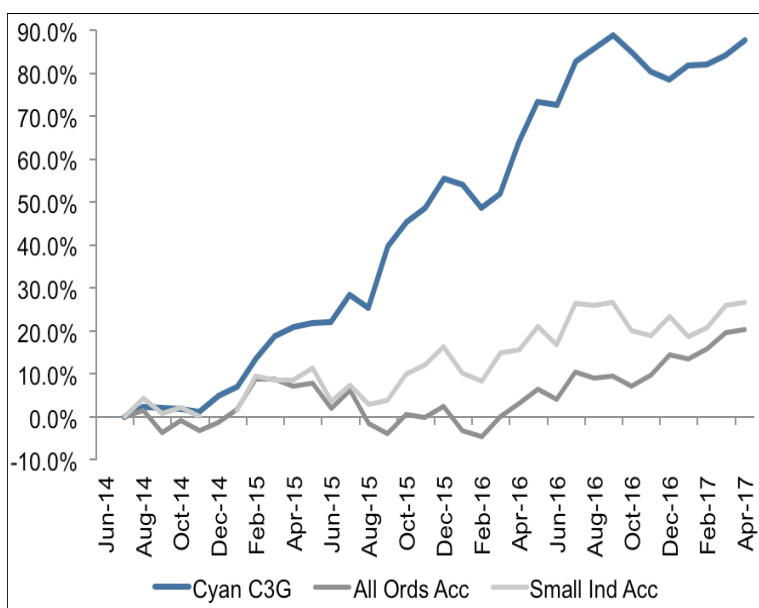


Cyan aims to invest in the most promising and highest quality smaller companies listed on the ASX.

## C3G Fund Update 30 April 2017



<b>Fund Incep: 24 Jul 2014</b>	<b>1.000</b>		
<b>Unit price: 30 April 2017</b>	<b>1.712</b>		
Performance	Cyan C3G	All Ords Acc	Small Ind Acc
1 mth	1.9%	0.8%	0.6%
3 mths	3.2%	6.1%	6.6%
1 Year	14.5%	16.6%	9.6%
2 Year (p.a.)	24.5%	6.0%	8.0%
<b>Since Incep (p.a.)</b>	<b>25.6%</b>	<b>6.9%</b>	<b>8.9%</b>
<b>Volatility</b>	<b>11.4%</b>	<b>12.4%</b>	<b>13.5%</b>



The Cyan C3G Fund posted a 1.9% gain in April, delivering our investors a return of 3.2% over the last quarter.

The small cap sector has presented its challenges over the last 6 months, and we have been particularly conscious of balancing the relationship between risk and return. We have been pleased to have delivered a positive return in each month since the beginning of 2017, resulting in growth of 5.2% over the 4 month period.

### April Review

The Cyan C3G Fund benefitted from price strength in a few of our key long-term holdings through April:

**Afterpay (AFY) and Touchcorp (TCH):** The proposed merger of these two fintech businesses announced in February looks like it will be completed by the end of June. Initial market reaction was mixed, but it now appears to be better understood with the benefits becoming apparent. The outlook for Afterpay still looks very positive as the growth in its merchants and customers continues at an incredible rate with recent additions including Myer, Officeworks, Big-W, Dotti and Peter Alexander. We have been investors in AFY since its listing in mid-2016 and took a position in TCH when the proposed merger was announced. The AFY share price was up 9% in April, with TCH up 14%.

Earlier in April we wrote an article for market communications website Livewire, examining the two businesses and the proposed merger. You can read the article [here](#).

**Skydive the Beach (SKB):** We have been a long-term investor in this adventure tourism company and continue to like its growth profile. In early April SKB continued its diversification away from a pure skydiving business through the \$15m acquisition of Reef Magic Cruises, one of Far North Queensland's leading Great Barrier Reef outer-reef

operators. As the acquisition was entirely debt-funded, it is forecast to be meaningfully earnings accretive. This is the fourth piece of SKB's acquisition puzzle and, as the business grows its scale and improves its earnings diversity, it positions itself to become a leader in the adventure tourism leisure sector. SKB was up 8% in April.

**Capitol Health (CAJ):** Having owned this diagnostic imaging business in the past, but exiting a couple of years ago when some operating and legislative headwinds emerged, we recently reinvested. The balance sheet has been improved, the legislative headwinds are abating and the new management team appears to be generating improved returns from what is without doubt a group of strategically attractive assets. CAJ was up 12% in April.

**Getswift (GSW):** Albeit a smaller position in our Fund due to the early stage of its growth lifecycle, we view Getswift as a company positioning itself to deliver a commercialised software platform, potentially on a global scale. GSW offers an easy to use software logistics solution for "last mile delivery management" for business such as smaller logistics and fast-food operations. GSW charge a small fee for every transaction (delivery) that it helps its clients execute. It facilitated 500,000 transactions in 1Q17 across 61 countries and has publicly stated that it expects to grow that number by 30 times over the next 2 years. GSW's share price was up 48% in April.

**MSL Solutions (MPW):** We invested in this IPO with the view that it will grow solidly over the next two to three years. The business provides technical platforms and software solutions to sport, leisure and hospitality industries around the globe. For example, it provides the point-of-sale and inventory management solutions for the MCG, Wembley Stadium and Old Trafford. It also facilitates the Australian Golf Link handicapping system. With the addition of new capital and the ability to use its listed status to drive acquisitions, we look forward to its growth path over the coming months and beyond.

The key performance detractors in April were **Money3 (MNY)**, down 4%, and **Freelancer (FLN)**, down 13%. We still view the medium term growth outlook for both companies as positive.

## Outlook

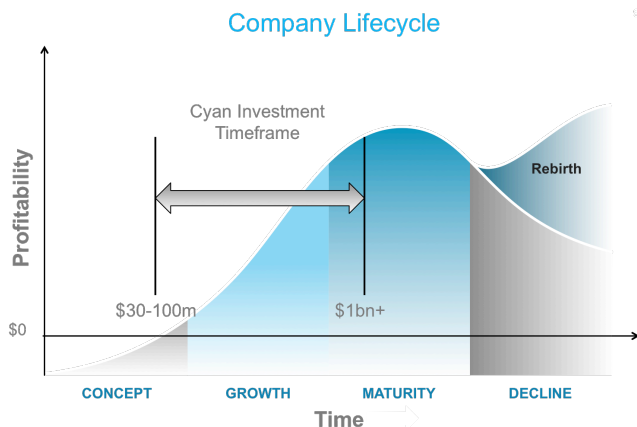
We continue to hold a diversified portfolio containing what we believe to be high quality growth companies.

We have gradually been deploying some of our high cash balance in recent weeks, but still remain at the conservative end of our investment risk profile. That said, we believe the market is beginning to show signs 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 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 chart below illustrates the lifecycle stage of a business at which we like to invest, and we continue to diligently scour the market to find the right mix of growth, valuation and quality of management.



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](http://www.cyanim.com.au)  
[info@cyanim.com.au](mailto: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 30 April 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.