

Monthly Update

November 2018

MLN NAV	SHARE PRICE	WARRANT PRICE	DISCOUNT ¹
\$0.96	\$0.92	\$0.08	1.8%

as at 31 October 2018

A word from the Manager

Market Overview

Global markets headed south in October in what was one of the biggest monthly declines for equities since the financial crisis. In the US, the 7% fall in the S&P 500 Index made it the worst month since September 2011. While the exact drivers of the sell-off are widely debated, rising inflation and interest rates, combined with the escalating trade war, have caused investors to question if economic growth and corporate profits may have peaked for this cycle. These growth concerns were reflected in steeper declines for growth sensitive sectors during the month, with the Industrial (-11%), Consumer Discretionary (-11%) and Technology (-8%) sectors of the S&P 500 declining more than the broader market.

In contrast to the weak market, initial results from earnings season during the month showed that most listed US companies are growing strongly.

The Marlin portfolio fell 8.5% in October, compared with our global benchmark which fell 7.8%.

Portfolio Changes

While it is still difficult to find bargains in the current market, this recent volatility did create some opportunities. **Tencent Holdings** is a company we have followed for quite some time, but in our opinion it has often been fully valued. Recent weakness in the Chinese market and technology stocks more broadly finally gave us the opportunity to add Tencent to the portfolio at what we believe is an attractive price.

Tencent is China's largest online gaming company and leading social network, with leading positions also in digital payments, music & video streaming, and cloud computing. Tencent's WeChat is the largest social media and messaging platform in China, with over a billion users on the platform and average usage of over an hour per day. WeChat provides much broader functionality than Western social media platforms. In addition to providing a Facebook equivalent newsfeed, WeChat also allows users to read the news, shop online, check bank balances, pay utility bills, watch videos and make in-store & online payments. Tencent also has a dominant position in the Chinese online gaming market, with over 55% market share. It distributes a mix of its own titles and licenced third party

content and has built up a number of strategic partnerships with global gaming companies (including EPIC, the publisher of hit game Fortnite). Its online gaming and social media businesses are highly cash generative and this cash flow is being reinvested in new growth areas including Tencent Video (the leading online video service with circa.500m users), Tencent Music (the leading music streaming platform) and Tencent Pay (a leading payment platform alongside Alibaba's AliPay). WeChat also serves as an extremely valuable platform to market and distribute these newer products, allowing them to gain new customers and scale these businesses quickly. We see many years of growth ahead for Tencent, in both its core and adjacent businesses.

Portfolio Company Developments

Third quarter reporting season is underway and there have been a number of notable results.

PayPal was one of the top contributors to performance in October. Its recent results showed that the rate of new user acquisition has accelerated, with the addition of 9.1 million new users to its payments platform during the quarter. This helped drive 25% growth in transaction volumes and 26% growth in PayPal's earnings per share. PayPal has also started to show progress monetising Venmo, its popular peer-to-peer payment service.

Ecolab, the cleaning supplies company, reported underlying sales growth of 7%, which was a significant pick-up from last year's levels and included a 2% boost from higher prices. Ecolab's innovative products have historically allowed it to price its product above competitors, and these results show that Ecolab have been able to pass on increasing input costs to customers and drive double-digit earnings growth.

After a tough start to the year when they reduced growth guidance, **Expedia's** execution has improved and its most recent results showcased better than expected bookings growth and margins. Hotel bookings grew 11% and its vacation rental business HomeAway continues to deliver outsized growth, with 24% bookings growth during the quarter. The better than expected results saw management increase its earnings growth guidance for the year to 10%-12% (up from 7-10%).

Dialysis care provider, **Fresenius**, delivered disappointing results during October and was the biggest detractor from performance. Revenue growth in the third quarter of 3% on a constant currency basis was weaker than expected. This was partly due to fewer patients coming through higher paying commercial insurance channels, and a higher mix of patients from lower priced government programmes. While these results are disappointing, Fresenius services a kidney dialysis market that we expect to grow steadily and profitably over the long term.

Video game company, **Electronic Arts**, also reported some disappointing results in October. While total revenue and full game downloads grew strongly, its increasingly important Live Services division grew only 6%. Live Services

includes in-game purchases like its FIFA Ultimate Team card packs and growth was weaker than the 10-15% we would have liked. That said, FIFA is a strong franchise and while monetisation in any given quarter can be lumpy, we see considerable long term potential for growth in the number of players and in-game spend.



Ashley Gardyne
Senior Portfolio Manager
Fisher Funds Management Limited



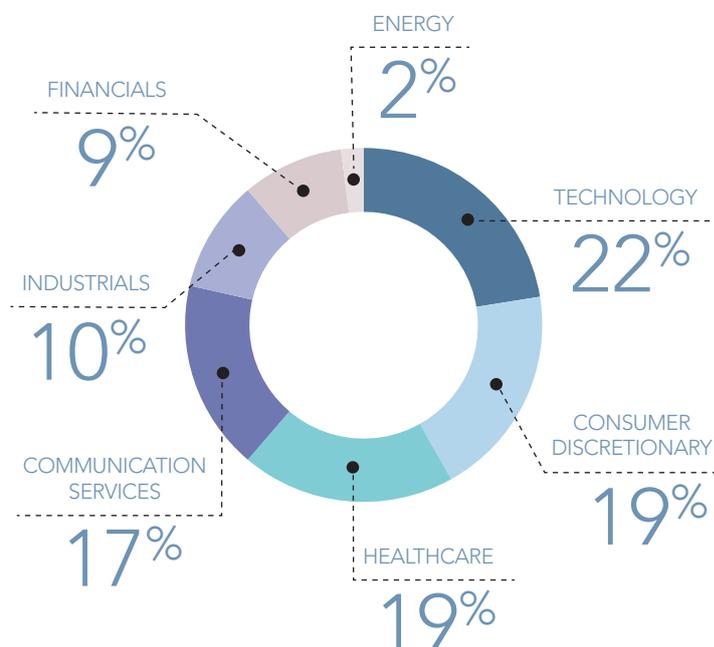
Key Details

as at 31 October 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	\$110m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

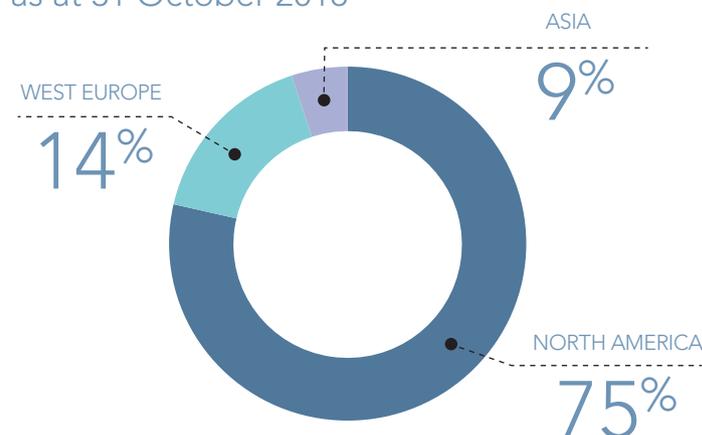
as at 31 October 2018



The Marlin portfolio also holds cash.

Geographical Split

as at 31 October 2018



The Marlin portfolio also holds cash.

October's Biggest Movers in local currency terms

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

CORE LABORATORIES

-25%

ELECTRONIC ARTS

-23%

FRESENIUS MEDICAL

-23%

EDWARDS
LIFESCIENCES

-14%

LKQ

-13%

5 Largest Portfolio Positions as at 31 October 2018

ALPHABET

7%

PAYPAL

6%

ALIBABA

6%

MASTERCARD

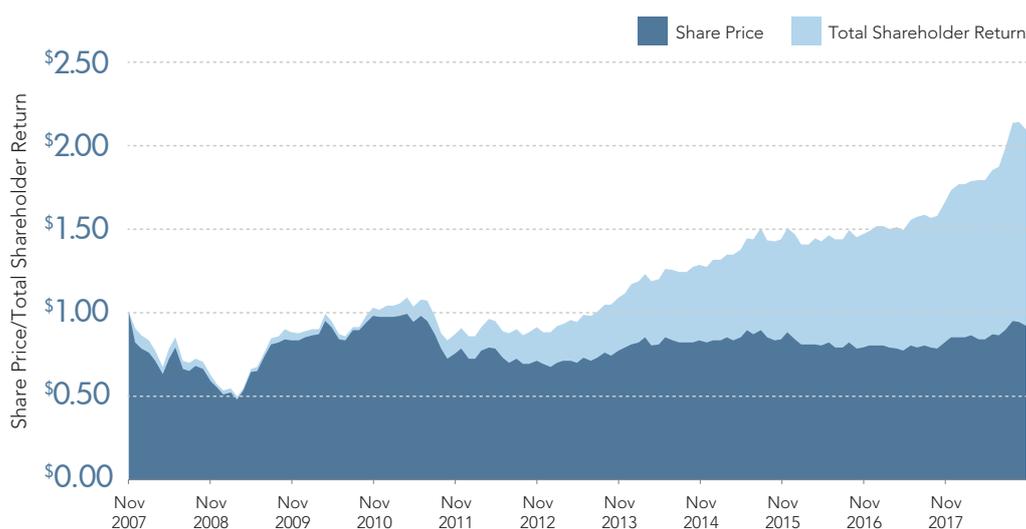
5%

TJX COMAPNIES

4%

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

Total Shareholder Return to 31 October 2018



Performance to 31 October 2018

	1 Month	3 Months	1 Year	3 Years (annualised)	Since Inception (annualised)
Company Performance					
Total Shareholder Return	(2.6%)	+5.6%	+25.5%	+13.2%	+6.9%
Adjusted NAV Return	(8.6%)	(4.7%)	+6.3%	+8.8%	+6.4%
Portfolio Performance					
Gross Performance Return	(8.5%)	(4.6%)	+8.5%	+12.4%	+10.0%
Benchmark Index [^]	(7.8%)	(5.6%)	+1.0%	+9.2%	+7.2%

[^]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 2019
- » 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**

Disclaimer: The information in this update has been prepared as at the date noted on the front page. The information has been prepared as a general summary of the matters covered only, and it is by necessity brief. The information and opinions are based upon sources which are believed to be reliable, but Marlin Global Limited and its officers and directors make no representation as to its accuracy or completeness. The update is not intended to constitute professional or investment advice and should not be relied upon in making any investment decisions. Professional financial advice from an authorised financial adviser should be taken before making an investment. To the extent that the update contains data relating to the historical performance of Marlin Global Limited or its portfolio companies, please note that fund performance can and will vary and that future results may have no correlation with results historically achieved.