

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

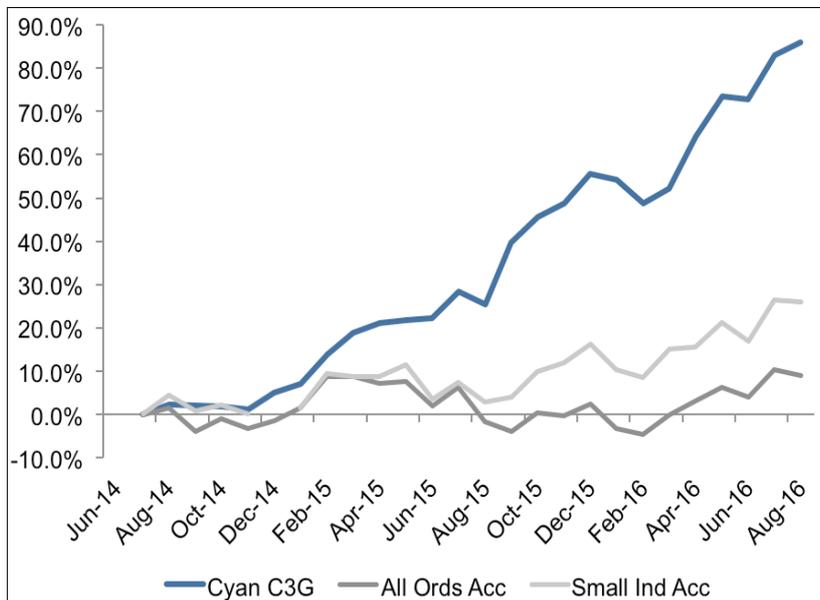
C3G Fund Update 31 August 2016



Fund Incep: 24 Jul 2014 1.000

Unit price: 31 August 2016 1.695
(ex 15.3c dist)

| Performance | Cyan C3G | All Ords Acc | Small Ind Acc |
|--------------------|----------|--------------|---------------|
| 1 mth | 1.6% | -1.3% | -0.5% |
| 3 mths | 7.2% | 2.5% | 3.9% |
| 1 Year | 48.2% | 10.7% | 22.4% |
| 2 Year (p.a.) | 34.8% | 3.6% | 9.8% |
| Since Incep (p.a.) | 34.2% | 4.2% | 11.5% |
| Volatility | 11.8% | 13.4% | 13.9% |



The Cyan C3G Fund delivered a solid result in August, rising 1.6%, in a market that fell 1.3%.

Since inception just over two years ago, our Fund has delivered a return of 89% (34% p.a.) after all fees. Again we note in achieving this return the Fund's volatility, at 11.8%, has remained significantly below both the large and small cap indices.

August Review

Company reporting season dominated news-flow through the month and, as always, contained a mixed bag of results. Within the Small Industrials Index, earnings downgrades outnumbered upgrades to the tune of 38 versus 23 which was reflected in the overall decline in the indices.

The strongest performing sectors from a share price perspective were IT (+2.3%) and Consumer Staples (+2.3%), with the weakest being Telecommunications (-5.5%), Industrials (-4.2%) and Health Care (-3.2%). By month's end, the extreme volatility of specific stock prices had netted off to see the index close just 0.5% lower.

The more notable price movements on the back of poor results or negative outlook commentary included **G8 Education** (-20%), **Seven West Media** (-25%), **The Reject Shop** (-15%), **Estia Health** (-33%) and **APN Outdoor** (-35%). Unfortunately we had a minor exposure to APN Outdoor which we sold immediately on the day the result was released.

Pleasingly the C3G Fund also had many strong performers in July.

Afterpay (AFY) – We have mentioned Afterpay in the past having invested in the IPO and increased our position since. Even though the share price has risen aggressively, (up over

100%) we remain of the view that this continues to be a stellar growth stock. To us, this is a business that makes complete sense: It has a management team with laser like focus and the ability to execute on its strategy; the product is of benefit to all participants in the business model from merchants, to customers and providers of capital (both equity and debt); it is proving itself and gaining traction at breathtaking speed and can now put growth capital to work in the business at high rates of return on both equity and debt. Admittedly we are now paying forward for the privilege of exposure to this growth, but we believe it will continue to be well and truly justified. **AFY** was up 7% in August.

Bellamy's (BAL) – In last month's report we noted that we had increased our position in this organic baby food producer. Within the investment communities this stock is, in some ways, polarising, mostly due to its incredible performance since listing and debate over whether it can maintain its growth momentum. The financial result and our subsequent meeting with management have given us further confidence that there is still a great deal of upside. It currently has less than 1% market share in China and in our view is well positioned to in fact benefit from rather than be restricted by the legislative changes in the operating environment in that market. **BAL** was up 12% for the month.

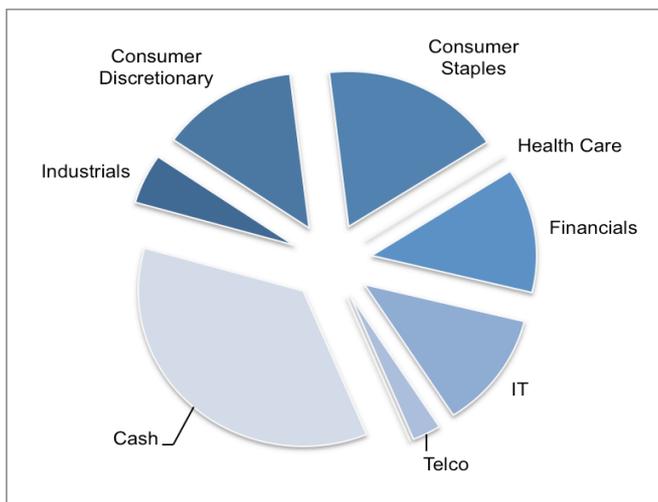
Vita Group (VTG) – Prior to the release of its financial results, the share price movement suggested that we were in for disappointment from Vita Group, but the telco retailer delivered strong numbers containing both revenue growth and margin expansion ahead of analyst expectations.

Pleasingly all our other core positions reported solid results and performed accordingly including: **Skydive The Beach** (up 17%), **AMA Group** (up 11%), **Nick Scali** (up 23%) and **PSC Insurance** (up 5%).

Outlook

At a market-wide level, valuations look stretched and we have recently heard the term “priced for perfection” on more than one occasion.

One strategy we employ to protect capital is to not over-expose our Fund to any particular company or sector and to hold a level of cash to protect the downside and take opportunities as they arise. We believe our Fund is currently well positioned to find some sort of balance between growth and conservatism. We hold a high cash balance accompanied by a well-diversified portfolio as shown below.



At Cyan, we continue to meet with management teams post reporting season and conclude that although the underlying economic environment will throw up some challenges, there are still a number of emerging businesses well positioned to continue their strong performances.

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

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 to date.

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

Press

We were delighted to have been featured in the Australian Financial Review during the month. The article on Cyan and the C3G Fund is linked here:

<http://tinyurl.com/hcf437h>

Cyan is also a regular contributor to websites Livewire www.livewiremarkets.com and ResearchEx www.researchex.com.au

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/>



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

www.cyanim.com.au
info@cyanim.com.au

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 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.