

Cyan aims to invest in the most promising and highest quality smaller companies listed on the ASX.

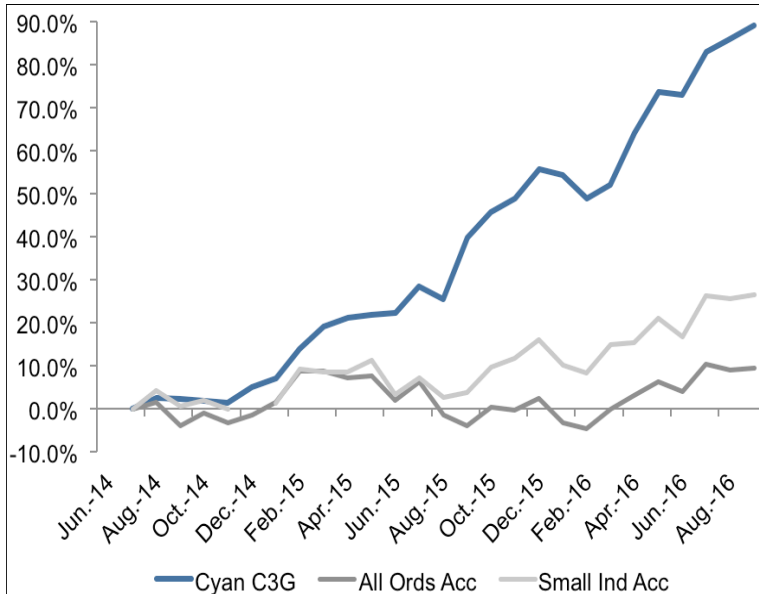
C3G Fund Update 30 September 2016



Fund Incep: 24 Jul 2014 **1.000**

Unit price: 30 Sept 2016 **1.723**

Performance	Cyan C3G	All Ords Acc	Small Ind Acc
1 mth	1.7%	0.4%	0.7%
3 mths	9.3%	5.3%	8.5%
1 Year	35.2%	14.0%	22.0%
2 Year (p.a.)	36.0%	6.7%	12.2%
Since Incep (p.a.)	33.8%	4.2%	11.4%
Volatility	11.8%	13.4%	13.9%



The Cyan C3G Fund delivered another solid result in September, rising 1.7%, in a market that rose just 0.4%.

This takes the Fund's return for the first quarter of the 16/17 financial year to 9.3% (after all fees), already a favourable result given the low inflation environment and scant returns being delivered by other asset classes.

In achieving this result the Fund has retained a defensive cash position predominately comprising higher interest rate term deposits. This is contributing to reduced Fund volatility and is delivering a modest amount of interest income (that will be distributed to unit-holders at the end of the financial year).

Since inception just over two years ago, our Fund has delivered a return of 89% (34% p.a.) after all fees.

Again we note in achieving this return the Fund's volatility, at 11.8%, has remained significantly below both the large and small cap indices.

Press

During the month Dean Fergie was interviewed by Alan Kohler for his <https://theconstantinvestor.com/> website. The podcast of the interview is available: [here](#)

Cyan also wrote about Skydive the Beach's most recent acquisition on Livewire Markets (www.livewiremarkets.com). The link to the article is: [here](#)

September Review

September would typically be an uneventful month with reporting season just completed however the market was influenced by rising coal prices (with saw the Materials sector rise 5.9%) and a surprisingly benign outlook by market darling **TPG Telecom (TPM)** that saw that stock fall 33% and also dragged the recently merged M2 and **Vocus (VOC)** down 20%. We sold our inherited position in **VOC** post the merger determining that the strong growth attributes and scalability that M2 had enjoyed had largely been dissolved in the newly formed \$3bn+ company.

Many of our existing holdings continued to perform well including **PSC Group (PSI) +14%**, **Afterpay (AFY) +12%** and **Adacel (+24%)**. The only fall of any significance was **Blue Sky (BLA)** that retraced a modest 3%.

Skydive the Beach (SKB) made an outstanding acquisition in a Cairns based provider of balloon flights, rafting and other non-skydiving activities. SKB raised \$20m through a rights issue and the Fund increased its holding in the company. See more about the acquisition in our article [here](#)

We added a couple of new positions to the Fund in the month.

OTOC (OTC) is run by Managing Director, Simon Thomas, who happens to be an ex-university colleague of Dean's. OTC has been successfully consolidating surveying businesses and we have been following the company's progress closely over the past 18 months. More recently it has become evident that the company is making significant and sustained progress in its consolidation strategy. This has been confirmed in the strong earnings numbers the company has been releasing with underlying profitability rising 3-fold in the past financial year to over \$16m.

SRG Group (SRG) – again this is another business we have been keeping a close eye on for the past year and have recently decided to make an early investment given the growing track-record of the new management under guidance of MD, David Macgeorge and chairman Peter McMorro. SRG's core businesses provide specialised concrete pre-tensioning and dam strengthening services. Underlying profitability in this \$90m market cap company rose more than 50% in FY16 (to \$9.2m pre-tax) with the company backed by a strong balance sheet including some \$22m in net cash.

Outlook

At a market-wide level, valuations have look stretched for a few months now although this must be viewed in light of record low domestic interest rates as shown.

Australian Cash Rate and 90-day Bill Yield

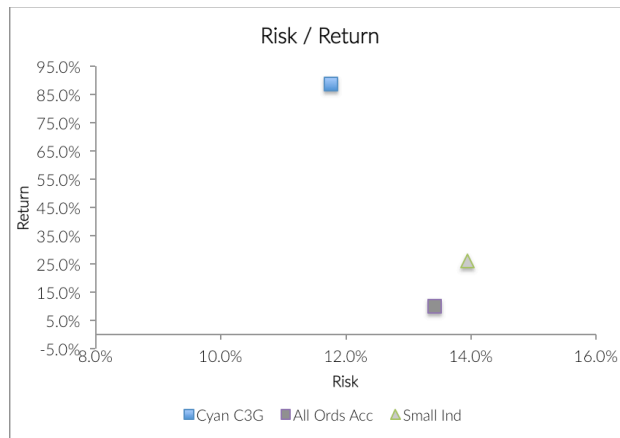


Sources: AFMADData; RBA

Whilst corporate activity has slowed from the hectic levels of late 2015, we have seen a pick-up in activity more recently and have considered a number of new opportunities that have been presented to us in the past 3 weeks alone.

As we have stated previously, whilst we are always looking for exciting new investments, we also aim to protect capital by being very selective about where we invest and not over-exposing ourselves to any particular company. This is also enhanced at times by holding a level of cash to protect the downside.

To date the Fund has generated returns far in excess of the market indices whilst delivering lower volatility as shown.



At Cyan, we continue to meet with management teams post reporting season and conclude there are still a number of emerging businesses well positioned to continue their strong performances.

The vast majority of our larger positions contain our preferred characteristics of high return on equity, strong cash conversion and below average dividend payout ratios, which positions them well to deliver ongoing earnings growth and share price appreciation.

We look forward to keeping our investors updated with the Fund's progress.

Dean Fergie and Graeme Carson

To invest in the Cyan C3G Fund online click here:

<http://www.cyanim.com.au/cyan-c3g-fund-investment-processing-via-olivia123/>



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Past performance is not a reliable indicator of future performance. The Total Returns of the Cyan C3G Fund over specified periods are shown above. This document contains information regarding Total Returns to 30 September 2016. Total Returns are calculated after taking into account performance fees. A performance fee of 20.5% is payable quarterly on any excess performance (after deducting the Management fee) above the quarterly benchmark of 2.5%. A performance fee is only payable where the Fund has exceeded both the benchmark and high water mark

The Total Return performance figures quoted are historical, calculated using end of month mid prices and do not allow the effects of income tax or inflation. Total Returns assume the reinvestment of all distributions. The performance is quoted net of all fees and expenses. The Indices do not incur these costs. This information is provided for general comparative purposes. Positive returns, which the Fund is designed to provide, are different regarding risk and investment profile to index returns. This document is for general information purposes only and does not take into account the specific investment objectives, financial situation or particular needs of any specific recipient. As such, before acting on any information contained in this document, recipients should consider the appropriateness of the information to their needs. This may involve seeking advice from a qualified financial adviser. Cyan Investment Management Pty Ltd (AFSL 453209) is the issuer of the Cyan C3G Fund. A current IM is available from Cyan Investment Management Pty Ltd, located at 17/31 Queen Street, Melbourne VIC 3000. A person should consider the IM before deciding whether to acquire or continue to hold an interest in the Cyan C3G Fund. Any opinions or recommendation contained in this document are subject to change without notice and Cyan Investment Management Pty Ltd is under no obligation to update or keep any information contained in this document current. Cyan Investment Management Pty Ltd holds AFSL 453209.