

Cyan C3G Fund Report

31 December 2017

(Unit Price: 2.112)

Month in Review

The Cyan C3G Fund achieved a strong 4.3% return in December (after all fees), bookending an exceptional gain of 33.6% for calendar 2017.

The annualised performance of the Fund since inception in July 2014 is now over 28% p.a. (after all fees), considerably ahead of the All Ordinaries Accumulation Index which has returned just 7.7% p.a. This equates to the Cyan C3G Fund outperforming the All Ords by more than 100% when compounding is taken into account.

Returns to: 31 Dec 17	Cyan C3G	All Ords Acc	S&P Small Ind Acc
1 mth	4.3%	2.4%	2.2%
3 mths	13.3%	8.6%	11.3%
1 year	33.6%	12.9%	16.5%
3 years (p.a.)	31.4%	9.4%	12.5%
Since Incep (p.a.)	28.7%	7.7%	11.1%
Since Incep (abs)	138.5%	29.1%	43.7%
Volatility (p.a.)	10.5%	11.4%	12.7%

Detailed charts, figures and unit prices are available at:

<http://www.cyanim.com.au/performance/>

The Fund did well due to the impact of many names familiar to our longer-term investors. **Afterpay Touch (APT)** rose almost 20%, **Bluesky Alternative (BLA)** +13%, **Kelly Partners (KPG)** +9% and **Motorcycle Holdings (MTO)** up +7%.

The Fund had a good win by subscribing to a placement in **Longtable (LON)** (previously Primary Opinion) that raised money to acquire the South Australian based biodynamic-organic dairy business, BD Farm Paris Creek.

The Fund also took a small position in **Credible (CRD)** <https://www.credible.com/> an emerging (and revenue generating) US fintech company that facilitates student loans. CRD ended December 10% higher than its issue price.

In terms of 2017 all our major holdings experienced significant gains mirroring their positive underlying business achievements.

The 2017 honours role included:

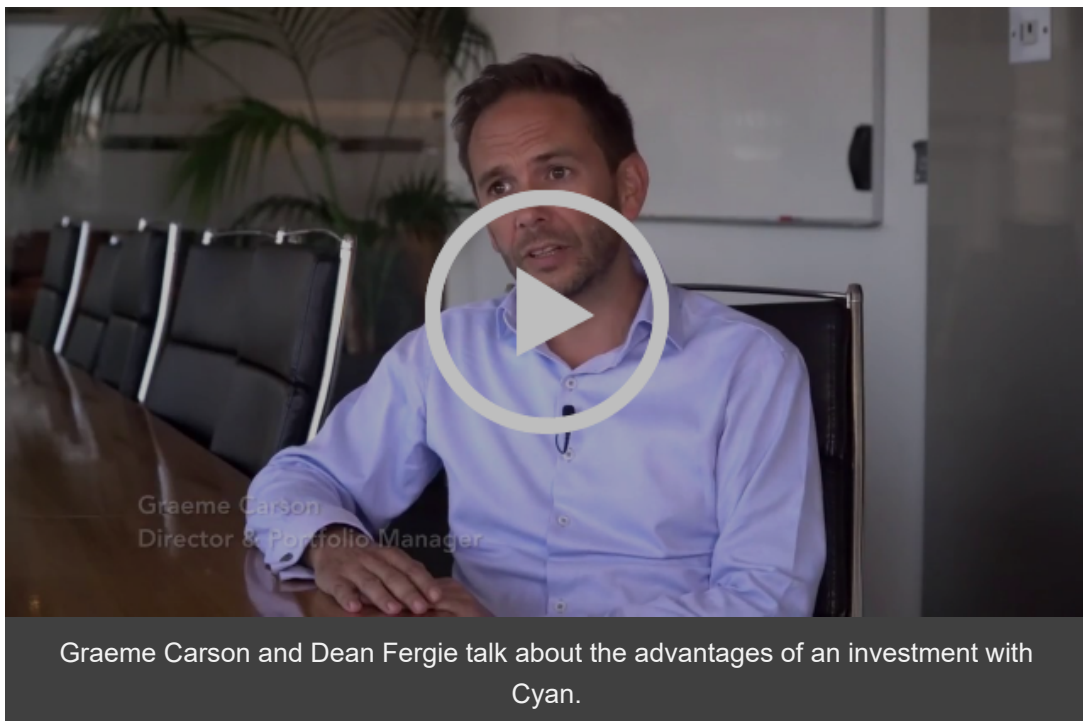
- **Afterpay Touch (APT)** +136%, <https://www.afterpay.com/en-AU/index>
- **Bluesky (BLA)** +108%, <http://blueskyfunds.com.au/>
- **PSI Insurance (PSC)** +63%, <http://www.pscinsurance.com.au/>
- **Experience Co. (EXP)** +40%, <https://www.experienceco.com/>

Additionally, a number of newer holdings added during 2017 performed well including **Kelly Group (KPG)** +74%, **Moelis (MOE)** +62%, **Motorcycle Holdings (MTO)** +22% and **Family Zone (FZO)** +86%.

Press

Graeme Carson wrote about Axess Today (AXL) for Livewire's Christmas Cracker series. <https://www.livewiremarkets.com/wires/livewire-christmas-cracker-10-a-small-company-with-all-the-attributes-of-stellar-growth>

We produced a couple of short introductory videos about Cyan and the C3G Fund that are available on our modest YouTube channel at: <https://www.youtube.com/channel/UCggx2N1FuE2pQvySU8revig>

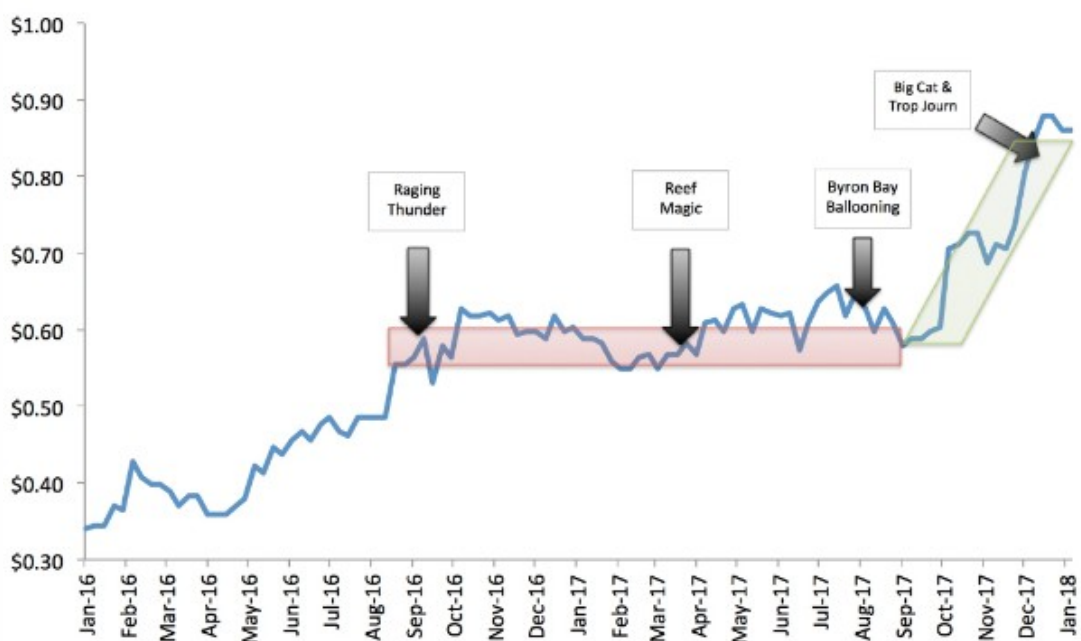


Performance Commentary

we are keen to note that the 2017 year was assisted by some market tailwinds that contributed to this outstanding outcome. Of course we clearly made some valuable investment decisions that amplified returns so excessively for our unitholders.

What is unique about the stock market is that the value of companies (in the market) changes almost every day, and yet the inherent value of those business, necessarily, does not. Or, indeed, the opposite occurs. Our long-term investment in **Experience Co. (EXP)** (previously Skydive the Beach) is an excellent example.

In the 12 months from September 2016 to September 2017 the company made three significant - and arguably company transforming - acquisitions and yet the share price in EXP barely moved. However in the three months from September 17, the share price rocketed over 40% with the market only choosing to recognise this value creation in a brief and arbitrary time-frame.



Experience Co (EXP) performance and acquisitions since Jan 2016

What we would like our investors to appreciate, is that shorter-term (month to month) movements in share prices (which determine the monthly NAV of the Fund) do not always accurately reflect the underlying fundamentals of the companies in which the Fund has invested. With a diversified portfolio comprising 20-30 individual investments, these anomalies tend to balance out (hence the orderly increase in the Fund's NAV this year), but during any market surge or pull-back, they will have the propensity to move together.

Outlook

At the start of any new year one has the temptation to consider what the coming 12 months will hold, particular in the financial world. This time last year with a new US President and a benign growth outlook you would not have found us, even privately, predicting a 34% outcome for the Cyan C3G Fund. Understandably, we will not be doing that this January either.

We know from experience that attractive investment opportunities will present

themselves and we will be there to take advantage of them.

The Fund remains well diversified with 26 individual holdings and no position accounts for more than 7% of the total Fund. The weighted average market cap is approximately \$300m and all have met or exceeded recent expectations for business performance. In addition, they all contain what we believe to be positive business catalysts over the short to medium term.

We also continue to hold a significant defensive cash balance (currently over 35%) which we will look to carefully deploy as opportunities arise.

Dean Fergie and Graeme Carson
Cyan Investment Management

AFSL No. 453209

To invest in the Cyan C3G Fund online: <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 December 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 St 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.

Copyright © 2018 Cyan Investment Management Pty Ltd, All rights reserved.

Want to change how you receive these emails?
You can [update your preferences](#) or [unsubscribe from this list](#).

The MailChimp logo is displayed in a grey rounded rectangle. The text "MailChimp" is written in a white, cursive script font.