

Using a defined and disciplined investment framework the C3G Fund makes considered and thoroughly researched investments in a range of both proven and emerging companies. The Fund aims to generate both sustainable income and capital growth for investors.

## C3G Fund Update 31 December 2014



### Fund Details

Fund Inception	24-Jul-14
Unit Price 31-Dec-14	\$1.051

### Returns Since Inception

Cyan C3G Fund	+5.1%
Small Ords Acc Relative Performance	+11.8%
Small Ords Acc	-6.7%

### Portfolio Composition



December was yet another volatile month with the Small Ords Index down 6.0% at the mid-point before recovering to close flat for the period.

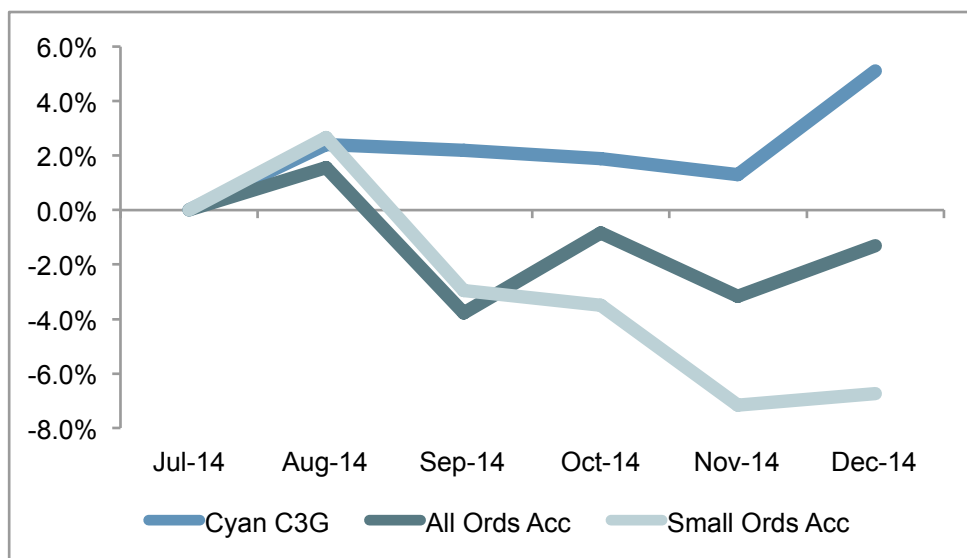
The Cyan C3G Fund performed well, delivering growth of 3.7% after all fees.

The Fund has now been invested for 5 months and has outperformed the Small Ords Accumulation Index by 11.8% since inception.

### THE CYAN C3G PORTFOLIO

Some of the positions and investment decisions impacting our December performance include:

- We continue to be rewarded for our core portfolio holding in telco retailer **Vita Group (VTG)**. The company issued a trading update with increased earnings guidance for the 6 months to December, resulting in a 23% share price rise.
- After a very strong performance in November, baby food producer **Bellamy's Organic (BAL)** was suffering share price weakness before it too released increased earnings guidance mid-month. The company said that its improved market share in Australia and early success in China will result in FY15 sales and profit to be 20% ahead of its prospectus forecasts.
- We participated in the IPO of jewellery retailer **Lovisa (LOV)** and added to the position on the first day of listing. At month's end the stock had risen 17% from its issue price.
- Having monitored the company in recent months, we took our first position in diagnostic imaging consolidator **Capitol Health (CAJ)**. The company announced a substantial acquisition in NSW resulting in share price appreciation of 33% from our entry point. We believe the acquisition-led structural play in the radiology industry is still in its infancy.
- We initiated positions in financial services providers **Money 3 (MNY)** and **Challenger Group (CGF)** on the view that both companies, will continue to offer earnings growth and certainty through the vagaries of the current economic cycle.
- The most disappointing outcomes for the month related to our positions in takeover targets **Ten Network (TEN)** and **Transfield Services (TSE)**. In the case of Transfield, the bid was increased but the Board refused it without bringing it to shareholders, resulting in significant share price weakness.



## THE OUTLOOK

We remain conservative in our overall investment strategy in the current environment, but significant market weakness over the first half December provided us with a few opportunities. We subsequently increased our holdings in some of our preferred companies and initiated a number of new investments to position for the months ahead, including the February reporting season.

Currently trading volumes remain seasonally light, but economic indicators don't appear to offer many positive catalysts for the Australian share market.

Accordingly we have positioned our portfolio around a couple of key themes:

1. **Invest in companies that earn through the cycle** – these include a number of positions in the financial services, telco and healthcare sectors (eg. CGF, MNY, BLA, ISU, MTU, VTG, CAJ, MPL).
2. **Invest in companies with specific growth drivers** – these include those exposed to structural changes within industries, those growing market share, or with significant geographic expansion plans, either organically or through acquisition. (eg. BAL, AMA, CAJ, VTG, PPS, RHP, SDA).

We continue to hold significant cash balances, which we will conservatively deploy if and when appropriate opportunities are identified.



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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 December 2014. 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.