Monthly Update

July 2019

MLN NAV	SHARE PRICE	DISCOUNT[1]
$0.96	$0.90	6.1%

as at 30 June 2019

A word from the Manager

Market Overview

After a difficult month in May due to escalating trade tensions, the US share market lead global equity markets higher in June, supported by the Federal Reserve signalling a willingness to cut interest rates if the economic environment deteriorates further. An agreement between US President Donald Trump and Chinese President Xi Jinping to get the troubled trade talks back on track also soothed markets late in June. While there is still considerable uncertainty as to whether they can settle their differences, financial markets seem to be taking them at their word for the time being. The US S&P 500 had its best June since 1955, gaining 6.9%, topping off a 17% gain for the first six months of the year.

Marlin Global's gross performance in June was +4.5%, broadly in line with our global benchmark, which rose 4.2%. The Adjusted NAV for June was +3.8%.

Portfolio Company Developments

We travelled to the US again in June to meet management of a number of our portfolio companies, including Dollar General and TJX. **Dollar General** is a discount retailer that continues to expand its footprint throughout the US. The highlight from the trip was hearing more about the company's plans to leverage its 15,000 strong store network to offer services like FedEx parcel drop and Western Union money transfers for customers. This provides a valuable service for customers and increased foot traffic, sales and high margin service revenue for Dollar General.

We also had the chance to visit off-price retailer **TJX Companies** and walk around one of their TJ Maxx stores with management. TJX Maxx sells branded apparel and other merchandise at a significant discount to normal retail prices by sourcing overstocked merchandise from struggling retailers. Discounts of up to 50% draw in customers looking for Hugo Boss polo shirts, Samsonite suitcases, or Jo Malone cologne at a big markdown. Because of the difficulties many other retailers are having, TJX have been able to source a broad selection of inventory and the year has started strongly. Same-store sales are growing at 5% and TJX continues to roll out new stores in the US and Europe.

A negative development in June was the increase in regulatory scrutiny of big technology companies including our portfolio companies **Alphabet** and **Facebook**. While no antitrust investigations have begun, it appears that the US Department of Justice and Federal Trade Commission are currently laying the groundwork. While this is not new news and most investors had anticipated that regulators would eventually investigate these businesses, it is an overhang weighing on their share prices. Alphabet, who is likely to be most at risk given its dominance in online search (Google), mobile operating systems (Android) and browsers (Chrome) saw its share price fall 2% in June, against a market that was up strongly. Antitrust cases are not quick (Microsoft's case took 7 years) and the case against Alphabet is complicated given it is hard to claim its market position hurts consumers when most of their products are free. These companies have faced similar investigations in Europe, with the impact being relatively minor to date. We continue to follow the developments closely, but for now remain comfortable with our investments in both Alphabet and Facebook.

Portfolio Changes

We made two changes to the portfolio in June, exiting both **Cerner** and **Core Laboratories** (Core Labs).

Cerner is the world's largest provider of software for hospitals. The central issue for Cerner in recent years has been a reduction in organic growth in its core Electronic Health Records (EHR) business, which follows years of regulatory support for EHR adoption that is now starting to wane. The slowdown in growth also led to extra costs creeping in to the business as Cerner invested in sales & marketing and new product development to try to keep the growth story alive. Overall we are not convinced growth will be as easy to come by as it was in previous years and we have decided to sell our holding.

We first invested in **Core Labs** following the sharp decline in oil prices and energy stocks in 2016. Our view was that the long-term growth in the business was linked more to production volumes than the oil price itself. Oil demand was (and still is) expected to increase for the foreseeable

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

future, requiring increased investment particularly in more challenging areas like offshore and deepwater, in turn driving demand for services and technology from companies like Core Labs. However, this has not played out as we expected. Firstly, significant productivity gains in US shale wells, (helped in small-part by Core Lab's technologies) has meant that more oil can be produced from fewer wells, decreasing the amount of Core Labs products needed per barrel of oil. Secondly, because of these gains US shale oil has been able to meet the bulk of the incremental global oil demand and customers have pushed out any meaningful investment in deepwater exploration. We do not have clarity as to when these headwinds will ease and given these uncertainties we have decided to exit the stock.

The funds from these sales were used to top up our holdings in existing portfolio companies, including Abbott Laboratories, Dollar General and Alibaba.

Ashley Gardyne
Senior Portfolio Manager
Fisher Funds Management Limited

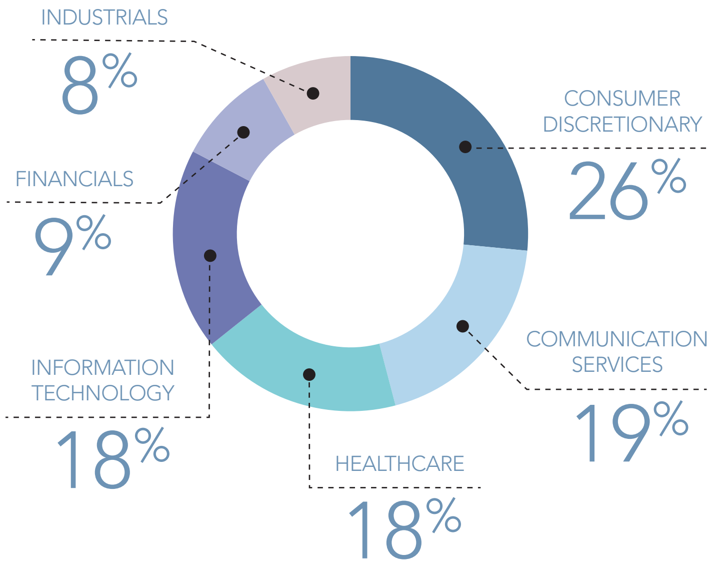
Key Details

as at 30 June 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	$0.89
SHARES ON ISSUE	147m
MARKET CAPITALISATION	$132m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

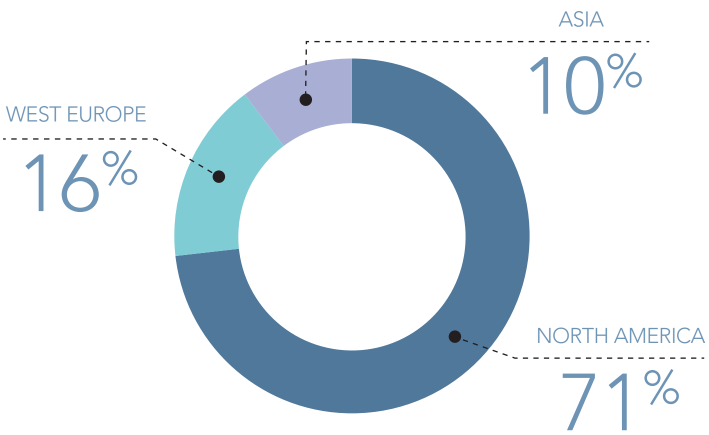
as at 30 June 2019



The Marlin portfolio also holds cash.

Geographical Split

as at 30 June 2019



June's Biggest Movers in local currency terms

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

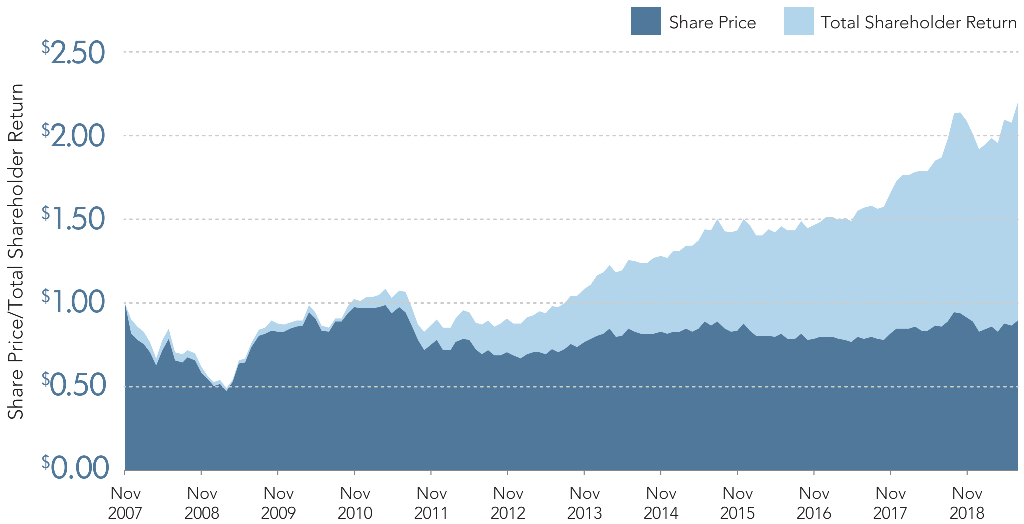
ALIBABA GROUP	ZOETIS INC	ESSILORLUXOTTICA	UNITED PARCEL SERVICE	HEXCEL CORPORATION
+14%	+12%	+11%	+11%	+11%

5 Largest Portfolio Positions as at 30 June 2019

ALPHABET	FACEBOOK	ALIBABA GROUP	PAYPAL	MASTERCARD
9%	6%	6%	5%	5%

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

Total Shareholder Return to 30 June 2019



Performance to 30 June 2019

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+5.9%	+12.0%	+15.5%	+15.3%	+11.8%
Adjusted NAV Return	+3.8%	+4.5%	+6.8%	+15.4%	+10.6%
Portfolio Performance					
Gross Performance Return	+4.5%	+5.2%	+10.1%	+19.5%	+14.5%
Benchmark Index^	+4.2%	+3.5%	+2.1%	+12.5%	+12.5%

^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

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