marlin
growing globally

QUARTERLY NEWSLETTER

1 January 2024 – 31 March 2024

Share Price	MLN NAV	DISCOUNT[1]
$1.00	$1.07	6.7%

as at 31 March 2024

The global stock market rally broadens out

Marlin ended the quarter with gross performance up 17.0% and an adjusted NAV return of +15.6%, compared with our global benchmark which was up 9.6%.

While 2023 stock market returns were driven primarily by tech (the Nasdaq was +56% vs the S&P500 equal weighted +11%) and especially the Magnificent 7 (Meta, Amazon, Alphabet, Microsoft, Nvidia, Apple and Tesla), 2024 returns have been driven by a much broader mix of stocks. The Nasdaq is up 10%, less than the S&P500. And the Magnificent 7 is only up 8%! Globally, banks and industrial companies are up as much or more than tech. This is healthy.

This broadening out of the stock market rally has been at least partially driven by an ongoing lift in global economic growth expectations. That improvement has primarily been driven by the US - US economists started this year thinking US growth for 2024 would be around 1%. Now that's at 2.2% and still climbing.

Portfolio update

Meta (+37%) continued its recent track record of delivering stronger than expected earnings results. Meta's short-form video format Reels has been a headwind to revenue growth as it was being introduced but has now turned into a tailwind as the company ramps up monetisation. Meta's investment in AI capabilities has driven more user time spent on its Family of Apps and delivered more efficient advertising tools for its customers. 2023 was Meta's "year of efficiency", and Meta has executed very well with operating income margins expanded from 25% in 2022 to 35% in 2023. Importantly, the company signalled this cost control will continue as a more streamlined company makes decision making quicker and more effective. Meta initiated its first dividend which sent a positive signal to investors that while Meta continues to invest for growth (i.e. the metaverse), it will be measured.

Edwards Lifesciences (+25%) benefited from a series of positive announcements during the quarter. Firstly, one of Edwards' competitors announced a delay in its anticipated entry into the US transcatheter aortic valve replacement (TAVR) market. Edwards is the global leader in replacement aortic heart valves, with around 70% market share in the US. The competitive delay highlights the challenges in replicating Edwards's strong clinical outcomes, given the company's market leading innovation; and surgeon experience, as Edwards's valves have effectively been the standard of care for over a decade. The second announcement was the early approval of Edwards' tricuspid heart valve replacement system. This device is the first of its kind and opens up a new treatment for a largely untreated population of patients with tricuspid regurgitation.

Icon (+19%), the leading clinical research organisation (CRO), was among our best performers for the quarter, after a positive earnings result and management commentary on end-market demand gave the market confidence around medium-term growth prospects. The positive tone from management was a turnaround from a more cautious view in early January, which saw CRO stocks fall circa 10%. Icon's new project pipeline continues to grow, driven by strong underlying R&D spend in its large pharmaceutical customer base; a slow but steady recovery in biotech demand; and new business wins driving market share gains.

Tencent (+3%) underperformed despite a 10% return in March. Sentiment on the Chinese economy remains an overhang, however Tencent outperformed most of its Chinese tech peers during the quarter. Tencent's video gaming segment (around 30% company revenue) continues to see soft demand, but Tencent's new growth businesses continue to beat expectations. Tencent is still in the early stages of monetising its more than one billion WeChat users in China, through avenues such as short-video advertising (like Meta Reels), ecommerce, and financial services. In addition to driving revenue growth, these businesses also have high profit margins and are increasing Tencent's overall profitability.

Dollar Tree (-6%) declined following a disappointing earnings result. The core Dollar Tree banner continues to grow ahead of expectations. But it is still facing some headwinds from a struggling low-income consumer and increased investment as it continues to rollout several growth initiatives to drive continued market share gains. This was overshadowed by the announced closure of up to 1,000 Family Dollar stores (circa 13% of the store base). While management is working on several initiatives to improve the Family Dollar stores, it decided these 1,000 mostly unprofitable stores would not generate an acceptable return. We think the company is taking the right actions. While we are more measured than management on its ability to turn the Family Dollar business around, we think the market is now ascribing almost zero probability of a successful turnaround.

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

Portfolio activity

We continued to add to our positions in **Intuitive Surgical** and **Dexcom**. Intuitive received FDA approval for its next generation da Vinci 5 soft-tissue surgical robot which will improve ergonomic comfort for surgeons and will measure the force surgeons are putting on tissue real time to reduce tissue trauma. Dexcom received US FDA approval for Stelo, its first continuous glucose monitoring (CGM) device for non-insulin using diabetics. This further lengthens the growth runway for Dexcom. The company has dominated the CGM market for more acute (intensive insulin usage) Type 1 and Type 2 diabetics. And it has been increasingly turning its attention to the much bigger Type 2 non-intensive insulin market and now the non-insulin market. These less acute markets are 10-20 times the size of its traditional markets and are much less penetrated.

Sam Dickie
Senior Portfolio Manager
Fisher Funds Management Ltd
12 April 2024

SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO DURING THE QUARTER IN LOCAL CURRENCY

META PLATFORMS	EDWARD LIFESCIENCES	NETFLIX	AMAZON	ICON
+37%	+25%	+25%	+19%	+19%

PERFORMANCE

as at 31 March 2024

	3 Months	3 Years (annualised)	5 Years (annualised)
Company Performance			
Total Shareholder Return	+8.4%	(1.2%)	+13.7%
Adjusted NAV Return	+15.6%	+4.5%	+12.0%
Portfolio Performance			
Gross Performance Return	+17.0%	+6.6%	+15.1%
Benchmark Index[1]	+9.6%	+7.5%	+10.7%

[1] Benchmark index : S&P Large Mid Cap/S&P Small Cap Index (hedged 50% 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 capital allocation decisions after expenses, fees and tax,*
- *adjusted NAV return – the percentage change in the adjusted NAV value,*
- *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 newsletter 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.

COMPANY NEWS

Dividend Paid 28 March 2024

A dividend of 1.86 cents per share was paid to Marlin shareholders on 28 March 2024, under the quarterly distribution policy. Interest in Marlin's dividend reinvestment plan (DRP) remains high with 39% of shareholders participating in the plan. Shares issued to DRP participants are at a 3% discount to market price. If you would like to participate in the DRP, please contact our share registrar, Computershare on 09 488 8777.

PORTFOLIO HOLDINGS SUMMARY

as at 31 March 2024

Headquarters	Company	% Holding
China	Tencent Holdings	3.8%
Ireland	Icon	5.3%
United Kingdom	Greggs Plc	4.4%
United States	Alphabet	7.1%
	Amazon.Com	8.7%
	Boston Scientific	4.6%
	Danaher Corporation	3.9%
	Dollar General	2.2%
	Dollar Tree	2.0%
	Dexcom Inc	3.5%
	Edwards Lifesciences Corp.	5.6%
	Floor & Décor Holdings	5.9%
	Gartner Inc	4.6%
	Intuitive Surgical Inc	2.5%
	Mastercard	5.4%
	Meta Platforms Inc	6.0%
	Microsoft	6.6%
	MSCI Inc	2.8%
	Netflix	3.1%
	salesforce.com	5.8%
	UnitedHealth Group Inc	4.2%
	Equity Total	**98.0%**
	New Zealand dollar cash	0.5%
	Total foreign cash	2.5%
	Cash Total	**3.0%**
	Forward Foreign Exchange	(1.0%)
	TOTAL	**100.0%**

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