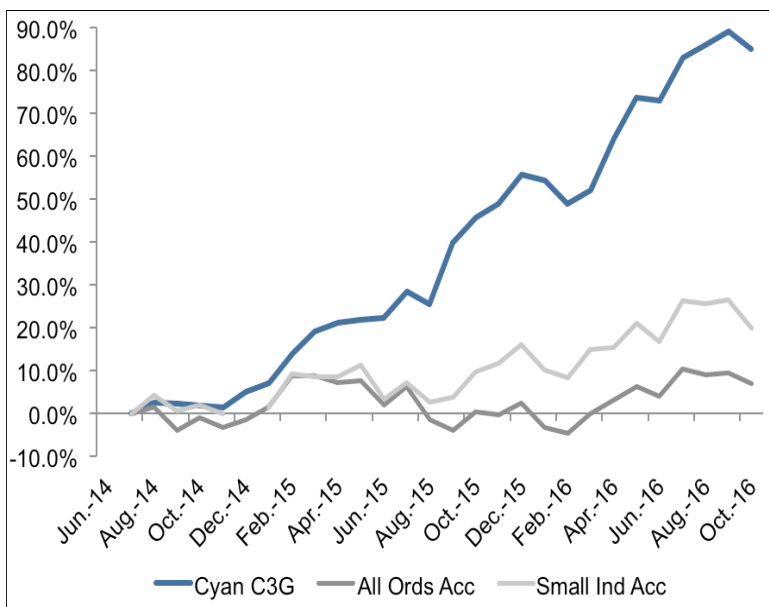


Cyan aims to invest in the most promising and highest quality smaller companies listed on the ASX.

C3G Fund Update 31 October 2016



Fund Incep: 24 Jul 2014	1.000		
Unit price: 31 Oct 2016	1.686		
Performance	Cyan C3G	All Ords Acc	Small Ind Acc
1 mth	-2.1%	-2.2%	-5.3%
3 mths	1.1%	-3.1%	-5.1%
1 Year	27.0%	6.6%	9.3%
2 Year (p.a.)	34.7%	3.9%	8.4%
Since Incep (p.a.)	31.1%	3.1%	8.4%
Volatility	11.7%	13.0%	14.0%



The C3G Fund fell 2.1% in October, comfortably outperforming the market with the Small Industrials Accumulation Index tumbling 5.3%. In absolute terms, the fall was still somewhat disappointing. Of course any equity market investment can be expected to experience some periods of decline in value and hence we continue to focus on the longer-term investment opportunities whilst keeping a keen eye on present risks.

The C3G Fund continues to do better than all comparable market indices over all timeframes since inception. It retains a defensive cash position comprising predominately higher interest rate 30 day term deposits and cash at bank. This is contributing to lower Fund volatility and is earning investors a modest amount of interest.

Since inception the Fund has delivered a return of 85% (31% p.a.) after all fees. Again we note in achieving this return the Fund's volatility, at 11.7%, has remained well below both the large and small cap indices.

October Review

October was a weak month with high quality companies across almost all sectors sold down, as illustrated in the table below.

Sector Total Returns - ASX300		
	1 month	3 months
Consumer Discretionary	-6.1%	-5.7%
Consumer Staples	-3.8%	0.2%
Energy	-2.0%	0.8%
Financials	0.8%	-1.2%
Health Care	-8.1%	-11.1%
Industrials	-4.1%	-8.1%
Information Technology	-6.6%	-0.7%
Materials	1.2%	7.2%
Telecommunications	-4.3%	-13.1%
Utilities	-3.0%	-11.3%

Within the Small Industrials Index (which the Cyan C3G Fund portfolio can be most closely compared) consensus analyst forecast downgrades heavily outweighed upgrades at a magnitude of 2:1. This was driven by 1) a pare back of previously overly-bullish forecasts that now look too aggressive given the benign economic environment, or 2) negative company commentary either at AGMs or through the release of company specific earnings guidance.

The poorest share price performances came from **The Reject Shop (TRS)**, **Ardent Leisure Group (AAD)**, **Bega Cheese (BGA)** and **Ten Network Holdings (TEN)**, all of which retracted more than 20% over the month. Cyan owns no shares in any of these companies.

Within the Cyan portfolio, only a handful of investments bucked the trend and delivered positive returns, including **Praemium (PPS)**, **Opus Group (OPG)**, **Speedcast (SDA)** and **PSC Insurance (PSI)**.

Within the portfolio of 25 investments, the majority experienced some price weakness, although diversification protected performance against some of the larger company specific declines.

Our most disappointing performance came from a company that has previously been a strong performer for us in **Vita Group (VTG) -18%**. This retailer, which operates more than 100 Telstra retail stores, recently revealed that:

"...in line with commercial practice, Telstra briefed Vita Group and the broader Telstra licensed channel in confidence about some potential changes to the remuneration construct, reflecting a number of market and commercial factors. Vita and Telstra are currently in confidential discussions about those potential changes, and other strategic and tactical opportunities available to the partnership".

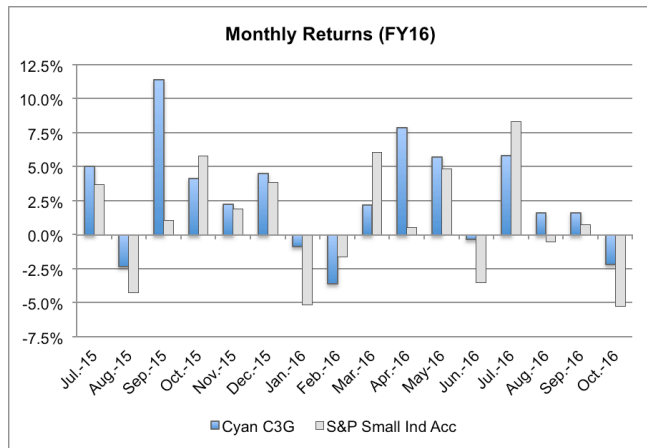
The outcome of the negotiation is obviously difficult to predict, but the market understandably has focussed on the

risks instead of the opportunities. Having recently reduced our exposure, VTG currently represents approximately 2% of the Fund and we watch with interest as developments come to light.

Other underperformers included **Freelancer (FLN)**, **Bellamy's (BAL)** and **Afterpay (AFY)**.

Throughout the recent market volatility we have deployed a small portion of our high cash balance to opportunistically increase positions in some of our preferred companies on share price weakness.

Due to our strong focus on risk management, and as shown in the chart below, the Cyan C3G Fund has historically done relatively well during periods of market decline which was again the case through October.



Outlook

Recent market sentiment has been driven by macro events, most notably the US election. Obviously we now know the outcome, so in one sense speculation has been removed and in another, given the outcome, it may only be just beginning. To date the reaction of global share markets has been surprisingly strong although we have a heightened sense of uncertainty and will be following any rhetoric, particularly with respect to China/US trade, very closely.

At a market-wide level, valuations have looked stretched for a few months now and we have been challenged in finding new investment opportunities at what we consider to be the right price, hence our disproportionately high level of cash holding in the portfolio. We have recently deployed some of that cash but remain patient in the search for genuinely high

conviction entry points in a number of companies we like.

As we have stated previously, whilst we are always looking for exciting new investments, we also aim to protect capital by being very selective about where we invest and not over-exposing ourselves to any particular company.

At Cyan, we continue to meet with management teams during the AGM season and as the pre-Christmas flurry of corporate activity ramps up we conclude there are still a number of emerging businesses well positioned to continue their strong performances.

The vast majority of our larger positions contain our preferred characteristics of high return on equity, strong cash conversion and below average dividend payout ratios, which positions them well to deliver ongoing earnings growth and share price appreciation.

We thank our investors for their support and look forward to keeping you all updated with the Fund's progress.

Dean Fergie and Graeme Carson

To invest in the Cyan C3G Fund online click here:

<http://www.cyanim.com.au/cyan-c3g-fund-investment-processing-via-olivia123/>



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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 October 2016. 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.