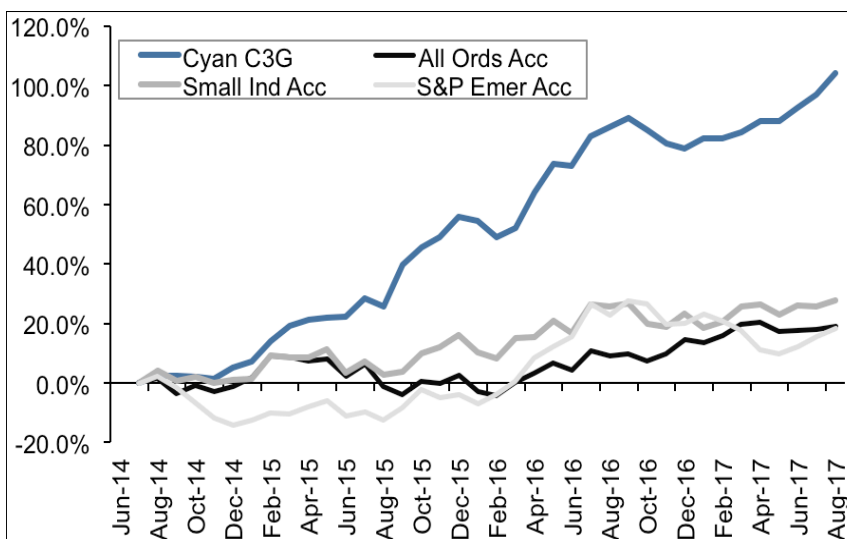


Returns to: 31 August 2017	Cyan C3G	S&P Small Ind Acc
1 mth	3.6%	1.7%
3 mths	8.5%	3.9%
6 mths	12.1%	5.8%
1 year	9.8%	1.6%
2 year (p.a.)	27.5%	11.5%
3 years (p.a.)	25.8%	7.0%
Since Incept (p.a.)	25.8%	8.2%
Since Incept (cum)	104.1%	27.8%
Volatility	10.7%	12.6%



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD	XSI	+/-
2015		2.4%	-0.2%	-0.3%	-0.6%	3.8%	1.9%	6.3%	4.6%	1.8%	0.7%	0.3%	22.3%	7.2%	+15.1%
2016	5.1%	-2.3%	11.4%	4.1%	2.3%	4.5%	-0.8%	-3.6%	2.2%	7.9%	5.7%	-0.3%	41.4%	12.8%	+28.6%
2017	5.8%	1.6%	1.7%	-2.1%	-2.4%	-1.0%	1.9%	0.1%	1.2%	1.9%	0.2%	2.4%	11.4%	7.9%	+3.5%
2018	2.3%	3.6%											6.0%	2.0%	+4.0%

## August Update

The Cyan C3G Fund reported an impressive 3.6% gain in August. This latest result drove the absolute return of the Fund to in excess of 100% in just over three years since inception in July 2014, an annualised return of 25.8% p.a.

Happily, the August result of 3.6% was also well ahead of both the 0.8% gain in the ASX All Ordinaries Accumulation Index and the 1.7% delivered by the ASX Small Industrials Accumulation Index.

For us the most illuminating market move during the month was the fall in the very well-held Telstra, which plummeted 15% from its intra-month highs after cutting its dividend. TLS now finds itself trading at a 5 year low, 45% below recent highs in July 2015.

This highlights three important aspects of share-market investing:

- Large ASX listed companies are not necessarily defensive;
- There is significant risk in having large ownership in a single stock;
- Dividend yield (particularly when it is not covered by cash earnings) does not mitigate capital risk.

Whilst our Cyan C3G Fund only invests in ASX listed shares and cash (or short dated term deposits) our overriding investment philosophy avoids many pitfalls from individual share ownership.

To recall:

- The absolute maximum Fund weighting in any single company is 10% (currently our largest holding is 7% of the Fund);
- We typically invest for capital gain (not yield) and hence we are likely to avoid the market's 'value traps';
- The Fund may hold a reasonable weighting in cash (currently this is around 37%);
- In over three years, the maximum loss the Cyan C3G Fund has sustained in a single month is 3.6%.

Our successful investment philosophy has remained unchanged and we have not, and will not, invest in very high-risk sectors including resources, biotechnology or any companies that are yet to be commercially proven (i.e. they are yet to generate commercial revenue).

## Fund Review

Importantly, the monthly return of 3.6% was delivered through earnings season and thus most (if not all) of the Fund's return this month was driven by holdings reporting impressive business performance.

Highlights included:

**Afterpay Touch (APT)** – Again this business delivered ahead of market expectations and its price rose accordingly. Reported revenue at \$29m was almost 10% ahead of expectations and all metrics – customer numbers at 1m, merchants over 7k, bad debts at 0.6% - were all better than expected. Notably a flagged entry into the travel market with a major airline (just announced as Jetstar) will further pique the market's interest. APT rose 21% in August.

**Blue Sky Alternative Investments (BLA)** – Yet again Blue Sky reported figures ahead of expectations driving the stock 13% higher. In the past year: FUM was up 50% to \$3.2bn; revenue rose 35% to \$85m; and NPAT gained 56% to \$25.5m. Whilst any 'market' related stock is likely to fluctuate with stock market gyrations, the underlying momentum in the business is clear and we expect significant price appreciation over the medium term.

**Moelis (MOE)** – The Fund has recently taken a small position in this newly listed Sydney based investment bank (MOE floated in April 2017). Already the company has made two large acquisitions in property and funds management and has had two earnings upgrades. Tight liquidity and significant management ownership have made this business look very much like it could, over time, become the next Macquarie Bank. (MOE +33% in August).

**Skydive the Beach (SKB)** – For long-term Fund holding Skydive FY17 was a year of consolidation. The company integrated two large acquisitions (Raging Thunder and Reef Magic), consolidated disparate IT systems, upgraded airplane engines and improved its ground transport fleet, catering services and shop presence. Whilst some poor weather impacted top-line revenue, profitability met expectations, a credit to management performance. In light of the company's diversity away from skydiving – it now offers ballooning, rafting, canyoning, and island day cruises – a name change to Experience Co is being proposed to shareholders.

## Outlook.

It's always hard to know what to expect in the short-term, 3 months ago we certainly wouldn't have been game to predict an 8% gain!

All we can say is that the Fund remains very well diversified with 24 individual holdings and no position accounting for more than 7% of the total Fund. The companies span 6 broad industry sectors including: consumer staples and discretionary; industrials; health care; technology and financials. The weighted average market cap is approximately \$300m. All produce revenue, 90% are profitable and recently all have met or exceeded our expectations for business performance.

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

## Cyan C3G Fund Details

Minimum Initial Investment	\$100,000
Investment Risk	Medium
Trustee and Manager	Cyan Investment Management Pty Ltd
Administrator	Apex Fund Services
Custodian	Australian Executor Trustees (IOOF)
Management Fee	1.5% p.a.
Benchmark / Performance Hurdle	2.5% per quarter (after fees)
Performance Fee	20% (above benchmark)
High Watermark	Yes
Subscriptions/Redemptions	Monthly
Buy/Sell Spread	±0.3%
Typical Portfolio	20-40 companies



**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)

**Invest at:**

<http://www.cyanim.com.au/how-to-invest/>

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 August 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.