



# C3G Fund Update

31 May 2018  
(Unit Price: 2.053)

## 31 May 2018

The C3G Fund delivered a return of +3.4% for the month of May. In almost exact contrast to the previous month, 20 of our 22 positions recorded positive performance to drive a strong recovery in the portfolio overall.

The broader market experienced a volatile month in the shadows of the domestic Royal Commission, US/China trade disputes, oil price volatility and speculation around the US/North Korea summit. By month's end the All Ords Accumulation Index had returned +1.4%.

Returns to: 31 May 2018	Cyan C3G	All Ord Acc	S&P Small Ind Acc
1 mth	3.4%	1.4%	3.8%
6 mths	1.3%	3.1%	4.6%
1 year	23.2%	10.8%	19.6%
2 year (p.a.)	15.6%	10.5%	10.2%
3 years (p.a.)	23.9%	6.4%	9.7%
Since Incept (p.a.)	24.4%	7.0%	10.5%
Since Incept (abs.)	131.9%	30.0%	47.0%
Volatility (std)	11.0%	11.2%	12.1%

### May Review

May's performance can be largely attributed to price recovery in almost all of our investment positions from weakness the previous month. This pleasing result confirms our confidence that the underlying companies are healthy, but, like all publicly listed investments, are subject to the short-term vagaries of share market sentiment and trading activity that can occasionally be manifested in indiscriminate price movements.

The key positive contributors in May included:

**Axess Today (AXL):** One of our highest conviction holdings rewarded us with a 10% price gain after it presented its story at a number of industry events. Nothing has changed from our perspective, but the market appeared to acknowledge the progress the company has made, both through growth in its core equipment leasing business and the potential upside from its recent capital efficiency initiatives such as its debt book securitisation program that will result in a material decline in its long-term funding costs.

**Acrow Formwork (ACF):** This emerging construction and civil services business is also beginning to lift its profile in the market as it positions itself to capitalise on government led infrastructure spending on Australia's east coast. We expect the company to deliver short term earnings growth and secure a new pipeline of contracts in its niche industry. The ACF share price appreciated 16% in May.

**Experience Co (EXP):** Our long term investors will be familiar with our belief in this adventure travel business. It continues to grow its scale and diversify its earnings base, albeit while facing short-term challenges in weather conditions. EXP is still relatively early in its growth lifecycle phase and we expect further growth through acquisition over the next 2 years, complimented by synergies and efficiencies from cross-selling opportunities. EXP rose 11% over the month.

**Readcloud (RCL):** We took a position in this unique company at its IPO in February this year, and have increased our investment since. It has more than doubled in price but we believe its true underlying value is only beginning to be realised. RCL is positioning to lead the drive in digitisation of the education sector for Australian secondary schools. The sector has been dominated by the book publishers' delivery of printed material, but RCL now works with those publishers to deliver interactive digital content both directly to schools and through its channel partners. It has already secured more than 70 schools with over 50,000 students on the system, with a strong growth pipeline to materialise in the next 12 months.

**Roots (ROO):** A technology business focused on improving quality and yield of plant crops in the agriculture industry, particular in challenging weather conditions. It has the potential to deploy its suite of products and process in numerous geographies around the world and has already gained traction with some significant industry partners. The share price rose 27% in May.

### MEDIA

Cyan featured in two videos on Livewire Markets in May: [What's keeping fund managers up at night?](#) and [Buy Hold Sell: 5 winners from the royal commission.](#)



### Outlook

The Fund has taken a handful of new investment positions in the past month, deploying a portion of our defensive cash balance. We envisage further investment in the coming month as more new opportunities have now been identified. That said, we have also reduced a couple of exposures as they are approaching our valuation target.

Our core investment philosophy and portfolio managed remains consistent based on the following key criteria:

1. Invest in companies, not markets.
2. Invest in quality.
3. Avoid high risk and volatile sectors.
4. Invest in companies that earn through the cycle.
5. Invest in companies with specific growth drivers.
6. Deploy a portion of our high cash balance to build opportunistic positions as we identify them.

We thank our investors for your support and as always, can be contacted at any time.

**Dean Fergie and Graeme Carson**  
Cyan Investment Management

AFSL No. 453209

An investment in the Cyan C3G Fund can be made by clicking [here](#)



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 May 2018. 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.

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