



Total Returns

As at: 30 June 2021	1 mth	3 mths	1 yr	3 yrs (p.a.)	5 ys (p.a.)	Since Incept (p.a.)	Since Incept (cum)	Volatility
Cyan C3G Fund	1.4%	0.8%	31.8%	5.2%	9.3%	15.4%	170.2%	16.7%
S&P/ASX All Ords Accum	2.6%	8.7%	30.2%	10.3%	11.5%	8.8%	79.6%	14.4%
S&P/ASX Small Ind Accum	3.9%	7.3%	33.0%	9.4%	10.8%	10.1%	95.2%	16.9%

June 2021

The Cyan C3G Fund posted a 1.4% gain in June to round out the financial year with a solid return of 31.8% after all fees which compares favourably to the 30.2% return of the All Ords Accumulation index over that period.

Over its history, the Fund has made a positive return in six out of its seven full financial years with an annualised return of over 15% p.a..

Whilst the market continued to power ahead in June, the COVID outbreak in a number of Australian states and the associated border closures did reshape

FY	Return
2015	+22.3%
2016	+41.4%
2017	+11.4%
2018	+20.4%
2019	+1.8%
2020	-13.1%
2021	+31.8%
Annualised	+15.4%

investor outlooks. Travel and leisure stocks slipped and some renewed interest was sparked in the online retailers (**Kogan, Adore Beauty, Marley Spoon, Jumbo Interactive**) and the BNPL space (**Afterpay, Sezzle and Zip**).

There was also an abundance of corporate activity in both the IPO space (15 new listings in June) and the secondary placement market (in our sectors of focus alone we were pitched over 20 placements amounting to more than \$300m in new capital) indicating continued investor appetite.

Month in Review

June can often be more volatile than other months, particularly at the smaller end of the market, with individual stocks either being adversely impacted by tax-loss selling or positively impacted by 'window dressing'.

Our best performer in the month was accounting and financial services consolidator **Kelly Partners Group (KPG +38%)**. We have been long-term investors in the business (since IPO in June 2017) and believe the stock has been fundamentally undervalued for some time. However we're not entirely sure what has prompted the timing of this recent price spike other than some rumoured offshore buying. KPG has a solid

business model in an extremely stable, non-discretionary industry and is one of the only ASX listed companies (to our knowledge at least) that pays a growing monthly dividend. In an era of almost zero interest rates, this is obviously an attractive investment feature that may well have helped support the recent price activity.

Micro-investing platform **Raiz (RZI +16%)** has been a bit of an underperformer since its \$10m placement in May, despite significant growth in both FUM (almost \$800m +76% yoy) and active customer numbers (456,000 +87% yoy). Therefore it was pleasing to see the stock rebound in the month. RZI no doubt gained additional exposure from its appearance in [Ausbiz's Small Caps, Big Ideas online conference](#) which was held in late June.

Boutique craft beer and spirits company **Mighty Craft (MCL +17%)** announced a company transforming acquisition of The Adelaide Hills Group which will more than double the company's revenue to \$78m and boost its profitability to \$6m EBITDA. The company raised \$27m in new capital to help fund the purchase to which the Fund subscribed and which will settle in July.

Our unlisted investment in **AP Ventures** continues to expand its portfolio of investments with two further deals announced in June: the US\$25m purchase of a [10% stake in parcel and courier service Sendle](#); and a US\$5m investment of a [12% stake in Postpay](#), a BNPL player based in the UAE.

On the negative side of the ledger both of our online education holdings, **Kip McGrath Education (-8%)** and **Readcloud (RCL -12%)** slipped in the month. After many months of positive gains **Aldicion (ALC -13%)** gave back some ground and media streaming service **Swift Networks (SW1 -25%)** appeared to suffer from some serious tax-loss selling with the stock already having recovered these losses in the first week of July.

We spoke earlier about tax-loss selling and we believe **Quickstep (QHL +16%)** was a victim in May when it fell 23% but retraced much of this in June (and has continued into July) on account of new orders announced at the end of May. been short-term victims of a general rotation out of the smaller end of the market.

Media

As mentioned above, Cyan present **Raiz (RZI)** as one of its top picks on AusBiz, Small Caps Big Ideas. Click below for the full video.



Cyan has also commented in the AFR, [Why top fundies are looking past lockdowns](#), and appeared in [Fund Monitors](#) and other publications as detailed in the ['News' section](#) of our website.

Outlook

As discussed earlier, market activity in the new financial year has been strong and there appears to be no current signs that this will abate.

July has started well for the Fund with a number of positive announcements and some new deals that we expect will add additional value.

The Fund presently holds 23 listed positions and 4 unlisted investments which are all forecast to come to market before the end of the calendar year. Our cash balance is presently at 20% which should remain stable as, in the new financial year, we rotate out of some of our investments that have made significant capital gains and into new opportunities.

Whilst it is difficult to predict short-term Fund performance, we have every reason to remain optimistic about the new financial year.

As always, we encourage investors to contact us directly with any queries.

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To invest: cyanim.com.au/how-to-invest

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 30 June 2021. 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.