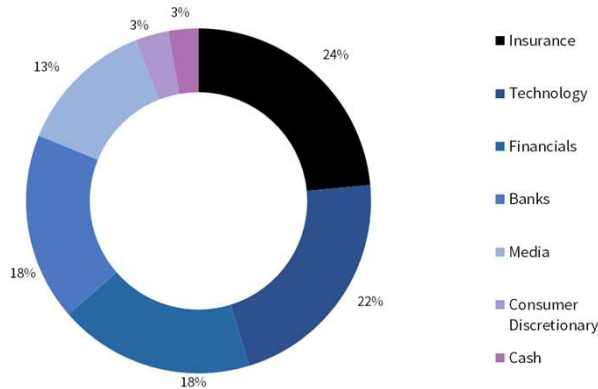
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## Top Holdings



## Sector Exposure



## Holdings Details (As at 30 Sep 2023)

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

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### For Information

[ClientServices@jupiteram.com](mailto:ClientServices@jupiteram.com)  
[www.chrysalisinvestments.co.uk](http://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.

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