

As at: 30 November 2022	1 mth	3 mths	1 yr	3 yrs (p.a.)	5 yrs (p.a.)	7 yrs (p.a.)	Since Incept (p.a.)	Since Incept (cum)	Volatility
<b>Cyan C3G Fund</b>	-0.6%	-7.1%	-43.2%	-13.9%	-6.4%	1.4%	6.1%	64.4%	18.8%
<b>S&amp;P/ASX All Ords Accum</b>	6.4%	5.3%	3.0%	6.3%	8.4%	9.5%	7.9%	88.5%	14.6%
<b>S&amp;P/ASX Small Ind Accum</b>	2.7%	-1.3%	-18.3%	-1.3%	2.9%	5.4%	5.9%	62.0%	17.8%

## November 2022

Global markets continued to focus on economic data to find direction and ascertain the success or otherwise of central bank tightening policies to fight inflation. The Australian market remained volatile, but the bigger stocks pushed higher with the S&P/ASX All Ords Accumulation ending the month up 6.4%.

The smaller end didn't fair nearly as well (the S&P/ASX Small Ind Accumulation rose 2.7%), with small and micro growth stocks remaining desperately out of favour. As our investors are aware, Cyan is an emerging companies fund with a strong bias to growth. There was some extreme diversity in individual holding returns over the month with the overall result seeing the Cyan C3G Fund return -0.6% for November.

## Month in review

The performance of the portfolio was a true representation of the volatility within the micro-small cap market, with 7 positions trading up, 6 unchanged for the month and 8 falling. There was no negative company-specific news in any of our investments, but lack of liquidity and skittish sentiment presented a challenge.

### Playside (PLY) +18.2% (Entertainment/Gaming):

This gaming business [announced the signing of a new deal with Meta/Facebook](#) to develop and create a mixed interactive software product to be playable on its Quest suite of VR devices. This is the first significant de-risked "hybrid" model contract whereby PLY designs the game on a work-for-hire basis but enjoys revenue share upside on the release of the game. This further validates the quality of the PLY offering and attractive investment proposition.

**PureProfile (PPL) +18.8% (Communication Services/Advertising):** As outlined in previous monthly reports “we continue to believe that PPL is building a strong position in a growing market which has structural tailwinds”. PPL’s market research capability is proven in Australia ([generating \\$6m in revenue domestically in the first quarter of FY23](#)), it has strong traction in the UK, is entering new jurisdictions and offers excellent fundamental value.

**Alcidion (ALC) +8.6% (Healthcare/Software):** At its AGM the company outlined the product suite that is helping it build a strong position in the digitisation of hospital systems, both administrative and clinical, in Australia and the much larger UK market. Early in December this was further validated by the [securement of a contract with the Southampton NHS Trust in the UK](#), with a total value of up to \$13.8m. Software companies remain out of favour in the listed market, but ALC is delivering on its stated goals and should continue to provide positive news-flow in the coming months and the shares should continue to track north.

**BigRiver (BRI) -7.0% (Building Products):** This building supplies business last year generated a net profit of \$21m and a yield above 7% offering outstanding fundamental value. The stock drifted on low volumes, but the outlook remains solid, both organically and through acquisition with building material prices remaining strong.

**Raiz (RZI) -24.1% (Financials):** The biggest detractor from performance for the month, this fintech micro-investing platform has had its share of challenges, most notably in its push into South-East Asia. Recent changes at Board and Senior Management level are a strong catalyst for change (and cost savings), as the company refocuses on its proven and well positioned Australian business. It has been a frustrating journey ([particularly given the company’s underlying FUM, in excess of \\$1bn, increased over the past 12 months](#)), but we believe with the recent structural changes, 2023 will be a turning point for the company and expect it to return to its strong growth trajectory.

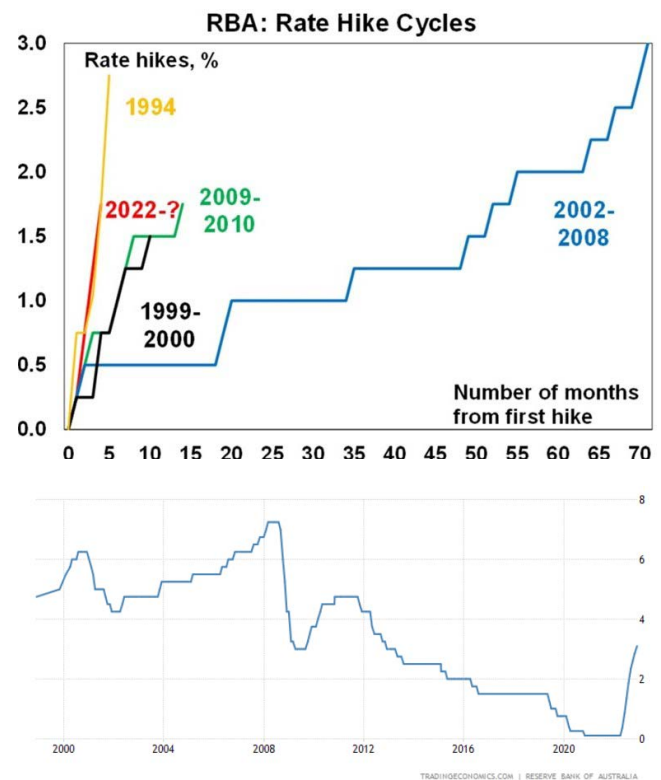
## Media

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

## Outlook

As a broad statement, it feels as if the market is in somewhat of a holding pattern. Even the central banks seem uncertain about the economic outlook. For example, in June this year, the governor of the US Fed, Jerome Powell, explained “I think we now understand better how little we understand about inflation”.

Further it was only 1 year ago that the RBA stated that interest rates would stay low until 2024. It has subsequently increased rates by 300 basis points (bp) with the most recent rise of 25bp taking the cash rate to 3.1%. The tightening of monetary policy has been swift and aggressive, which has thrown equities markets into a spin.



As stated in our September monthly report:

*“We believe the most-likely first positive catalyst for a stock market recovery will be a line of sight as to when the interest rate hike cycle will end. Most central banks in developed economies are rapidly and aggressively raising rates. Stock markets hate this. We don’t know if this monetary policy strategy will curb inflation as hoped, but an end to this cycle could provide a clear positive catalyst for a shift in sentiment for equities.”*

The market is currently consumed by this issue

and economists seem to be at the centre of every discussion.

Gareth Aird, Commonwealth Bank's head of Australian economics, had previously forecast the RBA's rate hike in early December would be the last but he has updated his predictions after the RBA signalled more rate rises. He stated, *"The tweak in forward guidance was not as material as we anticipated and as a result we shift our risk case to our base case....We now expect one further 25 basis point rate hike in February 2023 for a peak in the cash rate of 3.35 per cent"*.

Chief Economist at AMP Shane Oliver believes the cash rate has now "peaked" — with a high risk of one final 0.25 per cent hike to 3.35 per cent in February. By end 2023 or early 2024 he expects the RBA to start cutting rates.

It does appear we are nearing the end of the cycle so we hope for a shift in sentiment in the relatively near future. That said, at Cyan we invest on a bottom-up fundamental basis where we find individual companies that are small but well positioned in their chosen industry and will provide growth over time and through economic cycles. In our view, all the companies in our portfolio will have materially stronger market share positions in their industry in years to come, irrespective of economic conditions.

However, that value doesn't get released in a straight line, and we are in the middle of one of those frustrating periods at the moment. But the market is forward looking, so investors waiting for genuine clarity around the economy may well find that the market has already moved ahead of them next year.

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 30 November 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.