

MERIAN CHRYSALIS INVESTMENT COMPANY LIMITED

Merian Chrysalis Investment Company Limited ("MERI") is a new investment company to be admitted to the premium segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's Main Market for listed securities.

AN INTRODUCTION



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.



INVESTMENT STRATEGY

Utilising permanent capital to invest in crossover opportunities where we can help de-risk a future IPO*. Merian Global Investors (MGI) has the scale, expertise and relevance to be a crossover investor.



INVESTMENT OBJECTIVE

To generate long-term capital growth through investing in a portfolio consisting primarily of equity or equity-related investments in unquoted companies.



INVESTMENT ADVISER

The company will be managed by MGI's award-winning UK small- and mid-cap desk, which manages £7.0bn¹ and has invested around £300m in unlisted companies since September 2017.

Key dates

- Close of offer for subscription and intermediaries offer on 31/10/2018
- Admission and dealing in shares: 8am on 6/11/2018

THE WIDER OPPORTUNITY

THE POPULARITY OF PRIVATE CAPITAL HAS INCREASED SHARPLY IN RECENT YEARS

PRIVATE MARKETS ATTRACTIVE



MGI believes private markets offer greater flexibility, less loss of control for founders, and less concern over near-term profit targets versus public markets.

CROSSOVER COLLABORATION

Successful private companies, often as mature as many that choose to IPO, are looking for relevant 'crossover' investors to help them over the public ownership line. Collaboration significantly de-risks IPO.



CAPITAL-LITE



Characteristically, many of the companies we look at are "tech-enabled disruptors." In MGI's experience, typically as they approach breakeven or profitability, these businesses tend to be relatively non-capital intensive and they have less need to raise primary capital.

PRIVATE FOR LONGER

More companies are looking for private capital, albeit most providers are of a 'traditional' nature. The increase in private capital availability has enabled companies to raise fresh finance without IPO and stay privately owned for longer.



VALUE CURVE

MGI believes public markets are less used to valuing very high growth situations. As a result, private owners feel they will not be rewarded for their growth and so only IPO once significant value has already been captured.



PORTFOLIO MANAGERS

THEY WILL BE SUPPORTED BY MGI'S UK MID & SMALL CAP TEAM: £7.0BN AUM¹



RICHARD WATTS
FUND MANAGER

Richard joined the team in 2002 and manages the Merian UK Mid Cap Fund. He initially joined the UK mid- and small-cap team as an analyst before assuming full portfolio management responsibilities in 2009. He joined from Orbis Investment Advisory where he spent two years as an equity analyst, before which he was a senior associate in the investment management division of PwC. Richard has a degree in mathematical sciences from the University of Oxford, is IIMR qualified and is a CFA charterholder.



NICK WILLIAMSON
FUND MANAGER

Nick has worked with the team since 2008, covering a variety of sectors. Prior to his appointment as manager of the Merian UK Smaller Companies Focus Fund in 2016, Nick acted as deputy manager on both the onshore and offshore UK smaller companies funds, since January 2014. Before this he was a sell-side analyst for more than 10 years, with a broad range of analytical responsibilities, most recently at Citigroup. Nick has an economics degree from Durham University and is a CFA charterholder.

* An initial public offering, or IPO, is the very first sale of stock issued by a company to the public.

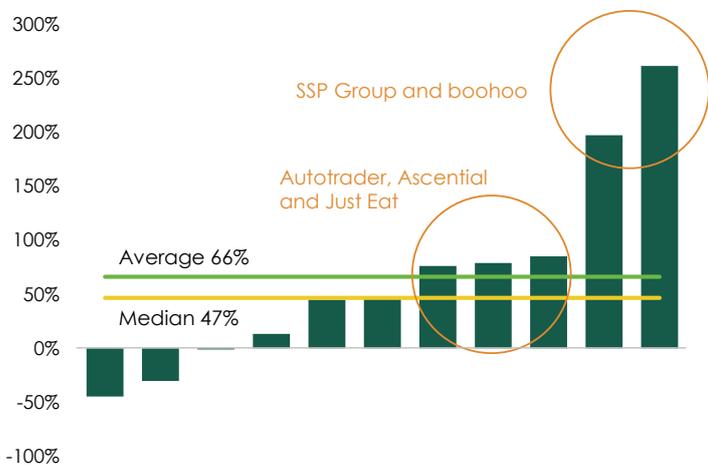
¹ Merian Global Investors, as at 31/07/2018.

TRACK RECORD – IPO PERFORMANCE

EACH FUND SHOWS A STRONG MEDIAN PERFORMANCE, WITH AVERAGE RETURNS BOOSTED BY SOME EXCEPTIONAL INDIVIDUAL CONTRIBUTIONS

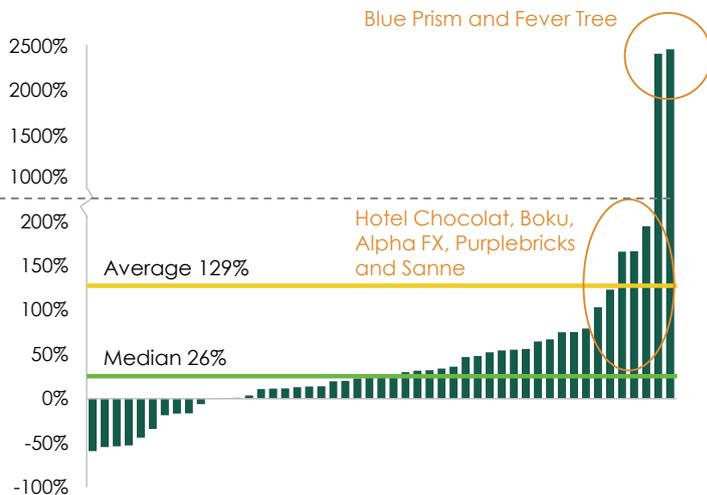
MERIAN UK MID CAP FUND

IPO PERFORMANCE RELATIVE TO BENCHMARK²



MERIAN UK SMALLER COMPANIES FOCUS FUND

IPO PERFORMANCE RELATIVE TO BENCHMARK³



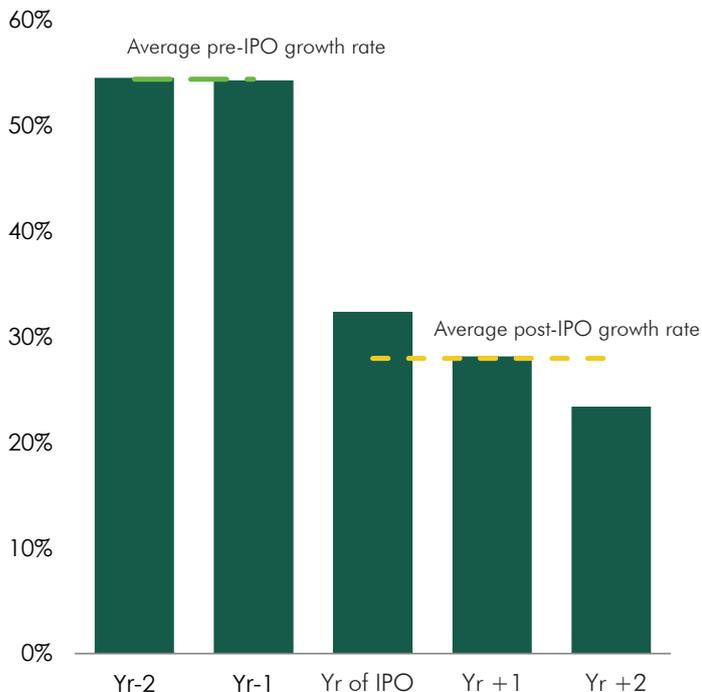
Source: Merian and Bloomberg, as at 17/08/2018, IPOs since beginning of 2013.

²FTSE 250 Ex Inv Trsts. Relative performance to date or to point of sale. ³Numis Smaller Companies ex ITs.

THE VALUE CURVE

IT'S ALL ABOUT THE TIMING

GROWTH RATES FORECAST POST-IPO ARE TYPICALLY c50% OF THOSE ACHIEVED PRE-IPO



Source: Source: MGI plus IPO broker research, as at 17/08/2018

Cohort: Just Eat (UK sales growth); Blue Prism; Fever-Tree; boohoo.com; Alfa Financial Software; Alpha FX; MindGym; Sanne; Medica; FootAsylum; Joules; Codemasters; Boku (ex social games); Aquis Exchange.

DEAL CHARACTERISTICS

FOCUS ON THE RIGHT COMPANY AT THE RIGHT PRICE



Looking for compelling opportunities for minority, private investments, displaying some or all of the following:

- Ability to generate growth rates substantially better than average UK plc;
- Ability to protect these growth rates for a substantial period of time;
- Where valuation appears attractive, particularly against a listed market backdrop, giving an ability to earn a multiple of the entry valuation;
- Ability to earn superior returns at scale; and
- Investee companies to typically have demonstrated proof of concept – usually implying revenue generation credentials

These businesses are typically at an advanced stage of private ownership and beginning to consider an IPO

Maturity substantially decreases stock-specific risk

Other considerations include

- Timetable to IPO/realisation
- Likely capital consumption

- Possible secondary liquidity
- **Strong management team which MGI can support to achieve their goals**

INITIAL INVESTMENT

AIM TO BE 40% INVESTED QUICKLY POST LAUNCH

- Anticipated that the Company will be seeded with two unlisted investments: Transferwise and Secret Escapes
- MGI believes there is an opportunity for the Company to make a follow-on investment in The Hut Group, subject, inter alia, to agreement of terms



TransferWise – invested Oct '2017

- Highly disruptive FX payments company
- Charges just 0.3% to send money on some of its routes
- 4 million users to date
- Year ending '2018 revenues of £118m and profit of £6m



Secret escapes – invested Jul '2018

- Global digital market place connecting discerning travellers with discounts on inspiring travel experiences
- We estimate an organic compound growth rate of >45% 2014-17
- This growth has been driving diminishing losses and strong working capital flows
- Potential bolt-on acquisition opportunities



The Hut Group – invested Sept '2017 (follow-on investment in Feb '2018)

- Highly scalable, end-to-end technology platform serving on-line retail
- Holds a strong position in the attractive verticals of wellbeing and beauty ecommerce
- Profitable and has grown EBITDA at over 40% compounded 2014-17; 2017 sales were £736m for 2017 fiscal year
- Substantial engagement with the management, including undertaking site visits
- Financial due diligence and monitoring as well as third party financial and legal diligence

Structure	Closed-ended Guernsey investment company Traded on LSE Main Market, Premium segment GBP denominated
Strategy	Unlisted pre-IPO opportunities focused fund Ability to hold units/make follow-on investments post IPO if investment thesis warrants Holding size: up to 20% of gross assets, calculated as at the time of investment Borrowing: up to 20% of gross assets, calculated as at time of drawdown, for investment and working capital purposes
Size & deployment	Initial target proceeds £200m Proceeds expected to be substantially invested within 6-9 months of IPO* Other MGI-managed funds committed to 15% of total issue Typical number of holdings once fully invested : 7-15 MGI OEICs currently expected to use this company to gain access to unlisted opportunities in most circumstances
Costs & expenses	Launch costs capped at 1.5% of gross issue proceeds Management fee: 0.5% p.a. of NAV (less cash until 90% of IPO proceeds deployed) Performance fee: 20% of NAV returns in excess of 8% pa compounding hurdle with high water mark. Fee payable annually up to the amount of net realised profits earned / value of listed shares in year of the relevant investment's IPO in the period, with deferral to future periods where there are insufficient net realised profits / value of listed shares in year of the relevant investment's IPO
Pricing	Quarterly NAV valuation updates
Discount management	Authority to buy back shares at the board's discretion up to 14.99% of issued share capital
Continuity	Continuation vote after 5 years and every 3 years thereafter

*Assumes target IPO size of £200m is achieved and final commercial terms with the Hut Group are achieved.

KEY RISKS

Market risk	Market conditions may restrict the supply of suitable equity or equity related investments that may generate acceptable returns and thereby cause “cash drag” on the Company’s performance. Adverse market conditions and their consequences may have a material adverse effect on the Company’s investment portfolio. To the extent that there is a delay in making investments, the Company’s returns will be reduced. Greater concentration of investments in any one geographical location is generally considered a higher risk investment strategy than that with a more diversified geographic focus, as it exposes investors to the fluctuations of a single geographic market and currency. This may result in greater volatility in the value of the Company’s investments and consequently its respective Net Asset Value, and could affect the value of the Shares.
Investment risk	Equity and equity related investments in the Company’s portfolio may not provide a consistent rate of realised return.
Portfolio risk	Late-stage private growth companies and smaller capitalisation companies that the Company will invest in have a higher risk profile than their quoted company equivalents and investments in such companies may be difficult for the Company to realise. A failure or delay to realise an investment may restrict the ability of the Company to make other more lucrative investments, or require the sale of other more liquid investments, and may materially and adversely affect the performance of the Company and returns to the Shareholders. Investment documentation may include finance, shareholder and other agreements and may contain certain minority or other restrictions that may impact on the ability of the Company to have control over the underlying investments, to access information which may be relevant to the investments made by the Company and/or expose the Company to the risk that other investors may individually or collectively act in a way that is contrary to the Company’s interests (including in circumstances where Merian Global Investors has board observer status).
Valuation risk	There can be no guarantee that the basis of calculation of the value of the Company’s investments will reflect the actual value achievable on realisation of those investments.
Tax risk	Any change in the tax status or tax residence of the Company, tax rates of the Company, tax legislation or tax or accounting practice (in Guernsey or the UK) may have an adverse effect on the returns available on an investment in the Company.
Liquidity risk	First Admission should not be taken as implying that there will be a liquid market for the Shares. Prior to First Admission, there has been no public market for the Shares and there is no guarantee that an active trading market will develop or be sustained after First Admission. If an active trading market is not developed or maintained, the liquidity and trading price of the Shares may be adversely affected. Even if an active trading market develops, the market price of the Shares may not reflect the value of the underlying investments of the Company.

The art and science of investing™

Merian
GLOBAL INVESTORS

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