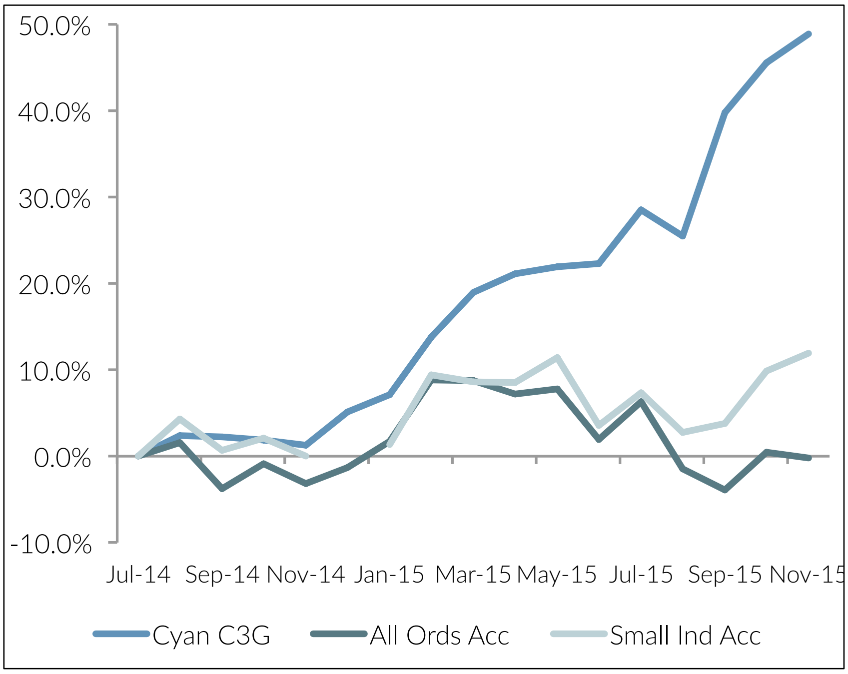
Cyan aims to invest in the most promising and highest quality smaller companies listed on the ASX.

C3G Fund Update
30 November 2015

CYAN INVESTMENT MANAGEMENT

Fund Inception: 24 Jul 14			**1.000**
Unit price: 30 Nov 15			**1.489**
Performance	**Cyan C3G**	**All Ords Acc**	**Small Ind Acc**
1 mth	2.3%	-0.7%	1.9%
3 mths	18.6%	1.3%	8.9%
6 mths	22.1%	-6.9%	3.1%
1 Year	47.0%	3.1%	11.9%
Since Incept.	**48.9%**	**-0.2%**	**11.9%**
Volatility	11.5%	13.8%	13.2%



November Review

The Cyan C3G Fund delivered a positive return of 2.3% for the month of November 2015, taking the quarterly return to 18.6% after all fees, and approaching 50% (after all fees and charges) since its inception just 16 months ago. The Fund continues to outperform all relative benchmarks and comparable funds.

In keeping with the recent trend, the overall market experienced a fair bit of volatility in November. By mid-month it had retraced more than 4%, before clawing its way back to -0.7% at month's end.

Within the ASX, smaller companies showed slightly less volatility and closed the month square. That said there were a few companies that delivered materially negative news and shareholders suffered as a result; the most notable being legal firm **Slater and Gordon (SGH)** and electronics retailer **Dick Smith Holdings (DSH)**, both of which were sold down more than 60%. Thankfully the C3G Fund had no exposure to either stock.

We have previously written about our fears for the short-term outlook for the education and vocational training industries. Throughout November there were again further examples of the problems within the sector, evidenced by **Intueri Education** (IQE down 67%), **Australian Careers Network (ACO)** facing ongoing investigations and **Vocation (VET),** which was suspended from trading and has since gone into administration. Again, we managed to avoid those pitfalls and will continue to stay away from the sector.

Corporate activity remained high in November, with a number of new initial public offerings (IPO's), reverse takeovers (RTO's) and various forms of capital raisings. As always, we were very active in terms of company meetings, but have only invested in a handful of these opportunities. The technology sector has been in particularly interest, and although it can provide some attractive short-term opportunities, we are wary about the current "valuations" placed on a number of businesses, so we're exercising caution. In many ways, the similarities to the dot.com market of the late 1990's are alarming.

The Cyan C3G Portfolio

We named our Fund "C3G" as a representation of our investment process. The three "C's" are:

- Comprehensive Research
- Considered Perspective
- Clear Discipline

These are the key considerations when constructing and managing our portfolio. The objective of the process is to deliver long-term sustainable Growth. Hence, the "C3G" Fund.

The performance of the portfolio in November was a good representation of that process, with the strongest returns being generated by some of our long-held portfolio positions. These included:

Bellamy's (+44%) - Positive sentiment around Chinese demand for infant baby formula provided a strong tailwind for the share price of Bellamy's. On a more fundamental level, the company announced that it has secured significant additional manufacturing capacity having signed a new agreement with its manufacturing partner Fonterra. That said, the short term valuation metrics now look stretched, so we have reduced our exposure accordingly whilst still maintaining a smaller holding due to its long term growth prospects.

M2 Telecommunications (+12%) – The merger between M2 and Vocus Communications is likely to be one of the final plays in the recent consolidation at the bigger end of the telecommunications industry in Australia. Again, from a valuation perspective the sector is, in our view, now looking close to "full".

BlueSky Alternatives (+11%) – As we expected, positive AGM comments around the performance of BlueSky's suite of funds and their positive ongoing FUM flow highlighted the growth potential of this alternative asset class manager and was likely the driver behind the share price strength. We expect to continue to see strong growth in funds under management in the short and medium term and maintain our core position.

Opus Group (+12%) - The market seems to be starting to recognise the inherent value sitting within this print and publishing business (even though it operates in a much unloved sector of the market). In our view, the turnaround in the operating business has just begun and the upcoming financial results will illustrate how cheap it actually is!

We also enjoyed some strong returns from more recently listed companies including **PWR Holdings (PWH)** and **BWX Ltd (BWX)**. Other new positions we took include cleaning and security services provider **Millennium Group (MIL)** and intellectual property services firm **IPH Ltd (IPH).**

As always there are some detractors to overall Fund performance. This month we suffered negative returns from the following:

Capitol Health (-21%) - Share price performance was further impacted by an impending government inquiry into imaging referrals, which appears to be having an ongoing impact on the volume of imaging scans for the business. The stock has been under pressure for much of the year but fortunately we had not added to our holding during the weakness and as such the impact to the Fund overall was limited to less than 0.2%

Speedcast (-11%) – Having performed very strong since its listing 12 months ago, satellite communication services provider Speedcast, was sold down from its new high in early November. We assume this was as a result of profit taking and speculation around an impending capital raising. We remain confident in the medium term outlook for the company, and as such, have maintained our position.

Pacific Group (-11%) – This recently re-named investment manager was formed through the merger of Treasury Group and Northern Lights Capital Partners. Share price volatility appears to be driven by lack of understanding around the company structure and the earnings void post the sale of its previous holding in an infrastructure funds management business.

OUTLOOK

We reiterate our comment from last month:

> *"Whilst we wouldn't suggest the market is primed for a large pullback, we are conscious that the supply side is at risk of overwhelming the demand side given the sheer number of capital raisings that have come across our desk in recent weeks".*

Fundamental value in high quality cash generative businesses is becoming more difficult to find. That said, we are comfortable with the position of our portfolio and continue to actively seek investment opportunities.

Our Fund is positioned conservatively and we have taken some profits from the stocks that have gained ground as they approach our company specific valuations. The Fund holds a cash balance of ~35% accompanied by a well-diversified portfolio of companies. The profile of the companies is skewed towards growth, but they are generally cash generative with relatively strong rates of return on equity and still in the lifecycle phase of reinvesting.

We sincerely thank our investors for their ongoing support and look forward to providing further updates.

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