



# C3G Fund Update

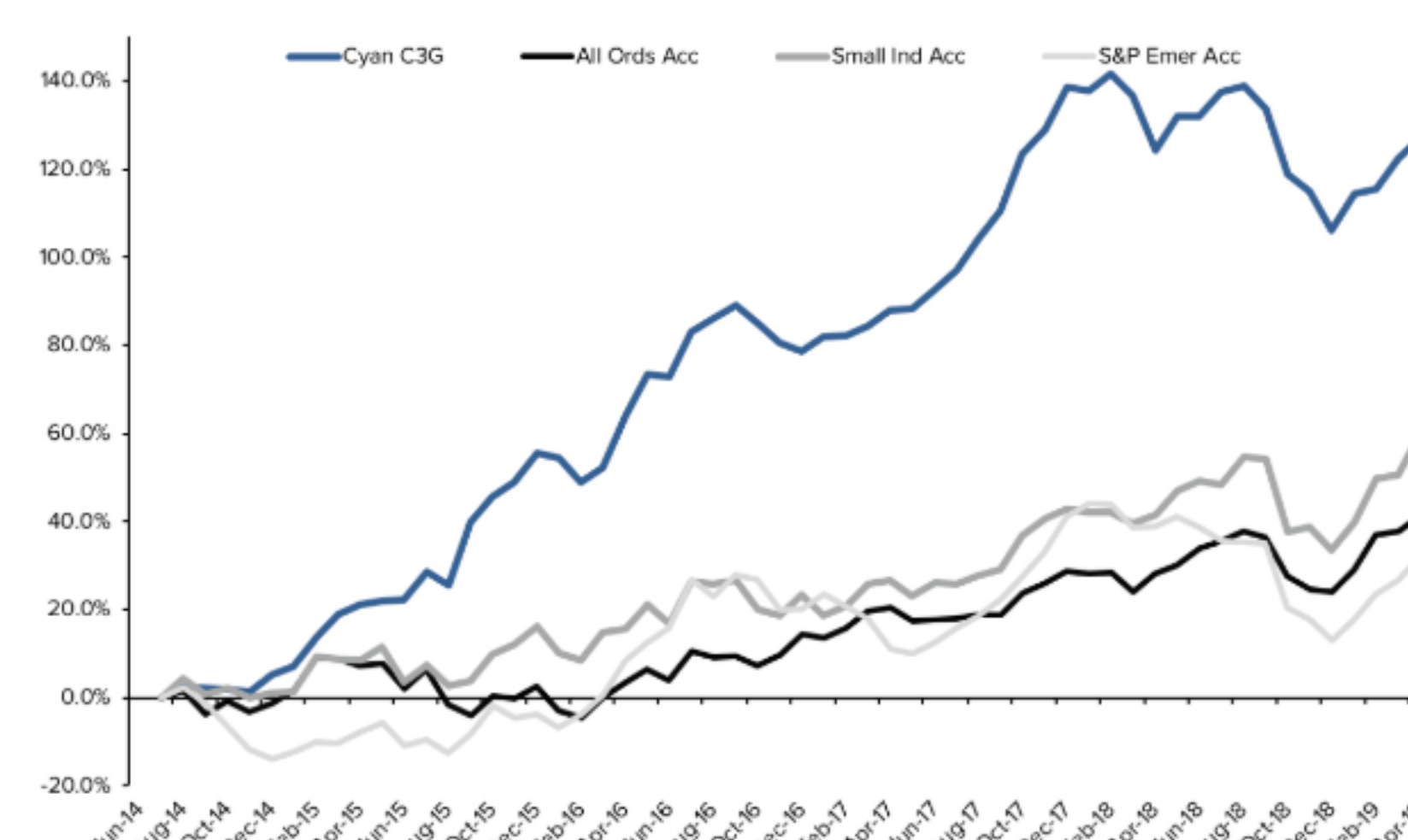
30 April 2019  
(Unit Price: 1.919)

## 30 April 2019

**The Fund delivered another solid return of +2.1% in April, its fourth consecutive positive return.**

After a disappointing CV18 in which the Fund delivered a negative return, we're pleased to be able to report a strong reversal this year, with the 2019 return now standing at +10.2% (after all fees) in just four months.

The market has certainly been more buoyant this year than most have expected. Importantly there has been a noticeable increase in primary and secondary corporate activity which, for a small and active stock-picking fund like the Cyan C3G Fund, often leads to numerous money-making opportunities.



### Month in Review

As we stated in our February Monthly Update: "What we have seen in the past couple of weeks is some attractive opportunities emerge at the smaller-end of the market. We have added a couple of new and exciting positions to the portfolio and we feel that positive and unexpected (or undiscovered) company performances will be well-rewarded".

The Fund took advantage of a number of newer positions:

**Alcidion (ALC +45%):** We purchased ALC <https://www.alcidion.com/> late last month through a discounted sell-down of stock from a BlueSky Fund. ALC has been listed since 2011 and provides medical software products for patient management and hospital communication. Often these business take many years to gain market penetration and achieve commercial success thus investment timing can be critical. The company has had a recent step-change with the acquisition of MKM Health and the associated appointment of new CEO Kate Quirke. The excellent performance of the stock in the month appeared well justified as ALC reported meaningful customer receipts of \$6.2m in the first quarter of this year, positive operating cash flows and a number of new contract wins.

**Freelancer (FLN +21%):** FLN <https://www.freelancer.com> is a leading global IT jobs platform that, despite its success, has struggled to find fans on the ASX possibly because the business has been running at close to break-even since it listed in 2013. During the month FLN reported record first quarter revenues of \$14m but importantly posted +\$2m in operating cash-flows indicating that the business is well on-track to report meaningful bottom-line profitability in 2019.

**Readcloud (RCL +17%):** This education technology business <https://www.readcloud.com/> is leading the charge to digitise books for secondary school students and those undertaking vocational training. RCL reported QCY19 cash receipts of \$1.5m (up 130% on pcp) and school numbers up from 70 to 257. Momentum in the business appears to be excellent with a strong selling season and a major competitor leaving the marketplace.

Some of the more disappointing performances in the month included:

**Atomos (-19%):** The month's return appears to simply be a pullback after its bullish 45% rise in March. Cyan travelled to the US during the month for an industry trade show and experienced first-hand the enormous demand for AMS's high-end video production hardware products. With a number of new product releases, sales for 2019 are expected to be meaningfully higher than 2018.



**Jaxsta (JXT -20%):** Our small holding in this music data consolidator also pulled backed in April after an extreme 160% rise in March. Volatility is expected to remain high in the company due to its small size and pre-revenue business model. Jaxsta <https://www.jaxsta.com/> is going live with its paid subscription model later in the year. Whilst at the higher end of the risk spectrum - thus our small fund holding - any glimmers of success are likely to be met with strong market enthusiasm.

Returns to: 30 April 2019	Cyan C3G	All Ord Acc	S&P Small Ind Acc	S&P Emerge Acc
1 mth	2.1%	2.5%	6.3%	4.3%
3 mths	6.0%	9.5%	14.3%	12.4%
1 year	1.3%	10.2%	13.0%	-4.8%
2 years (p.a.)	10.0%	8.3%	12.4%	9.1%
3 years (p.a.)	11.4%	11.0%	11.5%	6.9%
4 years (p.a.)	17.0%	7.2%	10.2%	9.5%
Since Incept (p.a.)	18.8%	7.5%	10.3%	6.0%
Since Incept	127.1%	41.3%	60.0%	32.3%
Volatility	11.0%	10.9%	13.0%	12.9%

### Media

Cyan featured prominently in Livewire's [Buy Hold Sell: Who are the top stock pickers?](#) coming fourth in the "Best Buys" call and being awarded an extremely controversial second place in the "The Bradman Award" for Best Overall Performance." Cyan had the highest strike rate at 77% and yet was relegated to second place on account of our fewer stock calls.

Dean was interviewed by Stockhead - Money Talks: [After making 20x with Afterpay, Cyan's now got its eye on these tech stocks](#)

### Outlook

We have met with all our core holdings in the past couple of months and clearly remain excited about their medium-term outlooks (otherwise we would not remain holders of these businesses).

Again we reiterate the strong flow of corporate activity that continues to present some exciting opportunities for the Fund.

In respect to overall market sentiment, whilst we obviously take into consideration market conditions and sentiment, the Cyan C3G Fund is a stock-specific portfolio and we consider ourselves buyers of businesses, and buyers of businesses that are typically growing strongly with exciting growth runways of 3 years or more. So the market returns are often not at all correlated with monthly gyrations in our stock prices. Indeed the correlation co-efficient of the Cyan C3G Fund with the market is calculated at less than 0.5 since inception (anything less than 0.8 is not considered significant).

Whilst month-to-month volatility can be expected, we have a firm view of long-term opportunity and remain confident in the outlook for the Fund into the future.

As always we are contactable in person and encourage you to do so if you have any questions for us.

**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 April 2019. 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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