

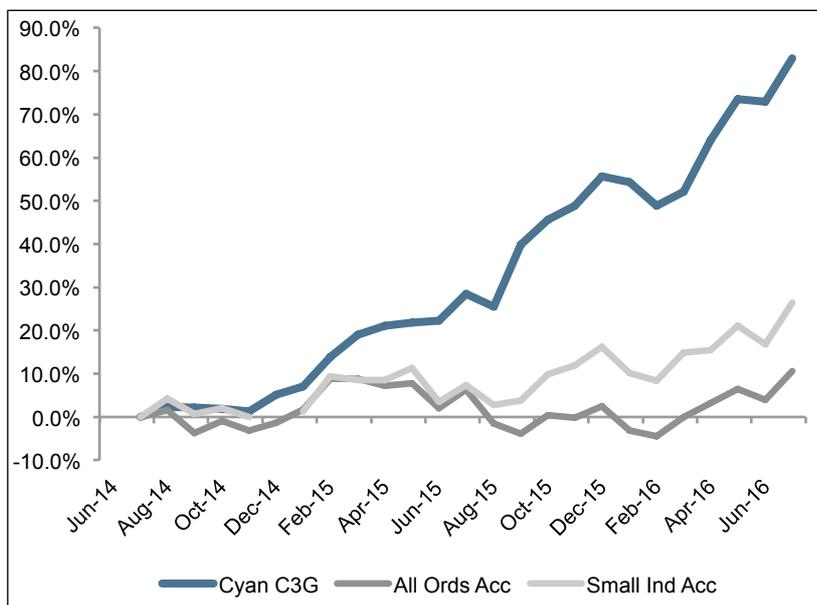
Cyan aims to invest in the most promising and highest quality smaller companies listed on the ASX.

C3G Fund Update

31 July 2016



Fund Incep: 24 Jul 2014	1.000		
Unit price: 31 July 2016	1.668 (ex 15.3c dist)		
Performance	Cyan C3G	All Ords Acc	Small Ind Acc
1 mth	5.8%	6.3%	8.3%
3 mths	11.5%	7.1%	9.5%
1 Year	42.4%	4.0%	17.8%
2 Year (p.a.)	35.3%	5.1%	12.5%
Since Incep (p.a.)	35.3%	5.1%	12.5%
Volatility	12.0%	13.3%	13.5%



The Cyan C3G Fund enjoyed a strong July, rising 5.8%, albeit slightly behind the All Ordinaries Accumulation Index.

The 31st July 2016 marked the second anniversary of the Cyan C3G Fund which has enjoyed annualised returns over two years of 35% p.a., significantly in excess of the 5.1% posted by the All Ordinaries Accumulation Index.

Again we note in achieving this return the Fund's volatility, at 12.0%, has remained below both the large and small cap indices.

July Review

With the election being resolved in favour of the coalition and 'Brexit' becoming a distant memory, the domestic market rose aggressively across the board. Investors appear to have been further attracted to equities due to the expected extended period of low interest rates – which has been reinforced by the official 25bp rate cut to 1.5% on 2nd August 2016.

Pleasingly the C3G Fund had many good performers in July.

Afterpay (AFY) - that the C3G Fund invested in at listing in June 2016 - rose over 60% in July. AFY gave an extremely positive trading update to the market mid-month which saw investors flock to the stock. This is a classic example of where Cyan has been able to add significant value: finding promising investments early in their public lifetime; doing comprehensive research; and making considered and meaningful investment decisions early.

During the month we increased our previously reduced holding in **Bellamy's (BAL)**. In its two years as a listed business, BAL has traded from \$1 at IPO to over \$16, although the stock had recently pulled back to around \$10. Our research and company contact indicated that trading conditions remain buoyant which has been substantiated by

an earnings upgrade in close competitor **A2 Milk (A2M)**. BAL rose 16% in July.

Vita Group (VTG) continued to trade higher, rising 16% in the month. This telco retailer has delivered impressive returns from its footprint of ~100 Telstra retail stores. The business has successfully streamlined its existing operations and enhanced value from its footprint of stores, but still has an eye on growth and expansion.

APN Outdoor (APO) gained 17% as the market comes to appreciate the structural change impacting traditional advertising sectors. The shift toward outdoor for brand recognition along with technology developments in visual signage is helping drive the 20%+ earnings growth in APO's business.

Seafarm Group (SFG), the listed aquaculture business in which the C3G Fund subscribed for a small amount of capital in its recent capital raising, rose 50% in July. This established farmed prawn producer is yet another example of a newly listed business in which the C3G Fund has benefitted from an early investment.

Whilst we typically talk about market falls there was nothing that significantly impacted Fund performance in July.

Despite - or perhaps given - the strong performance of the Fund, we have been reassessing the investment risk of the portfolio. The outperformance of the Fund to date has been driven as much by what we have not invested in and the investment risks we have controlled through prudent portfolio management.

As such we have reduced a number of holdings across the Fund including: **Abundant Produce (ABT)**, **Adacel Technologies (ADA)**, **Afterpay (AFY)**, **BlueSky (BLA)**, **Lovisa (LOV)**, **Melbourne IT (MLB)** and **Sealink (SLK)**.

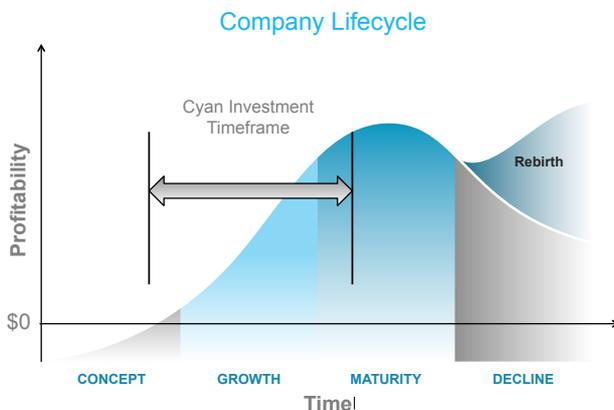
Outlook

The macroeconomic and financial environments, other than the pending US election, looks less uncertain than they did a month ago. Of course than stock market is also 5% higher than it was when we wrote the June monthly.

With reporting season having just begun investors will be refocusing on company specific fundamentals and looking for themes and trends than might point to earnings growth over the coming years.

We are likely to analyse and meet with more than 60 companies in the next few weeks, both ones in which the Fund has invested and those that we have on our watch list.

We are always searching for companies at the right stage of their lifecycle (as illustrated below) and expect that we will uncover a handful that meet our investment criteria and may be trading at the right price.



We also aim to protect capital by not over-exposing ourselves to any particular company or sector and holding a level of cash to protect the downside and take opportunities as they arise. We believe our portfolio is currently well positioned to find some sort of balance between growth and conservatism. We hold a cash balance of ~35% accompanied by a well-diversified portfolio of listed companies.

The vast majority of our larger positions contain our preferred characteristics of high return on equity, strong cash conversion and below average dividend payout ratios, which positions them well to deliver ongoing earnings growth and share price appreciation.

At Cyan, we'll continue to:

1. Invest in companies, not markets.
2. Invest in quality.
3. Avoid high risk and volatile sectors.
4. Invest in companies that earn through the cycle.
5. Invest in companies with specific growth drivers.
6. Deploy a portion of our high cash balance to build opportunistic positions as we identify them.

We would like to thank our investors for their support to date and are pleased we have been able to reward them with strongly positive and yet low-risk returns.

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

Dean Fergie and Graeme Carson

To invest in the Cyan C3G Fund online click here:

<http://www.cyanim.com.au/cyan-c3g-fund-investment-processing-via-olivia123/>



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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 July 2016. 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.