marlin
growing globally

QUARTERLY NEWSLETTER

1 January 2025 – 31 March 2025

Share Price	Warrant Price	MLN NAV	DISCOUNT[1]
$0.89	$0.00	$0.92	3.2%

as at 31 March 2025

Macro crosswinds drive sharp moves in growth expectations and markets

Marlin ended the March quarter with gross performance down (7.9%) and the adjusted NAV return was down (8.1%), compared with our global benchmark which was down (3.5%).

Global stock markets and in particular US stock markets were impacted by multiple macro crosswinds during the quarter.

First, exceptional US policy uncertainty around trade and federal government spending sent policy uncertainty surveys to their highest level in 50 years.

While this is unnerving for share-markets, it is unnerving for companies too as they plan for the future, and this drove a sharp re-pricing lower of US economic growth expectations. For example, the real time Atalanta Fed "GDPNow" tracker shows the US already in recession. While this is an inherently volatile series (attempting to track GDP daily), we have only seen this sharp of a move lower in real time growth indicators in the past 25 years during the COVID lockdowns.

In addition, the Department of Government Efficiency (DOGE), run by Elon Musk is in "slash and burn" mode and that impacted several sectors (healthcare & IT) that have the US Government as a customer.

On top of this, the ongoing China vs US AI arms race has caused the market to question the return on the rapid investment in AI US tech companies are making.

This caused global growth stocks (and especially US growth stocks) to underperform global value stocks by 12%, the sharpest quarterly move in 25 years.

Against this backdrop and considering this is the perfect storm for our style, more than all the underperformance was explained by the underperformance of growth stocks.

Overall, this extreme lack of clarity on US and therefore global policy, exacerbated as I type by the "Liberation Day" reciprocal tariffs, plus the speed of the global sector rotations, is throwing up opportunities. However, it is also causing us to be extra vigilant.

Portfolio update

Tencent's (+19%) sharp rally was kick-started by Chinese AI startup DeepSeek's release of an AI model in January that performed on par with leading US AI models. This ignited investor enthusiasm for the sector, and the Chinese tech companies launched their own AI models shortly after. While there was some concern in the quarter around Tencent ramping investment in AI, we view it as a positive. With over one billion users on its Weixin social media app, Tencent is arguably one of the best positioned companies in China to benefit from AI. This massive user base offers unmatched potential to monetise AI through multiple avenues including improved user engagement and increased advertising revenue in its social media and video products; consumer facing AI applications; and AI search. Coupled with strong growth in the core gaming and advertising segments, Tencent is executing well, despite a softer economic backdrop in China. Sentiment was further boosted by a more supportive stance from the Chinese government, with President Xi Jinping meeting tech leaders during the month. This follows several years of intense regulatory oversight on the private tech sector.

Boston Scientific (+13%) came out of the quarter relatively unscathed against a backdrop of potential tariffs and proposed cuts to US healthcare spend. While tariffs have raised concerns for medical device companies that manufacture offshore, Boston did not expect any material impact to the business, but that may change with the 2nd April tariff announcements. The Trump administration is also looking to take over $1 trillion of costs out of the Government budget over the next 10 years. At nearly 30% of Government spend, healthcare is in the crosshairs, particularly the Government funded Medicaid program. If these cuts are made, expectations are that hospitals may reduce large capital expenditures, however BSX has little to no exposure here. Boston's devices are typically used for non-elective procedures that are less likely to be deferred.

Netflix (+5%) had a strong start to 2025, building on record-breaking performance in late 2024. The company reported impressive subscriber growth in Q4 2024, adding nearly 19 million new members to surpass the 300 million subscriber mark. Notably, this growth was robust even in highly saturated markets like the US and Canada, underscoring the enduring appeal of the platform. In January, Netflix implemented price increases for all three plans which is expected to support operating profitability grow of 24% in 2025. Netflix's robust lineup of new content releases, coupled with its significant increase in the content budget to $18 billion for 2025, further solidifies its industry-leading content offerings and reinforces its strong competitive position in the streaming market.

Mastercard (+4%) reported robust consumer spending earlier in the quarter. This flew in the face a little bit of the market's growing concerns about US economic growth later in the quarter. Mastercard continues to penetrate the global payments market as consumers are increasingly using card payments over cash and cheques for traditional consumer-to-business payments and is penetrating other payment flows such as business-to-business.

Alphabet (-18%) and **Amazon** (-13%) shares were weak driven by softer than expected reported cloud datacentre growth coupled with larger than expected capital expenditure. While the weaker cloud datacentre revenue was caused by capacity constraints due to excess AI demand, sentiment soured on AI generally later in the quarter, kick-started by the release of China based DeepSeek's efficient AI models. And the market is questioning the potential return on this elevated capital expenditure.

[1] *Share price discount 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).*

Floor & Decor (-19%) shares were weak during the quarter as it was caught up in President Trump's tariff announcement (it imports 70% of its flooring) and potential demand weakness as a result. Floor & Decor's superior value proposition (cheapest price, widest selection, direct sourcing) has driven ongoing market share gains in a weak housing market and should ensure it is in a better position than most of its competitors.

Greggs (-38%) shares fell sharply in the quarter in sympathy with the weakening broad UK consumer, driven by low consumer confidence and a deteriorating economic growth outlook. While Greggs has been taking market share in the UK food-to-go sector, it is struggling to pass on higher costs driven by the expansion of its food manufacturing plants and distribution in a weak consumption environment.

Sam Dickie
Senior Portfolio Manager
Fisher Funds Management Ltd
14 April 2025

SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO DURING THE QUARTER IN LOCAL CURRENCY

GREGGS	SALESFORCE	FLOOR & DÉCOR	NVIDIA	ALPHABET
-38%	-20%	-19%	-19%	-18%

PERFORMANCE

as at 31 March 2025

	3 Months	3 Years (annualised)	5 Years (annualised)
Company Performance			
Total Shareholder Return	(4.5%)	(2.6%)	+11.2%
Adjusted NAV Return	(8.1%)	+3.7%	+9.9%
Portfolio Performance			
Gross Performance Return	(7.9%)	+5.8%	+13.2%
Benchmark Index[1]	(3.5%)	+8.3%	+14.6%

[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 2025

A dividend of 2.05 cents per share was paid to Marlin shareholders on 28 March 2025, under the quarterly distribution policy. Interest in Marlin's dividend reinvestment plan (DRP) remains high with 38% 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 2025

Headquarters	Company	% Holding
China	Tencent Holdings	3.0%
France	Hermes International	3.0%
Ireland	Icon	3.8%
United Kingdom	Greggs Plc	2.9%
United States	Alphabet	4.8%
	Amazon.Com	8.0%
	ASML Holding NV	6.2%
	Boston Scientific	5.0%
	Danaher Corporation	5.4%
	Dexcom Inc	5.0%
	Edwards Lifesciences Corp.	2.7%
	Floor & Décor Holdings	5.3%
	Gartner Inc	3.7%
	Intuitive Surgical Inc	4.2%
	Mastercard	5.7%
	Meta Platforms Inc	3.9%
	Microsoft	8.4%
	MSCI Inc	3.4%
	Netflix	3.7%
	Nvidia Corp	2.0%
	salesforce.com	2.5%
	UnitedHealth Group Inc	3.3%
	Zoetis Inc	3.1%
	Equity Total	**99.0%**
	New Zealand dollar cash	0.5%
	Total foreign cash	1.1%
	Cash Total	**1.6%**
	Forward Foreign Exchange	(0.6%)
	TOTAL	**100.0%**

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