

## QUARTER UPDATE NEWSLETTER

1 JANUARY 2016 - 31 MARCH 2016

Global equity markets had a torrid start to the year as investors focussed on deflationary risks, weak global manufacturing and a rather muted fourth quarter earnings season. However, the continued accommodative stance by Central Banks was partly responsible for a rebound in March, although some of the gloss was taken off for local investors by a strengthening New Zealand dollar.

During the quarter a number of portfolio stocks performed well following sound earnings results and steady or improved guidance (**PayPal**, **UPS**, **Adidas**, **Park 24**, **Brembo** and **Harley Davidson**) or a general improvement in their operating environment (**Sarine** and **Biotest**). However, the March quarter performance was disproportionately impacted by a small number of stocks that came under significant pressure due to either earnings disappointments or weak guidance (**Wasion**, **Zodiac**, **Plantronics** and **Stratec Biomedical**).

### PERFORMANCE AS AT 31 MARCH 2016

	3 Months	3 Years (accumulated)	Since Inception November 2007 (accumulated)
Marlin Adjusted NAV*	(6.1%)	+27.4%	+42.4%
<b>Relative Performance</b>			
Benchmark Index^ (in NZ dollar terms)	(0.1)%	+55.1%	+62.1%
Total Shareholder Return*	(1.2%)	+50.7%	+43.9%

#### \*Definitions of non-GAAP measures

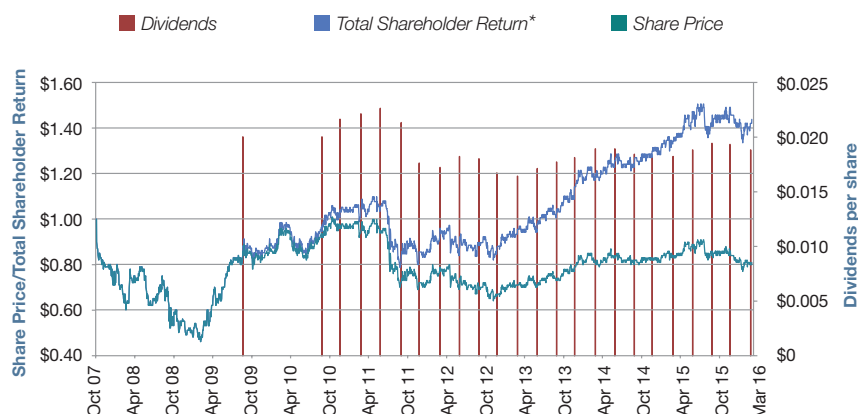
##### Adjusted Net Asset Value (NAV)

Adjusted NAV is calculated using NAVs (audited at the end of each financial year) and adds back dividends paid to shareholders. The directors believe this metric to be useful as it reflects the underlying performance of the investment portfolio adjusted for dividends.

##### Total Shareholder Return (TSR)

TSR is calculated using the share price performance plus dividends paid to shareholders. The directors believe this metric to be useful as it mirrors the return of an investor who reinvests their dividends. No metric has been included for investors who take their dividend in cash as the return on those cash dividends will differ per shareholder.

### TOTAL SHAREHOLDER RETURN



### AT A GLANCE AS AT 31 MARCH 2016

NAV	\$0.86
SHARE PRICE	\$0.81
WARRANT PRICE	\$0.01
DISCOUNT	5.5%

### PORTFOLIO HOLDINGS SUMMARY AS AT 31 MARCH 2016

Company	% Holding
<b>Denmark</b>	
Coloplast	3.4%
<b>Germany</b>	
adidas	3.1%
Biotest	3.2%
Stratec Biomedical	2.4%
United Internet	2.2%
Wirecard	4.3%
<b>Ireland</b>	
Icon	2.8%
<b>Israel</b>	
Sarine Technologies	3.0%
<b>Italy</b>	
Brembo	3.0%
<b>Japan</b>	
Park 24	3.0%
<b>Mexico</b>	
Cognizant	3.2%
Genomma Lab	2.1%
<b>United Kingdom</b>	
IMI	1.9%
<b>United States</b>	
Alibaba Group	4.6%
Alphabet	5.8%
Blackhawk	2.3%
Cerner Corporation	2.8%
eBay	3.3%
Ecolab	2.5%
Expedia	2.5%
Harley Davidson	2.7%
LKQ	3.6%
Mastercard	4.1%
Mead Johnson	2.7%
Nike	3.2%
PayPal	5.7%
Plantronics	2.3%
Stericycle	2.5%
United Parcel Service	3.9%
Varian Medical Systems	3.0%
<b>Equity Total</b>	<b>95.1%</b>
Total foreign cash	3.0%
New Zealand dollar cash	1.1%
<b>Cash Total</b>	<b>4.1%</b>
Forward foreign exchange contracts	0.8%
<b>TOTAL</b>	<b>100.0%</b>

## NOTABLE SHARE PRICE MOVEMENTS IN THE QUARTER

 <b>+18%</b>	<b>Park24 Co., Ltd.</b> <b>+13%</b>	 <b>-28%</b>	 <b>-30%</b>	 <b>-54%</b>
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Additionally, **Wirecard's** share price was negatively impacted by an opportunistic short seller's report that rehashed claims made back in 2010 that Wirecard violated US anti-gambling law. These claims have been largely discredited and the short seller is the subject of a regulatory investigation over market manipulation.

During the quarter we sold our holdings in **Wasion** and **Zodiac** as we had significant concerns over corporate governance in the case of Wasion and held little confidence that Zodiac management were in control of their operational challenges. We also exited our position in **Horiba**, a Japanese industrial company that manufactures measuring and analytical instruments largely for the automotive and semiconductor industries. The semi-conductor segment has performed particularly well over the last two years and now contributes well over 50% of profits compared with a three year average profit contribution of 25% and despite only making up 20% of revenues. This industry is typically very cyclical and early indications are that the rate of growth is slowing so we felt it prudent to exit this stock while conditions were generally positive.

**Plantronics** is a leading global manufacturer of communications headsets and accessories for businesses and consumers. Plantronics dominates its technology niche with a 60% global market share in the high end headset market. A key growth driver is the increasing adoption of Unified Communications (UC), which in broad terms is a unified platform for business communications which integrates voice, email and video via the internet. Their most recent quarterly results indicated a slowdown in their UC business which raised concerns about the long term growth outlook. We believe this is largely a timing issue as customers test and implement new systems but we continue to monitor developments closely.

**Strattec Biomedical** is a German designer and assembler of sophisticated automated medical diagnostic systems supplying companies such as Abbott Labs and DiaSorin. Strattec reported results in line with expectations but guided down near term earnings based on a loss of orders from a key client with significant Chinese exposure. While this development is disappointing, the long term thesis for Strattec remains unchanged. They develop complex diagnostic systems in an industry where barriers to entry are very high, they have strong relationships with their customers and switching tendencies are low. Furthermore, they have a strong development pipeline of diagnostic systems which augers well for future growth.

During the quarter we added two stocks to the portfolio.

**Stericycle** is the global market leader in medical and hazardous waste collection and processing from hospitals, doctors surgeries and other organisations that generate medical or

hazardous waste such as tattoo parlours and pharmaceutical companies. Stericycle also has numerous ancillary products such as training, consulting, communications and compliance services that it looks to up-sell to its client base. Stericycle is a high quality business, best in class in a niche market, with a proven business model, a high amount of recurring revenue from a stable client base and a sound growth outlook.

**Ecolab** is a global market leader that provides cleaning and sanitising solutions for the foodservice, hospitality and healthcare industries. They also provide chemicals and technologies to the water treatment and oil production industries. Ecolab offers a strong value proposition for its vast client base with their product innovations resulting in reduced energy and water usage, lower labour costs and reduced downtime. Ecolab is a high quality company that invests significantly more than its competitors into developing innovative products and this has resulted in continued market share gains. Ecolab has an excellent record of predictable growth and strong growth prospects.



**Roger Garrett**  
Senior Portfolio Manager  
Fisher Funds Management Ltd  
22 April 2016



**Carmel Fisher**  
Managing Director  
Fisher Funds Management Ltd  
22 April 2016

## COMPANY NEWS

### DIVIDEND PAID 24 MARCH 2016

A dividend of 1.88 cents per share was paid to Marlin shareholders on 24 March 2016, under the quarterly distribution policy. Interest in Marlin's dividend reinvestment plan (DRP) remains high with 41% 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.

The Marlin quarter update newsletter is produced for the March and September quarters only. The annual and interim reports cover the June and December periods. If you would like to receive future newsletters electronically please email us at [enquire@marlin.co.nz](mailto:enquire@marlin.co.nz)

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