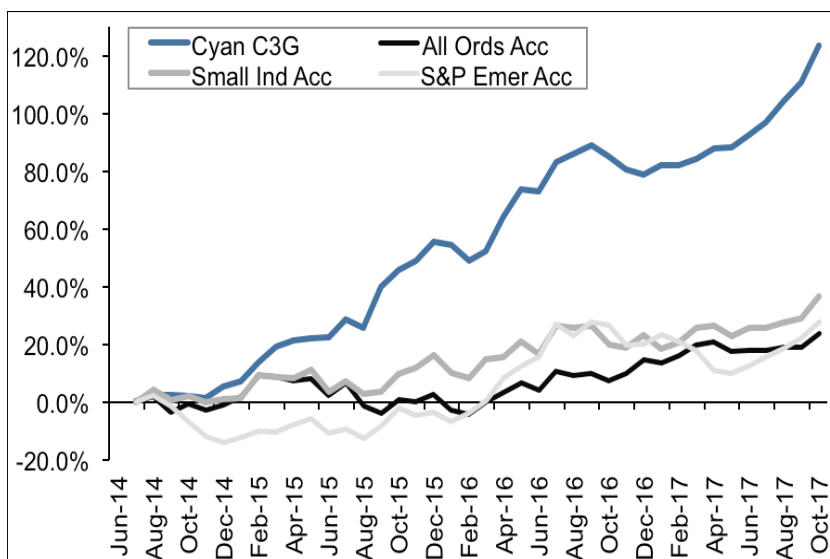


31 October 2017	Cyan C3G	Small Ind Acc
1 month	6.1%	5.9%
3 months	13.4%	8.8%
6 months	18.9%	8.1%
1 year	20.8%	13.9%
2 year (p.a.)	23.9%	11.6%
3 years (p.a.)	29.9%	10.2%
Since Incept (p.a.)	27.8%	10.0%
Since Incept (cum)	123.4%	36.7%
Volatility	10.7%	12.8%



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD	XSI	+/-
2015		2.4%	-0.2%	-0.3%	-0.6%	3.8%	1.9%	6.3%	4.6%	1.8%	0.7%	0.3%	22.3%	7.2%	+15.1%
2016	5.1%	-2.3%	11.4%	4.1%	2.3%	4.5%	-0.8%	-3.6%	2.2%	7.9%	5.7%	-0.3%	41.4%	12.8%	+28.6%
2017	5.8%	1.6%	1.7%	-2.1%	-2.4%	-1.0%	1.9%	0.1%	1.2%	1.9%	0.2%	2.4%	11.4%	7.9%	+3.5%
2018	2.3%	3.6%	3.2%	6.1%									16.0%	8.6%	+7.4%

October Update

The Cyan C3G Fund delivered an outstanding return of 6.1% in October. This latest result continues the excellent start to the FY17/18 year with the Fund already having posted a 16.0% gain for investors (after all fees) in just four months.

Even taking into account our defensive cash weighting and the strong performance of the market in October - particularly at the smaller end - the Fund still exceeded the S&P Small Industrials Accumulation Index by 0.2% and was meaningfully ahead of the All Ordinaries Accumulation Index by 2.0%.

Again we would like to reiterate that the Fund's returns to date cannot be considered normal or regularly repeatable. But they do indicate that carefully picking some of the better performing businesses at the smaller end of the market will produce investment results far in excess of what can be achieved by investing in traditional 'Blue Chip' stocks.

Importantly for investors in the Cyan C3G Fund, many of the businesses that the Fund has profited from have had a market capitalisation below \$200m, and often less than \$100m at the time when we first invest. As such these companies can only make a meaningful contribution when the size of a fund remains small. This is why investors do not enjoy the quantum of returns that the Cyan C3G Fund has generated from the myriad of larger funds promoted in the Australian market.

This 'smaller is better' philosophy underpins our decision to

cap the Cyan C3G Fund at \$100m. This will give us the best framework to ensure excellent ongoing investment outcomes for our investors.

Fund Review

Whilst trying not to sound overly clever (we think it is incredibly important to maintain a healthy level of humility), nearly everything went right for the Fund in October.

Our investment in **Afterpay Touch (APT)** kicked along nicely again (+25%) after the market factored in the significance of the Jetstar deal that we wrote about last month [here](#).

BlueSky Alternative Investments (BLA) is a company the Fund first bought in October 2014 at \$2.80 and which performed strongly again this month, rising 28% to close at just over \$14. We wrote about BLA earlier this year "[Five reasons to consider BlueSky for the portfolio](#)" and these factors continue to be reasons why we believe the stock is likely to push higher in the medium-term, despite its recent share-price gains.

Equipment financier **AxsessToday (AXL)** upgraded its FY18 earnings yet again (to \$6.5m) and strengthened its balance sheet with a \$12m oversubscribed equity raising and share purchase plan (SPP) that will see its bank debt facilities increasing to \$175m. AXL gained 11% in October.

One of the more recent additions to the Fund, motorcycle retailer **Motorcycle Holdings (MTO)** <http://www.mcholdings.com.au/> gained 15% in October after announcing its \$123m purchase of Cassons, <http://www.cassons.com.au/>, a wholesaler and retailer of motorcycle parts and accessories. Pleasingly the acquisition has been substantially funded through a renounceable rights issue allowing existing investors (such as the Cyan C3G Fund) to lift their investment in the company.

The only slight retracement came from cyber safety business **Family Zone (FZO)** which experienced a decline of 8% in the month. The Fund had invested early in this business at around 35c in July 2017. Given the stock had run up to over \$1 recently, a pull-back was not unexpected. However the Fund had been reducing its holding as the stock rose and hence the recent small retracement was immaterial to the Fund's overall return.

Outlook

When asked about the likely performance of the Fund over the next year, we honestly say that we cannot confidently predict how the shares prices of the Fund's investee companies are going to move over the next 12 months.

However what we are incredibly confident about is that, in 12 months time, all the Fund's investee businesses will have higher revenues, more customers, more clients and will be generating greater profitability for their shareholders.

Overall, we don't know how the market will react to these outcomes, but we think they are pretty good reasons to remain invested, regardless of the 'overall market outlook'.

As we wrote last month, not much has changed in the market outlook although clearly with the recent market run, the skew might have tilted a little further towards the risk side.

In recent months the small cap market has been conducive to making money. The market has rewarded well-positioned growth portfolios, and there are no signs of it slowing at this stage. That said, one of our ongoing focal points is the risk/reward metric and we therefore retain a relatively high proportion of cash in the portfolio.

The Fund is well diversified with 22 individual holdings and no position accounting for more than 9% of the total Fund. The companies span 6 broad industry sectors including: consumer staples and discretionary; industrials; health care; technology and financials. The weighted average market cap is approximately \$300m. All produce revenue, 90% are profitable and recently all have met or exceeded our expectations for business performance.

We look forward to our investee companies delivering on their growth strategies, and hope to complement these with some new positions taken recently in both the IPO and secondary markets.

We thank all our investors for your support and look forward to keeping you all updated with the Fund's progress.

As always we are contactable in person if investors wish to discuss any aspect of their investment in the Cyan C3G Fund.

Dean Fergie and Graeme Carson

Cyan C3G Fund Details

Minimum Initial Investment	\$100,000
Investment Risk	Medium
Trustee and Manager	Cyan Investment Management Pty Ltd
Administrator	Apex Fund Services
Custodian	Australian Executor Trustees (IOOF)
Management Fee	1.5% p.a.
Benchmark / Performance Hurdle	2.5% per quarter (after fees)
Performance Fee	20% (above benchmark)
High Watermark	Yes
Subscriptions/Redemptions	Monthly
Buy/Sell Spread	±0.3%
Typical Portfolio	20-40 companies

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Invest at:

<http://www.cyanim.com.au/how-to-invest/>

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 October 2017. 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.