



# Chrysalis Investments

Investment companies | Update | 4 December 2025

## The road ahead

Chrysalis Investments (CHRY) is now seven years old, with a more mature portfolio. Since our last update, strong performance from Starling and signs of recovery at wefox have boosted NAV. Recent asset sales have provided enough liquidity for CHRY to meet its capital allocation commitments, and Klarna's IPO increases the chance of further realisations.

Over 16% of CHRY's shares have been bought back, narrowing the discount, though there is still room for improvement. Some investors have asked for an exit near asset value, while others, encouraged by CHRY's NAV growth, are interested in new investments. After consulting shareholders, the board is planning the next steps.

## 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.

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

Note1) Last published as at 30 September 2025



The discount has continued to narrow, supported by the buyback programme and a rising NAV



CHRY's approach allows it to stay invested in promising companies, unlike many peers who may face pressure to exit



CHRY's advisers believe Klarna could generate around \$3 billion in pre-tax earnings within three years





## Contents

<b>Shareholder consultation</b>	<b>4</b>
<b>Portfolio</b>	<b>5</b>
Recent investment activity	5
Portfolio as at last quarter end	6
<b>Performance</b>	<b>8</b>
Premium/(discount)	11
<b>Fund profile and management arrangements</b>	<b>12</b>
Previous publications	13

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

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Click for CHRY's peer group analysis



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Click if you are interested in meeting CHRY's advisers



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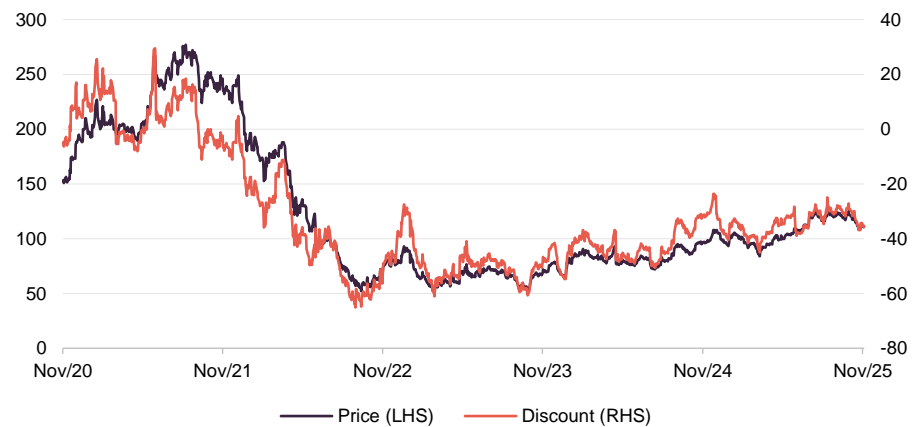
## At a glance

### Share price and discount

Over the 12 months to 30 November 2025, CHRY's shares traded at a discount ranging from 45.0% to 23.7%, with an average discount of 33.9%. At the time of publication, the discount stood at 35.3%.

The discount has continued to narrow, supported by the buyback programme and a rising NAV. Since starting on 30 September 2024, CHRY has bought back 96,465,497 shares, equal to 16.2% of its issued share capital.

### Time period 30 November 2020 to 3 December 2025

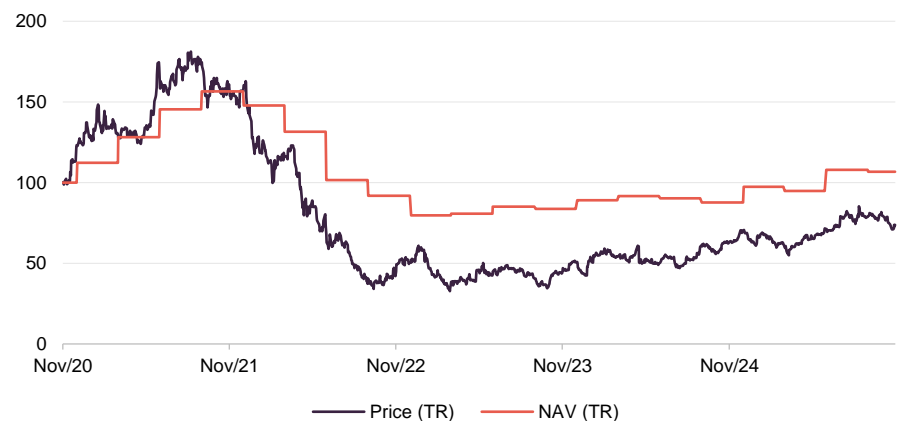


Source: Bloomberg, Marten & Co

### Performance over five years

At the end of September 2025, CHRY's NAV was 171.65p, up 9.6% for the year. The initial drop in Klarna's share price after its IPO was reflected in this NAV. However, if we account for Klarna's further decline since then, CHRY's NAV may have fallen by another 4p.

### Time period 30 November 2020 to 30 November 2025



Source: Bloomberg, Marten & Co

Year ended	Share price total return (%)	NAV total return (%)	MSCI UK total return (%)	NASDAQ total return (%)	S&P 500 total return (%)
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

## Shareholder consultation

£100m capital return programme on target helped by disposals

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

CHRY introduced a capital allocation policy in early 2024, committing to return £100m to shareholders. By May 2025, several exits, including Graphcore, Featurespace, and InfoSum, increased available cash to support this policy. The planned Klarna IPO also offered the prospect of more liquidity (see page 8 for details).

A group of shareholders holding about 27% of CHRY shares requested that the continuation vote, originally set for the 2027 AGM, be brought forward by a year. However, the board found mixed views among shareholders about the company's direction. In response, CHRY's board began a shareholder consultation with Rothschild & Co and decided to propose a resolution at the 2026 AGM to reaffirm the current capital allocation policy.

The board confirmed there would be no new investments before the 2026 AGM. Follow-on investments in existing holdings would only occur if needed to protect or enhance their value. If shareholders reject the capital allocation policy, the board would consider options for shareholders to either exit or stay invested, possibly through 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 working on a solution and aims to present its preferred proposal in December with the annual results.

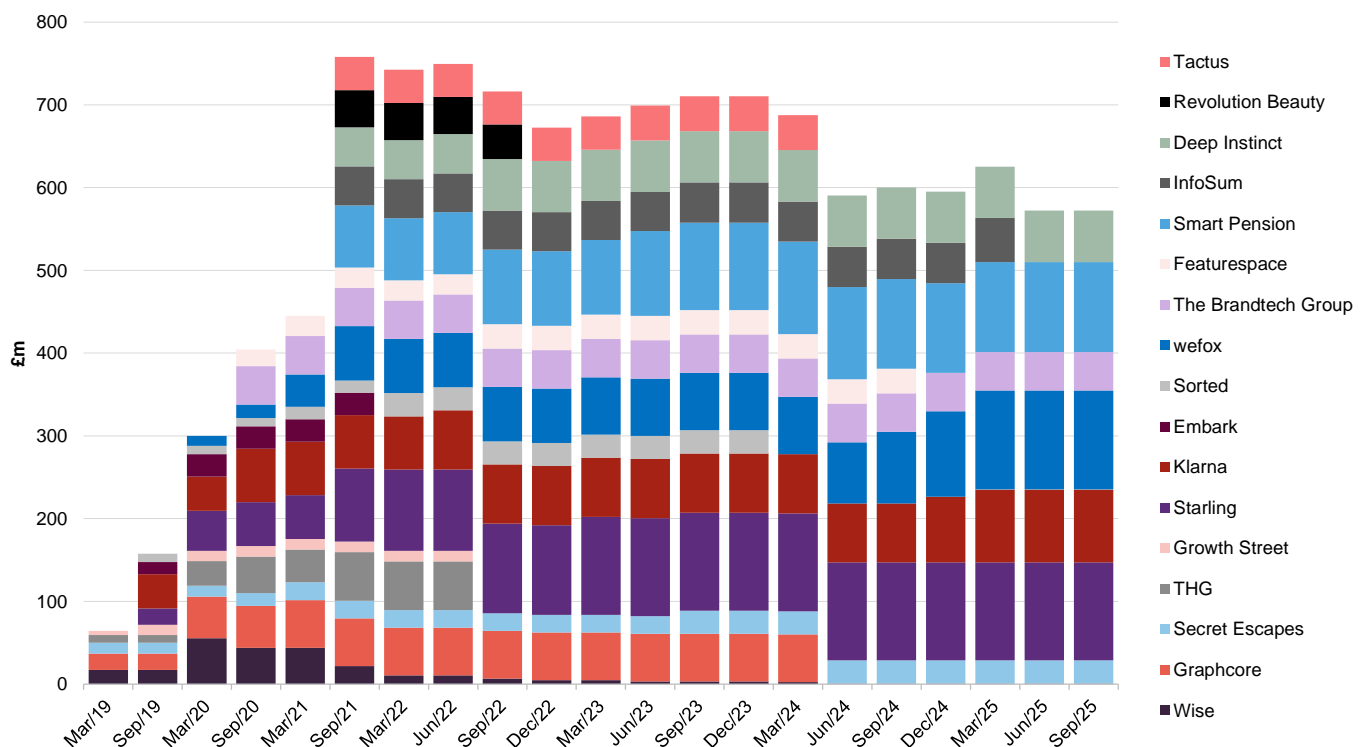
QuotedData recognises that, seven years after CHRY's IPO, some shareholders may want liquidity. However, it is also important to note the value created by CHRY's advisers, the company's support for promising businesses, and the ongoing opportunities in a challenging growth capital environment.

## Portfolio

### Recent investment activity

InfoSum was sold to WPP for £49.8m in April 2025, representing a 16.4% premium to CHRY's December 2024 valuation. However, CHRY had invested £53.3m in total, including £2.4m in early 2025, resulting in a multiple on invested capital (MOIC) of 0.93x. The advisers felt selling InfoSum and using the proceeds for share buybacks offered a better risk-adjusted return than holding onto 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. Before this, CHRY invested another £8m but chose not to sell any shares during the IPO and is now locked in for six months. Advisers were unwilling to commit to selling at an unknown IPO price and believe Klarna has strong medium-term growth prospects that could drive significant profits. CHRY's approach allows it to stay invested in promising companies, unlike many peers who may face pressure to exit.

The advisers recently made a small investment in Deep Instinct, under \$1m.

Since September, CHRY has repaid £10m of its £70m term loan, reducing the balance to £60m.

The advisers note their recent focus has been on restructuring companies to position them to stand on their own feet and narrowing the portfolio to the most promising investments. This process is ongoing and could lead to further sales of

less attractive holdings. While now may be a good time to look for new investment opportunities, this depends on resolving how capital will be allocated in future.

## 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 <sup>1</sup>	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
<b>Total investments</b>		<b>94.5</b>	<b>828.6</b>	<b>572.2</b>	<b>1.4</b>
<b>Gross cash</b>		<b>13.5</b>	<b>118.1</b>		
<b>Debt</b>		<b>(8.0)</b>	<b>(70.0)</b>		
<b>Net assets</b>		<b>100.0</b>	<b>876.7</b>		

**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](https://starlingbank.com)) reported its results for the year ending March 2025. During this period, the bank slowed its growth to address fines for weak client onboarding checks and set aside funds for COVID-era loans. Despite this, revenue rose by 4.7% to £714m. Customer deposits rose by £1.1bn to £12.1bn, with 400,000 new accounts bringing the total to 4.6 million. Fines and provisions reduced profits to £223m from £301m, but this is seen as a one-off impact. To address past issues, Starling has strengthened its management team, hiring a new COO (Joe Gordon) and chief banking officer (Raghu Narula), with CEO Raman Bhatia making eight senior appointments since June 2024.

With legacy problems being resolved, Starling can increase marketing and grow its market share, as well as expand its services. In February, it stopped paying interest

on current accounts but launched an "easy-saver" account, initially offering 4% interest, now reduced to 3%.

Starling remains well-capitalised, with £400m in excess capital at the interim stage, which could fund further growth, acquisitions, or even company takeovers. In August, Starling acquired Ember, an accounting and tax software provider for SMEs, to help them comply with HMRC's "Making Tax Digital" rules from April 2026.

Advisers suggest Starling could enter the US market by acquiring a small bank, given the fragmented US banking sector and its outdated systems. On 4 November, CHRY reported that Starling's Engine SaaS business secured a 10-year contract with Canadian digital bank Tangerine, Engine's third customer after Salt Bank in Romania and AMP's Bank GO in Australia. Advisers see this as a strong endorsement and a sign of Engine's global potential.

The new contract could generate revenue comparable to Engine's main rival, Thought Machine, valued at about \$2bn. Advisers believe Engine's end-to-end solutions and reputation put it in a strong position for further growth. Engine is now legally separate from Starling's UK bank, allowing for a potential split if needed. Given Engine's growth prospects and the high valuations of fast-growing software firms, advisers see it as a key driver of CHRY's future NAV growth.

## Smart Pension

The advisers say that while the valuation of CHRY's stake in Smart Pension ([smart.co](https://www.smart.co)) has been fairly flat in recent quarters, there is still a lot going on within the company.

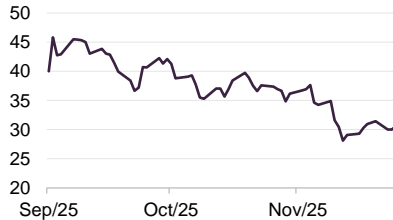
Smart Pension reported over 1.5 million members and £6.5bn in assets under management (AUM) in its Master Trust as of March. The company expects more consolidation in the UK pension sector, partly driven by the Pension Schemes Bill. This bill includes a proposed minimum AUM of £25bn for multi-employer defined contribution schemes by 2030. Schemes with at least £10bn by 2030 and a credible plan to reach £25bn by 2035 can qualify for "transition pathway relief".

This move is pushing smaller schemes to merge, as they are unlikely to meet the threshold on their own and are likely to become takeover targets. As a buyer, Smart Pension is well placed to negotiate favourable deals.

Advisers believe AUM could reach £9bn by year-end, boosted by Smart Pension's acquisition of Options, up from £2.5bn when CHRY first invested. With ongoing contributions and modest market growth of 2% per year, AUM could reach £18bn by 2030 even without further acquisitions. Gross margins are about 80%, so rising revenue is expected to significantly improve profits.

Smart Pension also owns Keystone, its in-house software business, which helps integrate new business and is already EBITDA positive, offering additional value.

**Figure 3: Klarna (USD)**



Source: Bloomberg

## Klarna

Klarna's ([klarna.com](https://klarna.com)) IPO took place on 2 September 2025 after being delayed from April due to market volatility linked to Trump's tariff announcements. Priced at \$40 per share, Klarna raised \$1bn and was valued at about \$15bn. Since then, the share price has dropped, partly due to a Q3 loss, and now stands at \$30.6, giving a market cap of \$11.5bn.

CHRY did not sell any shares at the IPO, and its 4.2m Klarna shares are now under a standard six-month lock-up. The IPO process made it difficult to predict the final price, but the adviser believed Klarna had more growth potential, especially with several new agreements made ahead of the listing.

Alongside existing partnerships with Stripe and ApplePay, Klarna has recently added partners like Worldpay, GooglePay, and JPMorgan Payments. Advisers expect these new partnerships to generate and grow business for the next seven to ten years.

In Q3, Klarna had 114 million active consumers and 850,000 merchants, both up over 30% year-on-year. Gross merchandise value reached \$118 billion, a 23% like-for-like increase.

Klarna's US Fair Financing product, which offers larger loans than its Buy Now, Pay Later service, is growing rapidly. By 30 September 2025, the value of these loans was up 139% year-on-year. However, this growth is currently impacting Klarna's results, as it must set aside upfront provisions for potential loan losses before recognising income. Klarna is also selling loan packages to Elliott, which allows it to recognise revenue sooner and reduce these provisions, suggesting the impact is temporary.

Extra revenue from these loans should improve profitability, especially as Klarna uses technology and AI to keep costs low. CHRY's advisers believe Klarna could generate around \$3 billion in pre-tax earnings within three years, which could significantly increase its valuation.

## Performance

At the end of September 2025, CHRY's NAV was 171.65p, up 9.6% for the year. The initial drop in Klarna's share price after its IPO was reflected in this NAV. However, if we account for Klarna's further share price decline since then, CHRY's NAV may have fallen by another 4p.

The chart in Figure 4 shows that the sharp rise in NAV during 2020/21 was followed by a similar drop in 2022. This shift reflects the move from the easy-money, low interest rate environment of the COVID period to rising inflation and higher interest rates. The share price fell ahead of the NAV but dropped more than the underlying value.



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



Source: Morningstar, Marten & Co

It is important to note that five-year performance figures now include most of the recent decline but little of the earlier gains. Excluding this period, the NAV has generally risen since launch. However, the discount, discussed later in this report, continues to hold back share price returns.

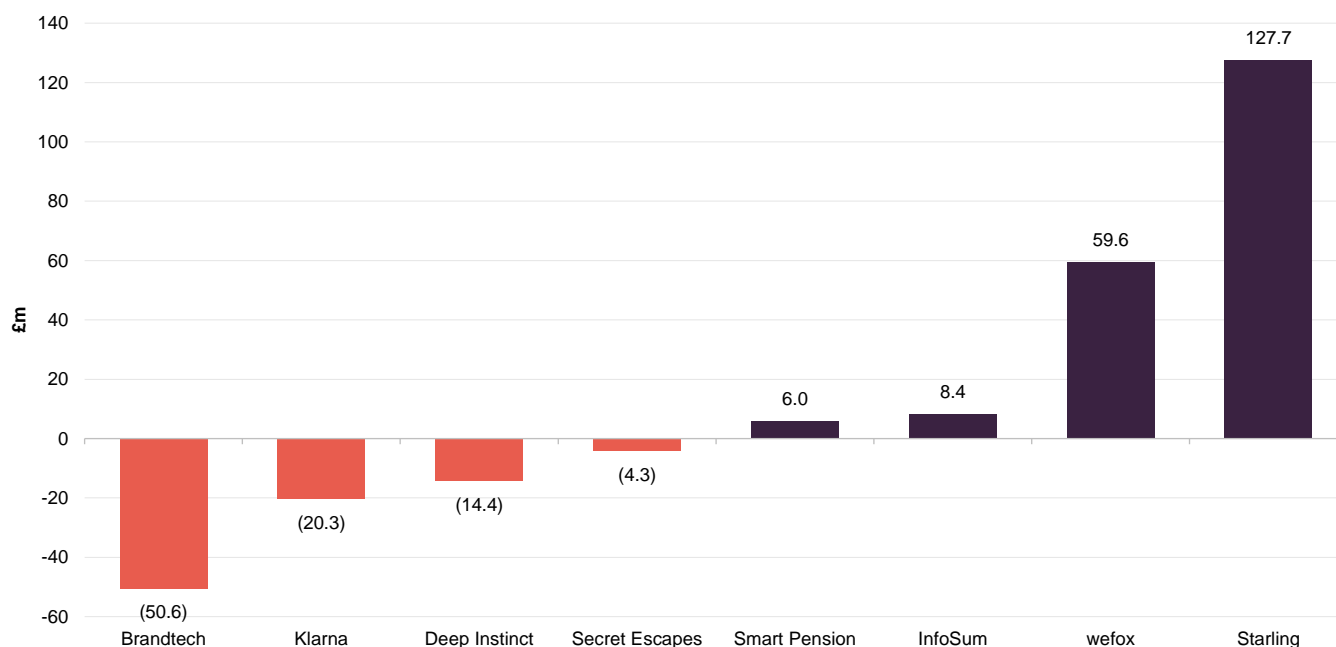
**Figure 5: Cumulative total returns for periods ending 30 November 2025**

	3 months (%)	6 months (%)	1 year (%)	3 years (%)	5 years (%)
NAV <sup>1</sup>	(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, we have included the MSCI UK and NASDAQ as comparators. However, none of these would make 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 notable changes in valuation for each of CHRY's assets since our last note, which used valuations as at 31 December 2024.

CHRY's buyback activity led to a slight drop in the fund's total value, from around £888m to £877m over the first nine months of 2025. However, the NAV per share rose by 9.6%. This increase was mainly due to higher valuations for Starling and wefox, though these gains were partly offset by lower valuations for Brandtech and Klarna. Starling and Klarna have been covered earlier; the following focuses on the other two.

## Brandtech

Brandtech ([thebrandtechgroup.com](https://thebrandtechgroup.com)) has made progress with its GenAI advertising solutions and plans to add Google's video generation model to its service. However, lower valuations among listed competitors like WPP have led CHRY to reduce Brandtech's carrying value.

Advisers note that while advertisers see AI's potential, many are pausing to assess how to use it, which has slowed demand for Brandtech's services. Brandtech's Pencil and Oliver businesses are expected to benefit as confidence in AI advertising grows.

## wefox

Last year, wefox ([wefox.com](https://wefox.com)) began a major restructuring, starting with its exit from the German market in July. In September, a new CEO, Joachim Müller, was appointed, and in December, wefox sold its Lichtenstein-based insurance carrier to a Swiss consortium led by BERAG. In January 2025, it sold a portfolio of German,

Italian, and Swiss contracts to DARAG, followed by the sale of its Italian units to JC Flowers in May.

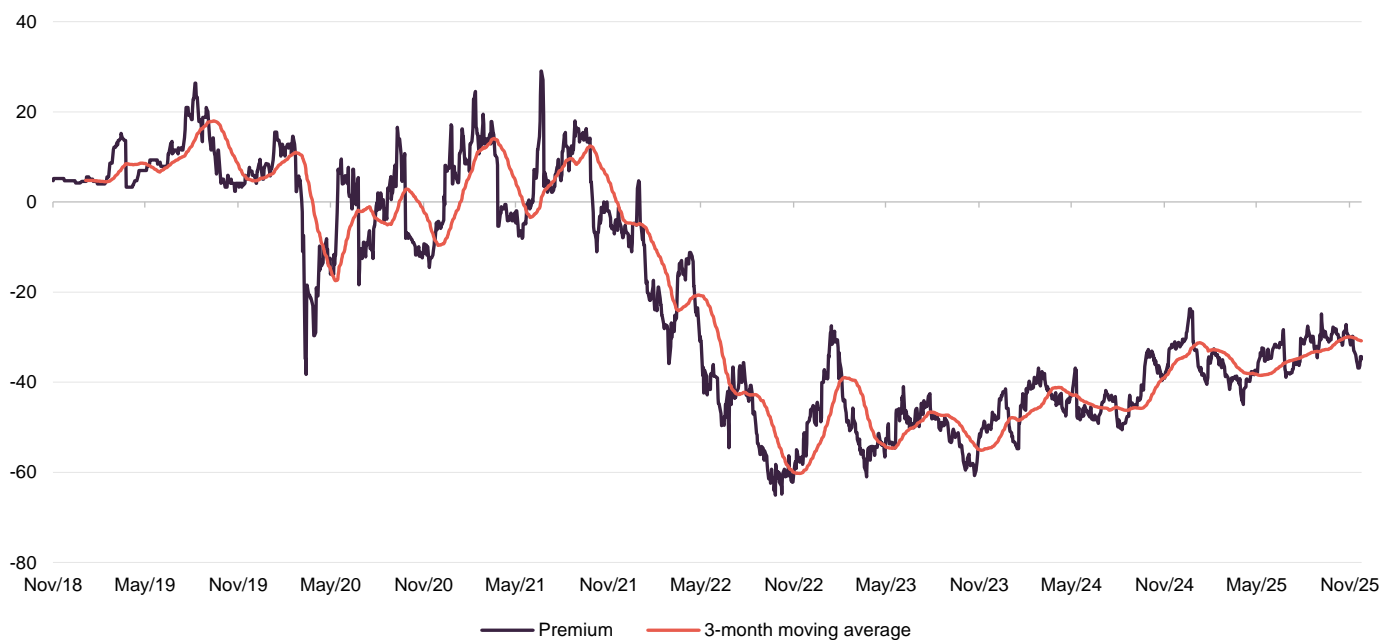
The business is now focused on developing its asset-light Managing General Agent (MGA) and smart insurance distribution operations, mainly in the Netherlands, Austria, and Switzerland. In July 2025, wefox secured €151m in new funding, with €76m from existing investors as equity and €75m as debt.

CHRY played a key role in the restructuring, gaining more downside protection, a better position in wefox's **capital structure**, and a larger stake, which supported the higher valuation. Advisers expect wefox to be profitable in 2025 and see potential for expansion into Germany and the UK.

## Premium/(discount)

Over the 12 months to 30 November 2025, CHRY's shares traded at a discount ranging from 45.0% to 23.7%, with an average discount of 33.9%. At the time of publication, the discount stood at 35.3%.

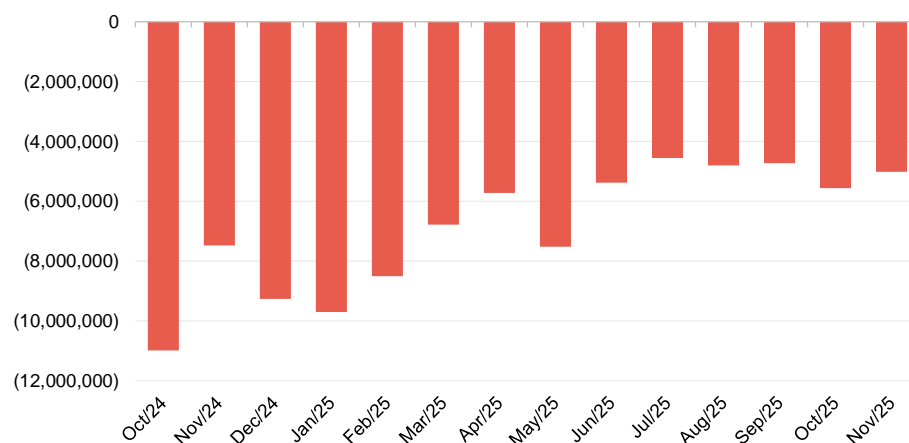
**Figure 7: CHRY premium/(discount) since launch**



**Source:** Bloomberg, Marten & Co

The discount has continued to narrow, supported by the buyback programme and a rising NAV. Since starting on 30 September 2024, CHRY has bought back 96,465,497 shares, equal to 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](https://chrysalisinvestments.co.uk)

CHRY aims to deliver long-term capital growth by investing mainly in shares or similar investments in both private and listed companies. Its strategy centres on supporting fast-growing businesses, whether listed or not.

The company was originally called Merian Chrysalis Investment Company Limited (ticker MERI) but changed its name in December 2020 after Jupiter acquired Merian Global Investors. The advisory team of Nick Williamson and Richard Watts moved over at that time. From 1 April 2024, the team became Chrysalis Investment Partners LLP, which now advises CHRY under a new agreement, with G10 Capital Limited as AIFM. Richard and Nick now focus solely on CHRY's portfolio, supported by lead 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 secured a two-year £70m loan from Barclays Bank, with an option to increase by £15m. The interest rate is set above SONIA. The loan was drawn immediately and can be repaid after one year without penalty. CHRY has already repaid £10m 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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