

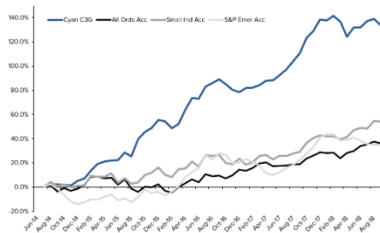


# C3G Fund Update

30 September 2018  
(Unit Price: 1.975)

## 30 September 2018

Disappointingly, the C3G Fund retraced most of ground it had made in the past couple of months, returning -2.2% for September and taking the gain for the first quarter of FY19 to a modest +0.7% (after all fees).



### September Review

Across our total shareholdings in September, we enjoyed just three stocks that gained ground (**Acrow**, **Noni B** and newly added **Spicers Paper**) with the remaining 20 odd positions falling back between 1% and 13%.

This was, in part, due to the slightly bearish market disposition mirrored by the 1.1% fall in the All Ords. Of course, at the time of writing, that negative trend has accelerated further in October.

In terms of the more significant moves over the month:

**Experience Co (EXP)** fell 11% in September as an institutional seller weighed down the market by selling their remaining stock. As our weighting in EXP has been markedly reduced this year - due to the growing size of the Fund (and a falling EXP share price) - we have started to pick up some additional stock in the company and expect that a positive update at the company's AGM in late October should reverse the downward trend.

Other stocks enduring modest falls without any specific news included:

- Calix -12%**
- Kelly Partners -8%**
- Moelis -9%**
- Pivotal Systems -12%**
- Spirit Telecom -5%**
- Read Cloud -5%**

As mentioned we added a position in **Spicers Paper (SRS)**. This paper distributor has been significantly recapitalised over the past couple of years and at 30 June 2018 had \$45m net cash on its balance sheet plus a number of property assets. Additionally, on 26 September, SRS announced the sale of its Asian operations for SGD\$15m (approx. AUD\$15m). With a market capitalisation of less than \$100m when we commenced buying and a clear expectation of a capital return in the near future, SRS should be a solid short-medium term investment. SRS rose 25% in September.

Returns to:	Cyan C3G	All Ord Acc	S&P Small Ind Acc
30 September 2018			
1 mth	-2.2%	-1.1%	-0.4%
3 mths	0.7%	1.9%	3.4%
1 year	11.0%	14.7%	19.4%
2 year (p.a.)	11.2%	11.6%	10.3%
3 years (p.a.)	18.7%	12.4%	14.1%
4 years (p.a.)	23.0%	9.1%	11.2%
Since Incept (p.a.)	22.5%	7.7%	10.9%
Since Incept	133.7%	36.3%	54.1%
Volatility	10.6%	10.6%	11.7%

### Outlook

We understand our Fund investors don't particularly enjoy reading our recent tales of investment gloom. Trust us, we certainly don't enjoy writing them.

However the reality of stock investing is that positions don't move up in a straight line indefinitely. Cyan C3G Fund investors have enjoyed periods where the Fund has performed consistently well (calendar 2017), unfortunately 2018 has been a year where forward momentum has been harder to achieve.

Even great multi-year investments will have periods of retracement and consolidation. One of the ASX's best performers, **CSL**, despite rising more than 500% in the past 10 years, has suffered 15 monthly falls of more than 5% during that timeframe.

We will obviously get some investment decisions wrong, but even when we get things right, investors can expect periods more benign performance.

October has clearly been very challenging with the All Ords down over 6% to date and the Small Industrials down almost 8%. Of course recent volatility can see daily

swings of more than 2%.

With the Cyan C3G Fund's cash position, the Fund is presently down around 3.6%. Further, the corporate market is remarkably active and we have been involved in a number of transactions (both IPO's and placements) that we expect to add meaningful value to the Fund in the coming months.

During periods of extreme volatility, it is incredibly difficult to know how to react in the short-term. For us, we aim to ignore market gyrations (as much as possible) and focus on the underlying fundamentals and growth paths of our investee companies. By coming back to basics, we remain confident in the future earnings capabilities of our investments.

As always, and particularly given the recent market swings, we are always available to discuss the Fund with investors.

**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 30 September 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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