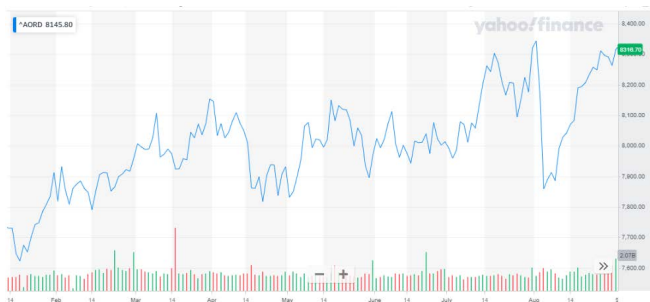


As at: 31 August 2024	1 mth	3 mths	6 mths	1 Year	5 Year (p.a.)	9 Year (p.a.)	Since Incep (p.a.)	Since Incep	Volatility
Cyan C3G Fund	-2.8%	6.0%	9.7%	-3.5%	-13.0%	-0.2%	2.1%	23.6%	18.1%
S&P/ASX All Ords Accum	0.4%	5.0%	6.3%	14.7%	8.4%	9.5%	8.3%	123.7%	14.0%
S&P/ASX Small Ind Accum	-1.9%	4.6%	1.9%	12.2%	3.4%	7.0%	6.5%	88.2%	17.3%
S&P/ASX Emerge Accum	2.0%	-1.6%	8.9%	8.0%	9.2%	11.1%	8.4%	125.0%	22.3%

August 2024

The market endured somewhat of a ‘mini-crash’ in the early days of August with the All Ords diving 6% over a handful of trading days before recovering in the subsequent weeks and closing the month marginally higher.



Smaller stocks fared less well in the local market, with the S&P/ASX Small Industrials falling -1.9% and the S&P/ASX All Ords Accumulation Index gaining +0.4%. After a

couple of strong months in June and July, the Cyan C3G Fund pulled back -2.8% in August.

The August reporting season was really quite surprising. Consumer finance businesses which have struggled over the past few years like **Beforepay (B4P +30%)**, **Humm (HUM +50%)** and **Zip (ZIP +25%)** which have been aggressively cutting costs and improving margins attracted renewed market attention. And recently unloved tech businesses such as **Nuix (NXL +38%)**, **Appen (APX +33%)** and **Beamtree (BMT +40%)** bounced back strongly as they reported turnarounds in both revenue and profit and detailed strong outlook statements.

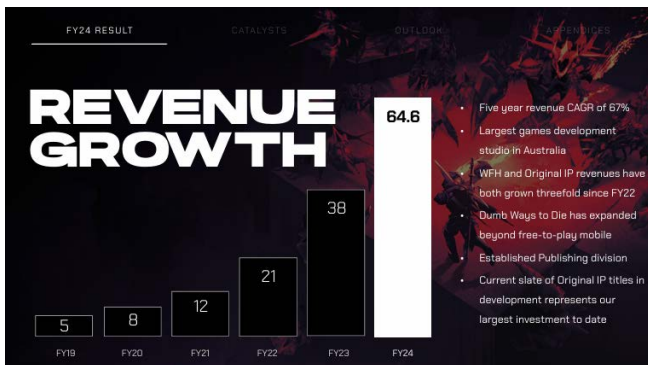
All at the same time, previous market darlings like **Johns Lyng (JLG -37%)** and **Audinate (AD8 -36%)** posted results that seriously disappointed, showing that investors should not always use a ‘set-and-forget’ strategy.

Month in review

The Fund experienced some significant divergence in returns during August, which belie the fact that earnings results came in broadly in-line or ahead of expectations.

Aerospace business **Quickstep (QHL -27%)** which rose over 120% in July pulled back despite what we considered some materially good news in their decision to [close down their loss-making Aircraft Maintenance \(Aerospace Services\) division](#). **QHL** released their full-year results (with [revenue of \\$99m, \\$3m ahead of the top end of the previous guidance range](#)). Additionally, the company reported segmented results on their continuing operations which shows the company achieving both underlying profitability and positive cash-flow. Again, we point out that with a current market capitalisation of ~\$20m, the business is absurdly cheap [when compared to similar ASX listed companies](#). Whilst month to month volatility can be expected to remain a factor, with significantly improving underlying company performance, the upward trend in overall share price expected to continue.

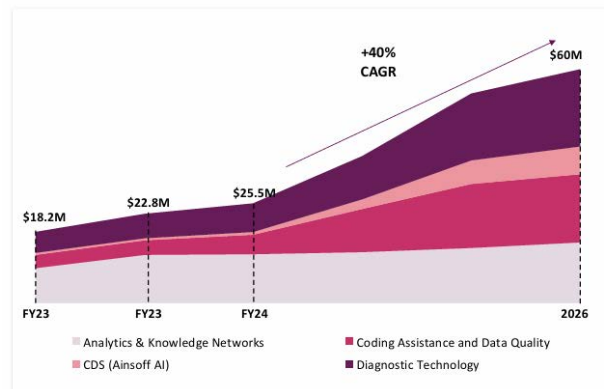
Another business that was disappointing (in respect to the share price movement that we didn't think reflected a great FY24 result) was gaming developer **Playside (PLY -19%)**. PLY's numbers were outstanding - [revenue was up +70% to \\$65m with an EBITDA of \\$18m resulting in a net cash position of +\\$37m](#). The reason for the price slide is unclear but might be as a result of some recent weakness in the US tech space given PLY has a number of significant listed US customers such as Netflix, Meta and the Microsoft owned Activision Blizzard.



The two best performers for the month were traffic camera developer and operator **Acusensus (ACE +27%)** and medical software company **Beamtree (BMT +40%)**.

BMT in particular [posted results and an outlook](#) well ahead of expectations with a strong increase in revenue in FY24 to \$28m and a forecast for this to grow to \$60m in the next two years. Of particular note was their progress overseas with company revenues growing to over A\$10m across the UK, Canada and Saudi Arabia.

Long Term Horizon – Reaffirm Conviction



Beamtree revenue forecast

The upward move in **Acusensus** was more curious in that the [company's result was solid](#) (with revenue up 20% to \$50m) but certainly of no real surprise given their quarterly update was released at the end of July. The company is profitable and has \$19m in net cash which should see it continue to build out its range of cameras which are deployed in Australia, the UK and the US. After missing out of some large tenders during the past year we feel the company is being somewhat coy in respect to its near-term opportunities and we anticipate there could be some upside surprise, especially in light of how topical the danger and policing of distracted driving remains.

Media

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

Outlook

As might be evident from our commentary this month, we can be occasionally confused and/or frustrated by some of the short-term movements in share prices with the apparent drivers seemingly unrelated to company performance or results.

What is becoming evident is the overall trend for companies in the Fund to be significantly improving their inherent value through solid (and some cases substantial) growth in revenues, customers and profit.

There has been much talk about the strength of ASX being 'top-loaded' in that the performance is being driven by a cohort of the very largest stocks. This is serving to widen the gap even further between the valuations of small vs large caps. What we have begun to see, over the past three months or so, is a meaningful uptick in volumes at the smaller end and, in a number of (sporadic) cases, some huge changes in share prices over a just matter of weeks. **QHL** for instance moved from 17c in June to a peak briefly at 45c in just four weeks.

Whilst some of the volatility, in isolation, can be frustrating, we're largely seeing this tempered by our diversification in the Fund through the ~20 stock positions. Upcoming news will be in the form of September 4C cash reports for some of our portfolio and we expect to see some serious uplift with companies starting FY25 in much a stronger position, followed by outlook statements in the AGM seasons.

We appreciate it has been a frustrating few years in the Fund but we're supremely confident that our holdings are back on-track and this will be reflected in material uplift in share prices and the Fund's NAV in the coming months.

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

Dean Fergie and Graeme Carson



www.cyanim.com.au

17/31 Queen Street
Melbourne VIC 3000
(03) 9111 5632

info@cyanim.com.au

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

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 August 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.