marlin
growing globally

MONTHLY UPDATE

November 2023

Share Price	Warrant Price	MLN NAV	PREMIUM[1]
$0.89	$0.00	$0.87	2.4%

as at 31 October 2023

A WORD FROM THE MANAGER

Marlin's gross performance return for October was down -0.4%, while the adjusted NAV return was down -0.6%. This compared with our global benchmark, S&P Large Mid Cap/S&P Small Cap Index (50% hedged to NZD), which was down -2.9%.

There was a continuation of the trend we have seen since August with global equities posting three negative months in a row. US equities were down -2.1%, outperforming global equites, European equities were down -2.6% and emerging markets were down -3.9%. Growth stocks proved relatively resilient versus their value counterparts, returning -2.4% over the month in comparison to -3.4% for value stocks.

October saw multiple data points that signalled the resilience of the US economy, including a robust jobs report, strong retail sales data and a higher-than-expected GDP print of 4.9% annualised for the third quarter. Inflation came in hotter-than-expected, with the headline figure flat at 3.7% year-on-year in September, against expectations of a slight moderation. The strength of these data points suggests that the Fed may have to hold interest rates higher for longer than investors have been expecting, which combined with renewed geopolitical uncertainty weighed on stocks in October.

Portfolio

Amazon (+5%) reported better than expected Q3 earnings at the end of October. Amazon's important cloud computing platform AWS reported stabilised revenue growth at 12%, in-line with last quarter. CEO Jassy made strong commentary that the headwinds AWS has faced from customers 'optimising' their spend is meaningfully reducing. Amazon's advertising business was again a stand-out performer and reaccelerated in the quarter, growing 25%. Total operating income had remarkable growth, growing by 343% year-on-year with margins expanding to 7.8% (vs. 2.0% a year ago) and outperforming expectations by 45%. This margin expansion is being driven by, 1. improvement in AWS margin; and 2. gaining efficiencies in its expanded fulfilment and logistics infrastructure.

Netflix (+9%) shares rose 16% after a strong quarterly update where the company saw higher-than-expected increase in subscribers and upgraded its free cash flow guidance for the year. Netflix now has over 247mn subscribers globally, paying on average US$12 per month for the service. Netflix also raised prices for the first time since January 2022. Netflix remains the sole profitable streaming provider with the largest number of paying subscribers. This update demonstrates Netflix's continued pricing power, and its compelling value proposition of providing endless hours of entertainment for less than the price of a movie ticket per month.

Microsoft (+7%) had a strong earnings report in October where the company outperformed expectations on revenue and earnings. Azure, Microsoft's cloud computing platform, surprised by reaccelerating revenue growth in the quarter to 28% vs. 27% in the previous quarter. Azure has been facing similar "optimisation" headwinds to AWS and echoed comments on easing "optimisation" headwinds. AI is scaling quickly for Microsoft and contributed three percentage points to the growth of Azure in the quarter, up from only one percentage point a couple quarters ago.

Edwards Lifesciences (-8%) started the month strong as long-term clinical data for its transcatheter heart valves (TAVR) came in better than expectations. Both valves showed similar or better outcomes versus the traditional surgical approach. While the data from competitor Medtronic looked more favourable, these were not head-to-head trials and direct comparisons are difficult. Experts suggest there are several reasons why this new data should not materially impact Edward's dominant market share, including ease of deployment and lower pacemaker rates with Edward's valves. The strong performance faltered later in the month following earnings where TAVR revenue and guidance fell slightly below expectations. An expected bounce in growth as hospital staffing issues are resolved has not occurred this year, raising questions around medium-term growth for TAVR. We still believe that TAVR is underpenetrated globally, and the company is making progress with its treatment of mitral and tricuspid heart valves, which should sustain Edward's revenue growth.

Danaher (-13%) fell alongside the wider industry as the industry continues to face the perfect storm of i) lower COVID-19 revenues as vaccine and diagnostic testing volumes decline; ii) customer destocking post the pandemic; iii) weakness in biotech customer spend given tougher funding backdrop; and iv) decline in Chinese sales given the weak macro environment. Revenue declined 11.5% in the quarter, 8.5% of which was COVID related. Commentary suggests we are nearing the bottom of these headwinds and there are some green shoots, however the

[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).

slope of recovery as we go through 2024 is still unclear. During the month, Danaher completed the spinoff of its Environmental and Applied Solutions business, Veralto, with the remaining Danaher business purely focused on the Life Sciences' markets. We sold our position in Veralto during the month.

Portfolio activity

We exited **Dollar General** (DG) in September due to lack of clarity over its steady state earnings and lower confidence in management. In early October, DG announced that former CEO Todd Vasos was returning as CEO, after retiring a year earlier. Vasos successfully led DG for seven years as CEO before retiring and was in senior roles at the company for several years before becoming CEO. Quickly after his reappointment as CEO, Vasos spoke with analysts and investors, giving strong confidence around containment of the current investment cycle, longer-term margins, and earnings power. As a result, our two main reasons for exiting have changed for the better and have added DG back to our portfolio at a 2% weighting.

Sam Dickie
Senior Portfolio Manager
Fisher Funds Management Limited

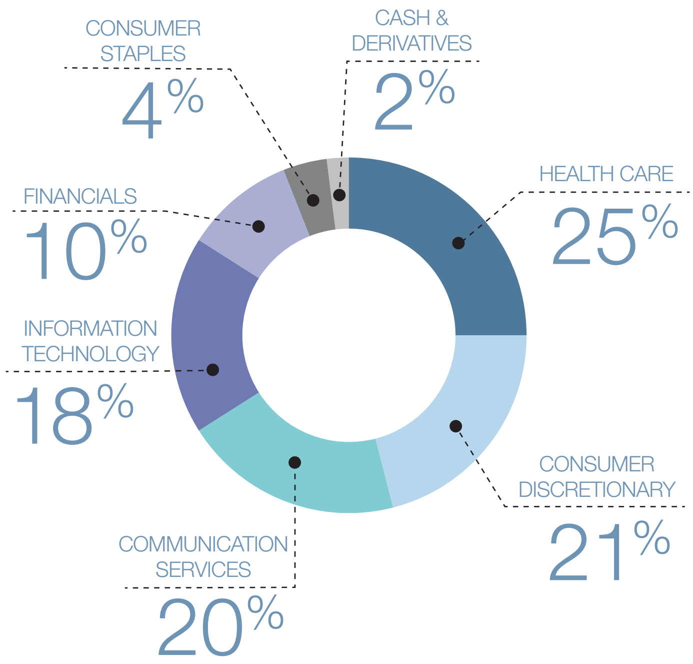
KEY DETAILS

as at 31 October 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	$1.06
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	208m
MARKET CAPITALISATION	$185m
GEARING	None (maximum permitted 20% of gross asset value)

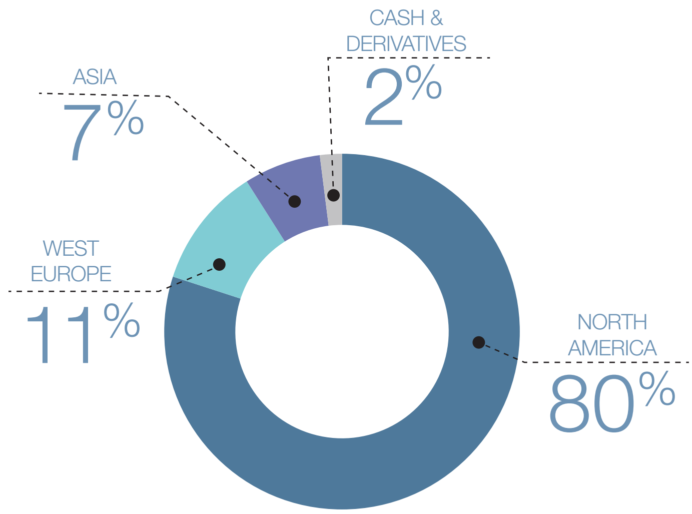
SECTOR SPLIT

as at 31 October 2023



GEOGRAPHICAL SPLIT

as at 31 October 2023



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

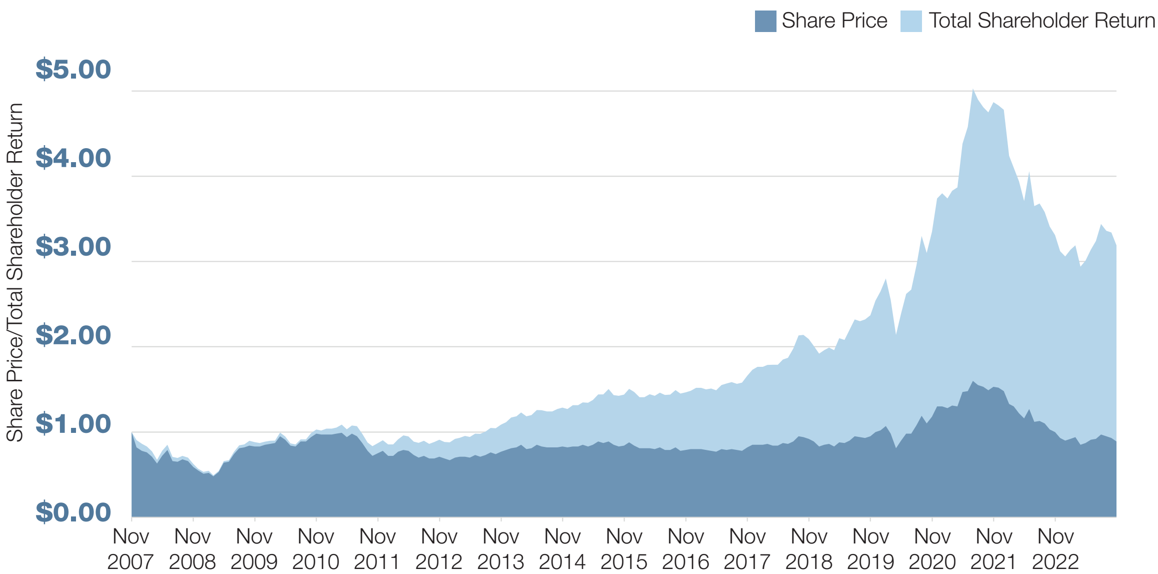
NETFLIX	MSCI INC	FLOOR & DÉCOR	PAYPAL HOLDINGS	DANAHER CORP
+9%	-8%	-9%	-11%	-13%

5 LARGEST PORTFOLIO POSITIONS as at 31 October 2023

AMAZON	MICROSOFT	ALPHABET	ICON	META PLATFORMS
9%	7%	7%	7%	6%

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

TOTAL SHAREHOLDER RETURN to 31 October 2023



PERFORMANCE to 31 October 2023

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	(4.4%)	(7.1%)	(3.7%)	(1.6%)	+8.8%
Adjusted NAV Return	(0.6%)	(7.5%)	+10.7%	+2.2%	+8.0%
Portfolio Performance					
Gross Performance Return	(0.4%)	(7.4%)	+14.0%	+4.6%	+10.9%
Benchmark Index^	(2.9%)	(8.6%)	+5.8%	+8.0%	+6.9%

^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 warrant MLNWF had a final Exercise Price of $0.92 and an Exercise Date of 10 November 2023

» Marlin currently has no warrants on issue

marlin
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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