



## Total Returns

As at: 31 December 2020	1 mth	3 mths	6 mths	1 yr	3 yrs (p.a.)	5 ys (p.a.)	Since Incept (p.a.)	Since Incept (cum)	Volatility
<b>Cyan C3G Fund</b>	1.4%	11.4%	29.6%	7.9%	3.7%	11.3%	16.4%	165.8%	17.1%
<b>S&amp;P/ASX All Ords Accum</b>	1.8%	14.4%	15.7%	3.6%	7.4%	9.3%	7.5%	59.5%	14.8%
<b>S&amp;P/ASX Small Ind Accum</b>	1.2%	12.2%	19.9%	5.9%	7.2%	8.7%	9.2%	76.0%	17.4%

## December 2020

The Cyan C3G Fund delivered a positive result of +1.4% in December to end Calendar Year 2020 with a total return of +7.9%. Obviously the past 12 months have presented a myriad of investment challenges, so to post a return for the year comfortably ahead of the All Ords' +3.6% is a pleasing result.

At Cyan we are proud to have posted a compound return of 16.4% p.a. since the inception of the Fund in 2014, well ahead of all comparable indices, none of which have delivered more than 9.2% p.a..

Indeed, as at 31 December 2020, the Cyan C3G Fund has outperformed its comparable indices over most timeframes.

Throughout December there was the usual pre-Christmas scurry of IPO activity, with a mixed bag of results. One of the largest, **Dalrymple Bay Infrastructure (DBI)** was a major disappointment, closing down 20% on the day of listing as did **Marely Spoon (MMM)** competitor **Youfoodz (YFZ)** which fell 35%. In a growing sign the space in becoming overly crowded, **Payright (PYR)** a new entrant in the fashionable Buy Now Pay Later sector, fell 20% post listing.

Other IPOs fared well including **Nuix (NXL)** +50%, **Liberty Financial (LFG)** +16% and **Maas Group (MGH)** +30%. In a sign of the mass of activity, there were 25 new companies listed on the ASX in the month of December.

## Month in Review

Cyan initiated investments in two IPOs and enjoyed a solid return from **Playside Studios (PLY)** which closed the month up 130% on its IPO price. Unfortunately our prospective listing of traffic technology company Acusensis was postponed (and the funds returned to investors). We expect the company will aim to list in the first half of 2021.

The most material contributors to performance were:

**Playside Studios (PLY)** +130%: This Melbourne-based video game developer made an impressive debut on the ASX. We invested in the IPO and increased our position in the early days of trading. The business is commercially successful with an established track record of revenues and profitability but is still in the relatively early stages of its growth phase. PLY has both well-established relationships with leading global content studios such as Disney, Pixar and Warner Bros as well as developing its own proprietary product. We see it as a solid long-term investment opportunity with significant growth potential ahead.

**City Chic Collective (CCX) +46%:** In October CCX fell 11% and we wrote: “This women’s apparel retailer did deliver some disappointing news by announcing that its bid to acquire the ecommerce assets US-based Catherine’s was unsuccessful. CCX had already raised capital to the fund the purchase and was thought to be the front-runner, but the company wasn’t willing to match a materially higher bid from a competitor (which it could afford to do if desired). That said, it is now well financed to acquire any other opportunities that may arise as it drives its offshore growth strategy. We remain invested and supportive of management”.

Our patience was rewarded as the company announced it would acquire the brand and eCommerce and wholesale business of UK-based retailer Evans for A\$41m. This gives CCX further scale and offshore geographic diversification.

**Kelly Partners Group (KPG) +31%:** This accounting and financial services business continued its recent strong share price run in December. Solid earnings momentum complemented by ongoing acquisitions and the announcement of a strategic partnership with listed insurance broker AUB Group (AUB) has caught the attention of the market. In our view, the stock has been fundamentally undervalued for some time, so it’s rewarding to have some of its inherent value realised.

The only moderate negative contributors in the month included **Service Stream (SSM)** and **Quickfee (QFE)** which both retraced by 20% with QFE impacting the Fund somewhat more due to its higher Fund weighting of around 3.5%.

## Outlook

As we look forward into 2021 after a challenging twelve months, we continue to find ourselves in an environment with many competing forces:

- Premium pricing: certain sectors of the market, such as technology and some retail, are looking fundamentally overpriced albeit with continuing tailwinds in their underlying businesses;
- Fundamental challenges: Other sectors, such as travel, tourism and education remain severely hamstrung by the continued impact of Covid;
- Economic uncertainty: both domestically and globally, as a direct result of continued lockdowns and countered by the continuation of government

subsidies and stimulus packages, and;

- Geopolitical instability: particularly the recent focus and concern on the US and, more acutely for domestic companies, the growing trade tensions with China.

At Cyan, we look to identify companies that have strong growth paths ahead, with a proven product or service, but which are yet to reach their full potential. We aim to help the companies grow by providing capital to allow management to execute their growth strategies.

Whilst the external environment will always provide challenges and opportunities, quality investments will always be rewarded over the long term with capital growth and, in the more mature stages of their lifecycle, income. The issues raised above will provide an increased level of short-term uncertainty, but we are confident that markets will remain in an overall upward trend as interest rates remain at historical lows and capital continues to be directed towards equities as an asset class.

We believe our current portfolio of 27 stocks is well balanced from a risk/return perspective (no individual holding accounts for more than 7% of the total Fund) and has a combination of both exciting higher growth businesses and established cash-flow generative income investments.

We expect there to be a strong pipeline of positive news flow including new contracts, revenue and earnings upgrades and potential corporate activity that should see the Fund continue to perform well. We look forward to some of our key holdings delivering positive catalysts in the coming weeks and months.

We thank all our investors for their support and wish everyone a safe and prosperous 2021.

Graeme Carson & 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 December 2020. 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.