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# Escaping the Blue Sky wreck: Lessons from fund manager Dean Fergie

Cyan's Dean Fergie says it's a relief to be out of Blue Sky. [Stefan Postles](#)by [Chanticleer](#)

Dean Fergie's overwhelming feeling after escaping from Blue Sky Alternative Investments is one of relief.

"It's like breaking up with a girlfriend," he tells Chanticleer on Thursday. "Once it's done you can just get on with life."

Fergie, who runs Cyan Investment Management with Graeme Carson, wrote to investors in the firm's C3G fund to explain how it had sold out of Blue Sky, at a considerable profit.

In a disclosure with the sort of detail that Blue Sky investors could only dream about, Fergie and Carson explain how they first bought into the company in October 2014, at \$2.80.

Over the next few years, Blue Sky's shares took off as its funds under management zoomed higher.

## Out of stock

Cyan mad 10 different trades in the stock along the way – mainly buys, including as recently as January – before Blue Sky was hit with the, now famous, grenade from short seller Glaucus in late March.

When Blue Sky came back onto the ASX on April 4, after [the company had published its first response to the Glaucus report](#), Cyan started selling at about \$8.

Shortly after it was out of the stock completely, as Blue Sky fell from \$11.50 to as low as \$4.50 in a matter of three trading days.

Fergie says he had been impressed with Blue Sky's model – investors like fund managers because they are so scalable – and the niche they had found in unlisted funds, an area he argues Australians are under-invested in.

The company's ability to boost funds under management and generate fees obviously helped solidify the investment case. Fergie says he felt comfortable with most parts of the business, perhaps with the exception of some question marks over the water funds.

## Going with the flow

But when the mob turned – or as Fergie puts it, the "cynical Australian investor" lost faith – Cyan rushed for the exit.

"I am not big enough and I am not stupid enough to stand in front of the market and say 'you've got this wrong,'" Fergie says.

"Momentum is a very strong force and you ignore it at your peril."

What worries Fergie particularly is that promises from Blue Sky management to improve transparency have so far come to naught. Indeed, he says management has been evasive, pointing to the much-hyped conference call where [managing director Rob Shand tried to soothe the market but then declined to take questions](#).

Like many in the market, Fergie wonders why Blue Sky hasn't bombarded investors with facts and figures to show why Glaucus is wrong.

He doesn't buy Shand's argument that a person selling their home never says what it's worth – pointing out you always want to set a floor price in any auction – and he thinks it's odd the company won't reveal more detail about relatively small assets (such as investments in its private equity business) to help restore the credibility of the wider business.

## Trust and transparency

"We just haven't got that level of transparency that could put a lot of this to rest ... and we are two or three weeks down the track," Fergie says.

"It's painful to watch."

The investment in Blue Sky was never more than 4 per cent of C3G, and despite the success of the investment Fergie admits it's somewhat liberating to be out.

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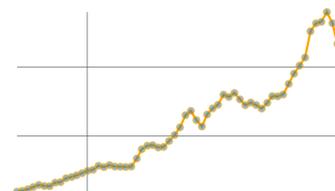
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"You spend 80 per cent of your time worrying about 20 per cent of your investments and it's not a productive way to be," he says.

If Blue Sky did release a blizzard of numbers and put the Glaucus attack to rest, would Fergie take another look?

He does think the market is ignoring a few of Blue Sky's better deals and still likes the broad model.

"I think they've got a very good scalable business and they do have a bit of niche," he says.

But the big question is whether the trust with the market could really be won back.

"The brand has already been damaged."

**James Thomson**

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