Monthly Update

June 2019

MLN NAV
$0.94

SHARE PRICE
$0.87

DISCOUNT[1]
7.8%

as at 31 May 2019

A word from the Manager

Market Overview

Equity markets have climbed steadily for much of 2019, supported by accommodative central banks and what appeared to be progress on a US-China trade deal. However, markets were jolted in May by a surprise announcement that the US would move ahead and increase tariffs from 10% to 25% on US$200 billion worth of Chinese imports. While the impact so far has been felt more in equity markets than in the economy, the risk is that the uncertainty caused by the trade war impacts corporate investment plans and ultimately results in job losses and lower consumer confidence.

Against this backdrop, the US S&P 500 Index slumped 6.6% in May, while the European Stoxx 600 index fell 5.7% and the MSCI Emerging Market Index dropped 7.5%. While the Shanghai Composite Index (-5.8%) only fell with its global peers, it is now over 11% off its April highs. Investors will now be watching how trade negotiations develop, with a close eye on the G20 summit at the end of June.

Marlin's gross portfolio performance fell 4.5% in May, 0.4% ahead of our global benchmark, which fell 4.9%.

Adjusted NAV was down 4.3% for the month, and the total shareholder return down 1.1%.

Portfolio Company Developments

All of our portfolio companies have now reported first quarter results, which generally highlighted strong underlying business momentum.

Adidas shares gained 15% in May following a forecast-beating rise in quarterly profits, which were supported by booming online sales. Adidas's strategic growth areas (North America, China & e-commerce) grew 18% combined, despite growth in the US being temporarily constrained by a shortage of Adidas apparel. E-commerce growth of 40% also drove margin expansion in the quarter, which converted 6% sales growth into a 17% jump in operating profits.

Cerner, a leading hospital software provider, gained 8% in May. The company announced revenue growth of 8% in the first quarter and elaborated on its plans to improve its operating margin to 22.5% by the end of 2020 from less than 19% currently. This increased margin target was announced in April along with a $1.5 billion share repurchase plan and we welcome the new CEO's efforts to streamline the business and return excess capital to shareholders. Cerner's revenue growth outlook in the coming years is supported by expected market share gains and also by a large contract to provide an electronic health record system to the US Department of Veterans Affairs.

New portfolio addition and discount retailer, **Dollar General**, reported strong first-quarter results, with both same-store-sales and margins coming in ahead of expectations. Despite a weak retail environment generally, Dollar General's value proposition continues to draw in increasing foot traffic. Dollar General announced sales growth of 8% and has opened 800 new stores over the last year. We like Dollar General for both its runway for new store openings, but also due to its defensiveness (its revenue growth has accelerated in the last two US recessions).

Chinese e-commerce giant, **Alibaba**, saw its share price fall 18% in May as good quarterly results got lost in the negative sentiment around the trade war, which dragged down Chinese technology stocks. Despite these macro concerns, Alibaba actually saw an acceleration in revenue growth in its core ecommerce platform, which grew 31% in the quarter driven by increased transaction volumes and higher monetisation rates as it rolls out more ad inventory. Alibaba is also investing in new business segments like cloud and food delivery that continue to deliver strong revenue growth. We took the opportunity to add to our position in Alibaba on recent share price weakness.

[1] Share Price Discount to NAV (using NAV to four decimal places)

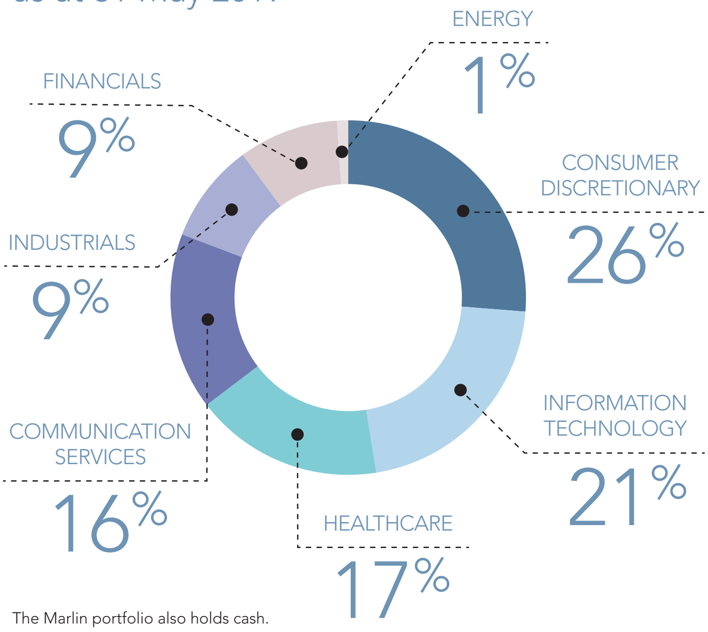
Cognizant also had a tough first quarter, reporting revenue growth of 5% and unexpectedly reducing its earnings guidance for the year. The guidance reduction is being driven by pockets of weakness in the IT services company's financial services and healthcare segments. While this was disappointing, we believe a number of these headwinds are temporary in nature given the continued need for companies to digitize their businesses, which is driving broad demand for IT and consulting services.

Ashley Gardyne
Senior Portfolio Manager
Fisher Funds Management Limited

Key Details
as at 31 May 2019

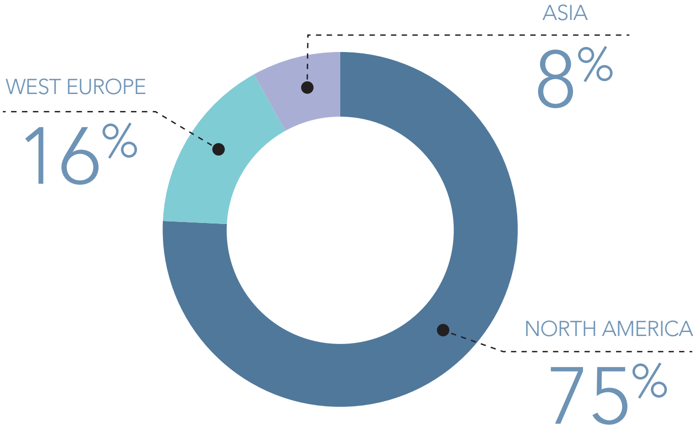
FUND TYPE	Listed Investment Company
INVESTS IN	Growing international companies
LISTING DATE	1 November 2007
FINANCIAL YEAR END	30 June
TYPICAL PORTFOLIO SIZE	25-35 stocks
INVESTMENT CRITERIA	Long-term growth
PERFORMANCE OBJECTIVE	Long-term growth of capital and dividends
TAX STATUS	Portfolio Investment 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	$126m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split
as at 31 May 2019



The Marlin portfolio also holds cash.

Geographical Split
as at 31 May 2019



May's Biggest Movers in local currency terms

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

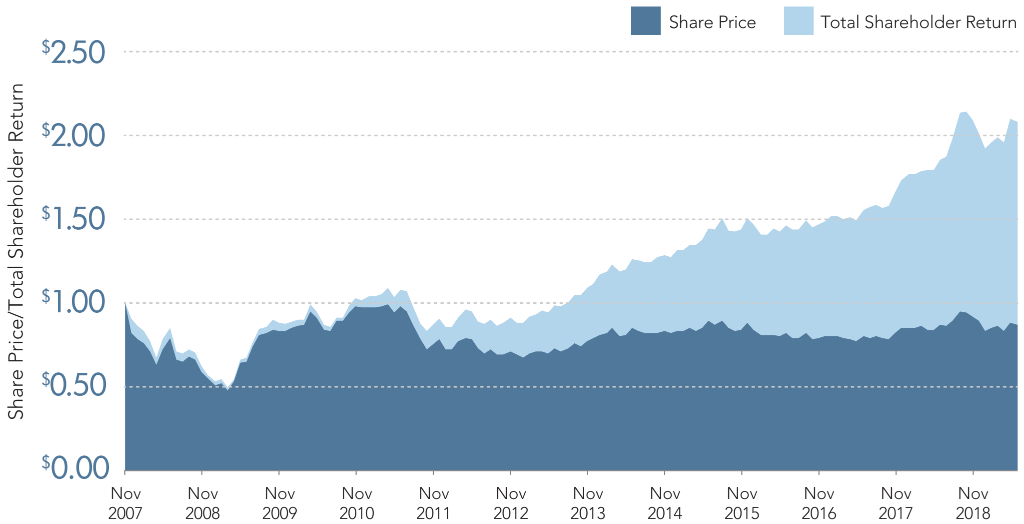
CORE LABORATORIES NV	ALIBABA GROUP	TENCENT HOLDINGS	COGNIZANT TECHNOLOGY	LKQ CORPORATION
-25%	-20%	-16%	-15%	-15%

5 Largest Portfolio Positions as at 31 May 2019

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

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

Total Shareholder Return to 31 May 2019



Performance to 31 May 2019

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	(1.1%)	+4.1%	+10.8%	+12.5%	+10.6%
Adjusted NAV Return	(4.3%)	+2.6%	+5.4%	+12.1%	+9.4%
Portfolio Performance					
Gross Performance Return	(4.5%)	+3.0%	+8.2%	+16.0%	+13.1%
Benchmark Index^	(4.9%)	(0.3%)	(0.8%)	+9.6%	+11.8%

^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

- Warrants put Marlin in a better position to grow further, 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

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