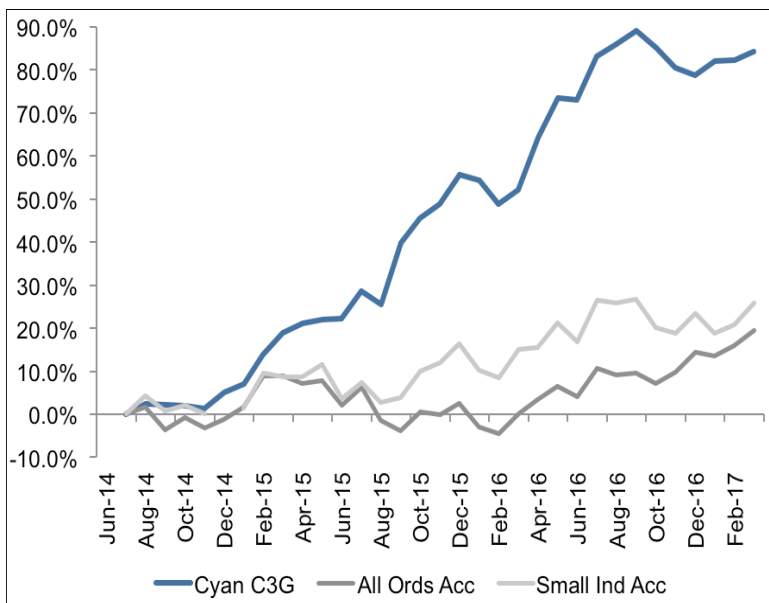


Cyan aims to invest in the most promising and highest quality smaller companies listed on the ASX.

C3G Fund Update 31 March 2017



Fund Incep: 24 Jul 2014	1.000		
Unit price: 31 Mar 2017	1.680		
Performance	Cyan C3G	All Ords Acc	Small Ind Acc
1 mth	1.2%	3.2%	4.2%
3 mths	3.1%	4.5%	2.0%
1 Year	21.1%	19.5%	9.5%
2 Year (p.a.)	24.4%	4.8%	7.6%
Since Incep (p.a.)	25.5%	6.9%	8.9%
Volatility	11.4%	12.4%	13.5%



The Cyan C3G Fund posted a 1.2% gain in March, delivering our investors a return of 3.1% for the first 3 months of 2017, closely tracking our long-term performance expectations of 10-15% p.a.

The Small Industrial index made strong gains in March (largely negating the -4% January result) with some of the largest stocks in the index including **NIB Holdings (NHF)**, **Charter Hall Group (CHC)** and **Steadfast (SDF)** all rising more than 10%, contributing significantly to the index's strong performance.

March Review

It's fair to say it's been quite tough going at the smaller end of the market since late 2016. However whilst we have protected investors from much of the weakness through our higher cash holdings over this period, there have been a number of positive signs that the rotation of interest has returned to the small cap sector and the opportunity to generate positive investment results has re-emerged. As such we have been prudently allocating small amounts of new capital into the market.

The Cyan C3G Fund did not have much in the way of either outlying positive or negative performers over March.

One of our more recent investments, equipment financier **Axesstoday (AXL)** www.axesstoday.com.au completed an oversubscribed \$12m share placement at \$1.42 to fund further growth and invest in additional IT system enhancements. Given the strong underlying performance of the company and the discount to current \$1.55 share price, the C3G Fund subscribed to shares in the raising.

The merger of **Afterpay (AFY)**, www.afterpay.com.au and **Touchcorp (TCH)** www.touchcorp.com was given the green light in March by the directors of both businesses. The merger is expected to be completed before the end of June

and we fully expect the scale and cost synergy benefits to be increasingly understood (and valued) by the broader market in the coming months.

The only disappointing performance came from domestic credit provider **Money3 (MNY)** www.money3.com.au which fell 13% (or 10.6% after accounting for the 2.5c dividend). As we noted last month, MNY posted a solid 1H17 NPAT of \$13.7m, well ahead of market expectations and all business metrics look outstanding. However with a falling share price we've been reluctant to add significantly to our existing position and hence the impact on the Fund has not been as severe as it could have otherwise been.

Some small rises were experienced from core fund holdings including **Capitol Health (CAJ)**, **PSC Insurance (PSI)**, and **Skydive the Beach (SKB)**.

Media

Cyan was featured in some video segments with Livewire Markets during the month.

[Buy Hold Sell: Five fallen angels](#)

[Amazon: The big shark comes in...](#)

We also wrote a couple of pieces including:

[The risks of investing in Chinese value traps](#)

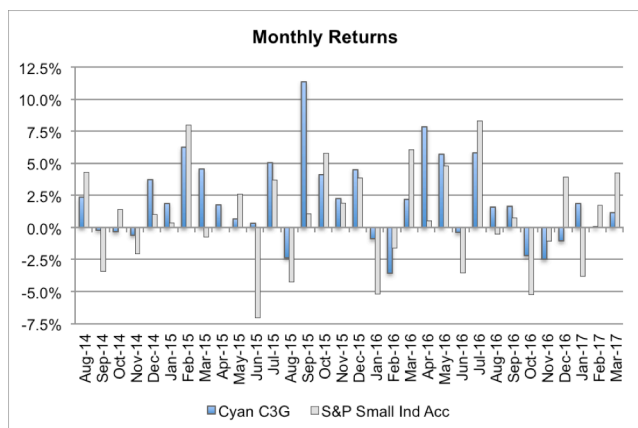
[5 reasons why this acquisitive industrial ASX mid-cap will continue to re-rate.](#)



Outlook

As previously noted, the Cyan C3G Fund has been conservatively positioned with the cash weighting occasionally touching 50%.

The weightings of our core positions in the Fund are always being tweaked with respect to underlying company fundamentals, daily movement in share prices and changes in market sentiment.



For the second consecutive month, our weightings have been increased slightly as the Fund's companies have performed ahead of expectations and prices have been relatively unchanged. We believe the market is now experiencing the start of a rotation back into smaller companies and hence the risk/opportunity balance is beginning to swing back in favour of the small-cap sector.

We continue to focus on growth and note that 7 of our top 10 holdings generate what we believe to be maintainable return on equity above 20% and are reinvesting at least half of their earnings back into the business.

In terms of size, approximately half of our holdings are in companies with a market capitalisation between \$200m and \$750m.

The longer-term track record of the Fund remains outstanding. Over the past two years the C3G Fund has provided investors with returns of 20%+ p.a. and has achieved this with lower volatility (risk) than comparable indices.

We thank all our investors for your support and look forward to keeping you all updated with the Fund's progress.

As always we are contactable in person if investors wish to discuss any aspect of their investment in the Cyan C3G Fund.

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/>



Cyan Investment Management
17/31 Queen Street
Melbourne VIC 3000
(03) 9111 5632

www.cyanim.com.au
info@cyanim.com.au

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 31 March 2017. 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.