

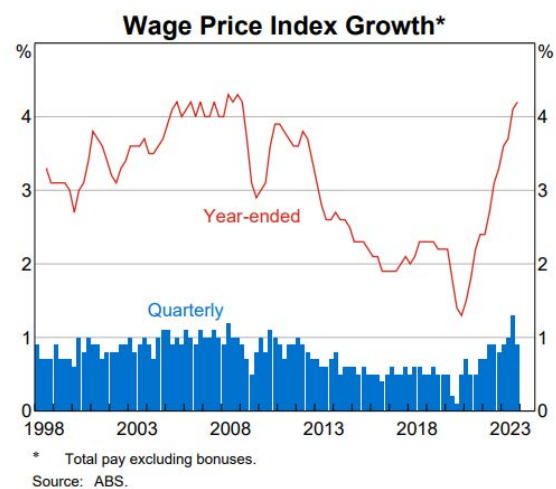
As at: 31 May 2024	1 mth	3 mths	Fin YTD	1 Year	5 Year (p.a.)	7 Year (p.a.)	Since Incep (p.a.)	Since Incep	Volatility
<b>Cyan C3G Fund</b>	-1.4%	3.5%	-5.8%	-13.4%	-13.0%	-6.6%	1.6%	16.5%	18.2%
<b>S&amp;P/ASX All Ords Accum</b>	0.9%	1.2%	11.7%	13.9%	8.2%	8.9%	8.0%	113.1%	14.2%
<b>S&amp;P/ASX Small Ind Accum</b>	-0.9%	-2.5%	10.8%	11.4%	2.7%	5.6%	6.1%	80.0%	17.5%
<b>S&amp;P/ASX Emerge Accum</b>	0.6%	10.6%	9.4%	12.2%	11.1%	11.0%	8.8%	128.7%	22.5%

## May 2024

Markets traced an arc through May as early optimism on the inflationary outlook was quelled by stronger [mid-month wages data \(up 4.1% yoy\)](#) which drove bonds higher and equity markets lower.

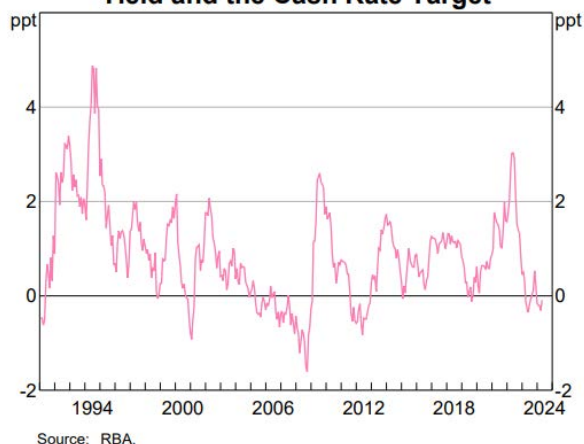
Despite a strong start to the month – at one stage the All Ords had gained ~3% and the Cyan C3G Fund more than 4% - May closed close to flat. The S&P/ASX All Ords Accumulation Index gaining a modest 0.9% and the S&P/ASX Small Industrials retreating 0.9%. The Cyan C3G Fund pulled back 1.4%.

The RBA determined to keep interest rates on hold at 4.35%, the last rise being back in November 2023. Of note is the spread between 10yr bonds and the RBA cash rate which is showing, for



one of the few times in the past decade, long bonds yielding less than cash. This implies that expectations are short-term rates are close to peaking.

### Spread between Australian 10-year Bond Yield and the Cash Rate Target



## Month in review

Underlying the flattish performance in the month, the Fund experienced significant swings in both directions from its underlying investments.

The strong positives came from educational service provider **Readcloud (RCL +18%)** and medical software company **Beamtree (BMT +28%)**.

**Readcloud** provides digital learning solutions to secondary schools and the VET sector and has shown meaningful signs of a turnaround since installing new management last year. Due to the school selling season, the company has a September financial year end and thus recently reported its 1H24 earnings to 31 March 2024. This showed a huge improvement on prior years with [revenue up 13% to \\$8m resulting in an EBITDA of \\$1m](#), a significant result for a company with a present market capitalisation of just \$8m, no debt and \$3m in cash.

**Beamtree** is a fast-growing global healthcare technology provider with its software (some of which incorporates AI) deployed in more than 20 countries. The company enjoyed renewed investor interest from its outstanding underlying results. Company Chairperson Emma Gray added to her investment in May, acquiring 20m shares to take her personal ownership to 10.7% of BMT. The company has guided to \$60m in annual recurring revenue by FY25, representing compound annual revenue growth of 38% from the FY23 base.

One company we expected to have traded higher than it did was gaming developer **Playside (PLY+3%)**. The company announced during May the [development of a blockbuster game based](#)

[on the Game of Thrones series, franchised from Warner Brothers](#) and shortly thereafter [upgraded their FY24 guidance with an almost 40% increase in forecast EBITDA](#). This is now the 4<sup>th</sup> time PLY has upgraded FY24 guidance.

There is no doubt this Australian company is becoming a serious player in the global gaming industry. We expect continued investor interest both from Australia and overseas given its marquee brands and global client base which includes Meta, Activision Blizzard and Netflix.



We saw camera company **Birddog (BDT -32.5%)** hand back much of its recent gains although this did not, overall, effect the Fund. The pull-back was no doubt impacted by one of the original founders, who no longer works in the business, selling a material stake at a significant discount to the market. With Birddog's new camera models achieving outstanding early reviews and orders, FY25 is shaping up to be a turnaround year for the company. We have noted this previously but Birddog's market capitalisation of \$11m is almost half of its \$21m cash balance.



Advanced manufacturing business **Quickstep (QHL -28%)** surprised with its price fall during the month. We don't know if this is a result of tax-loss

selling or negative sentiment towards defence manufacturers, but it seems to fly in the face of recent contract wins, particularly in the increasingly popular drone sector ([Quickstep announces new \\$1.35m Carbonix Drone Contract](#)).

We're not so arrogant as to think we always know better than the market so we remain in close contact with the company and staying alert to any potential negative fundamental news. We do not see short term earnings as a catalyst, but as the company delivers continued success in the drone sector, complemented by traction in its significant push into the US defence sector, the market will realise that a business with multi-layered growth avenues is too cheap with a market cap of just \$11m.

Other rises and falls in the month included **Alcidion (ALC +7.4%)**, **Swift Networks (SW1 +5%)**, **Big River (BRI -16%)** and **Silk Logistics (SLH -11%)**.

## Media

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## Outlook

As mentioned at the beginning of this report, we saw some real market enthusiasm early in May which gave us some optimism for the near-term performance of the smaller end of market. This is likely reflected in leading investment banks pressing the 'Go' button on the highly anticipated, (and highly priced!) IPO of **Guzman y Gomez Limited** which is seeking to raise \$242m at a valuation of \$2.2bn. Although this looks steep to us considering the modest profitability (\$3.4m forecast in FY24), the stock may be well sought given the market has been starved of any sizeable IPO's for a long period of time.

In respect to the Cyan C3G Fund, we see several of our investee companies punching well above their weight with respect to the financial performances they are achieving and the limited stock market attention they are presently attracting. We believe it is only a matter of time before the gap is closed (with upward share price trajectory) and the upcoming cashflow numbers in late July and results season in August are likely to be strong catalysts for significant re-ratings.

As always, we are attentive to all risks and opportunities and welcome contact from our investors at any time.

**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 31 May 2024. 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.