

Using a defined and disciplined investment framework the C3G Fund makes considered and thoroughly researched investments in a range of both proven and emerging companies. The Fund aims to generate both sustainable income and capital growth for investors.

C3G Fund Update 31 July 2015



The Cyan C3G Fund had a magnificent July, rising 5.1% and taking the return for the 2015 calendar year thus far to 22.3%; and the return to investors, since inception, to 28.5%.

This compares extremely favourably with the Small Ordinaries Accumulation index that has returned 1.6%, 4.6% and -2.5% respectively.

acquisitions including the \$12m bargain-basement purchase of the teleport assets and satellite services from the recently delisted **NewSat (NWS)**. Even though SDA's share-price has almost doubled since listing, we like the company's long-term growth prospects due to their strong balance sheet, blue-chip client base and strategic positioning in a non-cyclical industry sector.

- **Yowie (YOW)** is a stock we have held for a few months in the emerging (E Class) section of the Fund. Yowie is the producer of a children's confectionary similar to Ferrero's wildly successful Kinder Surprise (2bn+ units sold annually). Over the past 12 months, Yowie has been trialling and is now successfully rolling out its lovable chocolaty products through major US chains such as Wal-Mart (4300 stores), Safeway & Walgreens along with other regions such as the Middle East.

A recent capital raising has fattened the company's balance sheet to over \$10m in cash. And whilst Yowie is still in its early stages of growth, selling confectionary to Americans does not appear to be the hardest task and we expect some tasty profits if the roll-out is executed effectively.

Over the month the Fund also benefited from some smaller short term trading

Fund Details:

Fund Inception 24-Jul-14
Price: 31-July-15 \$1.285

Since incept.	C3G	All Ords Acc	Small Ords Acc
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Return	28.5%	6.3%	-2.5%
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Volatil.	8.0%	12.9%	14.7%
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Monthly Returns

Jul-15	5.1%	4.2%	1.6%
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June-15	0.3%	-5.4%	-7.8%
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May-15	0.7%	0.6%	2.3%
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Apr-15	1.8%	-1.5%	1.7%
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Mar-15	4.6%	0.0%	-1.9%
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Feb-15	6.3%	7.0%	8.4%
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Jan-15	1.9%	3.0%	0.9%
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Dec-14	3.8%	1.9%	0.5%
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Nov-14	-0.6%	-2.3%	-3.8%
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Oct-14	-0.3%	3.1%	-0.5%
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Sep-14	-0.2%	-5.3%	-5.5%
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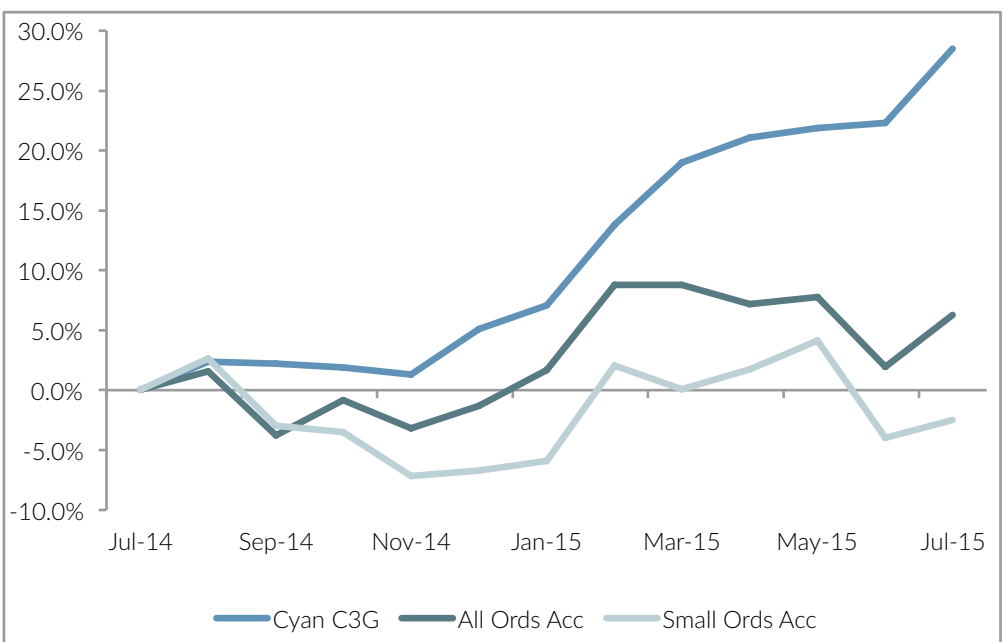
Aug-14	2.4%	1.6%	2.7%
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THE CYAN C3G PORTFOLIO

The strong result this month was driven by performances in long-term holdings in the Fund including: **AMA Group (AMA)**, **Bellamy's (BAL)**, **Blue Sky (BLA)**, **Freelancer (FLN)** and **Vita Group (VTG)**. All these investments contributed between 0.5% and 1% to the Fund's monthly performance.

Many of these stocks we have written about in previous monthly reports so we thought it might be valuable to concentrate on a couple of other positions that have contributed to the Fund's excellent performance.

- **Speedcast (SDA)** is a stock we have held since it floated last year at \$1.96. Speedcast is now capped at over \$400m and provides pan-Asian satellite communications to a wide range of industries including: resources, maritime, enterprise, telecommunication and government clients. Since listing the company has made a number of attractive bolt-on



positions in IPOs (initial public offerings) where we saw the opportunity to make some small profits. This included subscribing to global lending and asset management business **Pepper (PEP)** that came on at the premium of 27%.

We also made a small short-term investment in **Kina Securities (KSL)** that listed at an excellent premium of 34% to its IPO price. Whilst both these businesses have not been considered as long-term investments, we are always looking for opportunities to add value to the Fund and we will always do this in a diligent and conservative manner by managing the investment weightings accordingly.

Where we can we will always highlight the negative performance in the Fund. Fortunately there were only two stocks that pulled back of any significance in July being radiology business **Capitol Health (CAJ)** and skydiving business, **Skydive the Beach (SKB)**. Both of these stocks fell less than 6% and as such the contribution to the Fund's overall performance was not material.

interest in the company, the sell-down and placement were massively oversubscribed and the stock has traded strongly in the aftermarket.

Looking forward, we reiterate our current investment strategy, based on the following key themes:

1. **Invest in quality**
2. **Avoid high risk and volatile sectors**
3. **Invest in companies that earn through the cycle**
4. **Invest in companies with specific growth drivers**
5. **Deploy a portion of our high cash balance to build opportunistic positions as we identify them**

We are obviously extremely pleased with how the C3G Fund has performed since inception and we look forward to keeping our investors updated with the Fund's progress.

THE OUTLOOK

August is likely to be a busy month with nearly all of our 25 stocks reporting earnings. Although we are confident that our portfolio holdings will produce solid results, we'll obviously be looking carefully at any negative financial results or sentiment and be ready to take appropriate action where we deem it necessary.

August has already started out well with one of our larger positions, **Freelancer (FLN)**, releasing a result comprising 40%+ revenue growth in the six months to 30th June 2015. In addition, two of the company's founders (Simon Clausen and Matt Barrie) sold down a small portion of their shares to cornerstone institutions in addition to raising a relatively small amount of capital (\$10m) for potential acquisitions.

In recognition of the stock-market's growing

Graeme Carson and Dean Fergie



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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 2015. 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.