

As at: 31 January 2025	1 mth	3 mths	Fin YTD	1 Year	5 Year (p.a.)	9 Year (p.a.)	Since Incep (p.a.)	Since Incep	Volatility
<b>Cyan C3G Fund</b>	1.2%	10.7%	12.0%	16.7%	-11.1%	-1.4%	3.0%	36.3%	17.9%
<b>S&amp;P/ASX All Ords Accum</b>	4.4%	4.9%	11.6%	15.1%	8.3%	10.6%	8.6%	139.5%	13.9%
<b>S&amp;P/ASX Small Ind Accum</b>	3.3%	4.0%	10.6%	13.6%	3.1%	7.0%	6.9%	101.9%	17.1%
<b>S&amp;P/ASX Emerge Accum</b>	0.4%	0.2%	10.1%	22.5%	9.6%	11.2%	8.8%	142.4%	21.9%

## January 25

There was a flurry of activity during January, further reason to never be too far away from the screens over the Australian summer. Geopolitical events included talks of new major US tariffs on China, Canada, and Mexico which impacted some of the local retailers and manufacturers.

Major swings in tech occurred on the back of the release of China’s [Deepseek](#) AI platform which sent marquee chip manufacturer **Nvidia (NASDAQ:NVDA)** down 10% in January. These concerns reverberated onto the ASX’s memory stocks such as **4DS Memory (4DS -34%)** and **Weebit Nano (WBT -37%)**. In our limited use of the AI mainstream platforms, it

certainly appears that ChatGPT, Gemini and Microsoft’s Copilot are currently streets ahead of Deepseek.

In the US, the US S&P 500 Index rose 2.7% in January whilst the tech laden NASDAQ managed a rise of just 0.3%.

Back home, and egged on by some promising CPI data, the S&P/ASX All Ords had a solid rise of 4.4%, whilst the Small Industrials Accumulation Index and Emerging Companies Index rose 3.3% and 0.4% respectively.

After a strong December quarter, the Cyan C3G Fund consolidated recent strong performance with a gain of 1.2%.

Towards the end of the month, Australia

received the welcome news that inflation had cooled to just 0.2% in the December quarter (2.4% yoy) improving odds that a welcome RBA rate cut may occur in the coming months. Infact, local data indicates a 92% expectation of a 25 basis point cut as early as February.



Despite the positive CPI data, consumer weakness and associated downgrades impacted stocks such as **Premier Investments (PMV -26%)**, **Myer (MYR -27%)** and **Kogan (KGN -24%)**.

The best industrial performers included existing and new takeover targets such as **Insignia Financial (IFI +25%)** and **Dropsuite (DSE +24%)**.

## Month in review

The Cyan C3G Fund experienced some significant swings at stock level in the month, belying the modest overall rise - the benefit of diversification.

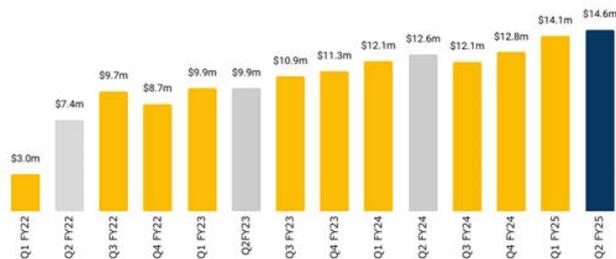
The major positive contributor in the month was consumer facing micro investing platform **Raiz Invest (RZI +35%)**. We have been invested in Raiz for a several years (first buying in 2019) with the thesis that an engaged and growing customer base of more than 300,000 retail investors, a usable mobile IT platform and more than \$1.5bn in FUM is a valuable and attractive asset. However, the timing of the recent rise, whilst welcome, appears almost arbitrary given the absence of positive company news released to date by the company. Again, we would note the

present corporate activity in financial plays **Selfwealth (SWF)** and **Insignia Financial (IFL)** that are likely spurring some serious investor interest in Raiz.



Traffic camera operator **Acusensus (ACE +11%)** kicked higher as the market continued to digest recent large contract wins. Additionally, ACE's [Quarterly Update](#) detailed steadily improving revenues and further contract wins not previously announced to the market. The company is yet to officially upgrade its FY25 guidance but given the news flow over the past month, current expectations are extremely conservative.

Quarterly Revenue Trends



### Acusensus: Quarterly Revenue (A\$m)

The Fund also welcomed positive news in reports from both **Alcidion (ALC +15%)** and **ReadCloud (RCL +16%)**.

Like Acusensus, [Alcidion's quarterly update](#) detailed a total of \$13.1m in new contract wins, a number well in excess of the two material contract wins (\$4.5m and \$3.7m) announced separately to the market over the period. Additionally, Alcidion has announced, this month, [a \\$5-\\$7m contract in Wales](#) further proving up their penetration into the UK health system.

Digital curricula and VET training business **ReadCloud** has been performing increasingly strongly with [impressive take-up in new schools of its VET-in-school products](#) which are expected to grow by more than 25% this year. The cyclicity of school billing means the next two quarters see the company's strongest cash flows with FY25 (ending September) forecast to be the company's strongest year ever.

On the negative side, the one of the larger drawdowns came from gaming developer **Playside (PLY -46%)** after [announcing a pullback in its forecast FY25 revenues from ~\\$65m to ~\\$52m](#). Much of this predicted revenue had been "Work for Hire" which had been represented by the company as a fairly predictable and stable revenue stream, especially given the customer base including **Activision Blizzard, 2K Games, Meta** and **Netflix**.

As such, the market dealt harshly with the stock, but arguably not unfairly, given the disconnect in perception vs reality. It's not the first misstep the company has had, and the Fund has only been selling its position over the past two years into prior stock strength, having made our initial investment pre-IPO (at \$0.16) in late 2020.

Playside is now an interesting case of how much value is attributed to market confidence and perception. Playside listed at \$0.20 with forecast revenues of around \$10m FY21. Despite the 5x growth in revenue to FY25, the stock is now trading at almost the same price as at IPO. This does suggest some attractive inherent value but it will likely take some time before the market becomes re-engaged with management and the stock.



The other major disappointment was camera manufacturer **Birddog (BDT -38%)** which announced [both sales \(\\$3.1m\) and cashflow below expectations](#). The company is not the only one in the industry struggling, with both **Audinate (AD8)** and **Atomos (AMS)** posting disappointing sales with the impact of the US election and impending tariffs. Much of the investment proposition of Birddog has been its strong balance sheet comprising \$9.7m in net cash, now significantly more than its present market capitalisation of just \$6.1m.

## Media

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

During January Cyan featured on [nabtrade's Your Wealth podcast](#) where we shared our thoughts with including:

- the disconnection between stockmarket direction and the health of the economy in recent years (confounding);
- ongoing takeover activity and strong performance of ASX small caps in 2025 (almost certain)
- sustainability of pricing of marquee stocks such as PROMEDICUS LIMITED and Commonwealth Bank (challenging);
- our favourite stocks at current prices ([Acusensus](#) and [Alcidion](#)).

# Outlook

At stock level it has obviously been a bit of a wild start to calendar 2025, however the underlying momentum has overwhelmingly turned positive for small caps during the past 3-6 months.

We expect the following factors will continue to drive the market positively:

- **Domestic rate cycle** - recent data, as shown earlier, suggest the RBA is almost certain to cut rates in the coming months spurring further interest in the equity market;
- **Trump's Presidency** - and his pro-business focus has been embraced by the markets and further actions by the US government are likely to enthuse investors further - with the obvious risk of new tariffs for Australian exporters;
- **Corporate activity** - as we've noted in [past newsletters and on LinkedIn](#) - corporate activity in the Australian market is now a major feature driving returns and is almost certain to continue - and which the Cyan C3G Fund has already benefitted through **Schrole (SCL), Quickstep (QHL) and Silk Logistics (SLH)**;
- **Upcoming reporting season** - company financial reports start in earnest next week and we expect some positive results from our core holdings, a number of which have already posted impressive cash flow numbers.

Outside of our monthly reports, to keep up to date intra-month with stock news, please keep an eye on our [Linkedin profiles](#).

We thank our investors for their support and believe recent results are the beginnings of a sustained re-rating in the micro-small cap sector.

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

**Dean Fergie and Graeme Carson**



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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 January 2025. 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.