marlin
growing globally

MONTHLY UPDATE

September 2023

Share Price	Warrant Price	MLN NAV	PREMIUM[1]
$0.95	$0.02	$0.95	0.5%

as at 31 August 2023

A WORD FROM THE MANAGER

Marlin's gross performance return for August was down 1.2%, while the adjusted NAV return was down 0.9%. This compared with our global benchmark, S&P Large Mid Cap/S&P Small Cap Index (50% hedged to NZD), which was down 1.0%.

In August, global equities were down 2.3%. Emerging Market equities were down 6.1% (primarily China weakness). US equities outperformed, down 1.6% while European equities were down 3.8%.

The primary driver of global share price weakness was the rise in bond yields during the month. At one stage, the US 10-year bond yield as a proxy for global interest rates had risen circa 0.4% (40bp) for the month and had pushed through the previous highs from October last year. This was frustrating for investors because US inflation peaked way back in October last year and has since fallen by two thirds from 9% to 3%.

However, longer dated interest rates are not just a function of inflation, they are also a function of growth. And the recession the market had feared hasn't materialised yet - the US recently released June quarter GDP growth of 2.4%, stronger than expected. While good news, the combination of the lagged impact of the sharp central bank rate hike cycle over the last 12-18 months, plus the added stress of the recent move higher in long-term borrowing rates has the potential to blunt the growth recovery.

Portfolio News

Amazon (+8%) had better-than-expected 2Q23 earnings in August. Amazon's important cloud computing platform, AWS[2], showed signs of growth stabilising. Customers have been optimising their cloud spend, which has been a growth headwind. Amazon's advertising business continues to grow strongly (+22%) and gain digital advertising market share. Amazon's operating income grew 132%, above expectations. The company is driving up the utilisation of its expanded supply chain infrastructure. Guidance for next quarter's operating income was also well above expectations.

Icon (+8%) was up as sentiment continues to improve for the wider clinical research industry. Despite fears earlier this year of a prolonged slowdown in clinical research activity, fundamentals continue to hold up. Biotech funding is expected to return to growth this year, and leading clinical research organisations like Icon continue to see growth in new bookings helped by market share gains versus smaller competitors.

Mastercard (+9%) noted that consumer spending continues to remain resilient during its second quarter earnings report. The company beat revenue and earnings expectations in the quarter and continues to execute well. Mastercard had strong growth in Europe (+16%) on the back of winning large card portfolios with large European banks. Cross-border volumes are growing strongly (+24%) as consumers continue to spend towards travel experiences.

Boston Scientific (+9%) reacted positively to the presentation of positive results from a key clinical trial. The better-than-expected outcomes from the Advent trial puts Boston Scientific in a strong position to take market share in the $8 billion atrial fibrillation medical device market, driving upside to the company's medium-term growth expectations.

PayPal (-14%) released disappointing second quarter results. While payment volumes were robust, take rates, transaction expenses and transaction margins were weaker than expected. PayPal's unbranded processing unit continues to make good strides, growing 30% in the quarter and winning large new customers such as Booking.com. Meanwhile, PayPal's core branded button growth has started to show early signs of growth reacceleration. The company continues to take cost out of its business and buyback shares aggressively.

Greggs (-8%) had a weaker month after reporting its results for the first half. The company is executing well on its store roll-out strategy, growing stores by 50 to 2,378 in the half. To support the store roll-out ambitions Greggs is investing in supply chain infrastructure. Given the investment needed the market is concerned about future returns on capital. Greggs value price-point continues to be market leading and Greggs continues to take market share.

Floor & Décor (-9%) lowered guidance for the year at its second quarter earnings report. As a result of higher mortgage rates, existing home sales (a key driver of flooring demand) remain weaker than management had expected. Though disappointing, when comparing to other listed peers, Floor & Décor continues to gain market share amidst a tricky macro environment.

[1] Share Price Premium to NAV (including warrant price on a pro-rated basis and using the net asset value per share, after expenses, fees and tax, to four decimal places)
[2] Amazon Web Services

US discount retailers **Dollar Tree** (-17%) and **Dollar General** (-14%) fell on disappointing earnings. Historically both companies ran leanly staffed stores, which meant they could not adequately respond to supply chain unpredictability. Additionally, nationwide labour shortages have made it difficult to find staff to keep stores operating at a high level. This is driving higher than expected wage costs. Nonetheless, both companies are well positioned in the current environment of elevated inflation as US consumers continue to turn to discount / off-price retailers to make their money go further.

Portfolio Changes

During the month we increased our weighting in Microsoft and Edwards Lifesciences while reducing weighting in Floor & Décor and Icon.

Sam Dickie
Senior Portfolio Manager
Fisher Funds Management Limited

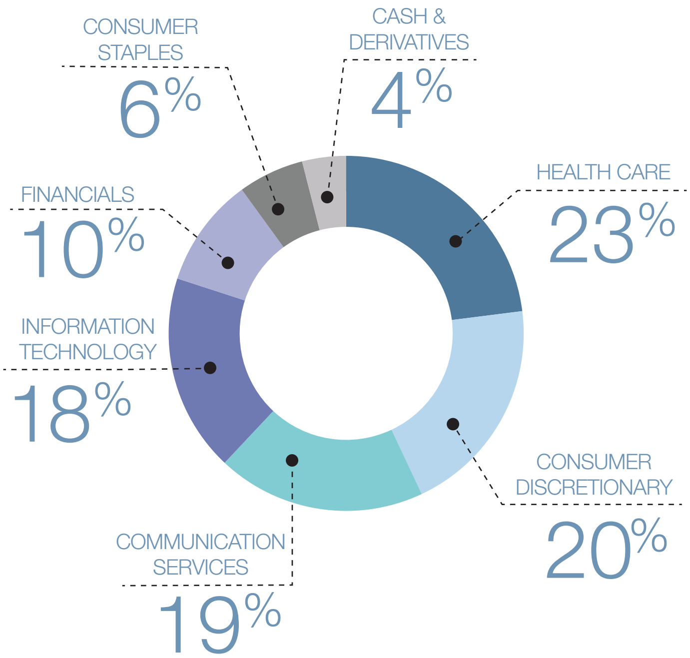
KEY DETAILS

as at 31 August 2023

FUND TYPE	Listed Investment Company
INVESTS IN	Growing international companies
LISTING DATE	1 October 2007
FINANCIAL YEAR END	30 June
TYPICAL PORTFOLIO SIZE	20-35 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	10% of returns in excess of benchmark and high-water mark
HIGH WATER MARK	$1.08
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	207m
MARKET CAPITALISATION	$196m
GEARING	None (maximum permitted 20% of gross asset value)

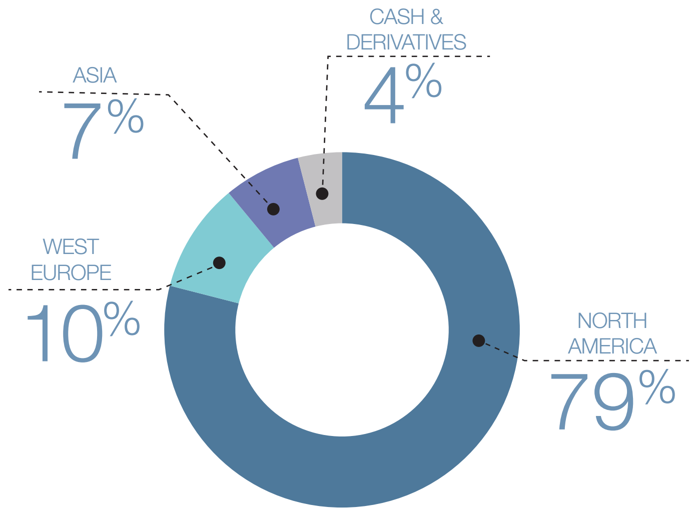
SECTOR SPLIT

as at 31 August 2023



GEOGRAPHICAL SPLIT

as at 31 August 2023



AUGUST'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO (in local currency) during the month

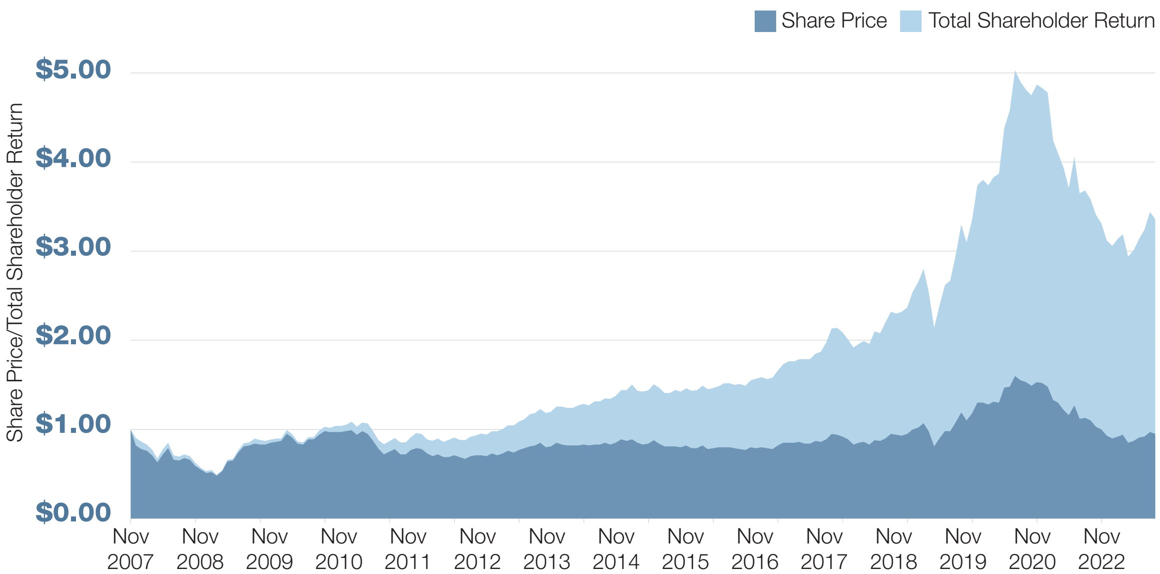
MASTERCARD	FLOOR & DÉCOR	PAYPAL	DOLLAR GENERAL	DOLLAR TREE
+9%	-9%	-14%	-14%	-17%

5 LARGEST PORTFOLIO POSITIONS as at 31 August 2023

AMAZON	ALPHABET	META PLATFORMS	ICON	GARTNER
8%	7%	6%	6%	6%

The remaining portfolio is made up of another 16 stocks and cash.

TOTAL SHAREHOLDER RETURN to 31 August 2023



PERFORMANCE to 31 August 2023

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	(2.3%)	+6.9%	(6.2%)	+0.6%	+9.5%
Adjusted NAV Return	(0.9%)	+5.2%	+9.9%	+3.3%	+7.4%
Portfolio Performance					
Gross Performance Return	(1.2%)	+5.8%	+12.2%	+5.5%	+10.3%
Benchmark Index^	(1.0%)	+7.5%	+12.5%	+9.8%	+6.7%

^Benchmark index: S&P Large Mid Cap/S&P Small Cap Index (50% hedged to NZD)

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 dividends (and other capital management initiatives) and after expenses, fees, and tax,
» adjusted NAV return – the percentage change in the adjusted NAV,
» gross performance return – the Manager's portfolio performance in terms of stock selection and currency hedging before expenses, fees and tax, and
» total shareholder return – the return combines the share price performance, the warrant price performance, the net value of converting any warrants into shares, and the dividends paid to shareholders. It assumes all dividends are reinvested in the company's dividend reinvestment plan, and that shareholders exercise their warrants, (if they were in the money) at warrant expiry date.

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 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 20 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

The Manager has authority delegated to it from the Board to invest according to the Management Agreement and other written policies. Marlin's portfolio is managed by Fisher Funds Management Limited. Sam Dickie (Senior Portfolio Manager), Chris Waters (Senior Investment Analyst), and Lily Zhuang and Daniel Moser (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 Board of Marlin comprises independent directors Andy Coupe (Chair), Carol Campbell, David McClatchy and Fiona Oliver.

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 its shares on market
- Shares bought back by the company are held as treasury stock
- Shares held as treasury stock are available to be utilised for the dividend reinvestment plan

Warrants

- Marlin announced an issue of warrants (MLNWF) on 18 October 2022
- Information pertaining to the warrants was mailed/emailed to all shareholders on 25 October 2022
- The warrants were issued at no cost to eligible shareholders in the ratio of one warrant for every four Marlin shares held based on the record date of 2 November 2022
- The warrants were allotted to shareholders on 3 November 2022 and listed on the NZX Main Board from 4 November 2022
- The Exercise Price of each warrant is $0.99, adjusted down for the aggregate amount per Share of any cash dividends declared on the shares with a record date during the period commencing on the date of allotment of the warrants and ending on the last Business Day before the final Exercise Price is announced by Marlin
- The Exercise Date for the warrants is 10 November 2023

marlin
growing globally

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

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