

MERIAN CHRYSALIS

INVESTMENT COMPANY LIMITED

AS AT 30 SEPTEMBER 2019



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

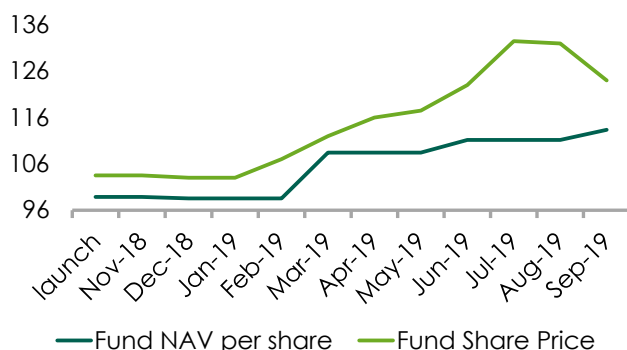
Shares in Issue	336,742,424
Share Price	124.00p
NAV per share	113.33p
Market Cap	£418m
Total Net Assets	£382m
Share Price Premium / (Discount)	+ 9.4%
Listing	Premium Segment Main Market LSE
Ticker	MERI
LEI	213800F95Q753JQHSW 24
ISIN	GG00BGJYPP46
Incorporation	Guernsey

PORTFOLIO MANAGERS



RICHARD WATTS, NICK WILLIAMSON
PORTFOLIO MANAGERS

NAV AND SHARE PRICE



CUMULATIVE PERFORMANCE (%)

	3 month	6 month	SI
Fund NAV	2.0	4.5	14.6
Fund Share Price	0.8	10.7	19.8

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. Merian Global Investors (MGI) 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 MGI's award-winning UK small- and mid-cap desk, which manages £6.1bn.

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OVERVIEW

The Investment Adviser is pleased with the progress of the portfolio companies during the period and with the steady progress in the Company's NAV. A significant majority of the Company's investments did not revalue in this period as many portfolio companies were held at investment value, given the proximity of the initiations of these positions to the period end, as well as the fact that 55% of the portfolio was held in cash following the fundraising in September. In addition, TransferWise, as of 2 December the Company's largest asset, also saw a material revaluation in the previous quarter. This has meant that much of the underlying progress of investee companies has yet to be reflected in valuations. NAV of 113.33p was up modestly on the prior period. This was driven by the accretive impact of the recent fundraising at a premium, offset by a modest portfolio valuation adjustment. Given that the follow-on acquisitions of interests in The Hut Group and Transfer Wise (as described below) were undertaken post period end, the 30 September NAV does not reflect the slight uplift from making the acquisitions at a modest discount, which is estimated to be approximately 0.6 pence. Weighted-average revenue growth across the portfolio was in excess of 50% (measured as the growth achieved over the nine months to September 2019 on the same period a year ago).

PORTFOLIO COMMENTARY

The three month period to the end of September was very active for the Company. On the deployment side, investments into Embark Group (July; £14.9m); Klarna (August; \$50m); and Sorted (August; £10m) were undertaken. The effect of this activity was to take the Company to c78% invested.

Given the pipeline of opportunities, a placing was launched in September, under the original Placing Programme, with the aim of raising >£100m. We were delighted with the response from investors and closed the round at £175m at the end of the quarter. As highlighted in the background to the raise, our aim was to deploy approximately 50% of the proceeds to scale up certain existing portfolio holdings via acquisition of stock from Merian's range of OEICS ("the Transaction"). As a result of the raise, as of September the Company was approximately 45% invested. Post period end, the first part of the Transaction completed with the purchase of shares in both TransferWise and The Hut Group. Combined with follow-on investments in Starling Bank and Embark Group, the fund was approximately 69% invested at the end of November (assuming the Embark follow-on meets all completion requirements).

- In September, TransferWise declared 53% annual revenue growth for the fiscal year to March 2019, and the company has expanded its community to over 6 million people. The Investment Adviser has high confidence in its ongoing ability to grow.
- Starling Bank continues its rapid growth in both deposits and customer numbers, and has started to spend its recent £100m award from the Capabilities and Innovation Fund to accelerate its customer proposition. Prospects for further growth appear strong.
- Klarna, a recent addition, continues to see robust sales growth of 30% over the first nine months of the year, and is adding an annualised 20 million customers. Growth has been particularly strong in the UK and US.
- Embark Group has successfully completed two acquisitions since the Company's initial investment, which should be transformational for the company. These have more than doubled the size of the group to >£33bn of AUA.
- Graphcore has announced performance statistics for its IPU, which show its speed is comparable to GPUs on large language models without optimisation, and significantly faster on other applications (e.g., 26x faster on probabilistic modelling). In addition, it has launched a collaboration with Microsoft Azure to offer IPUs to preview customers. The Investment Advisor views these events as highly significant for Graphcore's future prospects.
- Growth Street, the Company's smallest investment, under-performed during the period, however, the Investment Adviser supported the management team to re-focus its strategy on its core digital offering.

OUTLOOK

During the period, the Investment Advisor has worked closely with the management teams of a number of portfolio companies to monitor progress and identify new strategies which may be appropriate. As a result of this, a number of potentially interesting follow-on situations have arisen, including our recent injection of new money into Embark Group. In addition to these follow-on opportunities, we are working on a number of strong, new ideas, and are pleased with the pipeline engagement we are experiencing from both corporates and advisors.

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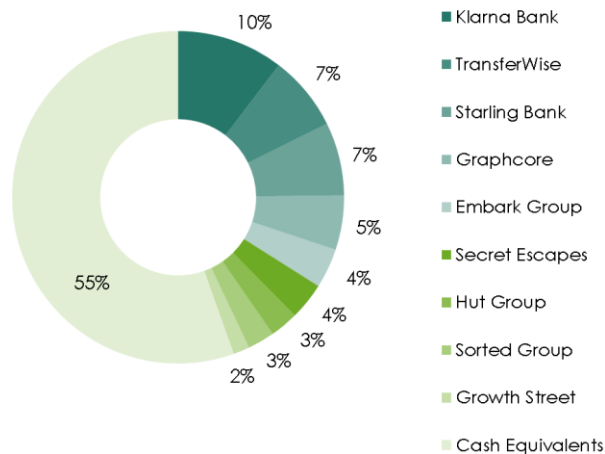
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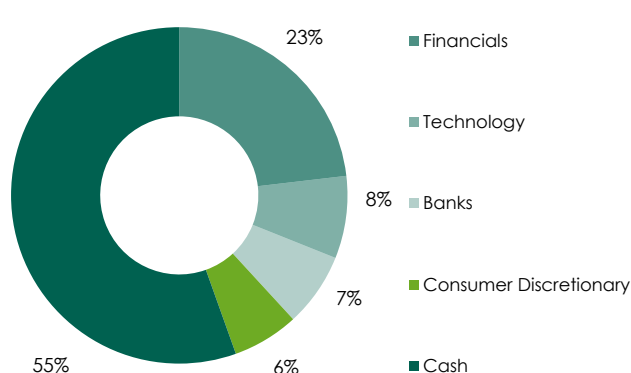
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TOP HOLDINGS



SECTOR EXPOSURE



HOLDINGS DETAILS (AS AT 30 SEPTEMBER 2019)

Name	Description
TransferWise	Platform payments business that aims to reduce fees associated with FX
Secret Escapes	Travel company that helps hotels minimise unsold inventory
The Hut Group	E-commerce business with proprietary technology platform powering sales of its own and third-party brands online
Graphcore	Leading artificial intelligence processor business, which has developed the Intelligent Processing Unit and the related software toolchain
Growth Street	Innovative P2P lending product targeted at SMEs, replacing overdrafts and invoice factoring
Starling Bank	Digital challenger bank that delivers financial services to retail and SMEs
Embark Group	Full-scale retirement solutions provider, with platform, investment wrap, e-SIPP, SIPP, SSAS, fund research and employee benefits consulting capabilities
Klarna Bank	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 and returns

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COMPANY AND FUND INFORMATION

Listing Date	06-Nov-18
AIFM	Maitland Institutional Services Limited
Administrator & Company Secretary	Maitland Administration (Guernsey) Limited Computershare Investor Services (Guernsey) Limited
Registrar	Travers Smith LLP
Legal Adviser	KPMG LLP
Auditor	Liberum Capital Limited
Corporate Broker	Merian Global Investors (UK) Limited
Investment Adviser	

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DIRECTORS

Andrew Haining (Chairperson)
Stephen Coe Simon Holden
Anne Ewing Tim Cruttenden

IMPORTANT INFORMATION

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