



As at: 30 April 2022	1 mth	3 mths	1 yr	2 yrs (p.a.)	3 yrs (p.a.)	5 yrs (p.a.)	7 yrs (p.a.)	Since Incept (p.a.)	Since Incept (cum)	Volatility
Cyan C3G Fund	-3.7%	-11.1%	-15.3%	11.5%	0.8%	4.3%	9.8%	11.5%	132.3%	16.7%
S&P/ASX All Ords Accum	-0.8%	7.9%	10.2%	21.5%	10.2%	9.5%	8.5%	8.6%	89.3%	14.0%
S&P/ASX Small Ind Accum	-2.1%	-1.3%	-5.8%	14.0%	3.6%	7.1%	7.3%	7.7%	78.0%	16.6%

April 2022

As readers would be aware, it was another challenging month in both the domestic and international markets. The NASDAQ and S&P500 declined 13.3% and 8.8% respectively, the ASX Emerging Companies Index gave back 4.1%, the ASX Small Industrials fell 2.1% whilst the All Ords fared relatively better, retracing just 0.8%. Despite a number of positive company announcements in the month, the Cyan C3G Fund declined 3.7%.

Market support and liquidity was lacking in the local markets with the recent RBA rate rise (the first rate rise in 12 years) and the federal election campaign weighing heavily on investors' minds. The bond market was not spared either with local bond indices returning -1.5% for the month (down 8% over 12 mths). The malaise extended to the property market with an acute drop in both prices and clearance rates across Australia.

Month in review

There was an abundance of news from our portfolio companies particularly with the quarterly cash flow reports being released in late April. Here are the highlights.

Vita Group (VTG +43%)

Mkt Cap: \$50m, Revenue:\$25m, Net cash: \$21m (all post special dividend).

VTG was the best performer in the month after announcing a special dividend of 13.3cps to be paid on the 10th May. VTG sold its Telstra franchise business back to Telstra for \$110m in September 2021 and with the growth in its existing growing beauty clinic division ([Artisan](#)) largely being organic, the company is steadily returning cash to shareholders. With almost half of its market cap still in cash, the potential for future income remains.

Raiz (RZI -9%)

Mkt Cap: \$91m, Revenue:\$18m, Net cash: \$18m

RZI has continued to sustain some selling pressure (despite Thorney recently becoming a substantial shareholder) as a result of the pullback in global markets and the general wariness in the retail investment sector. Importantly, these macro themes have not negatively impacted Raiz's financial performance (although they have tempered its recent growth). Active customers grew slightly in March (+1.4%), FUM remained steady above \$1bn and company revenue in the [quarter rose 44% on the prior year](#). Raiz's marketing agreement with Seven has just kicked off with a series of ads running over the next 90 days, the first of which can be seen [here](#). We expect that this national campaign will result in material customer growth for the company in the coming months.



Playside Studios (PLY -16%)

Mkt Cap: \$327m, Revenue:\$30m, Net cash: \$40m

Gaming developer PLY had a huge quarter with [revenues up 400% to \\$13.6m](#) with a decent contribution coming from their Beans NFT launch which we detailed back in our February newsletter. Playside continues to drive strong results with both its own gaming IP and its work for marquee clients such as Activision Blizzard. The recent acquisition of Activision by Microsoft has highlighted the corporate appeal of gaming companies.

Quickstep (QHL +13.5%)

Mkt Cap: \$40m, Revenue:\$90m, Net cash: \$3m

As we mentioned last month **Quickstep** started the month off spectacularly with a [material \\$30-\\$35m Jetstar maintenance contract](#) which saw the shares spike 40% but they fell back towards the end of the month after [Covid staffing impacts in its advanced manufacturing facility in NSW](#) meant their expected growth in NPAT would not be achieved despite maintaining revenue growth guidance.

Touch Ventures (TVL -6%)

Mkt Cap \$115m, Cash \$79m

The gap between listed investment company TVL's share price and its NAV (net asset value) widened to a discount of almost 40%. We attended their investment showcase and AGM during the month where the positive performance of their underlying investments, including delivery service [Sendle](#), payments platform [Till Payments](#), and open banking data platform [Basiq](#), was reiterated. The share price action of this company is quite confounding, TVL currently has \$79m in cash (or 11cps) which, at current levels, implies a combined value of their existing portfolio of investment assets of around \$35m (versus the \$94m they have invested and the most recent valuation of these assets of \$112m). Indeed management's decision to be patient with deploying the capital raised in September 2021 is commendable given recent market movements.



Outlook

There is significant negative sentiment pervading almost all markets. Retail investors appear to have deserted the local market and almost all stock prices are drifting, indeed sometimes in contrast to significant positive underlying news. We mentioned **Aldicion** last month; it has now made [seven separate announcements about material new contracts and contract renewals](#) since the middle of March 2022, including details of their [landmark \\$23m contract with the Australian Defence Force](#) and yet the shares have still declined 15-20% over that time.

There are many positive underlying fundamentals of the Fund's investments: revenue growth is being generated across the board, all investments are well funded with ample cash and the outlooks being presented are overwhelmingly positive. Unfortunately we cannot control the market's perception or fear so we have to concentrate on the results being presented. Whilst the directions of the share prices did not reflect this, it's clear there is some remarkable value emerging.

What we wrote last month is worth re-iterating:

"It's natural to feel impatient or skeptical about the underlying progress our investee companies are making particularly when this is not being reflected in their short-term market prices. However, we've been analysing and investing in small caps for almost three decades and know that there are periods of lulls and surges in the marketplace, especially at the smaller end of the market."

With interest rates rising, the distractions of the ongoing election campaign and some wild market gyrations offshore, investors may remain wary for some time yet. However the very best buying opportunities occur when there is pessimism, fear and overwhelmingly negative sentiment, which appears to be the case currently. Whilst we're not deluded enough to know when to 'pick the bottom' it's clear that there are some increasingly evident gaps between price movements and underlying company performance and value.

As always if you would like more information about any aspect of your investment, please contact us directly.

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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.