marlin
growing globally

Monthly Update
February 2018

MLN NAV	SHARE PRICE	DISCOUNT
$1.00	$0.85	14.9%

as at 31 January 2018

A word from the Manager
Welcome to our first monthly update for 2018

The summer break saw global markets continue to shine. The US market had its best start to the year since 1987 with the S&P 500 up 5.6%; the MSCI World Index was up 3.7%; and emerging markets were the standout, up 6.7%.

Similarly, the Marlin portfolio had a good start to 2018, returning 6.2% (gross) during January, compared with its global benchmark[1] which was up 2.0%.

While there wasn't a great deal of surprising economic news, investor confidence continued to pick-up during January as market participants focused on the strong global economic environment and potential benefits for consumers and corporates from Donald Trump's tax cuts. Wide spread conviction that supportive economic conditions can continue in the medium term has caused a number of otherwise bearish investors and commentators to predict that this bull market is entering a 'melt-up' stage – which could last for 6-18 months before we see a correction.

While so much consensus around this optimistic outlook should be enough to make any prudent investor concerned, it is hard to deny that underlying economic and corporate fundamentals are strong. As I write, a US data service reported that US private companies hired 234,000 more staff in January alone, holding the US employment rate at just 4.1%. During the month it was also reported that economic growth in the European Union reached 2.5% in 2017, the fastest pace since 2007 and materially faster than 2016.

Portfolio Company Developments

The most significant news for the portfolio in January was the takeover offer for US based digital gift card distributor **Blackhawk Networks**, which has been a portfolio holding since 2014. US private equity firm Silver Lake announced a takeover offer at $45.25 per share on 12 January, a 27% jump from where Blackhawk traded at 31 December. Blackhawk is a business in which we see considerable long term growth prospects, and while we are sad to see Blackhawk leave the portfolio, we believe the premium paid is fair and can understand why management would want to grow the business out of the public spotlight.

LKQ is the leader in the highly fragmented aftermarket auto-part industry, with significant scale advantages to its next closest competitors in both the US and Europe. The company has grown quickly since its 1998 inception, both organically and via a successful acquisition strategy. In December, LKQ announced the acquisition of German competitor Stahlgruber. Stahlgruber provides LKQ with a solid foothold in the large German automotive market, adds significant scale to their European operations, and has the potential to deliver material synergies. We believe this is a logical acquisition for LKQ and we continue to be impressed by managements' disciplined execution of its growth strategy.

Recent Results

Reporting season is now in full swing in the US, and so far it has been a good one for the market and our portfolio.

Abbott Laboratories, a diversified healthcare company, reported fourth quarter results that continued its recent run of outperforming expectations. The company saw strong and accelerating growth across all business segments, driving 7% sales growth in the quarter (near the top-end of larger medical device peers). Of note was the continued acceleration in the recently acquired St Jude business, which has seen sales growth increase from 2% to 10% in the twelve months since the acquisition. This has addressed the concerns of some critics who thought that Abbott had acquired a low growth company. One of the reasons we invested in Abbott was due to managements' long track record of successful capital allocation and acquisitions, and so far the St Jude acquisition appears to be another success. Management expects this strong growth to continue into 2018 driven by product launches in all business segments, highlighting the breadth and depth of Abbott's product portfolio and innovation.

Hexcel, a manufacturer of carbon fibre composites for the aerospace sector, reported fourth quarter results that showed an acceleration across most business lines. Commercial aerospace reached an inflection point as Hexcel ramps up production on new narrow-body planes for Airbus and Boeing, offsetting recent production declines in more legacy

[1] S&P Large Mid Cap/S&P Small Cap Index (50% hedged to NZD)

wide-body programs. For 2018 management expects further acceleration in commercial aerospace growth, and a recovery in both the business jet and wind turbine segments after weaker performance in 2017. Longer term, Hexcel continues to invest in new technologies to keep driving further penetration of advanced composite materials in existing applications like aerospace and wind turbines but also newer areas such as automotive.

Portfolio Changes

Meet our charming new investment, **Pandora**!

While known mainly for its signature charm bracelets, Danish company Pandora has transformed itself into one of the leading jewellery brands globally, both in terms of brand recognition and sales. New categories such as rings and earrings now make up around 25% of Pandora's sales and Pandora hopes to increase this to 50% in the next 5 years as the company looks to capture a greater share of the attractive affordable luxury jewellery segment.

Pandora operates a fully integrated business model from production, wholesale and distribution through to retail. Its two manufacturing facilities in Thailand employ over 11,000 people and produced 120m pieces of jewellery in 2017 – a scale unmatched by competitors. This allows Pandora to provide hard to match quality jewellery at low cost, while still maintaining industry leading margins. This vertical integration also provides Pandora with the ability to bring products to market quickly. With a modern consumer that craves newness, this should allow for greater innovation and ability to get the right products in front of customers.

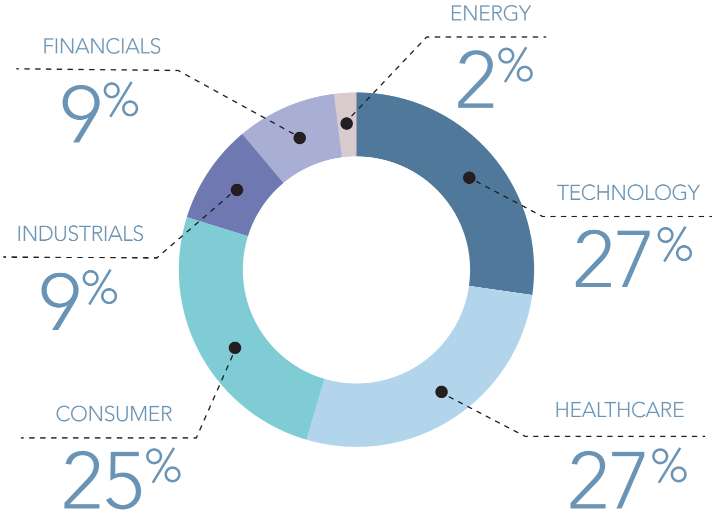
Growth for Pandora is underpinned by continued store expansion, its online strategy, and an increasing preference by consumers for branded jewellery – where Pandora is a market leader.

Ashley Gardyne
Senior Portfolio Manager, Marlin

Key Details
as at 31 January 2018

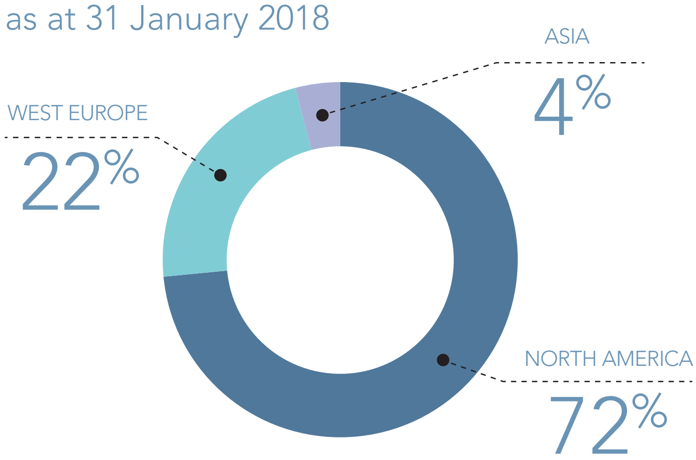
FUND TYPE	Listed Investment Company
INVESTS IN	Growing international companies
LISTING DATE	1 November 2007
FINANCIAL YEAR END	30 June
TYPICAL PORTFOLIO SIZE	25-35 stocks
INVESTMENT CRITERIA	Long-term growth
PERFORMANCE OBJECTIVE	Long-term growth of capital and dividends
TAX STATUS	Portfolio Investment Entity (PIE)
MANAGER	Fisher Funds Management Limited
MANAGEMENT FEE RATE	1.25% of gross asset value (reduced by 0.10% for every 1% of underperformance relative to the change in the NZ 90 Day Bank Bill Index with a floor of 0.75%)
PERFORMANCE FEE HURDLE	Changes in the NZ 90 Day Bank Bill Index + 5%
PERFORMANCE FEE	15% of returns in excess of benchmark and high water mark
HIGH WATER MARK	$0.85
SHARES ON ISSUE	119m
MARKET CAPITALISATION	$101m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split
as at 31 January 2018



The Marlin portfolio also holds cash.

Geographical Split
as at 31 January 2018



January 's Biggest Movers in local currency terms

Typically the Marlin portfolio will be invested 90% or more in equities.

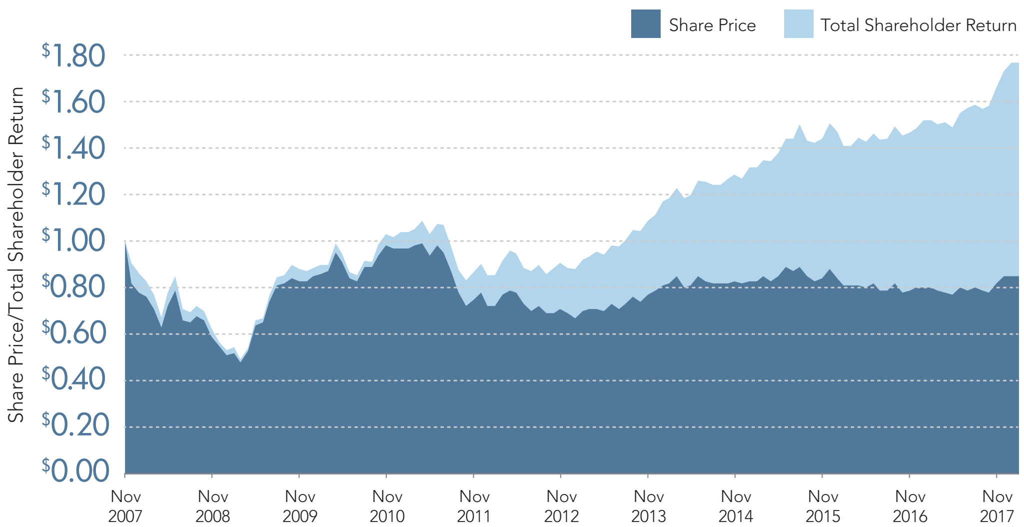
BLACKHAWK NETWORK	AMAZON	ALIBABA	PAYPAL	SARINE
+27%	+24%	+18%	+16%	+14%

5 Largest Portfolio Positions as at 31 January 2018

ALPHABET	PAYPAL	MASTERCARD	ESSILOR	EXPEDIA
7%	6%	5%	5%	4%

The remaining portfolio is made up of another 21 stocks and cash.

Total Shareholder Return to 31 January 2018



Performance to 31 January 2018

	1 Month	3 Months	1 Year	3 Years (annualised)	Since Inception (annualised)
Corporate Performance					
Total Shareholder Return	+0.0%	+6.1%	+16.3%	+10.3%	+5.7%
Adjusted NAV Return	+5.2%	+4.4%	+31.2%	+10.8%	+6.6%
Manager Performance					
Gross Performance Return	+6.5%	+6.1%	+38.2%	+15.5%	+10.5%
Benchmark Index^	+2.0%	+3.4%	+24.4%	+15.2%	+8.0%

^Benchmark index: World Small Cap Gross Index until 30 September 2015 & S&P Large Mid Cap/S&P Small Cap Index (50% hedged to NZD) from 1 October 2015

Non-GAAP Financial Information

Marlin uses non-GAAP measures, including adjusted net asset value, gross performance return and total shareholder return. The rationale for using such non-GAAP measures is as follows:

» adjusted net asset value – the underlying value of the investment portfolio adjusted for capital allocation decisions,

» gross performance return – the Manager's portfolio performance in terms of stock selection and hedging of currency movements, and

» total shareholder return – the return to an investor who reinvests their dividends, and if in the money, exercises their warrants at warrant maturity date for additional shares.

All references to adjusted net asset value, gross performance return and total shareholder return in this monthly update are to such non-GAAP measures. The calculations applied to non-GAAP measures are described in the Marlin Non-GAAP Financial Information Policy. A copy of the policy is available at http://marlin.co.nz/about-marlin/marlin-policies/

About Marlin Global

Marlin is an investment company listed on the New Zealand Stock Exchange. The company gives shareholders an opportunity to invest in a diversified portfolio of between 25 and 35 quality growing international companies (excluding New Zealand and Australia) through a single, professionally managed investment. The aim of Marlin is to offer investors competitive returns through capital growth and dividends.

Management

Marlin's portfolio is managed by Fisher Funds Management Limited. Ashley Gardyne (Senior Portfolio Manager), Chris Waters and Harry Smith (Senior Investment Analysts) have prime responsibility for managing the Marlin portfolio. Together they have significant combined experience and are very capable of researching and investing in the quality global companies that Marlin targets. Fisher Funds is based in Takapuna, Auckland.

Board

The Manager has authority delegated to it from the Board to invest according to the Management Agreement and other written policies. The Board of Marlin comprises independent directors Alistair Ryan (Chair), Carol Campbell and Andy Coupe; and non-independent director Carmel Fisher.

Capital Management Strategies

Regular Dividends

- Quarterly distribution policy introduced in August 2010
- Under this policy, 2% of average NAV is targeted to be paid to shareholders quarterly
- Dividends paid by Marlin may include dividends received, interest income, investment gains and/or return of capital
- Shareholders who prefer to have increased capital rather than a regular income stream have the opportunity to participate in the company's dividend reinvestment plan (DRP)
- Shares issued to DRP participants are at a 3% discount to market price
- Marlin became a portfolio investment entity on 1 October 2007. As a result, dividends paid to New Zealand tax resident shareholders have not been subject to further tax

Share Buyback Programme

- Marlin has a buyback programme in place allowing it (if it elects to do so) to acquire up to 5.9m of its shares on market in the year to 31 October 2018
- Shares bought back by the company are held as treasury stock
- Shares held as treasury stock are available to be re-issued for the dividend reinvestment plan

Warrants

- Warrants put Marlin in a better position to grow further, improve liquidity, operate efficiently and pursue other capital structure initiatives as appropriate
- A warrant is the right, not the obligation, to purchase an ordinary share in Marlin at a fixed price on a fixed date
- There are currently no warrants on issue

marlin growing globally

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