

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 January 2015



Fund Details

Fund Inception 24-Jul-14
Unit Price 31-Jan-15 \$1.071

Returns Since Inception

Cyan C3G Fund +7.1%
Small Ords Acc -5.9%
Relative Performance +13.0%

Portfolio Composition



The market volatility continued in January, but the early market losses were stemmed by a rebound in commodity prices (specifically oil which bounced more than 10% from its sub US\$45 lows) helping the All Ords eke out a 3.0% gain. The Small Ordinaries made a more moderate gain of just 0.9% without the benefit of the larger resources stocks such as BHP, Rio and Woodside.

Pleasingly, the Cyan C3G Fund delivered another solid month of performance, gaining 1.9% after all fees.

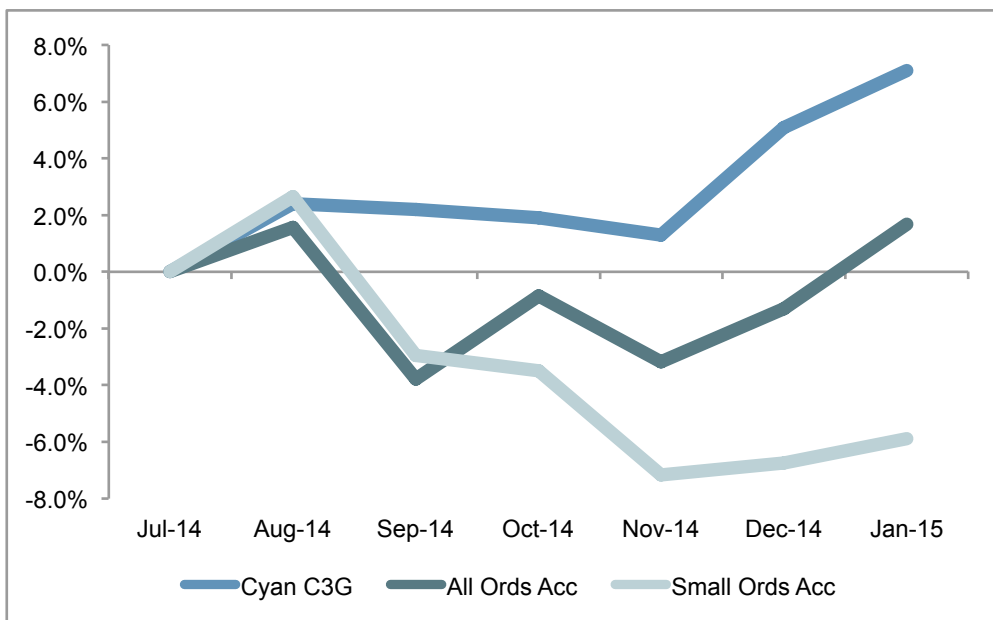
The Fund has now been invested for 6 months and has risen 7.1%, well in excess of the Small Ordinaries Accumulation Index which has fallen 5.9% over the same period.

THE CYAN C3G PORTFOLIO

We made few changes to the Cyan C3G Fund in January on account of our, "If it ain't broke, don't fix it." approach.

However we have listed some of the positions that contributed to January's performance:

- The best performer in the month was financial services software provider **Praemium (PPS)**. This sleeper of a stock rose 28% after providing the market with strong 2nd financial quarter cash flow numbers and solid growth in Funds on Platform, which now exceed \$3bn. The management of the business has worked hard over recent years to achieve profitable scale and it appears the market is now recognizing the promising outlook for the company.
- Our decision to invest in the IPO of jewellery retailer **Lovisa (LOV)** was rewarded with the stock making further gains in the month to end January trading 22% above its December IPO price. Despite some patches of softness in the retail market (we point to recent downgrades from listed retailers such as Kathmandu, Orotan, Specialty Fashion and The Reject Shop), we understand Lovisa's stores both domestically and overseas are trading well and we expect a solid maiden earnings report in February.
- Bellamy's Organic (BAL)** rose 6% in January after the company



announced pre-Christmas 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.

THE OUTLOOK

There were not a lot of changes to the Fund in January however we have been more active this month as both market volatility and corporate activity have provided trading opportunities and the February reporting season has begun to kick into gear. We expect many of the Fund's holdings will report solid earnings numbers in the coming weeks.

However we do remain conservatively invested and spotlight the RBA's most recent 25bp rate cut as signifying ongoing macro challenges for the domestic economy. Nevertheless there are always bright patches in which to invest, particular at the smaller end of the market and we believe the Fund is appropriately positioned to benefit.

Elaborating on last month, 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).

3. **Avoid high risk and volatile sectors** – including any direct resources exposure, highly leveraged businesses or unproven business models.

Often more than half the battle in the small cap sector is avoiding the losers. As such we continue to hold significant cash balances and have actively been saying “no” to a number of investment opportunities with which we have not been entirely comfortable.

We look forward to keeping our investors updated with the Fund's progress.

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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 2015. 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.