



## C3G Fund Update

30 September 2019  
Unit Price: 2.129

### 30 September 2019

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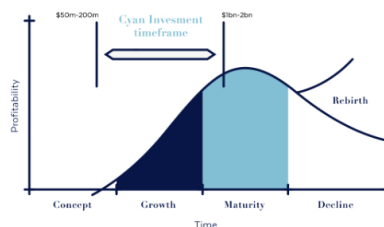
The C3G Fund enjoyed an exceptional month, delivering **+8.6%** (after all fees), strongly outperforming the broader market with the All Ords and Small Industrials up 2.1% and 3.3% respectively. Calendar 2019 has been an outstanding year for the Fund with it having returned more than 30% to unitholders in the past 9 months.

Returns to: 30 Sept 2019	Cyan C3G	All Ord Acc	S&P Small Ind Acc
1 mth	8.6%	2.1%	3.3%
3 mths	14.4%	2.8%	3.9%
6 mths	21.4%	10.9%	9.4%
1 Year	15.5%	12.1%	6.9%
3 Year (p.a.)	12.6%	11.7%	9.1%
5 Year (p.a.)	21.4%	9.7%	10.3%
Since Incep (p.a.)	21.1%	8.5%	10.1%
Since Incep	170.0%	52.8%	64.7%
Volatility	11.3%	10.7%	12.7%

At Cyan, our primary focus is to deliver growth to our investors, whilst carefully managing risk. To do so, we invest in companies at various points of maturity and we prudently weight those companies in the Fund according to our analysis of the underlying risks versus the potential investment returns.

This typically results in a portfolio of 25 to 35 companies ranging in market capitalisation from \$50m to \$1bn and with Fund weightings usually between 1.5% and 7% of the total Fund value (with a hard maximum of 10%). The diagram illustrates where we like to invest in respect to size and lifecycle stage of a company.

#### Company Lifecycle



September was a month in which the portfolio enjoyed great returns from some of our bigger companies but, pleasingly, also saw a number of our earlier stage companies deliver catalysts that proved they are executing their growth strategies and beginning

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### **Month in Review**

Obviously during such a strong month there were numerous positive contributors in the Fund and few detractors. In fact, 7 of our holdings rose more than 30% over the course of the month and another 6 delivered impressive double-digit percentage gains. Some of the top contributors that are displaying the characteristics of growing from infancy towards maturity are:

**Aldicion (ALC) +65%:** This health-tech business has been a superb performer for the Fund with its price having increased more than 600% since our initial investment 6 months ago. As the price action has been spectacular we have realised some capital gains along the way but also remain invested due to the significant opportunity to grow this scalable software business both domestically and offshore.

**Oventus (OVN) +49%:** This medical device business (a recent addition to the Fund) operates in the sleep apnoea space and is beginning to gain traction in its US market expansion. After a couple of false starts where OVN struggled to find the correct distribution model, investors are now confident that its strategy (distributing their products through dental clinics) will deliver material growth in North America, which prompted our investment. We expect the recent positive news flow to continue in the coming months.

**Quickstep (QHL) +44%:** We have discussed QHL previously, but this advanced manufacturer of high-value carbon-fibre products continues to make great progress in driving its existing operations and it was rewarding to see the company reported its maiden profit in FY19. The broader market is beginning to take notice and new institutional investors are appearing on the share register. In FY20 we forecast both organic and new contract revenue growth combined with margin expansion to drive further earnings growth.

**Quickfee (QFE) +31%:** As a relatively recent IPO, the price action in QFE has followed a well-worn path by listing at a strong premium before settling back and then accelerating again. The business offers premium funding and payment solutions to the accounting and legal industries in both Australia and the United States, with both regions displaying solid growth numbers. QFE is still in the early stages of its company lifecycle but the most recent company update displayed excellent growth in the US with lending up 77% in the past year.

### **Media**

#### **Under the Radar Report – What Makes a Successful Investor?**

<http://www.cyanim.com.au/2019/09/29/under-the-radar-report-what-makes-a-successful-investor/>

#### **Livewire – Finding 'the next Afterpay'**

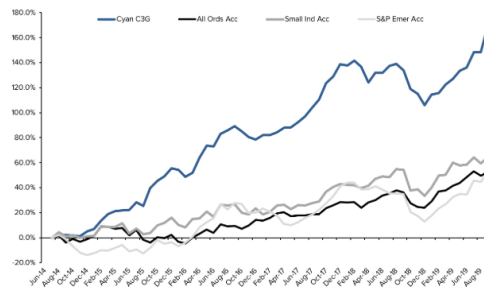
<https://www.livewiremarkets.com/wires/finding-the-next-afterpay>

#### **Livewire - Revealing Afterpay's secret sauce**

<https://www.livewiremarkets.com/wires/revealing-afterpay-s-secret-sauce>

#### **Stockhead - The global macro headwinds shifted in August – should small cap investors be worried?**

<https://stockhead.com.au/news/the-global-macro-headwinds-shifted-in-august-should-small-cap-investors-be-worried/>



### **Outlook**

External factors such as global political uncertainty and trade wars will continue to cause bursts of volatility in equity markets. But with official RBA interest rates recently being cut to just 0.75%, we thought it timely to consider the return of income investments versus our Fund. Of course, the risk profile of these investments are significantly different - most income investments have little if any capital risk, our Fund does carry the risk of capital loss.

With current term deposit rates sitting at around 1.3% p.a., for an investor to achieve the **same financial outcome that the Cyan C3G Fund achieved in just the September quarter**, their funds would need to **be invested in a term deposit for more than 10 years**. Further, with 10yr Australian Government Bonds presently yielding just 0.89%, even that time frame is optimistic.

Thus, with historically low interest rates, investors are simply not being rewarded for conservative investment decisions. As such, we believe, investors with excess capital should be carefully considering their current asset allocation choices. The market may be trading at a slight premium to long term averages in terms of price to earnings ratios, but low interest rates support company valuations and we continue to see what we consider to be some excellent investment opportunities at the smaller end of the market.

We thank all our investors for their support and look forward to keeping you all updated with the Fund's progress.

The Fund remains open to existing and new investors. Some key 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 $\pm$ 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](#)



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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 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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