marlin
growing globally

MONTHLY UPDATE

December 2023

Share Price	MLN NAV	DISCOUNT[1]
$0.91	$0.91	0.3%

as at 30 November 2023

A WORD FROM THE MANAGER

Marlin's gross performance return for November was up 7.5%, while the adjusted NAV return was up 7.1%. This compared with our global benchmark, S&P Large Mid Cap/S&P Small Cap Index (50% hedged to NZD), which was up 5.9%.

In November, global equities were up strongly +9.2%, bucking the prior trend of 3 down months in a row. US and Japanese equities were also circa +9%. European equities (+6.7%) and emerging markets (+8.0%) slightly underperformed. Global growth stocks outperformed value stocks. However, in the US, value slightly outperformed growth.

The rally was primarily driven by the sharpest rally in bonds in years. The US 10-year bond yield as a proxy for global interest rates fell 60bp, the sharpest fall in yields in over a decade.

Portfolio

Gartner, the leading IT research business was up +31% in the month on the back of a strong earnings report that was well-received by the market. New business wins accelerated following several quarters of cautious spending by tech vendor customers. Enterprise customers (which make up most of the research segment revenue) showed continued resilience, growing mid-teens year-on-year, supporting management's view around the essential nature of this research. Margins were again the standout contributor, 350bps ahead of expectations as the company continues to reduce their cost base post the pandemic.

Salesforce (+25%) had a strong month and reported solid earnings at the end of November. Salesforce met revenue expectations, but operating profit margins were the standout in the quarter. Salesforce continues to expand margins rapidly as the company is undergoing a period of expense growth rationalisation, like other companies in the tech space. Operating profit margins have expanded by 11.3% to 17.2% from 5.9% a year ago, demonstrating very high incremental margins for the business and the ability to protect profits when sales growth slows.

Alibaba (-9%) fell on weaker than expected earnings and the cancellation of the proposed spin-off of the cloud business. Gross merchandise volume modestly declined given a combination of a weak Chinese consumer and ongoing competition from both live-streaming and low-cost ecommerce competitors. While margins continued to improve versus last year, the company plans to invest back into the core ecommerce business to support user engagement and price competitiveness, which could hamper further margin improvement near-term.

Portfolio activity

Additions to the portfolio:
During the month we added two high quality medical equipment companies to the portfolio, **Intuitive Surgical** and **Dexcom**. Both companies lead their markets, have large addressable markets with long runways for growth, and benefit from material barriers to entry. We took the opportunity to add them to the portfolio as both companies sold off through the second half of this year on GLP-1 weight loss drug concerns.

Intuitive Surgical is the pioneer and leading manufacturer of soft-tissue surgical robotics, used to assist surgeons to perform minimally invasive surgical procedures. Since Intuitive first launched its 'da Vinci' robot over twenty years ago, there are now over 8,000 systems placed around the world, performing over two million procedures annually. Robotic systems aid and enhance the surgeon's capabilities, and both increase comfort and reduce fatigue as the surgeons can sit at a console versus standing over patients for hours. This enhanced capability of robotics delivers better clinical outcomes than the equivalent open surgery. Since launching its first robotic system around twenty years ago, Intuitive has largely enjoyed the market to itself. Robotics is hard and switching costs are high. Competitors have spent billions of dollars and many years to produce systems with limited commercial success to date. And hospitals are unlikely to easily switch given they have built significant infrastructure around these systems in terms of training, workflows and even operating theatre set-ups.

Dexcom develops, manufactures, and distributes continuous glucose monitoring (CGM) devices for people with diabetes. Compared to finger pricking, a CGM offers 1) continuous glucose readings vs. a static one-off, enabling better continuous monitoring by the user so they stay "within range" for a greater proportion of the day; 2) similar or better accuracy; 3) more convenience – no more carrying around lancets and strips or taking time out to prick, real time data & charting in an app on a smart phone. Putting all this together, CGMs help drive better health outcomes. Barriers to entry is high in CGM due to high

[1] Share Price Discount to NAV (using the net asset value per share, after expenses, fees and tax, to four decimal places).

upfront investment and specialist know-how. It takes years to innovate and develop a new sensor before receiving regulatory clearance. Only circa 6-7% of the diabetic population globally use a CGM device, so we believe there are many years of growth ahead for Dexcom.

Exits from the portfolio:
We exited **PayPal** during November due to concerns around competition and share loss. PayPal (PYPL) had an early lead in eCommerce payments due its trusted brand, security, and being the most frictionless checkout option (vs. manual card-entry and guest checkout). This created a loyal core customer base, a two-sided-network and increased checkout conversion for merchants. This was particularly important in the early days of eCommerce as consumers and merchants had less trust of one another and PYPL could bridge this gap. But these advantages have eroded and PYPL is facing stiff competition from multiple players such as Apple Pay, Shop Pay, and Amazon's Buy with Prime.

Sam Dickie
Senior Portfolio Manager
Fisher Funds Management Limited

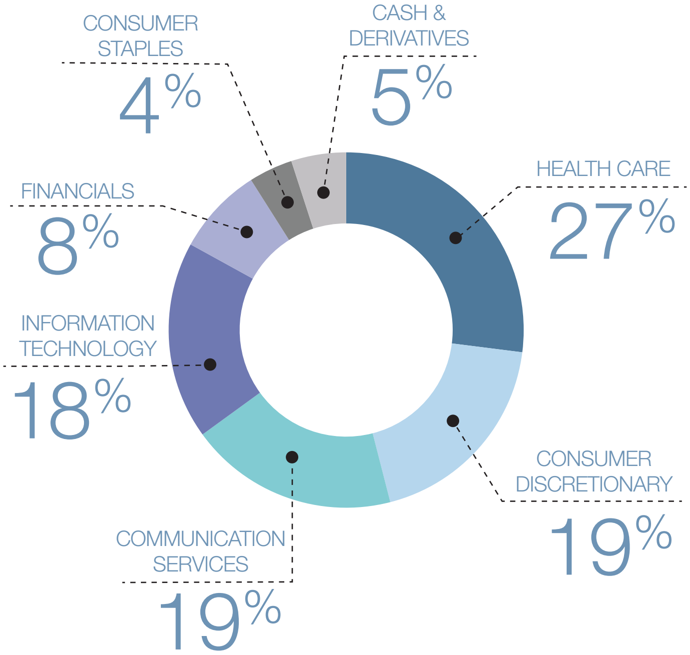
KEY DETAILS

as at 30 November 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	212m
MARKET CAPITALISATION	$193m
GEARING	None (maximum permitted 20% of gross asset value)

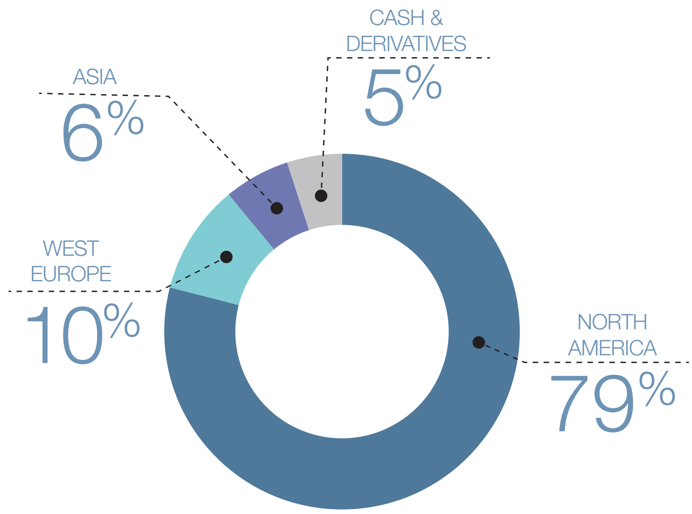
SECTOR SPLIT

as at 30 November 2023



GEOGRAPHICAL SPLIT

as at 30 November 2023



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

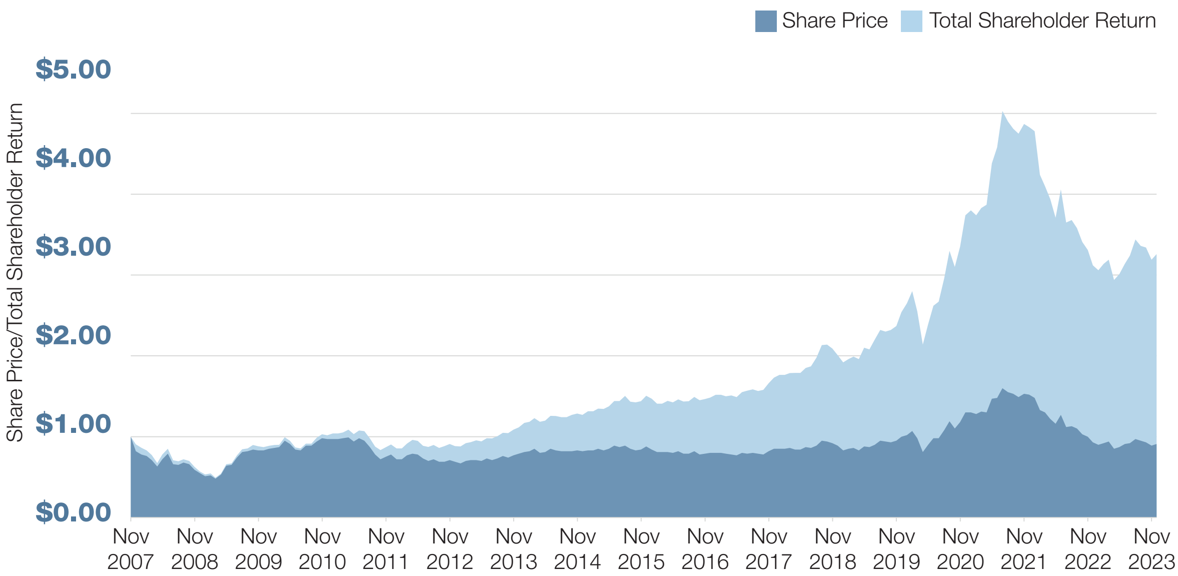
GARTNER	SALESFORCE INC	DANAHER CORP	NETFLIX INC	TENCENT HOLDINGS
+31%	+25%	+16%	+15%	+13%

5 LARGEST PORTFOLIO POSITIONS as at 30 November 2023

AMAZON	MICROSOFT	ALPHABET	META PLATFORMS	SALESFORCE
8%	6%	6%	6%	6%

The remaining portfolio is made up of another 17 stocks and cash.

TOTAL SHAREHOLDER RETURN to 30 November 2023



PERFORMANCE to 30 November 2023

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+2.2%	(2.8%)	+4.7%	(4.4%)	+10.2%
Adjusted NAV Return	+7.1%	+0.0%	+16.3%	+2.2%	+9.8%
Portfolio Performance					
Gross Performance Return	+7.5%	+0.8%	+18.9%	+4.3%	+12.7%
Benchmark Index^	+5.9%	(2.2%)	+8.1%	+6.7%	+8.4%

^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

» 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 Marlin warrants on issue

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