



C3G Fund Update

31 August 2019
Unit Price: 1.960
(Ex-Dist 0.133 @ 30 June 2019)

31 August 2019

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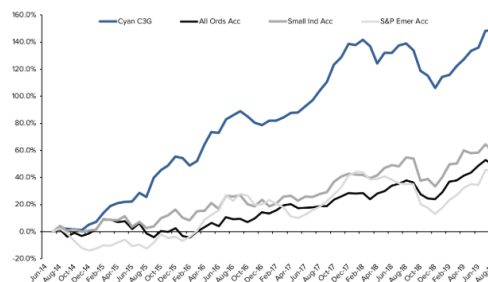
We are delighted to report that the Cyan C3G Fund managed to eke out another positive month, rising 0.1% in August. This was particularly pleasing given the weakness in the broader markets which saw the All Ordinaries Index fall 2.2% and the Small Industrials retrace 3.0%.

Last month we trumpeted the success of the Fund in navigating weak markets but this is worth addressing again - historically, since inception (as can be seen in the table below) the Cyan C3G Fund has not only fallen far fewer months than comparable indices (17 vs 22-24); when those indices fall, the Cyan C3G Fund falls significantly less on average (-2.1% vs -2.6-2.7%).

Monthly Returns	Cyan C3G	All Ords Acc	Small Ind Acc
# Up	44	39	37
# Down	17	22	24
Av. Up	3.0%	2.6%	3.1%
Av. Down	-2.1%	-2.6%	-2.7%
Volatility	11.0%	10.7%	12.7%

Clearly reporting season meant significant volatility crept into the marketplace with many stocks being subjected to wild price swings. A large cohort of former high-flyers experienced significant pull-backs in the month including: **Bellamys (BAL -25%)**; **Speedcast (SDA -60%)**; **Blackmores (BKL -20%)**; **Nearmap (NEA -20%)**; **Appen (APX -15%)**; **Costa Group (CGC -20%)**; **Magellan (MFG -20%)**; **Platinum (PTM -20%)**; and **Ooh Media (OML -30%)**. None of these companies are owned by the Fund, but it is a timely reminder that aggressively-priced companies need to continue to deliver ahead of expectations to hold their price in volatile markets.

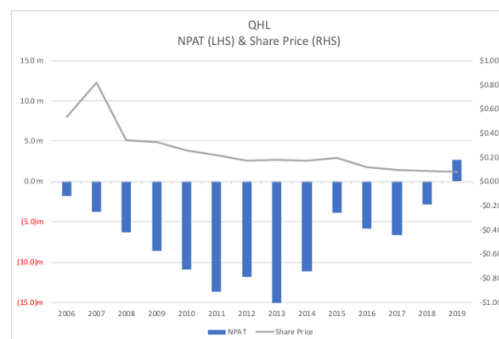
Month in Review



Whilst the Fund did endure some big price swings, the overall result was a positive outcome. All hail the power of diversification!

Perhaps our most pleasing result was that of **Quickstep Holdings (QHL)**. Investors may recall that QHL is a Sydney-based advanced manufacturer of high-value carbon-fibre products, predominantly for the defence industry. We bought into the company in February 2019 and took some additional stock in a placement in March 2019 at which time we wrote about QHL for [this link](#). QHL has been listed for 3 years and has managed to provide a

Livewire. QHL has been listed for 14 years and has never made a profit at the bottom line. Thankfully our timing has been fortuitous and in FY19 QHL posted its first profit of \$2.7m on revenues of \$73.3m. We fully expect this momentum to continue into FY20 with both organic and new contract revenue growth combined with margin expansion driving further earnings growth. QHL rose 14% in August and with a market capitalisation of \$65m (less than the value of its high-margin sales) there appears plenty of upside left in the share price.



Somewhat out of the blue, our best performer of the month was **Motorcycle Holdings (MTO)** which rose an incredible 65%. This is a company in which we had ridden out quite a bit of pain, with the stock having fallen more than 50% in the past 12 months. Whilst we would typically look to cut underperforming companies, in the case of MTO, much (if not all) of the price weakness was due to appalling market conditions (new motorcycle sales had fallen more than 10%) that saw the stock fall to levels we thought somewhat bargain-basement. Obviously MTO's FY19 numbers - which reported revenue up 9% and NPAT down 2% (ahead of the industry due to market share gains) - were not nearly as bad as the market had feared and the stock bounced hard and contributed meaningfully to the Fund's performance in August.

We also enjoyed positive financial and share price results from a number of other core holdings that included **Afterpay (APT +16%), Atomos (AMS + 7%)** and **Victory Offices (VOL +5%)**.

On the negative side of the ledger we saw some price pressure in **PSI Insurance (PSC -9%) Freelancer (FLN -17%)** and **Murray River Organics (MRG -8%)** but again, due to the diversification of our holdings, these were not significant enough to drive the fund into the red despite the challenging market conditions.

Returns to: 31 August 2019	Cyan C3G	All Ord Acc	S&P Small Ind Acc	S&P Emerg Acc
1 mth	0.1%	-2.2%	-3.0%	-0.7%
3 mths	6.5%	4.1%	1.0%	7.1%
6 mths	15.3%	9.3%	6.4%	17.2%
1 Year	4.0%	8.6%	3.1%	7.0%
3 Year (p.a.)	10.2%	11.1%	8.2%	5.6%
5 Year (p.a.)	19.4%	8.1%	8.9%	7.2%
Since Incep (p.a.)	19.5%	8.2%	9.6%	7.5%
Since Incep	148.6%	49.6%	59.5%	44.7%
Volatility	11.0%	10.7%	12.7%	12.7%

Media

We wrote '[5 beliefs to hold when the market is tanking](#)' for Livewire Markets.

Mitchell Sneddon of Investsmart's Eureka Report conducted a fund manager podcast where he spoke to Dean about [IPOs, Cyan's investment process and more](#).

Stockhead spoke with Cyan about [what sectors are capturing the market's attention right now](#).

Outlook

It might seem difficult to remain overly positive after witnessing the Fund rise by over 20% in 8 consecutive months. However the companies in which we have invested continue to thrive in their relevant niches and so, from a bottom-up perspective, it is logical to be bullish on the Fund's prospects. [Infact, we're happy to report, the month of September has maintained recent positive momentum.](#)

It is important to think of an investment in our Fund, indeed any investment in a volatile asset class such as listed equities, as a long-term investment. Yes,

we know that is a bit of a cliché, but it really is very difficult, if not impossible, to reliably predict month-to-month movements in the direction of the market or our Fund.

We believe our strength is in finding and investing in genuine, exciting and potentially thriving companies; we have less faith in our ability to predict when the marketplace will recognize and appreciate their achievements which is what drives re-valuations in the Fund.

However the pipeline of opportunities in our space continues to flow generously and we believe there is every possibility that our current and future investments will generate excellent outcomes for our unitholders.

We thank all our investors for their support and look forward to keeping everyone updated with the Fund's progress. As always we are contactable in person and encourage you to do so if you have any questions for us.

Some key Fund criteria are outlined below.

Fund Type	ASX Listed Companies / Cash
Structure	Wholesale Unit Trust
Minimum Initial Investment	\$100,000
Investment Risk	Medium
Trustee and Manager	Cyan Investment Management
Administrator	Apex Fund Services
Custodian	Sargon Corporate Trust
Management Fee	1.5% p.a.
Benchmark / Performance Hurdle	2.5% per quarter (after fees)
Performance Fee	20% (above benchmark)
High Watermark	Yes
Subscriptions/Redemptions	Monthly
Buy/Sell Spread	NAV ±0.3%
Typical Portfolio	20-40 companies

Dean Fergie and Graeme Carson
Cyan Investment Management

AFSL No. 453209

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



[Forward this email](#)

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 August 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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