



## Total Returns

As at 30 September 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
<b>Cyan C3G Fund</b>	-5.2%	16.3%	39.0%	-11.6%	4.3%	11.3%	15.1%	138.5%	16.8%
<b>S&amp;P/ASX All Ords Accum</b>	-3.4%	1.1%	19.0%	-8.8%	5.5%	7.7%	5.5%	39.4%	14.5%
<b>S&amp;P/ASX Small Ind Accum</b>	-2.3%	6.9%	29.2%	-4.7%	6.7%	8.6%	7.6%	56.9%	17.4%

## September 2020

The Cyan C3G Fund underperformed the broader market in September with a return of -5.2% versus the All Ords' return of -3.4%.

Whilst FY20 was the only financial year in which the Cyan C3G Fund has fallen (with a return of -13.1%) the Fund has regained that and more this financial year with a return of 16.3% in the first quarter of FY21 and a six month return of +39.0%, well ahead of comparable indices through the Covid-19 impacted period.

The annualised return (after all fees) since the inception of the Fund now sits at 15.1% p.a., significantly outperforming the All Ords and Small Industrials indices by between 7.5% and 10.0%.

## Month in Review

During September more than half of the Fund's holdings encountered some price pressure, importantly as a result of the weak market sentiment and investor profit taking rather than negative company-specific news.

Whilst it's not pleasing to report soft Fund performance, recent volatility has been so extreme that some weakness was inevitable, especially in context of the large gains the Fund has enjoyed in recent months.

The most material contributors to the month's performance were:

**Kip McGrath Education (KME +17%):** This children's education and tutoring business released metrics that proved it has successfully navigated the Covid-19 challenges and is now well placed to generate sustained growth as a result of evolving its business model from face-to-face tutoring to a predominantly online offering.

**Quickfee (QFE -33%):** QFE was our most disappointing performer in the month but the share price weakness has come after a more than 200% rise in the prior four months. This was a result of weakened investor sentiment in the sector and some indigestion from a \$15m capital raising to provide funding for a partnership with BNPL provider Splitit (SPT). Importantly this deal materially increases QFE's addressable market which we see as a major long-term positive.

**Swift Networks (SW1 -25%):** Again, the recent weakness in SW1 has come after a rise of more than 150% since our most recent share purchases in May 2020. Whilst the company's sales pipeline into aged-care has been somewhat restricted due to Covid-19, its sales in the mining sector have remained strong and company's positive outlook remains.

**City Chic (CCX -11%):** Unfortunately CCX fell slightly after it failed to be the successful bidder for the ecommerce assets US-based retailer, Catherines. As CCX had raised capital to the fund the purchase, it is now extremely well financed to acquire alternative opportunities and we remain invested and supportive of management's growth strategy.

**Jaxsta (JXT +191%):** Our investment in music data provider JXT enjoyed a massive spike in September after announcing an investment and commercial agreement with music licensing company [Songtradr](#).

## Media

Cyan continues to be viewed as a valued industry commentator with respect to local market analysis and stock specific information.

Cyan was [interviewed by Alan Kohler](#) and discussed the waning relevance of 'value stocks', recent Fund performance and some of the Fund's most promising holdings.

We discussed in [James Thomson's AFR Chanticleer column](#) the current market rush on IPOs and some of the investment hype investors should beware of.

On the [Ausbiz channel we discussed](#) the likely market impacts of the US election and ongoing Covid-19 concerns.

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

## Outlook

The divergence of financial performance from month-to-month and across differing companies and industry sectors remains significant, which is providing both challenges and opportunities.

Notably we are seeing an enormous flow of capital raisings from companies impacted both positively and negatively by Covid-19 and a regular stream of new IPOs coming to market. Given Cyan operates so actively in this environment, we're optimistic about the near-term opportunities for the Fund.

Many companies have been forced into a defensive path through the crisis and have raised capital to support their balance sheet, whilst others have found themselves with outstanding opportunities and are coming to the market to fund their growth aspirations, be they organic or through acquisition. This, combined with the fact that investors are finding it challenging to find growth in any mainstream asset class other than equities (and indeed many blue-chip companies), provides a set of circumstances whereby investment capital will continue to be directed towards the smaller end of the share market over the short to medium term (in our opinion).

We are not alone in expecting ongoing volatility in the broader market, particularly in light of the US election, Covid-19 concerns and the analysis and digestion of the resulting economic environment and associated government stimulus packages. But we are confident that markets will remain in an overall upward trend as interest rates remain at historical lows.

As such, we have taken some new investment positions in a mix of companies at various stages of their growth lifecycle. We believe our current portfolio is well balanced from a risk return perspective and look forward to some of our key holdings delivering positive results in the coming weeks and months.



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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 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.