marlin
growing globally

Monthly Update
December 2018

MLN NAV	SHARE PRICE	WARRANT PRICE	DISCOUNT[1]
$0.94	$0.89	$0.05	4.4%

as at 30 November 2018

A word from the Manager

Market Environment and Portfolio Performance - November

While market volatility remained elevated in November, markets stemmed October's steep declines and ended the month broadly flat. In the US, the S&P 500 Index gained 1.4%, while European stocks (Stoxx 600 Index) and emerging markets (MSCI EM Index) fell 1.8% and 0.2% respectively. The strong New Zealand dollar (+5% against the USD) weighed on portfolio returns during the month.

Portfolio gross performance was -0.6% in November, marginally ahead of our global benchmark which fell by 1.2%.

2018 Market Review

2018 has been a significantly more volatile year in markets than 2017. While the US market has posted gains (partly driven by President Trump's tax cuts), share markets in most other geographies are down year-to-date. While the year started strongly and saw the S&P 500 gain 7% in January alone, significant market declines in both February and October have pared gains for the S&P 500 to 3% for the year. European markets are down 8%, emerging markets have fallen 14%, and the Japanese and UK markets are down 7% and 9% respectively.

The drivers of this elevated volatility include rising inflation and interest rates, the escalating US-China trade war, and a slowdown in economic growth in parts of the world. These factors have caused investors to question if economic growth and corporate profit growth may have peaked for the cycle. Despite heightened economic uncertainty, corporate earnings growth has been solid – particularly in the US market.

While growth sensitive sectors like Technology and Consumer Discretionary performed strongly in the first nine months of the year, recent market declines have driven outperformance by defensive sectors like Utilities, Healthcare and Consumer Staples. Year-to-date the Utilities and Healthcare sectors have now outperformed the broader US market.

For the calendar year to date, Marlin has delivered gross performance of 7.0%, compared with our global benchmark which is down 1.6% for the same 11 month period.

Portfolio Company Developments - November

Our two Chinese technology companies, **Tencent Holdings** and **Alibaba**, reported results during the month and were the two top contributors to portfolio performance.

Alibaba's results showed continued growth in the number of users on its core Taobao and TMall ecommerce platforms. Core commerce revenues grew 55% compared to last year and earnings on its marketplaces increased 27%. While Alibaba's continued investments in its cloud computing business (the largest in China), video streaming, logistics and off-line retail are likely to see earnings growth slow over the next few years, we still see a long runway for growth from these nascent markets.

Tencent, the Chinese video game and social media giant, reported third quarter revenues that grew 24% on the prior year. While Tencent's business has been impacted by a temporary halt on new video game approvals, its mobile gaming revenues held up well as existing game titles continued to monetise well. More importantly, strong growth in Tencent's newer business lines including advertising and digital payments contributed to solid operating results, and now account for the majority of Tencent's revenues.

Adidas grew revenues 8% and earnings 19% in the third-quarter. Strong revenue growth and share gains in the US and Chinese markets helped offset weaker growth in its European home market. Improved merchandise pricing, a higher proportion of online sales, and strong cost control by CEO Kasper Rorsted saw continued margin improvement. We believe the company's solid execution puts it on track to meet its long term financial aspirations – which are to grow earnings at over 20% per annum from 2015 to 2020.

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

TJX Companies, the US-based off-price retailer, reported a solid set of results during the month. Revenue growth of 12% was ahead of market expectations, driven by a better than expected 7% increase in same-store sales growth and highlights strength in US consumer spending. That said, a tick down in TJX's profit margins highlight that increasing freight costs and wages are also impacting profitability in the retail sector. These cost pressures caused TJX management to provide slightly cautious guidance for earnings growth next year.

Ashley Gardyne
Senior Portfolio Manager
Fisher Funds Management Limited

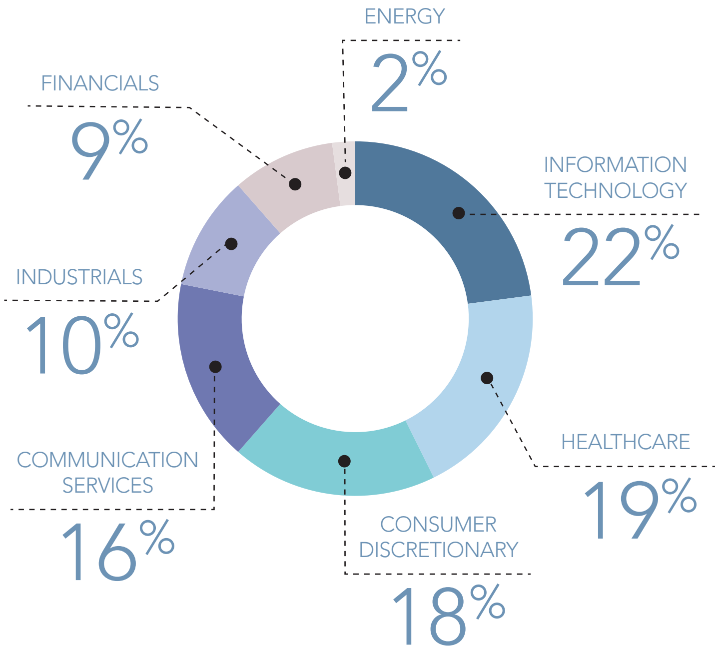
Key Details

as at 30 November 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	$107m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

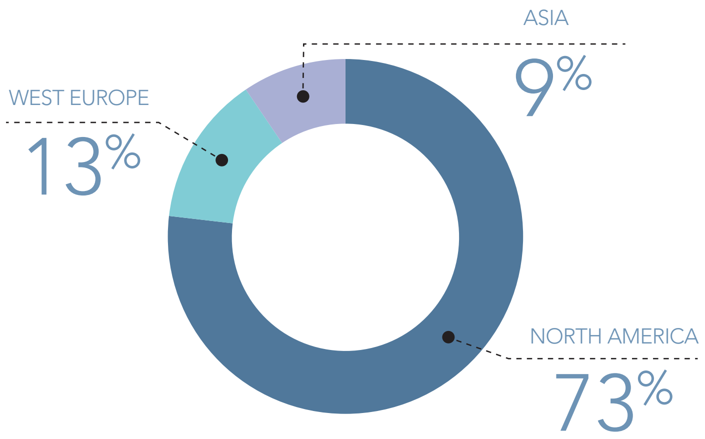
as at 30 November 2018



The Marlin portfolio also holds cash.

Geographical Split

as at 30 November 2018



The Marlin portfolio also holds cash.

November's Biggest Movers in local currency terms

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

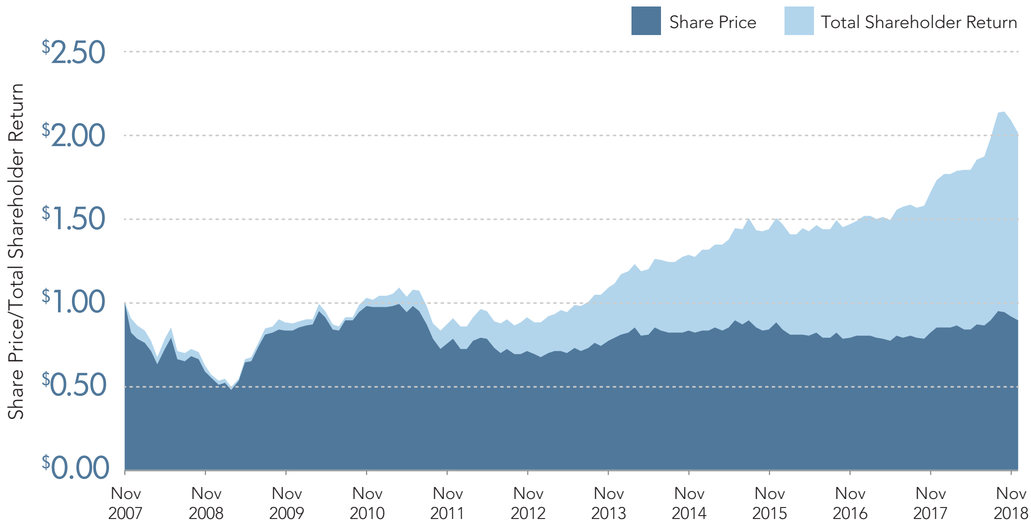
TENCENT HOLDINGS	ALIBABA GROUP	SIGNATURE BANK	EDWARDS LIFESCIENCES	TJX COMPANIES INC
+17%	+13%	+12%	+10%	-11%

5 Largest Portfolio Positions as at 30 November 2018

ALPHABET	ALIBABA	PAYPAL	MASTERCARD	SIGNATURE BANK
7%	6%	6%	5%	4%

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

Total Shareholder Return to 30 November 2018



Performance to 30 November 2018

	1 Month	3 Months	1 Year	3 Years (annualised)	Since Inception (annualised)
Company Performance					
Total Shareholder Return	(4.0%)	(5.9%)	+16.3%	+10.0%	+6.5%
Adjusted NAV Return	(1.4%)	(10.2%)	+3.5%	+7.2%	+6.2%
Portfolio Performance					
Gross Performance Return	(0.6%)	(9.3%)	+6.2%	+11.1%	+9.8%
Benchmark Index^	(1.2%)	(9.3%)	(1.8%)	+8.1%	+7.1%

^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 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.

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Marlin Global Limited
Private Bag 93502, Takapuna, Auckland 0740
Phone: +64 9 484 0365 | Fax: +64 9 489 7139
Email: enquire@marlin.co.nz | www.marlin.co.nz

Computershare Investor Services Limited
Private Bag 92119, Auckland 1142
Phone: +64 9 488 8777 | Fax: +64 9 488 8787
Email: enquiry@computershare.co.nz | www.computershare.com/nz