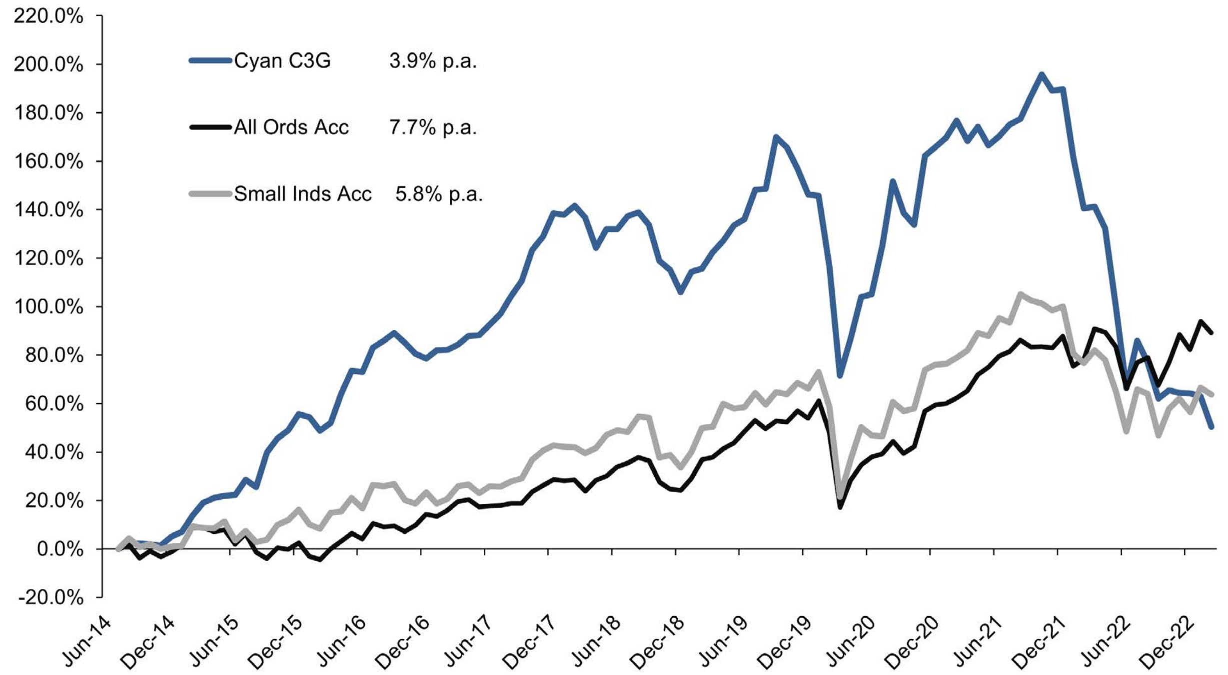
30 April 2023

UNIT PRICE: 0.930



As at: 30 April 2023	1 mth	3 mths	1 yr	3 yrs (p.a.)	5 yrs (p.a.)	7 ys (p.a.)	Since Incept (p.a.)	Since Incept (cum)	Volatility
Cyan C3G Fund	-2.0%	-14.4%	-40.0%	-9.3%	-9.1%	-2.3%	3.9%	39.5%	18.7%
S&P/ASX All Ords Accum	1.8%	-0.9%	1.5%	14.4%	8.4%	9.3%	7.7%	92.2%	14.5%
S&P/ASX Small Ind Accum	3.6%	-1.2%	-7.6%	6.3%	3.0%	5.2%	5.8%	64.4%	17.6%

April *2023*

Stubbornly high inflation numbers coupled with ongoing resilience in employment and wages data across most developed economies resulted in ongoing market skittishness. With all eyes seemingly fixed on macro data there has been little interest in individual stock stories, particularly at the smaller end. We are yet to see much improvement in liquidity, but there is a definite increase in corporate deal-flow, albeit from a low base.

During April the S&P/ASX All Ords Accumulation Index rose a modest 1.8% and the S&P/ASX Emerging Companies Accumulation Index gained 1.5%. The Cyan C3G Fund delivered a monthly return of -2.0%.

Given the challenging environment of late, we thought it worthwhile to refer our investors to an interview with Dean Fergie by finance industry specialist journalist James Dunn, "What winning fundies go through when they lose". We think it is a worthwhile read and gives some additional perspective to the current challenges and our thoughts. Here's a snippet.

> *"Graeme and I aren't second-guessing our process; we don't sit around saying, 'Oh, we need to change our whole investment philosophy.' We've got complete faith in our process and what we're targeting. But you do have a lot of frustration, emotionally, because you're not achieving the results that you expect and have promised your investors…"*

Month in *review*

It was another month that saw significant price volatility on low volumes. The main news flow surrounded the Q3 FY23 cashflow numbers with some good results (PLY, RCL and SW1, negated by a soft ALC report).

Positive contributors:

- **Swift Networks +17% (Media)**: Swift provides an entertainment and engagement platform for the mining accommodation and aged care industries. It delivered its March quarterly cashflow result, illustrating its turnaround to cashflow positivity, complemented by new contract wins over the quarter. It is further proving its traction into its target markets and beginning to scale up to a truly commercialised level.

- **Playside (PLY) +6%** (Game development): Playside proved it is more than a work-for-hire game developer with a strong rebound in its quarterly cashflow statement, with the upside surprise delivered through its original IP division and strong revenue from its 'Dumb way to Die' franchise. Playside also provided full year guidance, representing ongoing growth. After some disappointing news in recent months, which had resulted in a material share price decline, the market rewarded it for its improvement with some price strength which has continued into May.

- **Corum (COO) +12%** (Healthcare Software): This profitable business provides technology to the Australian pharmacy industry. Its core business has been performing quite solidly, but we believe a couple of catalysts have been needed for it to be re-rated upwards. The first of those has now been delivered with a favourable judgement in its long-standing court battle with the vendor (Telstra owned Fred IT Group) of its acquired PharmX business. This has resulted in Corum being awarded upwards of $6.5m (more than 30% of its current market capitalisation). The second catalyst will likely come in the form of an asset sale, at which time the strength of the core business will be become clear.

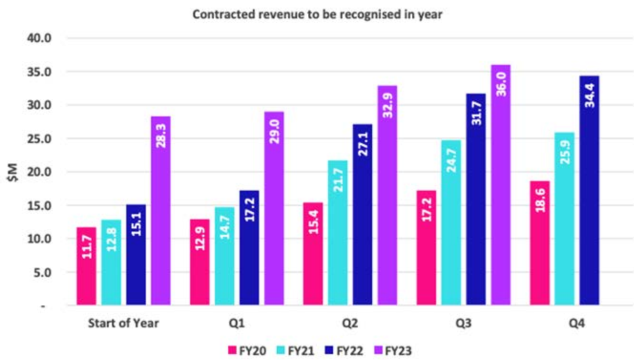
- **Readcloud (RCL)** +18% (Education): This provider of digital eLearning solutions to the Secondary Schools and the Vocational Education and Training (VET) sectors released a solid quarterly cashflow statement, with growth being driven organically and by acquisition. After a difficult period, the outlook for the business appears to be improving, driven further by the announcement of a new CEO in early May.

Negative Contributors:

- **Alcidion (ALC)** -22% (Healthcare Software): The market dealt harshly with Alcidion's quarterly cashflow statement which came out on April 26, resulting in the stock trading down 20% in last two days of the month. The reported numbers were reasonable, and even the outlook for the fourth quarter cash receipts is quite strong, however it was a statement from management around delays in winning new contracts in the UK, and its financial impact, that drove the selling:

  "We remain very confident about the outlook for Alcidion. However, with current delays in procurement outside of Alcidion's control, these timing delays may have an impact on revenue that will be able to be recognised in this financial year and as such we may not deliver a positive EBITDA for FY23 as intended. With the strongest pipeline in our history, the outlook for Alcidion remains positive."

  Indeed, two ALC directors have been buying shares in early May which has provided some confidence and support to the stock in recent days.



Other negative contributors included **Mighty Craft (MCL) -6%, Quickstep (QHL) -9%, Zoom2U (Z2U) -12%** and **Schrole (SCL) -9%.**

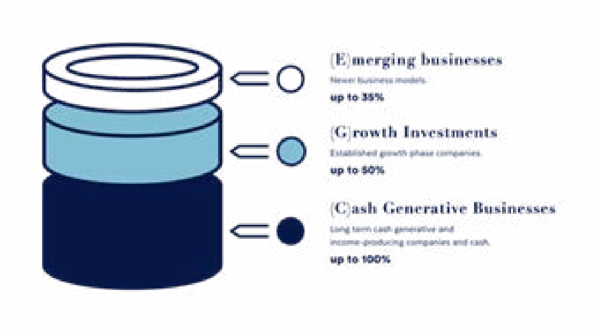
Media

Along with the James Dunn's article in The Inside Advisor, "What winning fundies go through when they lose", Cyan also took part in the Ausbiz small cap special The Changemakers.

For all articles, videos and commentary featuring Cyan Investment Management please head to the Cyan Investment Management Linkedin page.

Outlook

The portfolio, at any given time, has a mix of companies at various stages of their lifecycle. The chart below illustrates that we break the portfolio up into three main categories of cash and cash generative, growth and emerging. We then weight the investments accordingly.



The current portfolio composition is:

- Cash and cash generative ~38%
- Growth ~38%
- Emerging ~24%

As stated in our January monthly….

”It has been the “Growth” and “Emerging” investments that have been hurting performance of late. This is the part of the market that has underperformed the most and continues to face challenges with liquidity due to lack of both institutional and retail participation in the sector. Any selling seems to have material negative impact on stock prices, but it has created an environment where there are obvious value opportunities. In our opinion, this is the part of the market that provides the most potential upside in the recovery.”

Patience is always tested at times such as these but, each time in history, the market has improved, and disciplined investing has been rewarded accordingly. There is no silver bullet, but over time we think there is material upside in the portfolio and we, albeit somewhat impatiently, look forward to it being released.

We believe that, in the short term, a number of our investments are rich in catalysts, including:

- **Raiz (RZI)** – Along with a rapidly improving cost base and operating cashflow and stable top-line revenues, additional progress on the restructure of RZI’s Asian operations will release further value in company’s operations.
- **Mighty Craft (MCL)** – the recently restructured Better Beer asset is currently undertaking a capital raise, which will result in a strong uplift in the valuation of the MCL holding and illustrate the value that sits in the overall Mighty Craft business.
- **Alcidion (ALC)** – The timing delays on new contracts should be worked through as the UK NHS digitisation programme develops. As mentioned above, recent director buying has buoyed the share price in May.
- **Quickstep (QHL)** – Along with with further contracts in its composites division, a favourable outcome around the future of the QHL’s Aftermarket (aircraft maintenance) business with client commitments would result in a material uplift in value.

As always, we thank our investors for their ongoing support and are always available for contact directly.

Dean Fergie and Graeme Carson

Cyan Investment Management

AFSL No. 453209

An investment in the Cyan C3G Fund can be made by clicking [here]

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