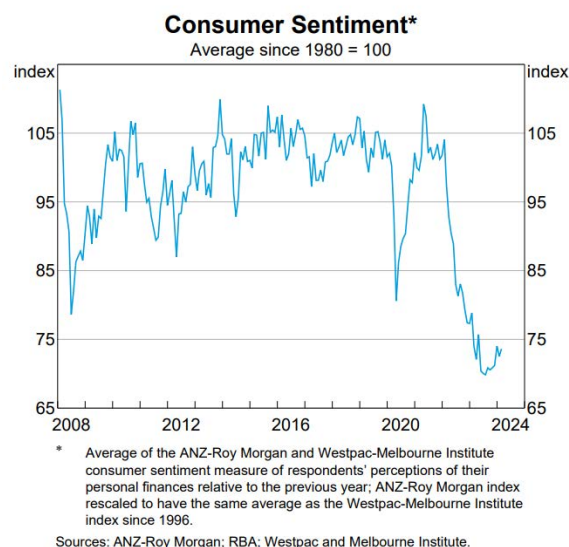


As at: 31 March 2024	1 mth	3 mths	Fin YTD	1 Year	5 Year (p.a.)	7 Year (p.a.)	Since Incep (p.a.)	Since Incep	Volatility
Cyan C3G Fund	1.6%	-4.3%	-7.5%	-19.6%	-12.5%	-6.6%	1.4%	14.4%	18.3%
S&P/ASX All Ords Accum	3.1%	5.5%	13.8%	15.0%	9.5%	8.9%	8.3%	117.1%	14.3%
S&P/ASX Small Ind Accum	3.5%	9.6%	17.7%	20.5%	4.9%	6.2%	6.9%	91.1%	17.5%
S&P/ASX Emerge Accum	5.6%	4.6%	4.4%	1.8%	11.5%	9.2%	8.4%	118.3%	22.7%

March 2024

The Australian stock market pushed higher in March with the ASX/S&P All Ords Accumulation Index rising 3.1%. The RBA held rates steady at 4.35% and ceased referencing further rate rises. However, the bullishness in the markets was in direct contrast to slumping consumer confidence and continued declines in the iron ore price which has been under pressure for all of 2024.

The Cyan C3G Fund experienced rises throughout the portfolio (but was negatively impacted by one material fall) delivering an overall return of +1.6% in the month.

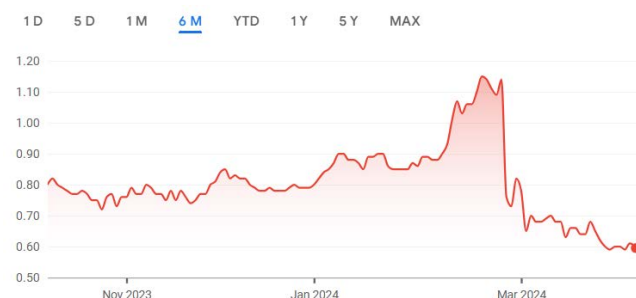




Iron Ores Price (USD)

Month in *review*

The Fund was most impacted by the performance of traffic camera operator **Acusensus (ACE -27%)** early in the month after it [failed to win a previously announced proposed contract in the US](#). ACE was awarded the road works speed contract by the Washington Department of Transport but, after the scope of the contract was expanded, without the budget being approved by treasury, the tender was pulled and not awarded to any vendor. Sadly, this was out of the control of ACE and hence we feel the share price has been dealt with harshly. However, at its present valuation (at 60c, mktcap \$75m) the company is exceptionally attractive. ACE is expected to generate \$50m of revenue in FY24 at EBITDA margins of 8-10% and holds \$21m in cash. The Fund bought into ACE late last year at ~75c so has been more impacted by giving back recent unrealised gains as opposed to capital losses.



ASX:ACE share price

We did experience several positive movements across the Fund indicating renewed interest in the small-microcap sector with four of our holdings rising more than 10% and another six that gained 5-10%.

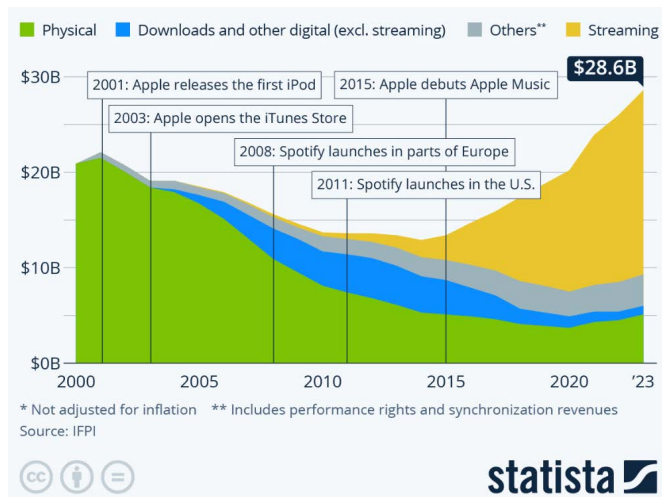
One of the more significant gains came from **Zoom2U (Z2U +13%)** which provides routing, driver management and invoicing software solutions to the transport industry. Z2U attracted a new strategic shareholder, the founder of integrated logistics group FHM Group, who purchased almost 10% of the company. We expect this strategic relationship to be materially positive for Z2U in the coming year.

We feel the performance of advanced manufacturing company **Quickstep (QHL +7.5%)** was disappointing given the announcement of a [\\$1.25m contract \(to be fulfilled in the next three months\) with drone manufacturer Carbonix](#). QHL has a market capitalisation of just \$20m so a small but specialized and profitable contract like this is significant to the business. In addition to the expansion of the company's domestic MRO (Maintenance, Repair, Overhaul) services it conducts for Jetstar, QHL is expanding into the US by setting up a defence manufacturing facility in Kansas, mirroring the Australian business. This is likely to be partially funded by existing defence contract customers and US state or federal government and could be a significant step-change for the company.



The Carbonix Volati drone whose aerostructure is being manufactured by Quickstep.

The strongest performer in the month was diversified music business **Vinyl (VNL +33%)**. The company is backed by both **Wisetech (WTC)** founder Richard White and music licensing company [Songtradr](#) who both own in excess of 10% of the company. VNL has recently purchased Brag Media, publisher of titles such as Rolling Stone and Billboard. Combined with its existing music data business ([Jaxsta](#)), social networking company ([Vampr](#)) and retail site ([vinyl.com](#)) the company expects to generate almost \$10m in revenues in CY24.



Global music sales (USD). Source: IFPI.org

Media

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

Outlook

There are several signs pointing to increased optimism in the small-cap space:

- Stabilising inflation and a likely peak in the interest rate cycle;
- Strong performances at the big end of the market stretching the valuation gap to the smaller end;
- Implementation and positive outcomes across many small-caps from prudent financial measures including cost-cutting and debt reduction;
- Ongoing M&A activity in names such as **Qoria (QOR)**, **MMA Offshore (MRM)** and **Austal (ASB)** in the past month;

- Improvements in liquidity and interest levels at the smaller end;
- New mandates being awarded to smaller cap managers as asset allocations are being directed to smaller caps stocks.

Given the historically high valuation gap between small and large cap stocks, Whilst the secondary market in respect to placements has been steadily improving, we are yet to see any real action developing in the IPO market.

Over April, the most important financial metrics will be the 4C cash flow statements released at the end of the month. For companies in the education space like **Schrole (SCL)** and **Readcloud (RCL)** this period equates to the peak selling season so some strong results can be expected. Other companies that have strung a number of positive cash-flow results together, like Playside Studio (PLY), are now not required to release quarterly results.

Overall recent company results, stock performances, and improvements in liquidity have given us an ongoing sense of optimism for 2024.

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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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 31 March 2024. 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.