marlin
growing globally

Monthly Update
October 2018

MLN NAV	SHARE PRICE	WARRANT PRICE	DISCOUNT[1]
$1.05	$0.94	$0.10	7.8%

as at 30 September 2018

A word from the Manager

Market Overview

September marked the 10-year anniversary of the collapse of Lehman Brothers and the extreme market volatility that followed. This September provided a stark contrast, with low volatility and both the S&P 500 (+0.4%) and Dow Jones Industrial Average (+1.9%) in the US hitting all-time highs during the month. Equity markets also took little notice of developments that had caused more concern earlier this year, including escalating US-China trade tensions, and rising interest rates. European markets (+0.2%) also gained, while emerging markets (-1.4%) continued to retreat.

In a reversal of recent fortunes technology shares sold off and underperformed the broader market, with the tech-heavy Nasdaq Composite (-0.8%) lagging the other US indices. This dragged slightly on Marlin's performance, with some of our core technology holdings like Alphabet, Facebook and PayPal lagging the market.

September also saw a jump in oil prices (+7%), higher US interest rates, tighter labour markets and US inflation at the Federal Reserve's 2% target level - all confirming global inflationary pressures continue to build.

The Marlin portfolio fell 0.2% in September, compared with our global benchmark which fell 0.5%.

Portfolio Developments

Edwards Lifesciences (+21%) and **Abbott Labs** (+10%) were top performers this month, following Abbott's announcement of positive results from the trial of its MitraClip device that is used to treat patients with mitral regurgitation, a form of heart failure. The results were better than anticipated, showing significant improvements in hospitalisation rates and mortality. This was obviously positive news for Abbott, but more importantly this trial shows that treating mitral regurgitation in heart failure patients results in patients living longer, staying out of the hospital and feeling better. Until these results, that question remained unanswered. Given that Edwards also has a number of medical devices under development for treating these heart failure patients, the stock also reacted positively to this news.

Electronic Arts (EA), was also a strong performer, gaining 7% after adding it to the portfolio during the month. EA is one of the world's leading video game publishers, with hit franchises including FIFA, Madden and Battlefield. The company operates in an industry that we believe is positioned for sustainable revenue growth and margin expansion. The gaming industry is transitioning from a hit driven revenue model, based on game units sold, to more of a recurring revenue model, where customers not only pay the up-front cost of a game, but also spend money on in-game items, which may be cosmetic or improve game play. The result of this transition is that EA is able to better monetise games, with these new digital revenue streams also having higher profit margins.

Logistics software provider **Descartes** reported solid second quarter results, with revenue growing 17% and earnings growing 15% compared to last year. The integration of the 2017 acquisition of MacroPoint is also going well, and Descartes are seeing increasing interest from customers that want to use MacroPoint's real-time tracking capabilities to help fill unused backhaul capacity.

Two detractors from performance in September were **Alibaba** and **LKQ**. While there was limited company-specific news for aftermarket car parts distributor LKQ (-8%), its share price was dragged down with the broader auto sector, which has come under pressure from the ongoing US-China trade war.

Chinese e-commerce platform **Alibaba** (-7%) fell in September, dragged down with Chinese technology stocks more broadly, but also by the announcement of Jack Ma's retirement from the role of Executive Chairman. While Jack Ma hasn't been as active in the business in recent years (it is run by CEO Daniel Zhang), the announcement came earlier than investors had anticipated. Alibaba also held its annual investor day during September. The presentations showed continued strong growth in Tmall and Taobao users, and the ongoing popularity of Tmall for foreign brands looking to sell to Chinese consumers. Alibaba also

[1] Share Price Discount to NAV (including warrant price on a pro-rated basis)

shed more light on a number of its rapidly growing adjacent businesses, including AliPay in digital payments business, Aliyun in Cloud infrastructure, and Ele.me, its rapidly growing food delivery unit. In Alibaba we continue to see a dominant and growing e-commerce business, with significant adjacent growth opportunities that should support earnings growth for many years to come.

Ashley Gardyne
Senior Portfolio Manager
Fisher Funds Management Limited

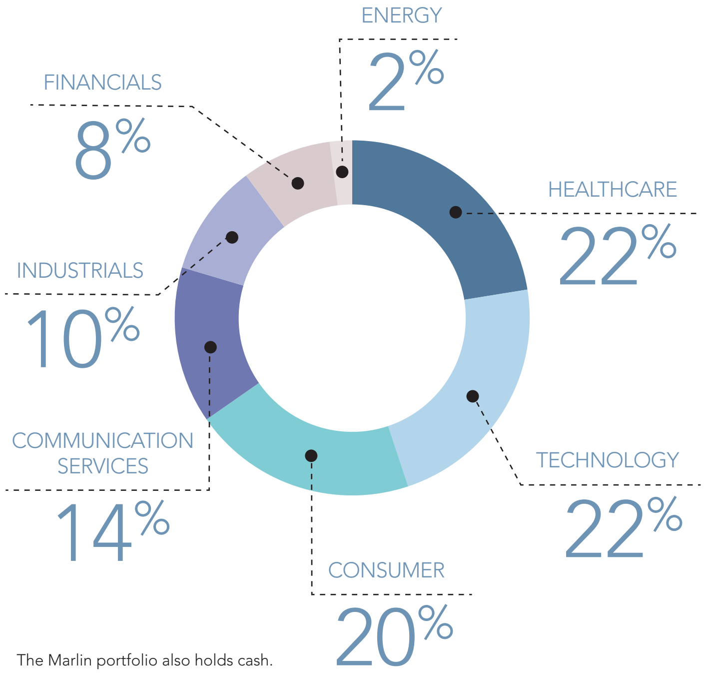
Key Details

as at 30 September 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	$1.00
SHARES ON ISSUE	120m
MARKET CAPITALISATION	$113m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

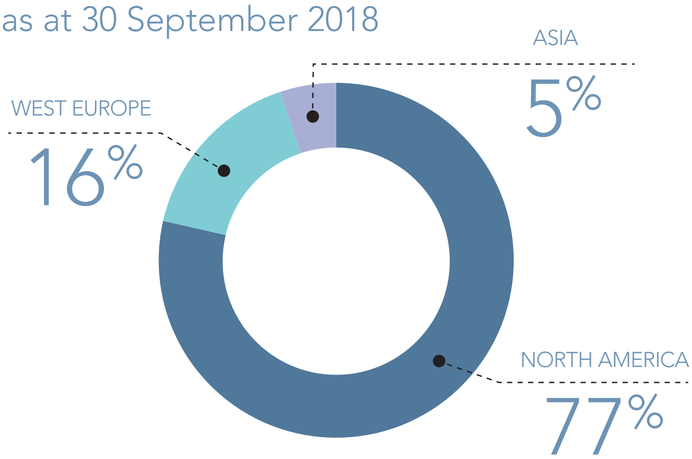
as at 30 September 2018



The Marlin portfolio also holds cash.

Geographical Split

as at 30 September 2018



The Marlin portfolio also holds cash.

September's Biggest Movers in local currency terms

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

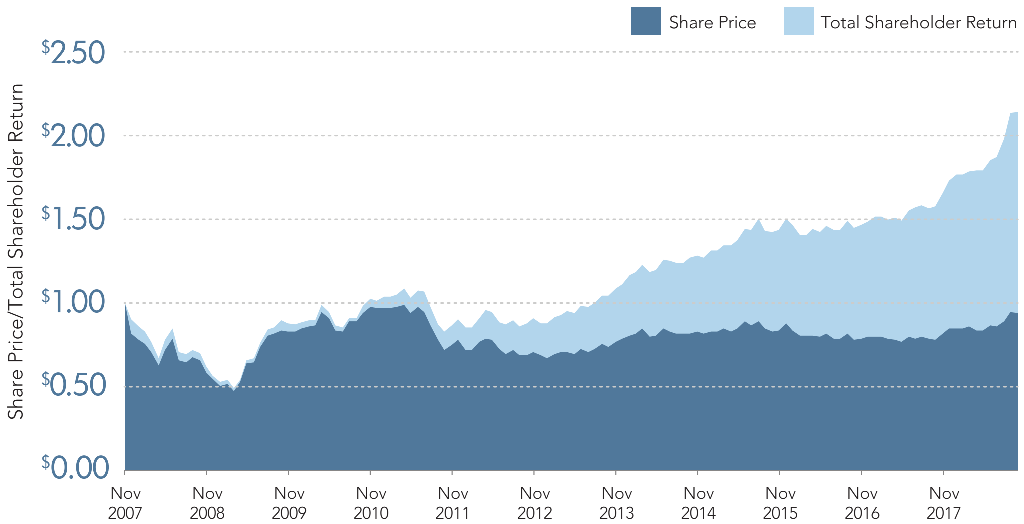
EDWARDS LIFESCIENCES	ABBOTT LABORATORIES	ELECTRONIC ARTS	ALIBABA	LKQ CORPORATION
+21%	+10%	+7%	-7%	-8%

5 Largest Portfolio Positions as at 30 September 2018

ALPHABET	PAYPAL	TJX COMPANIES	ALIBABA	FRESENIUS MEDICAL CARE
8%	6%	5%	5%	5%

The remaining portfolio is made up of another 20 stocks and cash.

Total Shareholder Return to 30 September 2018



Performance to 30 September 2018

	1 Month	3 Months	1 Year	3 Years (annualised)	Since Inception (annualised)
Company Performance					
Total Shareholder Return	+0.5%	+12.7%	+35.5%	+14.6%	+7.2%
Adjusted NAV Return	(0.4%)	+5.0%	+21.7%	+12.7	+7.3%
Portfolio Performance					
Gross Performance Return	(0.2%)	+5.4%	+24.7%	+16.7%	+11.0%
Benchmark Index^	(0.5%)	+4.3%	+15.1%	+13.6%	+8.1%

^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, adjusted NAV return, 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 after fees and tax,
» adjusted NAV return – the net return to an investor after fees and tax,
» gross performance return – the Manager's portfolio performance in terms of stock selection and currency hedging before fees and tax, 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, adjusted NAV return, 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

» On 16 April 2018, a new issue of warrants (MLNWC) was announced

» The warrants were issued at no cost to eligible shareholders and in the ratio of one warrant for every four Marlin shares held

» Exercise Price = $0.83 per warrant, to be adjusted down for dividends declared during the period up to the Exercise Date

» Exercise Date = 12 April **2019**

» The final Exercise Price will be announced and an Exercise Form will be posted to warrant holders in March **2019**

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