



Total Returns

As at: 31 May 2021	1 mth	3 mths	6 mths	1 yr	3 yrs (p.a.)	5 ys (p.a.)	Since Incept (p.a.)	Since Incept (cum)	Volatility
Cyan C3G Fund	-2.8%	-3.7%	1.6%	30.6%	4.7%	9.0%	15.4%	166.4%	16.7%
S&P/ASX All Ords Accum	2.0%	7.9%	11.7%	30.0%	10.4%	10.5%	8.5%	75.1%	14.5%
S&P/ASX Small Ind Accum	-0.6%	5.0%	8.0%	25.1%	8.5%	9.2%	9.6%	87.8%	17.0%

May 2021

The Cyan C3G Fund struggled in May with a decline of 2.8%, behind both the Small Industrials and the All Ordinaries which posted a 2.0% rise.

The momentum in the Australian market appears to be boundless with the strength being reflected in large names including **Commonwealth Bank (CBA)**, **CSL (CSL)** and **Woolworths (WOW)** but also across the resources sector which has been experiencing massive tailwinds from recent spikes in the prices of iron ore, copper, gold and oil. Of course, commodities are typically highly correlated to the AUD and the currency has consolidated in the high \$0.70s, up over \$0.10 on 12mths prior.

The smaller end of the market performed well below the ASX100 and appears to have been affected by tax-loss selling towards the end of the financial year. Further, sentiment was certain to have been impacted by a handful of underwhelming IPO listings (to which Cyan did not subscribe) including **Keypath Education (KEF -21%)**, **Pepper Money (PPM -10%)** and **Australian Clinical**

Labs (ACL -15%) along with the ongoing **Nuix (NXL -30%)** disaster which is now trading 60% below its 2020 IPO price.

Month in Review

Again this month there was significant dispersion in individual stock returns with a handful of strong Fund performances being outweighed by the falls.

We were rewarded by double digit gains in: **Alcidion (ALC)**, **Big River (BRI)**, **Maggie Beer (MBH)** and **Vita Group (VTG)** whilst sustaining comparable losses in **Raiz (RZI)**, **Mighty Craft (MCL)**, **Swift Media (SW1)**, **Quickstep (QHL)**, **Schrole (SCL)** and **Singular Health (SHG)**.

To elaborate on the more notable performances:

Big River (BRI +27%) is a building materials and formwork supplier to the civil, commercial and residential sectors and has been a Fund holding since May 2019. Typically building materials businesses are relatively stable investments, however the recent shortage of timber and the associated, and widely reported, price spikes is likely to see BRI report an extremely strong half year. All reports are that this shortage is likely to continue for some time and so the medium-term

outlook for the company is very promising.

We invested in **Maggie Beer (MBH +22%)** at the end of March after it made, what we considered, a company transformative acquisition in online gifts business, [The Hamper Emporium](#). However it has only been this month, on the back of a strong trading update (revenue of \$85m and an EBITDA of \$11m), that the broader market has taken some serious notice of the company. We have every expectation this momentum will continue as the integration and synergy benefits are further extracted.

We have been somewhat perplexed by the weakness in consumer investment platform **Raiz's (RZI -13%)** share price in recent months. RZI's performance is at odds with a strong underlying market and the company's [continued growth in both FUM and customer numbers](#). We can only assume there is some indigestion and associated selling from the company's \$10m placement in late April. Importantly Raiz's US parent, Acorns, announced that it [will list in the US in a US\\$2.2bn deal](#) which, on similar valuation metrics such as customer numbers and FUM, would value Raiz at somewhere around AUD\$4 per share or 3x its current pricing.

Quickstep (QHL -22%), the advanced aerospace carbon manufacturer is another investment whose share price defied, certainly our, logic during the month. In this case we can only attribute the weakness to tax-loss selling. Indeed, the company [announced \\$4.7m in new orders](#) for tail parts for the F35 fighter jet at the end of May. We are pleased to report that since the end of May the share price has rebounded more than 25%.

With respect to the falls in **Mighty Craft (MCL)**, **Singular Health (SHG)**, **Swift Media (SW1)** and **Schrole (SCL)**, we have been in contact with the management of these companies and have no operational concerns that appear to warrant any share price weakness, other than they have been short-term victims of a general rotation out of the smaller end of the market.

Media

Dean Fergie featured on Chris Judd's Masters of the Markets video series and spoke about his three decades of experience in ASX small-cap investing and the features and challenges of today's market.

View it here: [Masters of the Market | Dean Fergie - YouTube](#)



Cyan has also featured and commented in Ausbiz over the past month. As always, details are listed in the ['News' section](#) of our website.

Outlook

Whilst we've found the past month a little tricky with some adverse and unexpected price moves against us, we do have reason to feel optimistic.

There have already been two corporate transactions this month that we have been involved with that have resulted in some decent scale-backs in allocated stock which is a solid indication that significant interest is returning to the smaller end of the ASX.

We also attended the AGM of **AP Ventures** and were highly encouraged by the progress and opportunities that are being presented to the business and, in turn, its near-term outlook as a Fund investment.

There is no doubt the market is presenting a host of both opportunities and pitfalls for investors and the need for both cash on the sidelines (currently at ~18%) and a diversified investment base is critical. Low interest rates will continue to be key for stock market support and with the [latest minutes from the RBA board meeting](#) suggesting, in no uncertain terms, that there is little chance of an upward move in rates before the end of 2023, it appears likely that investor support and market buoyancy will remain a feature.

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To invest: cyanim.com.au/how-to-invest

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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 Street, 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.