marlin
growing globally

Monthly Update

May 2019

MLN NAV
$0.99

SHARE PRICE
$0.88

DISCOUNT[1]
10.7%

as at 30 April 2019

A word from the Manager

Market Overview

Global markets continued the recent strong run in April, with the US first-quarter earnings season off to a better than expected start and recent economic data out of China and the US showing signs of stabilisation. Against this backdrop the US S&P 500 Index gained 3.9% for the month and pushed through the all-time highs set in September last year.

Marlin Global delivered gross performance of 5.4% in April, compared to our global benchmark, which gained 4.5%.

Portfolio Company Developments

I am writing this from the US where I am attending digital advertising and payments industry conferences, as well as meeting with a number of our portfolio companies and other prospects. Industry conferences form part of our ongoing research, to help us better understand current industry dynamics and potential developments that could affect our investments in companies like PayPal, MasterCard, Google and Facebook. These four businesses also recently reported first quarter financial results, are delivering in line with the investment thesis and growing strongly.

PayPal continues to benefit from the growth in ecommerce, particularly on mobile devices where its One Touch technology reduces checkout friction and is popular with both users and online merchants. For the first quarter, PayPal's active user numbers grew 17% year-on-year, transaction payment volumes grew 22%, and earnings grew by more than 30%. We believe PayPal's recent integration with Instagram (to enable Instagram's ecommerce ambition), and its recent deals with Latam[2] ecommerce leader MercadoLibre and Uber provide avenues to gain even more users and payment volumes. **MasterCard** beat expectations in the first quarter, with strong secular growth in digital payments more than offsetting a slightly weaker global economy. MasterCard is firmly on track to meet its medium-term plan of low-teens revenue growth and high-teens earnings per share growth.

Facebook and **Alphabet** both delivered strong growth in core advertising revenues, up 33% and 19% respectively (in constant currency terms). Facebook continues to benefit from rapid advertising growth on Instagram, while both user engagement and advertiser interest in its ephemeral stories format is going from strength-to-strength. While Alphabet's revenue growth did slow slightly in the first quarter and its share price fell on results, the business continues to grow rapidly on the back of strength in YouTube and mobile search.

On the negative side of the ledger were **United Parcel Service** and **Core Laboratories**. While the recent slowdown in the global economy had been expected to impact **United Parcel Service**, its first quarter revenue growth was worse than anticipated and came in flat year-on-year. This combined with its ongoing investments in facility automation and headwinds from bad weather in the quarter resulted in flat earnings. While the lack of growth this quarter is disappointing, we believe UPS is making the right investments in its network to position the company to benefit from growing freight volumes and ecommerce deliveries.

Oilfield services company, **Core Laboratories**, also delivered slightly disappointing results with revenue flat compared to the first quarter of 2018. Core Labs benefits from new US shale wells being put into production, and from the development of new offshore oilfields. However, recent bottlenecks impacting US shale oil production, combined with a lack of offshore projects have impacted the business. We expect an improvement in both of these areas later in the year, but the turnaround in Core Lab's business is taking longer than we anticipated.

New Portfolio Addition

We added Texas based software company **Tyler Technologies** to the portfolio in April. Tyler is the leading provider of software to the local government sector in the US. The specialised nature of this software has resulted in hundreds of regional software players that provide some solutions, but none with the broad coverage and scale of Tyler (ERP, finance, billing and collection, HR, payroll, justice/courts, public safety, appraisal and tax). Tyler is the only company that

[1] Share Price Discount to NAV (including warrant price on a pro-rated basis).
[2] E-commerce in Latin America.

can offer a full suite of products and it continues to extend its lead through both research & development and bolt-on acquisitions.

Local authorities are well behind the software adoption curve in the US and two-thirds of local authorities are still maintaining old in-house systems or using legacy systems that are no longer supported by competitive vendors. Most of these government entities will need to upgrade over the next 10-20 years.

Despite being the industry leader, Tyler only has 13% market share and we see continued market share gains and margin expansion over the long term. Tyler has a longstanding management team and a great track record, having grown revenue by circa 15% per annum and earnings per share by over 20% per annum over the last decade. We see Tyler delivering mid-teens earnings growth over an extended period, with the potential for upside from a faster than expected shift of clients to Tyler's hosted software offering.

Ashley Gardyne
Senior Portfolio Manager
Fisher Funds Management Limited

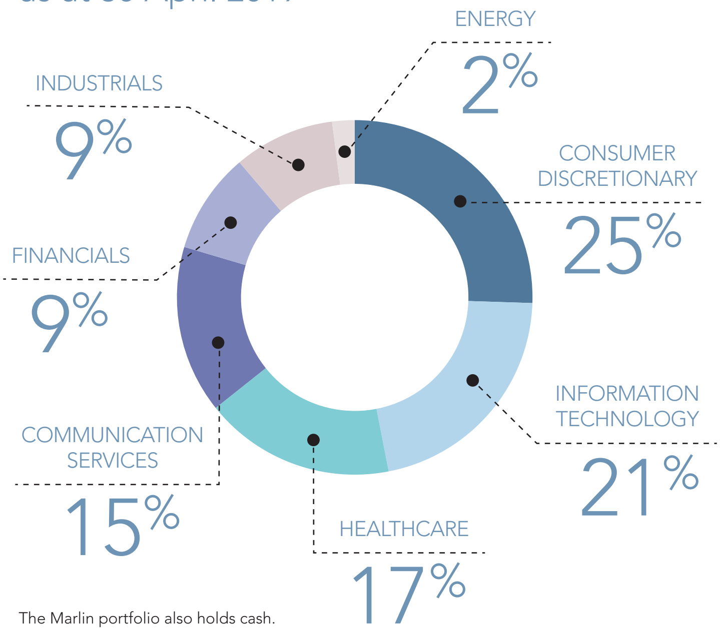
Key Details

as at 30 April 2019

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	$0.91
SHARES ON ISSUE	145m
MARKET CAPITALISATION	$128m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

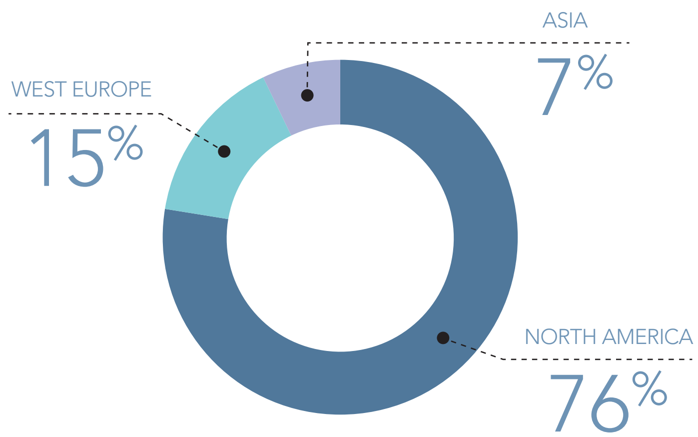
as at 30 April 2019



The Marlin portfolio also holds cash.

Geographical Split

as at 30 April 2019



April's Biggest Movers in local currency terms

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

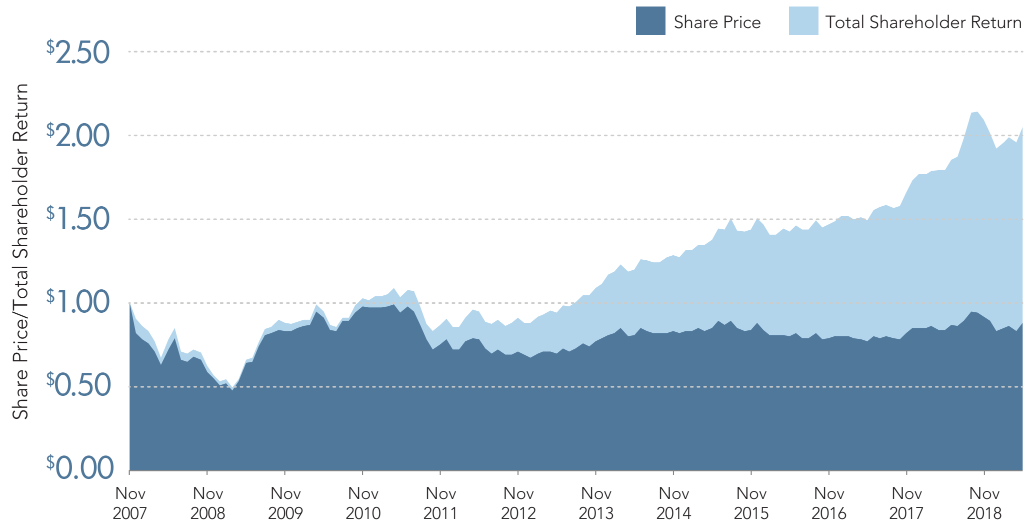
CERNER CORPORATION	FACEBOOK INC.	ESSILORLUXOTTICA SA	DESCARTES SYSTEMS	EXPEDIA GROUP INC.
+16%	+16%	+11%	+10%	+9%

5 Largest Portfolio Positions as at 30 April 2019

ALPHABET	PAYPAL	ALIBABA	MASTERCARD	TJX COMPANIES INC
8%	7%	5%	5%	5%

The remaining portfolio is made up of another 22 stocks and cash.

Total Shareholder Return to 30 April 2019



Performance to 30 April 2019

	1 Month	3 Months	1 Year	3 Years (annualised)	Since Inception (annualised)
Company Performance					
Total Shareholder Return	+4.5%	+4.5%	+14.8%	+12.9%	+6.4%
Adjusted NAV Return	+5.2%	+12.5%	+12.8%	+15.1%	+7.1%
Portfolio Performance					
Gross Performance Return	+5.4%	+13.3%	+16.6%	+19.3%	+10.8%
Benchmark Index^	+4.5%	+9.5%	+6.2%	+12.5%	+7.6%

^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, Andy Coupe and 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 12 April 2019, Marlin warrant holders converted 23,452,115 warrants into ordinary Marlin shares
- The new shares were allotted to warrant holders on 16 April 2019 and quoted on the NZX Main Board from that date
- All new shares have the same rights as current Marlin shares, including participating in the company's quarterly dividend policy

marlin growing globally

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