



As at: 31 October 2022	1 mth	3 mths	1 yr	3 yrs (p.a.)	5 yrs (p.a.)	7 ys (p.a.)	Since Incept (p.a.)	Since Incept (cum)	Volatility
<b>Cyan C3G Fund</b>	2.0%	-11.0%	-44.1%	-14.6%	-5.8%	1.8%	6.3%	65.4%	18.9%
<b>S&amp;P/ASX All Ords Accum</b>	5.7%	0.2%	-3.5%	5.2%	7.4%	8.4%	7.1%	77.1%	14.6%
<b>S&amp;P/ASX Small Ind Accum</b>	7.4%	-4.9%	-21.7%	-1.3%	2.9%	5.3%	5.7%	57.7%	17.8%

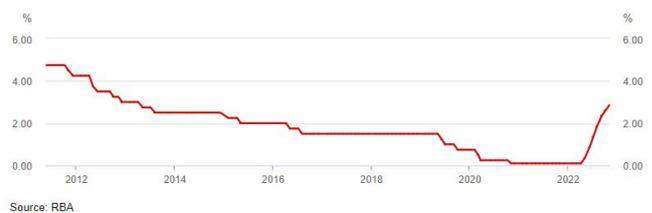
## October 2022

Despite ongoing central bank interest rate rises both domestically and overseas, equity markets staged a reasonable recovery in the month as investors looked positively on the expectation of less aggressive interest rate rises moving forward. After the 0.25% rise on 2 November, Australia is experiencing its highest official cash rate since April 2013.

The most recent statement from the RBA included:

*“As is the case in most countries, inflation in Australia is too high.... Inflation is then expected to decline next year due to the ongoing resolution of global supply-side problems, recent declines in some commodity prices and slower growth in demand... The Board has increased interest rates materially since May. This has been necessary to establish a more sustainable balance of demand and supply in the Australian economy to help return inflation to target...”*

[Statement by Philip Lowe, RBA](#)



As we have mentioned previously, the stock market is a forward-looking mechanism and almost always moves ahead of current news flow, so even though much of the current economic headline news may be bearish, this does not necessarily mean the markets will remain depressed.

There was some reasonable dispersion in the US between the benchmark indices (S&P 500 +8.0%, NASDAQ +3.9%) with the NASDAQ being braked by some disappointing results from the bellwether tech companies such as **Alphabet (GOOGL)**, **Amazon (AMZN)** and **Meta (META)**.

Locally it was the reverse with smaller stocks outperforming large - S&P/ASX All Ordinaries Accumulation +5.7% and the S&P/ASX Small Industrials Accumulation Index +7.4% - a sign of growing market confidence.

The Cyan C3G Fund gained 2.0% over the month of October.

There was some further market optimism being reflected in elevated corporate activity in the past month with the following transactions announced:

- a bid for HR software supplier **ELMO (ELO)** at \$4.85
- a competing and increased bid for **Nitro Software (NTO)** at \$2
- a scheme of implementation for **Proptech (PTG)** at 60c and
- a conditional PE proposal for **Readytech (RDY)** at \$4.50

These deals are in addition to other recent takeover activity for Australian listed companies including **Nearmap (NEA)**, **Pushpay (PPH)**, **Tyro (TYR)** and **Infomedia (IFM)**, illustrating that certain companies and investors are looking to capitalise on the current value the market is offering.

## Month in review

After a number of months of negative performance, it was pleasing to see 15 stocks in the Fund rise over the month and only five decline.

By far the most significant of the rises was from micro-brewer and spirits producer **Mighty Craft (MCL)** +50%. MCL has endured a difficult couple of years, particularly with respect to its venue businesses over the Covid-19 pandemic. However, the company has really started to fire of late [posting 1Q23 sales of \\$20m \(+81% on pcp\)](#) in advance of the seasonally strong Christmas trading period. MCL has seen that growth continue into October where the company expects to deliver a record monthly result. With the ongoing success of [Better Beer](#), MCL looks set for a big end to the year and the market has continued to embrace the story sending the stock higher again in November.

**Alcidion (ALC)** +14% was another strong performer for the Fund. Like **MCL**, the company's [1Q23 report detailing sales of \\$12m \(+83% on pcp\)](#) and total contracted revenue of \$29m (+69%) was well accepted by the market. Given ALC's defensive position as a critical software provider to the hospital industry backed by strong cash reserves of over \$16m, we feel the stock will continue to push higher with the likelihood of further contracts being announced.

Across the board we saw decent performances from the likes of **Raiz (RZI)** +8%, **Field Solutions (FSG)** +11%, **Swift Networks (SW1)** +17% and **Schrole (SCL)** +5%.

As almost always, the overall Fund performance was tempered by some pullbacks.

The largest of which was delivery company **Zoom2U (Z2U)** -24% which fell on account of a capital raising to [fund a small acquisition](#) and slightly weaker like-for-like numbers in its delivery business post the Covid-19 boom the company experienced in 2021. Nevertheless, the company's overall revenues are exceeded the prior year and, most critically, its Locate2U delivery SAAS product is generating [strong monthly revenue momentum](#). Z2U raised more than \$5m in the month from investors via a placement and debt facility and is now well funded to continue its expansion into the growing delivery sector.

The other company that impacted overall Fund performance was gaming developer **Playside Studios (PLY)** -13%. PLY announced an [expansion of its work agreement](#) with Meta and a solid quarterly report showing [1Q23 revenue of \\$6.5m \(+60%\)](#). Potentially the large pull back in the price of Meta (NASDAQ: META) -36% over the month had some associated impact in the PLY price, however the stock has subsequently rebounded into November.

## Media

For articles, videos and commentary featuring Cyan Investment Management please head to the [Cyan Investment Management Linkedin page](#).

# Outlook

We believe there's some reason to be optimistic - despite some news headlines to the contrary - corporate activity is most certainly picking up, a number of new deals including new IPOs are being tabled, and the market is in a significantly more positive mood, although volumes in some sectors are still on the light side. Company visitations and conferences have rebooted in a big way - this quarter is the first time the financial industry has felt close to being back to fully 'normal' since the start of 2020 - allowing us to gain first-hand access to a myriad of new investment opportunities.

We've seen a re-focus on the underlying fundamentals of many of our business that we firmly believe had been ignored by the broader market earlier in the year as speculation, and then fear, took over as the driving market forces. The most recent declines in the cryptocurrency world might indicate that the trend away from speculation is still occurring.

The quarterly reports and the handful of AGMs that have been held over the past month have only caused us to feel more positive about our investee companies. The majority of our remaining companies will hold their AGMs in the coming weeks at that will another opportunity to gain further market knowledge and hopefully provide catalysts for ongoing stock re-ratings. We strongly believe that the material level of inherent value sitting within the portfolio will be released in the coming months. Volatility is likely to continue but patience will be rewarded.

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

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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 31 October 2022. 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 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.