

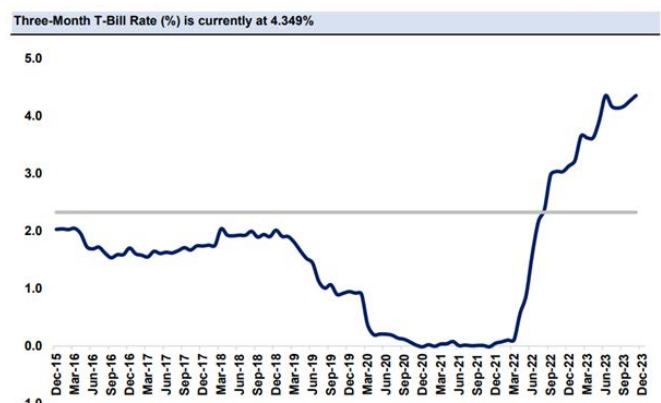
As at: 30 November 2023	1 mth	3 mths	Fin YTD	1 Year	5 Year (p.a.)	7 Year (p.a.)	Since Incep (p.a.)	Since Incep	Volatility
Cyan C3G Fund	-1.5%	-8.3%	-5.1%	-28.6%	-11.4%	-6.0%	1.7%	17.4%	18.9%
S&P/ASX All Ords Accum	5.2%	-1.7%	0.5%	1.7%	9.0%	8.3%	7.2%	91.6%	14.4%
S&P/ASX Small Ind Accum	8.6%	-4.2%	-1.1%	-0.8%	3.0%	4.4%	5.2%	60.7%	17.7%
S&P/ASX Emerge Accum	3.7%	-5.9%	-6.3%	-9.7%	10.8%	7.3%	7.5%	96.0%	23.1%

November 2023

After a lackluster start to the 2024 financial year, which had seen all indices retreat by 5-10% to the end of October, the market experienced a strong rebound in November with the ASX/S&P All Ords Accum Index lifting 5.2% and the ASX/S&P Small Ords Accum Index rising 7.0%. However, the ASX/S&P Emerging Companies Index did not fare as well, experiencing a more modest rise of 3.7%.

The Cyan C3G Fund did not manage to keep pace with these rises and fell 1.5%, a disappointing result. Market liquidity, or rather the lack thereof, has remained a significant negative factor at the smaller end of the

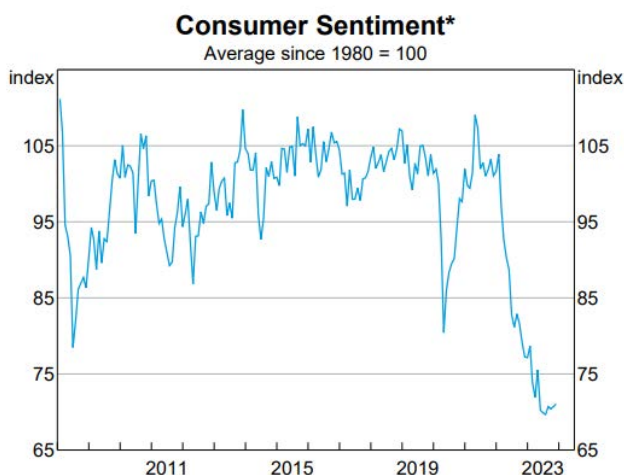
market, resulting in volatility and patchy performance at an individual stock level.



Consumer sentiment slumped again in November and is now materially below the long-term average. That said, The RBA did keep interest rates unchanged at 4.35% in early December, providing a welcome pause for investors and mortgagees. Short-term rates remain at more than 10-year highs, although recent RBA commentary, including on December 5th, suggests they may have peaked, at least in the short to medium term:

“The impact of the more recent rate rises, including last month’s, will continue to flow through the economy...Holding the cash rate steady at this meeting will allow time to assess the impact of the increases in interest rates on demand, inflation and the labour market.”

We continue to see stability in rates as a key driver of market confidence into 2024.



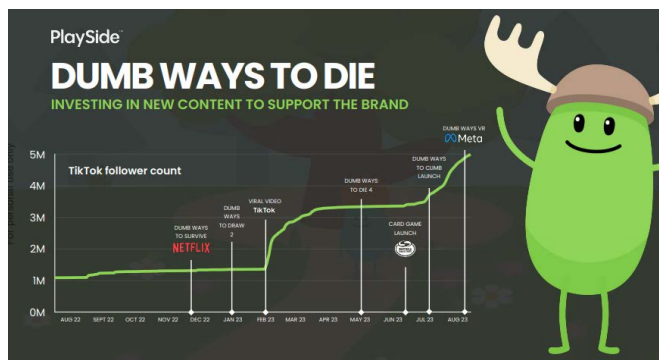
Month in review

During the month Cyan added intelligent traffic camera manufacturer and operator [Acusensus \(ACE +10%\)](#) to the fund. ACE deploys cameras to detect mobile phone, seatbelt and speed compliance in NSW, the ACT, Queensland and the USA. The company is well established and commercially advanced: in FY23 it generated \$42m in revenues which produced an EBITDA of \$5.3m. The company is pursuing growth overseas and is well funded with net cash of \$25m. ACE was selected as one of our [top picks for 2024 in the AFR](#) and has already risen more than 10% after [extending its contract with Transport NSW](#). Further contract wins in early 2024 are anticipated as potential catalysts.



Alcidion (ALC -24%) detracted the most from the Fund’s performance in the month after raising \$5m at 7.5c (approximately 5% of existing capital) early in November. The unexpected and unnecessary capital raise, despite consistent reassurances from the board and management regarding the company’s robust balance sheet, funding, and guidance for operating profitability and positive cash flow in FY24, was attributed to a slower-than-anticipated roll-out of new hospital contracts, particularly in the UK. Consequently, the Fund did not subscribe for new shares but the fall in the price (due to the raising) did impact the carrying value of our existing holding. Although frustrating, we expect contract announcements in the near future.

Gaming developer **PlaySide Studios (PLY +21%)** continues to deliver good news, upgrading FY24 revenue guidance at their AGM by 10% to \$55-60m (a significant increase on revenue in FY23 of \$38m). This increase is coming from a combination of the company's growing "Dumb Ways to Die" franchise along with increasing work-for-hire business from industry leaders like Meta, Netflix, 2K, and Activision Blizzard.



Another stock benefitting the Fund in the month was **PharmX (PHX +20% adj)**, previously Corum Group (COO). PharmX returned 0.75c of capital to shareholders (around 17% of total capital) after winning a favorable judgment of \$8.1m in a court battle with a prior owner and selling their Pharmacy software business arm for \$6.25m.

Stocks contributing negatively to the performance of the Fund included **Birddog (BDT -24%)**, **Zoom2U (Z2U -14%)** and school e-book company **Readcloud (RCL -24%)**. The performance of RCL in particular has been surprising given the director and management supported capital raising that took place just two months ago to fund additional growth.

Media

During the month on [Ausbiz](#) we discussed the takeover bid for **Adore Beauty (ABY)**, gaming stocks **Pointsbet (PBH)** and **Racing and Sports (RTH)**, new IPO **Enlitic** and the value to be found in stocks such as **Rebubble (RBL)** and **EROAD (ERD)**.

For all articles, videos and commentary featuring Cyan Investment Management please head to the [Cyan Investment Management LinkedIn page](#).

Outlook

The smaller end of the market has now materially underperformed for more than 2 years. The downturn at the growth end of the micro-cap has been worse. Though frustrating, the Cyan team, with over 50 years of combined experience in investing at the smaller end, recognizes that these periods of underperformance do not last forever. When they turn, they tend to do so aggressively, resulting in periods of strong outperformance.

At present, there is an abundance of genuine value within small companies. The catalysts to release that value remain:

1. A clear line of sight to the end of the rate hike cycle
2. Sustained evidence that inflation is reducing towards central bank targets
3. Data suggesting the resulting economic downturn is manageable
4. A subsequent focus back on growth companies leading to sector liquidity

Timeframes are unknown and, of course, risks remain. However, in the meantime we stick to our process and investment philosophy. Our portfolio is well-diversified with a broad exposure across industry sectors and with companies at various stages of their growth lifecycle.

A quote from fellow Fund manager Geoff Wilson continues to ring true.

“Every bull market is inevitably followed by a bear market; compounding is magic; earnings are king; and it’s hard to beat good, old-fashioned, bottom-up research. I am constantly amazed by how often these basic rules are forgotten at various points in the market cycle”.

We are currently at one of those points in the cycle. We appreciate your patience and eagerly anticipate a rewarding outcome.

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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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 November 2023. 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.