

Total Returns

As at 31 October 2020	1 mth	3 mths	6 mths	1 yr	3 yrs (p.a.)	5 yrs (p.a.)	Since Incept (p.a.)	Since Incept (cum)	Volatility
Cyan C3G Fund	-2.0%	3.7%	25.0%	-12.0%	1.5%	9.9%	14.5%	133.7%	16.7%
S&P/ASX All Ords Accum	2.1%	2.2%	10.9%	-6.5%	4.8%	7.2%	5.8%	42.3%	14.5%
S&P/ASX Small Ind Accum	0.6%	7.7%	15.2%	-3.6%	4.9%	7.5%	7.5%	57.9%	17.3%

October 2020

After a soft September, the All Ords staged a small recovery, rising 2.1%. The C3G retraced slightly in October with a return of -2.0% but still remains 3.7% ahead over 3 months given some stronger earlier periods.

The overall monthly figures belie the market volatility which has been an ongoing feature for much of 2020. At one stage in October the All Ords was up almost 7%, but US election uncertainty, along with some profit taking, saw those early gains pared back significantly by month's end.

The smaller end of the market was no less confounding. As we've mentioned previously, corporate activity has been extreme and a number of IPOs listed in the month. Somewhat surprisingly, the marquee float of online retailer Adore Beauty (ABY) failed to meet with investor support once listed and closed the month 15% below its issue price. However other listings such as **Aussie Broadband (ABB)**,

Credit Clear (CCR), **MyDeal (MYD)** and **Clean Space (CSX)** all enjoyed significant gains on listing.

The flow of new issues is set to continue into the close of 2020 with at least a dozen companies looking to raise capital. Given such broad supply, it's appropriate to feel even more selective about potential new investments.

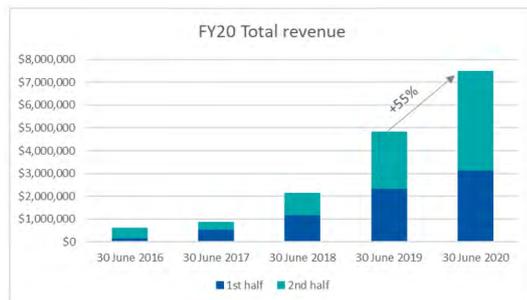
Month in Review

The Cyan C3G Fund experienced significant swings across its holdings with slightly more falls than rises. As we mentioned last month, the Fund has enjoyed some extremely positive months of late (the six month return stands at +25%) so pullbacks from time to time are certainly not to be unexpected.

Kelly Partners (KPG +31%) - KPG's accounting business is tracking strongly in [FY21 KPG delivers 76% increase in Q1 Underlying Attributed NPATA](#) and, additionally, its 3% fully franked yield is attracting ongoing investor interest as official rates continue to retreat.

Swift Media (SW1 + 30%) - Remote resources onsite media provider SW1 has made significant operational progress over the past 6 months as cost cutting initiatives and a renewed balance sheet have set the business up well (1QFY21 revenue is up 23% and the business is now profitable). An increasing share price and a targeted investor relations program is starting to see renewed interest in the company.

Readcloud (RCL + 18%) - Digital textbook provider RCL continues to gain traction in the school and VET space and has made further inroads with its recent purchase of a VET college in the sound and music sector. RCL is very well funded and FY2020 saw its revenue increase by more than 55% to \$7.5m.



Corum Group (COO + 30%) - COO provides point-of-sale dispensing software to the pharmaceutical industry and is a recent addition to the Fund which was initiated through a company placement in late September. The new capital is being used to buy COO's outstanding stake in the PharmX business. The company continues to track well this month after a strategic stake in the business was taken by Arrowtex Pharmaceutical.

New Zealand Coastal (NZS -45%) - NZS has been an outstanding performer in recent months and even after this month's fall it remains well ahead of our average entry price. Some weakness can be attributed to the rising tension in the Australian/Chinese trade sector but NZS is also making strong inroads into Europe and US and further positive contract announcements are expected.

Other companies that sustained some price pressure in the month included **Quickfee (QFE -8%), Jumbo (JIN -13%)** and **Alicidion (ALC - 8%)**.

Media

Much has happened since month's end including a US election outcome and, just this week, the prospect of a COVID-19 vaccine.

We spoke with Livewire about whether the [Markets are at an inflexion point](#) and with Stockhead about [How long the BNPL boom will last](#).

These and others are referenced on our website at: <http://www.cyanim.com.au/news/>

Outlook

For us, the most significant recent event (no, not the US election) has been the RBA's decision to cut official rates to 0.1% and its intention to buy back \$100bn in Australian Government Bonds. Critically the lowered interest rate makes asset classes other than term deposits and money market securities increasingly attractive. In short, investors now realize that their money will do almost no work for them sitting in the bank and this rotation out of cash, term deposits and bonds is starting to be reflected in the renewed market buoyancy thus far in November.

At the smaller end of the equities market, prices continue to gyrate aggressively. Volumes are strong, volatility is high, and corporate activity is rife. What we've seen (and experienced) is that prices can swing widely away from what we consider 'intrinsic fundamental value'. As we don't short stocks the risk of us being caught on the wrong side of this exuberance is limited. However it also does make it tricky, if not impossible, to 'pick the top' of share movements. On the positive side, any positive stock specific news is often met with an abundance of optimism and the opportunity to enjoy significant share price gains in a remarkably short period of time is clear.

As displayed in the Fund's stock movements this month, returns can be generated from holdings in yield plays (**KPG**), positive news flow (**RCL & SW1**) and diluted from a tail-off in stock exuberance (**NZS**). Now, more than ever, it's critical to construct and maintain a diversified portfolio.

We have a well balanced and diversified Fund across different industry sectors and across stocks in different life-cycle stages (cash generative, growth and emerging) and hold more than 20% in cash to deploy into attractive new opportunities.

Despite the uncertainty and volatility it's an exciting and opportune time to be prudently investing and, we're pleased to report, the Fund has experienced a positive November to date.



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

info@cyanim.com.au

To invest: 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 2020. 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.