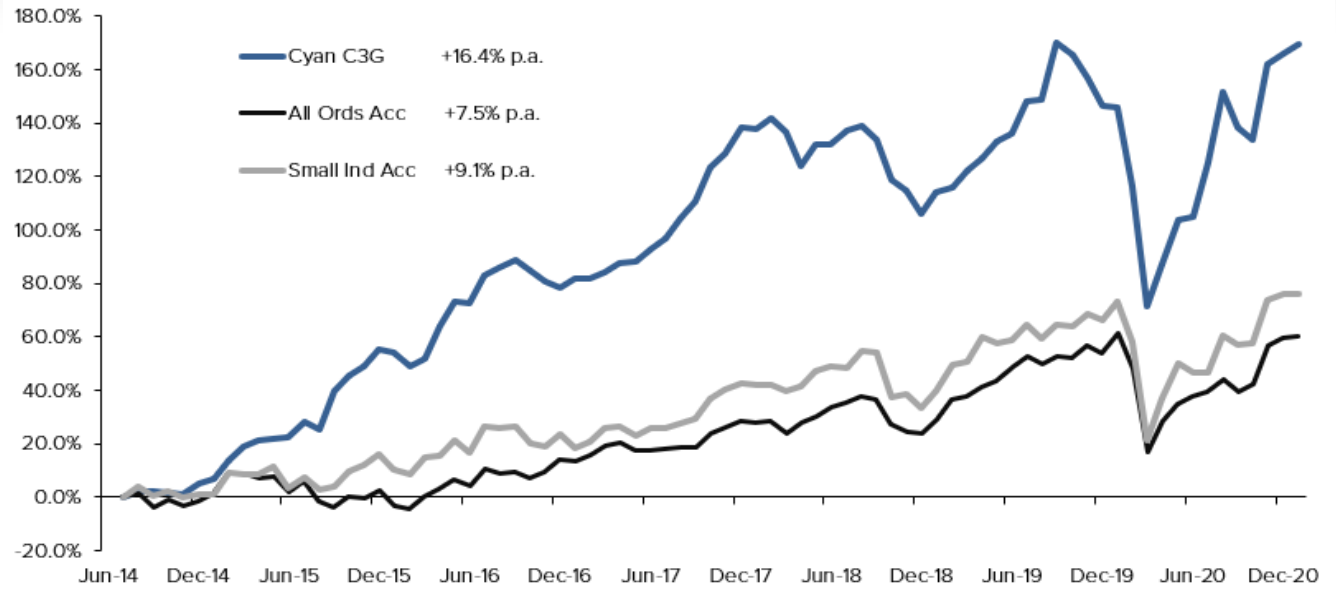
CYAN
INVESTMENT MANAGEMENT

31 January 2021

UNIT PRICE: 2.127



Total Returns

As at: 31 January 2021	1 mth	3 mths	6 mths	1 yr	3 yrs (p.a.)	5 ys (p.a.)	Since Incept (p.a.)	Since Incept (cum)	Volatility
Cyan C3G Fund	1.5%	15.4%	19.7%	9.8%	4.3%	11.8%	16.4%	169.7%	17.0%
S&P/ASX All Ords Accum	0.3%	12.4%	14.9%	-0.7%	7.7%	10.5%	7.5%	60.0%	14.7%
S&P/ASX Small Ind Accum	0.2%	11.7%	20.4%	1.9%	7.5%	9.9%	9.1%	76.4%	17.3%

January *2021*

January was a volatile month with the All Ords pressing on with its recent strength to rise almost 4% towards the end of the month. However, jitters stemming from the US in the final week presented our local market a bit of a wake-up call and January concluded with a modest return in the All Ords of just 0.3%.

We're happy to report that the Cyan C3G Fund fared better, posting a return of 1.5% for the month and an overall one-year return of 9.8% for our investors. This was especially pleasing given the All Ords declined over the same period.

Month in *Review*

Thanks to our ongoing strategy of stock diversification, the upward trend in the Fund this month belied some volatility at stock level.

Two stocks succumbed to double digit percentage falls in the month: **Readcloud (RCL)** -15% and **Playside Studios (PLY)** -17% which retraced some prior gains as opposed to reporting any negative company specific news. Additionally, we faced another ten positions that bore lesser declines.

This, however, was offset by some strong results.

Online investment platform **Raiz (RZI)** had an outstanding month rising 42%. We've been singing Raiz's praises for over a year now and investors now seem to be appreciating the investment platform's market traction. RZI now has 340,000 active customers and over $600m in Funds Under Management (FUM). Critically this customer and FUM base sees the company running cash-flow positive and, given the scalability of their online platform, the future is looking increasingly promising.

Long-term holding **Alcidion (ALC)** again posted strong results from their roll-out of hospital decision making, patient tracking and staff paging software. ALC is becoming a true Australian success story with their software solution being deployed throughout Australia, NZ and the UK. ALC has already locked in revenues in excess of $20m in FY21.

As many of you may have read, the US market 'jitters' have been principally as a result of US private investors banding together through social media to buy into unloved companies such as **Gamestop (NYSE:GME)** and **AMC Entertainment (NYSE:AMC)** that have been 'shorted' by high profile hedge funds (these funds have been betting that the prices in these companies will fall). The result being that, as the prices of these companies rise because of collaborative private investor buying, hedge funds have had to cover their short-term losses by selling other stocks or eventually buying back the shorted stock, thereby pushing the shorted stock's price even higher, resulting in further losses. It's the epitome of a financial vicious circle made more acute by the unfortunate mathematical reality of shorting. When an investor shorts a stock, the losses are theoretically unlimited. When an investor buys a stock, the losses are limited to the initial outlay.

We haven't really seen this play out in the domestic market. There have been several hedge funds that have endeavoured to profit, with varying success, from shorting stocks such as **Webjet (WEB), Corporate Travel (CTP), Rural Funds (RFF)** and **A2 Milk (A2M)** but this hasn't been met with organised collusive behaviour from private investors. That's not to say it couldn't occur, there are certainly many very active investor forums such as HotCopper where investment ideas are shared.

Our take is that it's not necessarily a bad thing. The marketplace is simply that, a forum in which participants are free to buy and sell at the prevailing market price. If investors choose to speculate on the upward or downward direction of an investment, then so be it. The health of a market is defined by both its activity and integrity. So long as there is not systemic trading on material inside information, we believe this increase in activity is a good thing. At the very least it might discourage speculative short-selling by large funds.

With respect to investors in the Cyan C3G Fund, the following points are worth reiterating:

- The Cyan C3G Fund does not short stocks or use any type of derivatives that provide a 'short' (or long) investment exposure.
- Cyan does not typically buy into 'down and out' stocks. We aim to invest (and we mean this in the truest sense of the word) in promising, commercially-proven and growing companies with an aim to share in their future success.
- Our investment focus is smaller under-appreciated stocks which can capture the attention and interest of smaller investors occasionally resulting in significant upward price moves. We've seen, and enjoyed, this previously on stocks such as Getswift (+420%), Titomic (+580%) and Splitit (+885%).

Outlook

There's no doubt it feels challenging to invest through periods of acute volatility. The flip side is that this volatility provides a number and quantum of opportunities one could only dream of in quieter market periods.

Not only has the corporate window opened wide again this month but our key holdings continue to post promising numbers and outlooks. There are more than three new IPOs in our sights and along with the pleasing results from our existing positions. We are feeling confident about 2021 and happily, to date, February has seen a further positive momentum in the Fund's unit price.

Graeme Carson & Dean Fergie

CYAN
INVESTMENT MANAGEMENT
www.cyanim.com.au
17/31 Queen Street
Melbourne VIC 3000
(03) 9111 5632
info@cyanim.com.au
To invest: cyanim.com.au/how-to-invest