Chrysalis Investments

Investment companies | Update | 4 December 2025

The road ahead

Chrysalis Investments (CHRY) is seven years old, and its portfolio appears to be increasingly mature. Since the last publication, progress with Starling and indications of a recovery at wefox have contributed to NAV gains. A series of realisations has provided sufficient liquidity to fulfil CHRY's commitments under its capital allocation policy, and with Klarna's IPO complete, there may be further developments.

Over 16% of CHRY's share capital has been bought back and the discount has narrowed. Some investors have requested an opportunity to exit close to asset value, while others, referencing CHRY's NAV growth since launch, have indicated interest in new investments. Following consultation with shareholders, the board is now mapping out the road ahead.

Supporting growing businesses

CHRY 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. CHRY also benefits from the flexibility to continue to support these businesses after they IPO.

Year ended	Share price TR (%)	NAV total return (%)	MSCI UK TR (%)	NASDAQ TR (%)	S&P 500 TR (%)
30/11/2021	55.7	56.5	17.6	33.3	28.8
30/11/2022	(71.3)	(41.3)	13.9	(16.5)	0.8
30/11/2023	1.0	(8.9)	2.3	26.6	7.7
30/11/2024	39.4	4.9	15.1	31.2	32.8
30/11/2025	17.1	21.5	21.4	17.7	10.5

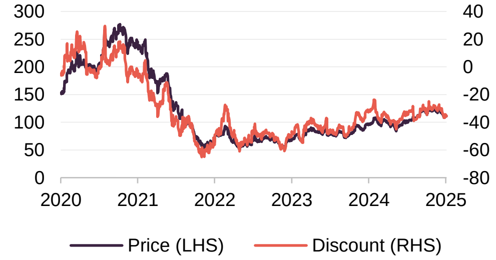
Source: Bloomberg, Marten & Co

Sector	Growth capital
Ticker	CHRY LN
Base currency	GBP
Price	111.0p
NAV	171.6p[1]
Premium/(discount)	(35.3%)
Yield	Nil

Note1) Last published as at 30 September 2025

Share price and premium/(discount)

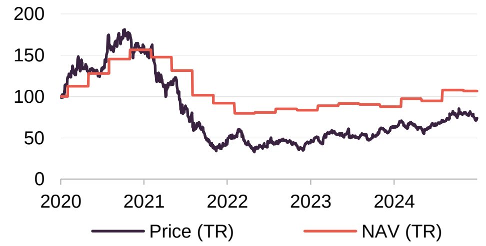
Time period 30/11/2020 to 03/12/2025



Source: Bloomberg, Marten & Co

Performance over five years

Time period 30/11/2020 to 30/11/2025



Source: Bloomberg, Marten & Co

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BY MARTEN & CO

Contents

Domicile	Guernsey
Inception date	6 November 2018
Manager	Richard Watts, Nick Williamson
Market cap	553.3m
Shares outstanding (exc. treasury shares)	498.427m
Daily vol. (1-yr. avg.)	1,476,510 shares
Net gearing	Nil

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Shareholder consultation

£100m capital return programme on target helped by disposals

CHRY instituted a capital allocation policy in early 2024 under which it stated it would return £100m to shareholders. By May 2025, exits from positions such as Graphcore, Featurespace, and InfoSum had increased the pool of liquidity available to support the company's capital allocation policy. The Klarna IPO was also proceeding, with the prospect of a further large injection of liquidity in the near future (the outcome of this is discussed on page 7).

In addition, a group of shareholders (who then held about 27% of CHRY's shares) had written to the board asking for a continuation vote planned for 2027's AGM to be brought forward by a year. However, the board stated that its conversations with shareholders suggested that there was a diversity of opinion about the way forward for the company.

Shareholders will be asked to reaffirm their support for the CAP at the 2026 AGM

With this in mind, CHRY's board launched a shareholder consultation exercise with the assistance of Rothschild & Co. It also resolved to propose a resolution at the 2026 AGM to reaffirm the existing capital allocation policy (CAP).

The board reiterated that no new investments would be made ahead of the 2026 AGM, and that follow-on investments into existing holdings would only be made if required to protect or enhance the value of existing holdings. If shareholders voted against the capital allocation policy, the board indicated it would not seek to accelerate the timeframe for realising the rest of the portfolio but would explore options for shareholders to elect whether they wanted to realise their investment or retain it, potentially creating a dual class share structure.

On 4 November, CHRY announced the outcome of that consultation exercise. The statement said that *"a significant proportion of the shareholders consulted felt that Chrysalis should continue to be structured and managed on a basis which affords appropriate scope for these assets to achieve their full potential over time. However, it is clear that a proportion of shareholders consulted are seeking an orderly exit from their investment in a shorter timeframe"*.

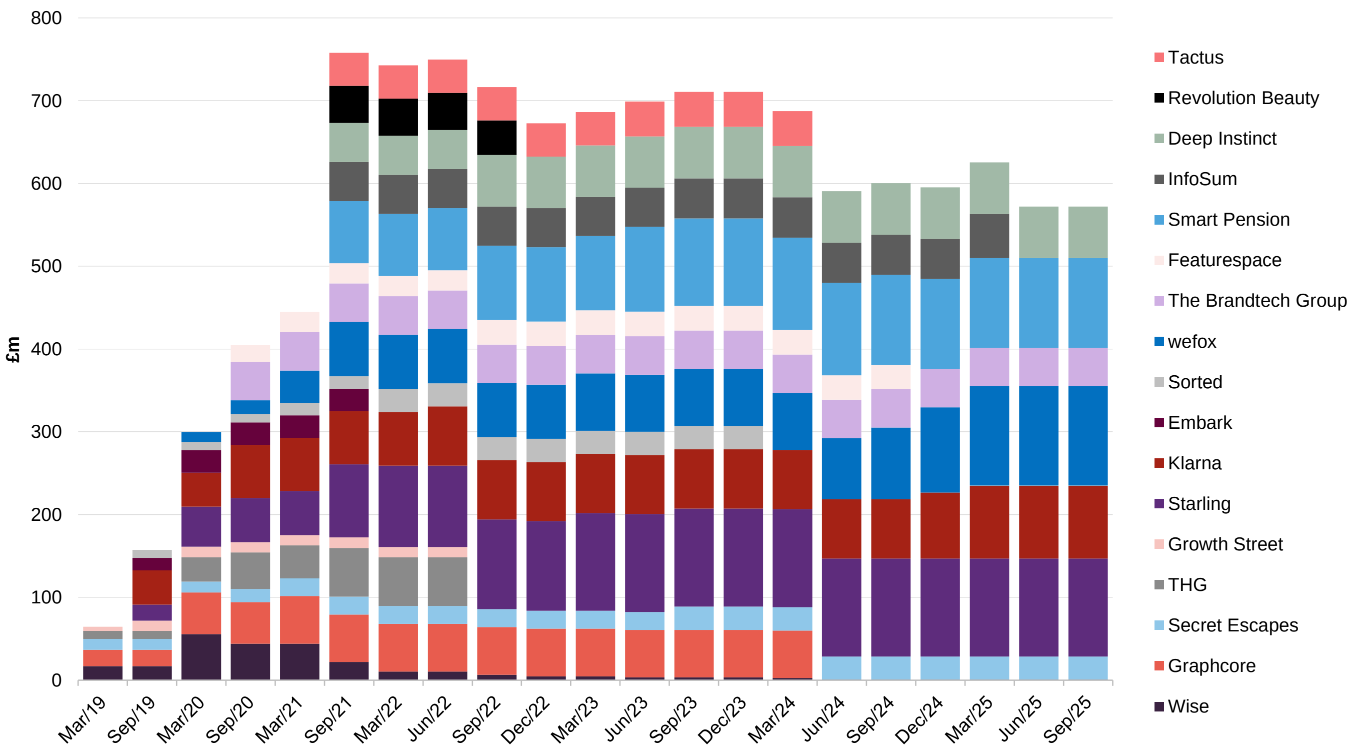
The board is now exploring ways to achieve this, with the intention of publishing its preferred proposal in December this year, alongside the publication of the annual results.

Portfolio

Recent investment activity

InfoSum was sold to WPP for £49.8m in April 2025. The exit valuation represented a 16.4% premium to the valuation in CHRY's end-December 2024 NAV. Since making the investment, CHRY had invested £53.3m in the company (including $3m or £2.4m in Q1 2025, which was connected to a dual track equity funding round and trade sale process), resulting in a MOIC on InfoSum of 0.93x. The advisers stated that selling InfoSum and using the proceeds to fund CHRY share buybacks was considered to offer a better risk-adjusted return than retaining the investment.

Figure 1: Portfolio progress since launch – amounts invested in companies in the portfolio to end September 2025



Source: Marten & Co

Klarna's IPO took place on 9 September 2025. Ahead of this, CHRY invested a further £8m into the company. CHRY did not sell any shares as part of that process and is now locked into its shareholding until the six-month anniversary of the IPO date.

The advisers expressed discomfort with committing to sell shares in the IPO process at an unknown IPO price. In addition, they believe that Klarna has "a robust growth path in the medium term, which would drive significant profits." CHRY's approach to investing in growth capital allows it to remain invested where it identifies a potential opportunity, whereas many similar funds may be under more pressure to exit.

The advisers also made a small investment into Deep Instinct (sub $1m) recently.

Since the end of September, CHRY has repaid £10m of its £70m term loan, leaving £60m outstanding.

The advisers state that in recent years their focus has been on restructuring companies to position them to stand on their own feet and reducing the portfolio to those investments that appear to show the most potential. They indicate that this is an ongoing process that may result in further exits from the portfolio over time.

Portfolio as at last quarter end

Figure 2: Portfolio as at 30 September 2025

	Business description	% of portfolio 30 Sep 2025	Value 30 Sep 2025 £m	Amount invested £m	MOIC (x)
Starling	UK challenger bank	46.4	406.6	118.3	3.4
Smart Pension	Workplace/automatic enrolment pension schemes for SMEs	14.1	123.4	108.6	1.1
Klarna	Online payments business with buy now pay later option	13.2	115.3	87.9	1.3
wefox	Europe's largest digital insurance platform	10.4	91.5	119.7	0.8
Brandtech	Digital advertising and marketing services	4.2	36.8	46.4	0.8
Deep Instinct	A US cybersecurity company	3.0	26.7	62.2	0.4
Secret Escapes	Travel company that helps minimise unsold inventory	1.8	15.7	28.0	0.6
Featurespace[1]	Financial crime risk management using real-time learning	1.0	9.2	n/a	n/a
Wise	Online foreign exchange	0.4	3.1	0.7	4.4
Sorted	SaaS company with a delivery management platform	0.0	0.3	n/a	n/a
Total investments		94.5	828.6	572.2	1.4
Gross cash		13.5	118.1		
Debt		(8.0)	(70.0)		
Net assets		100.0	876.7		

Source: CHRY, Marten & Co. Figures may not add up due to rounding. Note 1) This just represents the deferred proceeds from this disposal. Assuming the deferred proceeds are received in full, CHRY will have earned a 3.0x MOIC on Featurespace.

Looking at a couple of these in more detail:

Starling

In May, Starling (starlingbank.com) released its 12-month results to end March 2025. During this period, the bank reduced its growth activity as it responded to fines related to client onboarding processes and made provisions associated with COVID-era loans. Revenue increased by 4.7% to £714m. Customer deposits grew by £1.1bn to £12.1bn, and 400,000 new accounts were opened, reaching a total of 4.6m. Fines and provisions reduced profits to £223m from £301m.

Starling has invested in its management team, including the recruitment of a new COO (Joe Gordon) and chief banking officer (Raghu Narula). Group CEO Raman Bhatia has added eight senior appointments since he joined in June 2024.

According to Starling, as it addresses previous issues, there may be potential to increase marketing expenditure and expand its market share. There may also be an opportunity to broaden its service offering.

Starling Bank stopped paying interest on its current accounts in February and introduced a new "easy-saver" account that paid 4% on balances, which has since been reduced to 3%.

Starling reported a capital position that, at the interim stage, CHRY stated included excess capital of £400m, which may be used to support the continued growth of the business. This could include acquiring books of business or entire companies.

Starling acquired Ember, an accounting and tax software provider for SMEs, in August. According to the company, with "Making Tax Digital" due to be enforced by HMRC in April 2026, Ember may help Starling's SME clients to comply with these new regulations.

The advisers believe that Starling might want to consider gaining a toehold in the US market through the acquisition of a small bank in that market. The US banking market is highly fragmented and contains many legacy systems.

On 4 November, CHRY noted that Starling's Engine SaaS business had secured a 10-year contract with Canadian digital bank Tangerine, a wholly-owned subsidiary of Scotiabank. Tangerine becomes Engine's third customer (after Salt Bank in Romania and AMP's Bank GO in Australia). CHRY's advisers state that they are encouraged by the endorsement of Engine's service by a major North American bank and believe this highlights potential opportunities for Engine to access the global banking market.

According to CHRY's advisers, the new contract may have the potential to match the entire revenue of Engine's competitor Thought Machine, which is estimated to be valued at about $2bn. The advisers state that Engine's ability to offer end-to-end solutions to its customers and the credibility associated with its provenance may place it in a strong position to win new business.

Engine now sits in a separate legal entity from the UK bank, so there is the possibility of splitting the businesses if that is considered appropriate. The advisers believe that, given the potential to scale Engine and the valuation multiples that fast-growing software businesses tend to have, it could be a significant driver of CHRY's future NAV growth.

Smart Pension

The advisers state that while the valuation of CHRY's stake in Smart Pension (smart.co) has remained relatively unchanged in recent quarters, progress within the company appears to be ongoing.

Smart Pension stated that it had over 1.5m members and £6.5bn of AUM in its Master Trust in March. The company is anticipating further consolidation within the UK pension industry.

According to Smart Pension, part of the impetus for growth is the Pension Schemes Bill, which is currently progressing through the legislative process. The AIC has opposed a proposal that investment companies holding private investments – such as CHRY – would be excluded from the definition of eligible investments for pension funds seeking to meet their quota of private assets.

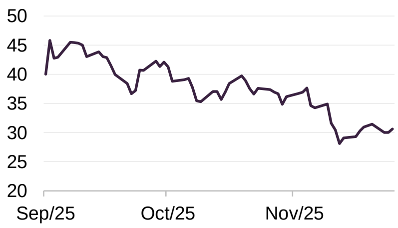
For Smart Pension, a minimum size threshold for multi-employer defined contribution schemes of £25bn of AuM by 2030 has been set. The government has stated that these schemes need to be large to achieve efficiency. However, the government has also introduced "transition pathway relief", which means that a scheme with £10bn of AuM by 2030 and a credible plan to reach £25bn by 2035 will be exempt from the initial threshold.

The net effect of this may be a push for consolidation within the industry. Small-scale schemes may not be able to meet the threshold and therefore could become M&A targets and price-takers. As an acquirer, Smart Pension appears to be in a position to set the terms of deals.

The advisers believe AUM could reach £9bn by the year end, supported by Smart Pension's acquisition of Options (an increase from £2.5bn when CHRY first invested). The advisers estimate that, as contributions continue and markets rise at an assumed rate of 2% per annum, AUM could reach approximately £18bn by 2030, even without further acquisitions. Gross margins are currently around 80%, so the advisers expect that additional revenue may significantly impact Smart Pension's bottom line.

In addition, Smart Pension has its own in-house software business – Keystone – which appears to facilitate integration of new books of business and may have potential to be valuable independently (it is already EBITDA positive).

Figure 3: Klarna (USD)



Source: Bloomberg

Klarna

Klarna's (klarna.com) IPO took place on 2 September 2025, after being postponed from April following market volatility associated with Trump's "Liberation Day" tariff announcements. At $40 per share, the company raised $1bn and the IPO valued the company at about $15bn. As Figure 3 shows, the share price has declined since, which may be partly in response to Klarna's Q3 numbers that indicated a loss for the quarter. At the time of publication, the share price was $30.6, giving Klarna a market cap of $11.5bn.

CHRY's adviser opted not to sell any shares in the IPO (it would only have been able to sell a relatively small proportion in any case) and the trust's 4.2m shares in Klarna are now subject to normal six-month lock-up arrangements from the date of listing. The structure of the IPO process meant that it was not possible to know what price the IPO would take place at. The adviser believed at the time that Klarna had further upside potential, especially as a number of agreements that it concluded in the run-up to September may start to bear fruit.

In addition to existing partnerships with companies such as Stripe and ApplePay, Klarna's recent partnerships include worldpay, GooglePay and JPMorgan Payments. The advisers suggest that the new business generated by these partnerships could mature and expand over a period of seven to ten years.

The company's Q3 figures indicated that it had 114m active consumers and 850,000 merchants using its services, with both figures increasing by more than 30% year-on-year. Gross merchandise value was $118bn, representing a 23% like-for-like increase.

The advisers see potential in Klarna's US Fair Financing product, which offers larger loans to customers than Klarna's Buy Now, Pay Later (BNPL) product. As this new product line grows (at 30 September 2025, the value of these loans was up 139% year-on-year), Klarna is required to recognise impairment provisions up front, which may not crystallise, before it recognises income from these loans. Klarna is also selling packages of loans to Elliott. When this occurs, Klarna is able to recognise revenue sooner and reduce the impairment provision, which suggests that the impact may be temporary.

The additional revenue may increase profitability, as Klarna is making use of technology, including AI, to reduce its cost base. CHRY's advisers believe that Klarna has the potential to generate approximately $3bn of pre-tax earnings within about three years, which they state could lead to a multiple of its current valuation.

Performance

Figure 4: CHRY NAV and share price total return performance since launch

Source: Morningstar, Marten & Co

At the end of September 2025, CHRY's NAV was 171.65p, up 9.6% over 2025 as a whole. The initial fall in Klarna's share price following its IP was captured in the end September NAV. However, adjusting for the move since may imply that CHRY's NAV has fallen by a further 4p.

The chart indicates that the NAV increased significantly over 2020/21 and then declined by a similar magnitude over 2022. This pattern appears to correspond with the transition from a low interest rate environment during the COVID period to a period of rising inflation and subsequent interest rate increases. The share price appears to have anticipated the NAV decline but may have reacted more strongly to the downside.

Five-year performance figures now capture a limited part of the upside and all of the downside. Excluding this period, the NAV appears to have been increasing fairly steadily since launch. However, the discount, which is discussed later in this note, may continue to affect share price returns.

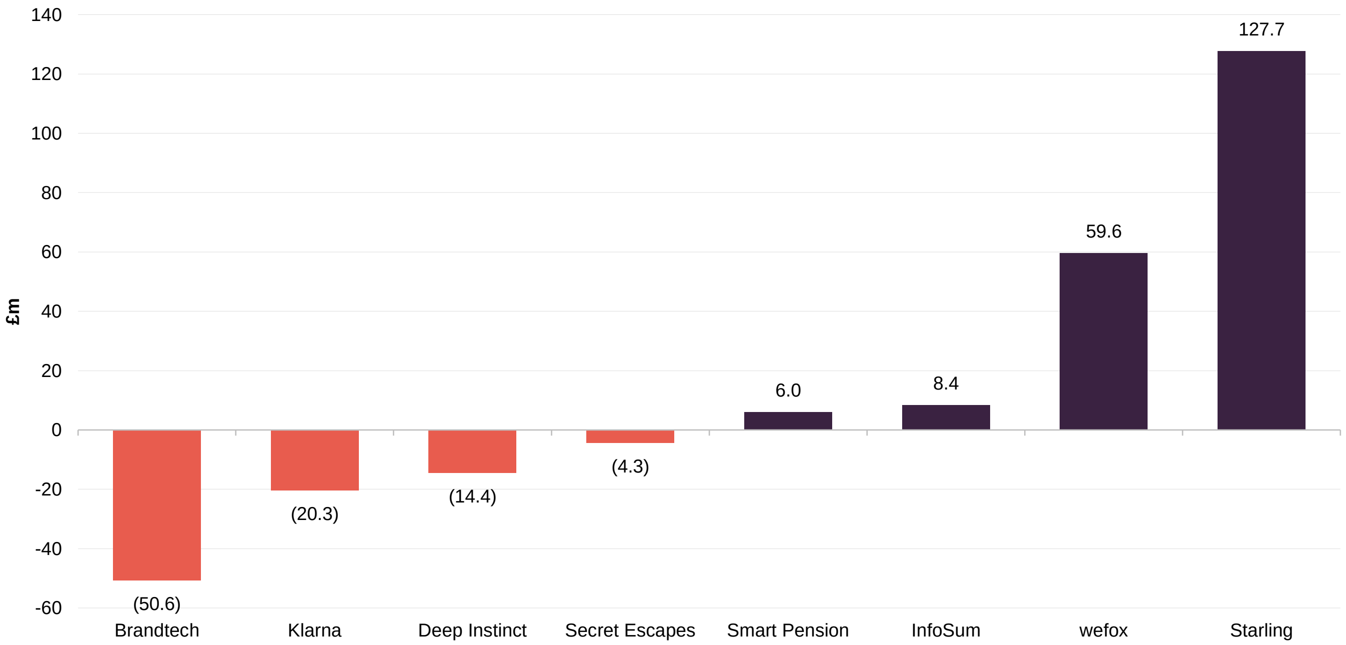
Figure 5: Cumulative total returns for periods ending 30 November 2025

	3 months (%)	6 months (%)	1 year (%)	3 years (%)	5 years (%)
NAV[1]	(1.1)	12.5	21.5	16.1	6.6
Share price	(3.1)	12.8	17.1	64.9	(26.2)
MSCI UK	6.5	12.7	21.4	43.0	91.6
NASDAQ	11.0	21.6	17.7	95.3	117.5

Source: Bloomberg, Marten & Co. Note 1) NAV based on last published as at 30 September 2025.

As in previous reports, the MSCI UK and NASDAQ have been included as comparators. However, none of these appears to serve as an ideal benchmark.

Figure 6: Major contributions to changes in valuation of CHRY's portfolio since our last note



Source: CHRY, Marten & Co

Figure 6 above shows the changes in valuation for each of CHRY's assets since the previous note, which used valuations as at 31 December 2024.

Reflecting CHRY's buyback activity, which is discussed in the next section, the overall valuation of the fund fell from about £888m to £877m over the first nine months of 2025. On a pence per share basis, the NAV increased by 9.6%. According to the fund, the main contributors to this change were increases in the valuations of Starling and wefox, offset by decreases in the valuations of Brandtech and Klarna. Starling and Klarna were discussed earlier. Looking at the other two:

Brandtech

Brandtech (thebrandtechgroup.com) has announced a plan to integrate Google's video generation model into its service and has reported progress with its GenAI advertising solutions. However, declines in the valuations of listed peers such as WPP led to a reduction in CHRY's carrying value for the company.

The advisers state that many advertisers appear to see potential for AI, but there has been a pause in the take up of Brandtech's services as these advertisers evaluate how best to use it. According to the advisers, Brandtech's Pencil and Oliver businesses may be well-placed to pick up business as confidence returns.

wefox

Last year, wefox (wefox.com) began a restructuring process. This process started in July with its exit from the German market. In September, a change in the company's management team occurred with the appointment of a new CEO, Joachim Müller. In December, wefox sold its Lichtenstein-based insurance carrier to a consortium of Swiss companies led by BERAG. In January 2025, wefox sold a portfolio of run-off German, Italian and Swiss contracts to DARAG. In May, wefox's Italian units were sold to JC Flowers.

The business is currently focused on developing its asset-light Managing General Agent (MGA) and smart insurance distribution businesses. The initial focus is on wefox's core markets of Netherlands, Austria, and Switzerland.

To pursue this, in July 2025, wefox announced that it had secured €151m of financing, €76m of that was as additional equity from existing investors and €75m in the form of debt.

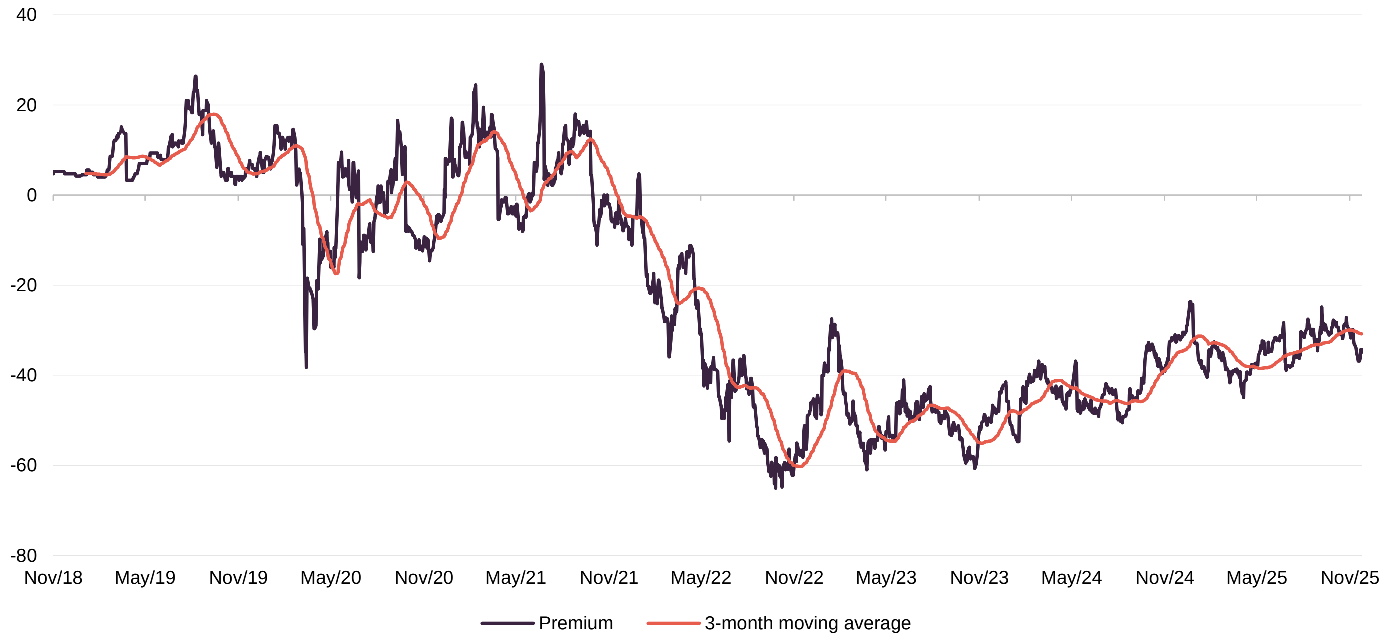
CHRY took a leading role in that restructuring, which appears to have enabled CHRY to introduce more downside protection into its investment, improve its position within wefox's capital structure, and increase its stake in the business. The advisers say that this has contributed to the increase in wefox's valuation.

The advisers state that wefox is expected to be profitable in 2025. They indicate that there may be potential for an expansion of the business into Germany and the UK.

Premium/(discount)

Over the 12 months ended 30 November 2025, CHRY's shares traded at a discount ranging from 45.0% to 23.7%; the average discount over that period was 33.9%. As of publishing, CHRY's discount was 35.3%.

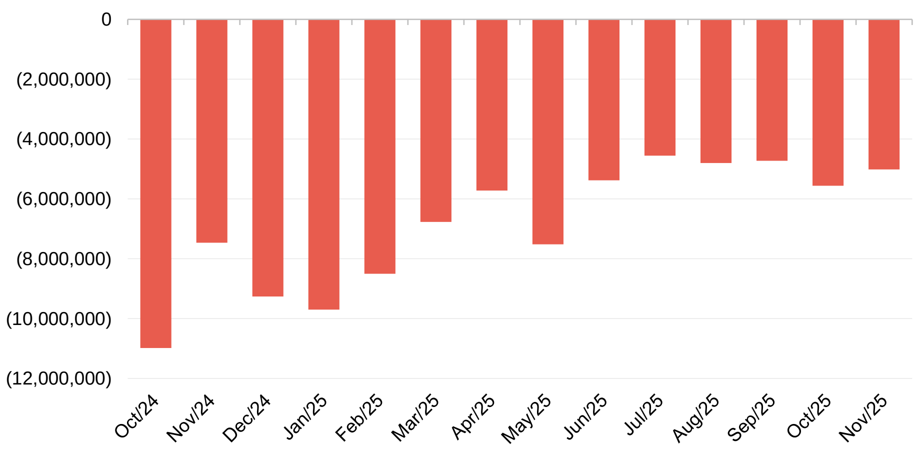
Figure 7: CHRY premium/(discount) since launch



Source: Bloomberg, Marten & Co

The discount continues to narrow, which may be influenced by the buyback programme and the rising NAV. Since the programme began on 30 September 2024, CHRY has bought back 96,465,497 shares into treasury, representing 16.2% of its issued share capital.

Figure 8: CHRY share buy backs



Source: Marten & Co (NB data to 30 November 2025)

Fund profile and management arrangements

Investors may wish to consult the fund's website at chrysalisinvestments.co.uk

CHRY's investment objective is to generate long-term capital growth through investing in a portfolio consisting primarily of equity or equity-related investments in unquoted and listed companies. The ability to invest in companies that are growing rapidly, regardless of whether or not they are listed, is stated as a core part of CHRY's investment strategy.

At launch, the company's name was Merian Chrysalis Investment Company Limited (ticker MERI). That changed in December 2020, following Jupiter's acquisition of Merian Global Investors Limited. The advisory team of Nick Williamson and Richard Watts moved across from Merian. Then, with effect from 1 April 2024, the team formed a new investment adviser – Chrysalis Investment Partners LLP – which entered into a tripartite contract with CHRY's board, under which it took over investment advisory services from Jupiter and G10 Capital Limited took over as AIFM. Richard and Nick are now solely focused on CHRY's portfolio. They are supported by lead investment analyst Mike Stewart, investment specialist Carmen Azad, legal counsel James Simpson, and head of finance and operations Bekki Whiting.

The debt facility

In September 2024, CHRY announced it had secured a two-year, £70m debt facility with Barclays Bank. It includes an uncommitted accordion facility of £15m. Interest is charged at a margin over SONIA. The loan was immediately drawn down and can be repaid after one year with no penalty to CHRY. £10m of this has been repaid in recent weeks.

Previous publications

Readers interested in further information about CHRY may wish to read our previous notes listed below. You can read them by clicking on the links in Figure 9 or by visiting our website.

Figure 9: QuotedData's previously published notes on CHRY

Title	Note type	Date
Shepherding its portfolio through the storm	Initiation	9 September 2022
Putting growing pains behind it	Update	26 July 2023
Turned a corner	Update	7 February 2024
Return to form	Update	27 February 2025

Source: Marten & Co

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