



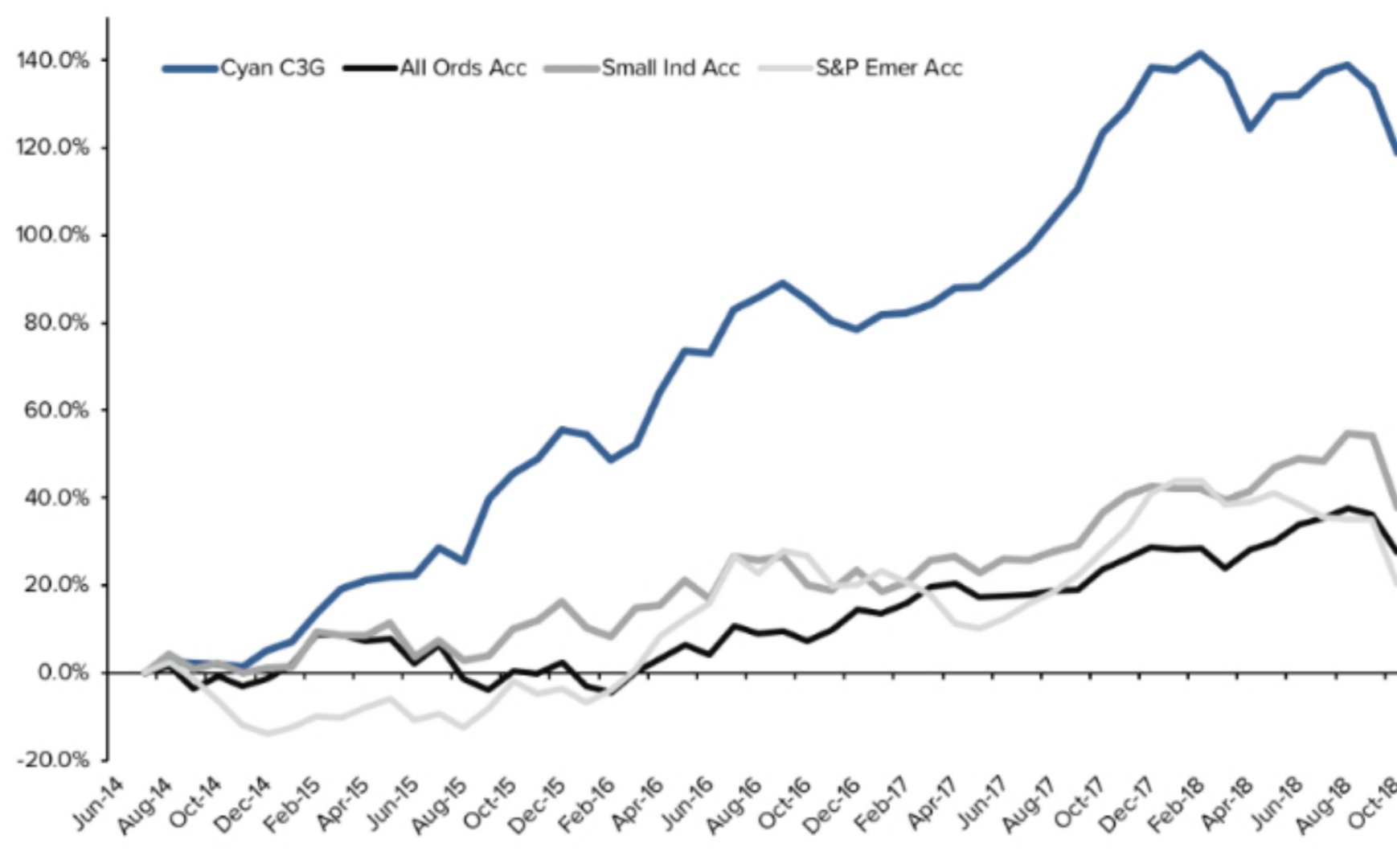
# C3G Fund Update

31 October 2018  
(Unit Price: 1.852)

## 31 October 2018

The C3G Fund delivered a disappointing return of -6.2% for the month of October.

Of course, the global market 'correction' presented an environment that left very few places to hide and, comparably, the Fund performed credibly. In Australia, the All Ords Accumulation Index fell 6.5%, whilst both the Small Industrials Accumulation Index and the Emerging Companies Index dived 10.6% and 10.9% respectively.



### October Review

The C3G Fund has remained diversified with 24 positions and no individual holding representing more than 5% of the total portfolio. The Fund has also retained more than 35% in cash but we have begun deploy further amounts of capital into new and existing positions as prices have become more attractive.

Broadly, the impact of the market correction was felt across the Fund.

**Afterpay (APT)** (-30%) was one of the leading detractors (approximately 1% of Fund performance) as the market took to marking down all of the Australian 'marquee' growth stocks (**Afterpay, Altium, Appen, Xero, Wisetech, Webjet** were all down 20-30%). However post a positive update on 8<sup>th</sup> November, APT has rebounded around 10%.

**Readcoud, (RCL)** was another detractor (-30%) that accounted for around 0.8% of Fund performance. RCL appears to be performing well operationally but was again caught up in the market sentiment. Like APT, RCL has rebounded more than 15% to date in November.

There were around 20 other positions that all fell by various amounts and contributed, in total, around 5% of Fund underperformance. In a number of cases we have increased our investment on recent weakness.

The major positive was **Freelancer (FLN)** that rose 37% in October. FLN's major, and direct, competitor **Upwork** <https://www.upwork.com/> had a very successful listing on the NASDAQ at the start of October. Despite Upwork being less profitable, it has a market capitalization of US\$1.8b versus FLN's AU\$350m which clearly has sparked interest in the FLN story.

We added a new position in **Murray River Organics (MRG)** - <https://www.murrayriverorganics.com.au/> is a producer, manufacturer and marketer of certified organic, natural and healthy food products. The company originally listed on the ASX back in January 2017 at \$1.30 having acquired and developed valuable strategic assets including land, storage and processing facilities. Unfortunately the original management team did not execute and the share price plummeted. With the original team and Board now gone, the new management team (including experienced CEO, **Valentina Tripp**) have a clear and simple approach to turning around the business. The \$30m capital raising was priced at a significant discount to the net tangible value of the business (10c vs NTA of 16c), such that the company now has the financial firepower and management capability to execute its growth plans and create significant value from its current \$68m in sales.

Returns to:	Cyan C3G	All Ord Acc	S&P Small Ind Acc
<b>31 October 2018</b>			
1 mth	-6.2%	-6.5%	-10.6%
6 mths	-2.3%	-0.5%	-2.7%
1 year	-1.9%	3.1%	0.7%
2 year (p.a.)	8.8%	9.1%	7.1%
3 years (p.a.)	14.6%	8.3%	7.8%
4 years (p.a.)	21.1%	6.5%	7.8%
Since Incept (p.a.)	20.2%	5.8%	7.8%
Since Incept	119.1%	27.5%	37.7%
Volatility	11.2%	11.1%	12.8%

### Media

In light of the market conditions we wrote **4 ways to cope with this correction** for Fund Monitors. Fund Monitor's profile for Cyan Investment Management is available [here](#).

Looking for defensive positions in this market led us to revisit our investment thesis in **Kelly Partners Group (KPG)** in our **How to profit from tax** article for Livewire Markets.

### Outlook

Markets are driven by sentiment in the short term and value (and value creation) over the long term – but often these forces are conflicted.

We continue to have compelling expectations for the companies in which we have invested. As a whole we believe these businesses will grow materially over the next year, and hopefully broader markets are more settled and reward these companies for the growth we expect them to deliver. Markets have stabilised in the short term (at the time of writing), but that aside, we remain committed to our core investment philosophies and sticking to fundamental investment criteria.

We continue to spend much of our time meeting with senior management of companies and look forward to reporting the performance of our investee companies and unearthing some new opportunities.

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 and encourage you to do so, particularly through the present challenging conditions.

**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 October 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 designed 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 recommendations 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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