Frequently Asked Questions

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ABOUT CHRYSALIS

Chrysalis Investments Limited ("Chrysalis" or the "Company") is a closed-ended investment company domiciled in Guernsey and listed on the London Stock Exchange. Historically, the Company sought to provide investors with access to the returns available from investing in innovative later-stage private companies with long-term growth potential, particularly those using technology to transform their respective market sectors.

Following shareholder approval of changes to the Company's investment objective and policy, Chrysalis is now focused on the orderly realisation of its existing portfolio with the aim of maximising value for shareholders and returning capital as investments are realised. The Company is not pursuing a strategy of making significant new investments and instead seeks to manage, support and realise its existing portfolio over the period to March 2029 in a manner intended to optimise shareholder outcomes.

The Company's portfolio is relatively concentrated, with a significant proportion of value attributable to a limited number of investments. As a result, the Company's performance, NAV and shareholder returns may be materially influenced by the performance and realisation outcomes of those investments.

As a listed company, investors retain the ability to buy and sell shares in the Company through the London Stock Exchange, subject to market conditions and liquidity. This provides investors with the flexibility to adjust their exposure without requiring direct sales of the underlying portfolio investments, which are often private and inherently less liquid.

BENEFITS OF INVESTING IN PRIVATE EQUITY FUNDS

There are a number of reasons why private equity investment is considered attractive as an asset class. These include:

- Professionally managed funds that invest in private equity provide access to unique investment opportunities, with the benefit of some diversification, which would otherwise normally only be available to institutional investors;
- The valuation of private companies can have a low correlation with listed companies;
- Private equity investors often have a representative on the board of their investee companies, who, depending on the nature of the appointment, will be able to influence or oversee operational and strategic decisions (subject to the identification of conflicts of interest and appropriate mitigation); and
- Investment Companies may be structured in ways that allow for potential tax benefits.

WHAT IS AN INVESTMENT COMPANY / INVESTMENT TRUST?

Investment Companies and Investment Trusts are collective investment vehicles which invest in underlying assets in accordance with an investment objective. In common with unit trusts and open-ended investment companies ("OEICs"), Investment Companies and Investment Trusts pool investors' money to buy a wide variety of assets including infrastructure and private equity as well as shares and bonds.

However, unlike unit trusts and OEICs, Investment Companies and Investment Trusts are structured as public limited companies and are traded on an investment exchange (i.e. stock market) with oversight from an independent board to ensure shareholder interests are protected.

As listed companies, the longevity, structure, investment objective or strategy of the company may be impacted by corporate activity in the form of takeovers and mergers by / with other Investment Companies, private entities or early wind downs.

WHAT IS THE DIFFERENCE BETWEEN AN INVESTMENT TRUST AND AN INVESTMENT COMPANY?

Investment Trusts were originally established as legal trusts and then subsequently subject to company law. Under HMRC's rules, Investment Trusts must be registered in the UK whereas many Investment Companies are based offshore. As a result, one of the main differences is that Investment Trusts are subject to stamp duty on the purchase of shares whilst the purchase of shares in an Investment Company are often not.

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INVESTMENT COMPANY VS UNIT TRUSTS AND OEICS

Investment Companies are a type of collective investment vehicle, however, there are a number of significant differences in the way that they operate compared to unit trusts and OEICs, as follows.

Shares in Issue

As with all companies traded on an exchange, Investment Companies are deemed to be 'closed-ended'. This is because the number of shares in issue is fixed and will not change unless there is a corporate event whereby the Investment Company announces the issue of new shares, a stock split, a stock consolidation or cancels shares following the buyback of shares.

This is in contrast with unit trusts and OEICs which are open-ended, meaning the manager is able to issue and cancel shares on a daily basis to meet the demand, or lack of, for that particular investment.

Share Prices

As an Investment Company is closed-ended and only has a fixed number of shares in issue, the share price is determined by supply and demand, as is the case for all companies traded on a stock market. Investors will buy shares at the 'offer' price and sell at the 'bid' price which will be lower. The difference between the two is the 'spread' and includes the fee the stockbroker charges for facilitating the trade.

The price of a share in an open-ended vehicle is principally determined solely by the net asset value ("NAV") of the underlying investments at a predetermined pricing point (e.g. midday) and at a pre-determined frequency (daily, monthly, quarterly or even annually).

Trading at a premium / discount

As an Investment Company is a form of collective investment vehicle which invests in a number of underlying assets, it too will have a NAV. However, as the share price is determined by the demand for its shares, an Investment Company may be priced by the market at a premium (more than its NAV), or at a discount (less than its NAV).

E.g. the NAV per share of an Investment Company may be 100p but the price investors are willing to pay for a share may be 125p (a 25% premium) or 75p (a 25% discount).

The discount or premium at which an Investment Company's shares trade can be influenced by a number of factors, including:

- The performance of the Company and the market's expectation of prospects for future returns;
- Investor interest in the asset classes and sub sectors the Company provides exposure to;
- The economic/ interest rate cycle;
- Liquidity in the shares, i.e. the ability to easily buy or sell them in the size investors wish to trade in; and
- Imbalance in investor demand in the form of large sellers or buyers of shares.

As already discussed, the price of a share in an open-ended vehicle is determined solely by its NAV and therefore they will not trade at a premium or discount.

Leverage / Gearing (borrowing)

Unlike open-ended vehicles, Investment Companies can borrow money on a longer-term basis to invest. Gearing has the effect of magnifying gains when markets are rising but will have the opposite effect when markets are falling. The more borrowing a Company has, the more volatile the share price is likely to be.

Interest payments associated with borrowings will also impact the returns of an Investment Company, and its ability to make distributions to shareholders. If the interest payments are not fixed or otherwise hedged, fluctuations in the interest rate cycle may have an adverse impact on shareholder returns.

Open-ended vehicles can also seek to mirror the effects of leverage to an extent, through the use of derivatives, though this may not be practical with all asset classes.

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FAQs: Chrysalis as an Investment Company

Can I complain, if I am unhappy with my investment?

As a shareholder, you will be able to raise any concerns or complaints directly with the Board of Directors of the Company or via the administrator or investment adviser.

However, if there is no response, or you are unhappy with the response, you will not have the benefit of being able to refer your complaint to the Financial Ombudsman Service ("FOS"), unless the investment was made based upon advice received from a financial adviser.

What regulations protect my investment in an Investment Company?

Companies listed on the London Stock Exchange are subject to the UK Listing Rules of the Financial Conduct Authority. The UK Listing Rules set out mandatory standards for any company wishing to list its shares or securities for sale to the public. The Rules include principles on executive pay, a requirement to comply or explain non-compliance with the UK Corporate Governance Code and the mandatory information to be provided in a prospectus.

Only investments made on an advised basis in an Investment Company would benefit from the protection offered by the Financial Services Compensation Scheme ("FSCS") in the event the investor was provided with poor advice and the provider of that poor advice was unable to pay any compensation awarded by the FOS. For example, if the adviser had gone out of business.

If you hold Investment Company shares in a packaged product such as a share plan, ISA or pension, the product provider would need to be regulated by the Financial Conduct Authority.

Why do Investment Company shares have a different price if you buy or sell?

As with all shares traded on a stock market, shares in an Investment Company will have an offer price (to buy it) and a lower price referred to as the bid price, to sell it. The difference between the two (the spread) represents the incentive for market makers to provide liquidity in the shares. This relates to the risk that the market maker takes in holding the shares themselves in order to make them immediately available to a buyer, i.e. the risk that they may have to sell them to another buyer at a lower price than they bought them for. Due to this risk element, the spread can also change depending upon demand for the share and market conditions. If there is high demand, and it is therefore likely that the market maker will not need to hold the shares for long, the spread will be narrow, if there is little demand meaning the broker may have to have the shares on their books for a while, the spread will be wider. Market volatility may also give rise to wider spreads. The spread also compensates the market maker for using their capital to provide liquidity.

Your executing broker will also likely charge a stock broking fee.

Are there any other ongoing charges?

As with all investments, there may be additional charges levied by a product provider or investment platform to administer your investment, i.e. to look after it for you and process the receipt of dividends and corporate actions.

Is buying a share in an Investment Company trading at a discount a good or bad idea?

There is no guarantee that any discount will have narrowed by the time you come to sell, and it may widen. Investors should make informed decisions taking into account the prospects for the underlying assets held and the sectors in which the Investment Company invests. The Board of Directors of an Investment Company can take measures to narrow the discount, e.g. by buying back shares in order to increase the demand and therefore the value of the shares that remain available in the market, but there is no guarantee that this will reduce the discount in the long term. Ongoing buybacks over time may serve to reduce liquidity and may be detrimental.

All things being equal, buying shares at a discount means that you have more capital working to provide you with a return on your investment. However, a discount can be the market's expression of its expectations of the true value of the underlying portfolio or risks to future returns.

Some Investment Companies also have other discount management measures such as periodic wind-down or continuation votes, which are designed to give investors comfort that if performance is poor or there is a lack of demand for the shares, an exit might be possible. But this would only happen if the required majority vote in favour.

Will buying Investment Company shares via an investment platform affect my shareholder rights?

It depends. Most investment platforms will hold the shares in a 'nominee' account on your behalf. The nominee will then become the registered owner of the shares. If this is the case, you will need to ensure that the investment platform will pass on all documentation in relation to your shareholding and extend voting rights to allow you to make elections with respect to corporate actions.

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FAQs: Chrysalis as an Investment Company CONTINUED

How can I compare the risk profile of Investment Companies to open-ended funds?

The NAV and price of open-ended funds move up and down and therefore carry the risk that you may get back less than your original investment when you come to sell. However, an Investment Company's share price may move by markedly more than its NAV, as a result of the discount/ premium feature.

It should be noted that Investment Companies may see wider swings in their share price than open-ended funds in general, due to changing market sentiment and swings in investor demand.

As Investment Companies are permitted to invest in a wider range of asset classes, particularly less liquid assets, as well as use gearing in a wider range of circumstances, the risk profile of some Investment Companies maybe materially higher than that of open-ended funds, albeit it with the potential for greater returns.

Can I pass on my shares in an Investment Company when I die?

Yes. Shares you hold directly in your name, will form part of your estate and can be passed on to the beneficiaries of your Will, subject to the relevant applicable taxes at the time of death.

How do I check whether an investment in an Investment Company is right for me and my circumstances (e.g. tax, ability to take risk, financial goals)?

The Company is unable to provide investment advice to retail investors. You are advised to seek the advice of an Independent Financial Adviser ("IFA") and if you do not have one, the following site can help you find an IFA: Find a Financial Advisor.

Please note, this should not be taken as a recommendation or an endorsement of the website.

What is the easiest way to buy shares in an Investment Company?

Shares in an Investment Company can be bought via your bank, a stockbroker or online via an investment platform.

The Company is unable to recommend an intermediary, but the Association of Investment Companies ("AIC") have provided the following list of platforms that provide access to Investment Companies: Availability on Platforms | How to Invest | The AIC.

It should be noted that this is not an exhaustive list of all executing brokers who can provide access. As mentioned, your bank may also be able to help you. Please note, this should not be taken as a recommendation or an endorsement of the website.

How do I find out more and stay informed?

Please refer to the following for further detailed information. All documents are available to access on the Company's website.

- AIFMD Investor Disclosure (Article 23 Disclosure);
- Fact Sheets;
- RNS news section for the latest updates;
- Annual Reports and Accounts;
- Interim Reports and Accounts;
- Investor Presentations;
- AGM Circulars.

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FAQs: Chrysalis in wind down

What is a wind down?

The Company is no longer focused on making new investments. Instead, the Board's objective is to realise the existing portfolio and return the proceeds to shareholders.

How will investments be sold?

Portfolio companies will be realised through sales, IPOs, secondary transactions or other liquidity events when opportunities arise. The Board's aim is to maximise value rather than sell assets to a fixed timetable.

How and when will shareholders receive cash?

As investments are realised and cash becomes available, the Company intends to return capital to shareholders. Returns may be made in stages rather than all at once, reflecting the timing of portfolio realisations.

Will I need to do anything?

Generally, no, with respect to the realisation process that is currently anticipated. Shareholders on the relevant record date will automatically receive any capital returns through the registrar, broker or investment platform that holds their shares. However, the Board may seek shareholder consent for proposed corporate actions, where they are advised to do so or where this is considered to be appropriate, and such corporate actions may require your approval.

Can I sell my shares instead of waiting for the wind down?

Yes. While the Company remains listed, shareholders can buy and sell shares through the London Stock Exchange in the normal way at the prevailing prices.

How long will the process take?

The Board is targeting the period to March 2029 to complete the wind down. The actual timing will depend on market conditions, opportunities to realise investments and achieving appropriate value for shareholders.

Will the Company continue to provide updates?

Yes. Shareholders will continue to receive updates through RNS announcements, annual and interim reports, shareholder communications and the Company's website.

What happens when all investments have been sold?

Once all assets have been realised, liabilities settled and remaining cash returned to shareholders, the Company will take the necessary steps to complete the wind down and bring the Company to an orderly conclusion.

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FAQs: Chrysalis as a self-managed AIF

What is changing?

From 5 November 2026, Chrysalis will be a self-managed Alternative Investment Fund ("AIF"). This means that the Company itself will assume responsibility for the functions previously carried out by the external Alternative Investment Fund Manager ("AIFM"), G10 Capital Limited. The AIFM is authorised and regulated by the Financial Conduct Authority ("FCA"), however, the Company will be managed by its Board of Directors, in Guernsey, going forwards, such that an FCA authorised and regulated AIFM is no longer required.

Why is Chrysalis making this change?

As the Company progresses its realisation strategy and wind down, the Board believes a self-managed structure is more appropriate for the Company's size, activities and objectives. The change is intended to align the operating model with the Company's focus on realising existing investments and returning capital to shareholders.

Will the investment strategy change?

No. The Company's objective remains to realise the portfolio in an orderly manner and return proceeds to shareholders over time. The move to a self-managed AIF does not alter the Company's realisation strategy.

Will there still be oversight and governance?

Yes. The Board will continue to oversee the Company and remain responsible for acting in the best interests of shareholders. Appropriate service providers and advisers will continue to support the Company where required.

Does this affect my shareholding?

No. Your shares, voting rights and economic interest in the Company are unchanged because of the transition to a self-managed structure.

Will the shares continue to trade on the London Stock Exchange?

Yes. The Company's shares will continue to be traded in the normal way, subject to the Company's continued listing.

Will reporting and shareholder communications continue?

Yes. The Company will continue to publish annual and interim reports, NAV announcements, regulatory news announcements and other shareholder communications as required.

Does becoming self-managed affect the wind-down process?

No. The Company's focus remains on realising investments at appropriate values and returning capital to shareholders. The change relates to how the Company is managed and governed rather than the underlying strategy.

Will the Company's service providers change?

Certain responsibilities previously undertaken by the external AIFM will transfer to the Company. However, the Company expects to continue using specialist third-party providers where appropriate to support administration, accounting, company secretarial, compliance and other operational functions.

What are the expected benefits of becoming self-managed?

The Board believes the self-managed structure is better suited to a company in realisation mode and should provide greater flexibility and cost efficiency as the portfolio is wound down.

Ongoing Information

Further details regarding the Company, its transition to a self-managed structure and the Company's ongoing realisation strategy can be found in shareholder circulars, annual and interim reports, regulatory announcements and on the Company's website.

If you need more information, you can also contact us at enquiries@chrysalisinvestments.co.uk.