

# MONTHLY UPDATE

September 2022

Share Price

\$1.10

MLN NAV

\$0.94

PREMIUM<sup>1</sup>

17.4%

as at 31 August 2022

## A WORD FROM THE MANAGER

Marlin's gross performance return for August was down (2.2%), while the adjusted NAV return was down (2.1%). This compared with our global benchmark, S&P Large Mid Cap/S&P Small Cap Index (50% hedged to NZD), which was down (1.9%).

Economic data during the month continued to highlight a slowing global economy, with global manufacturing activity reaching a 22-month low. Macro uncertainty remains elevated. On a positive note, inflationary pressures began easing in the month with lower commodity prices, and the US employment data appeared strong. The Federal Reserve continues to be committed to reining in inflation, with the market now generally expecting another 75bp rate increase in September.

Developed market equities were down 4.1% in the month (calendar year-to-date down 17.5%), while emerging markets were up 0.5% (year-to-date down 17.2%). Value stocks again fared better than growth stocks, with the MSCI World Value Index down only 3% in the month (year-to-date down 10.5%) while MSCI World Growth Index declined 5% (year-to-date down 24.7%).

### Portfolio News

**Paypal** (+8%) reported quarterly earnings that exceeded expectations, announcing a cost savings program and US\$15bn of share repurchases (equivalent to c.14% of market cap). The company also announced a new CFO. We believe these initiatives put Paypal on a solid footing for growing margins and earnings going forward. The core online checkout business continued to gain market share this quarter as Paypal's strong value proposition and higher conversion rates resonate with merchants and consumers.

**Alibaba** (+7%) and **Tencent** (+7%) both rose on improved sentiment around Chinese stocks, with consumer spending showing signs of recovery despite ongoing lockdowns. Sentiment was also buoyed by an agreement between the SEC<sup>2</sup> and China regulators over long-standing differences around audit requirements for US-listed stocks, setting

a path to removing this risk for these names. Tencent reported quarterly results in the month that exceeded market expectations, and company management emphasised their confidence in growing earnings despite a weak macro backdrop as they continue to rationalise costs and focus investment into core growth areas.

**Gartner** (+7%) posted another above-expectation quarterly result. Demand for its core research products remain strong, reinforcing the high value proposition of this research for businesses as they navigate challenges around digital transformation, inflation, and supply chains. Margin guidance was again raised as the company optimises its cost base post-COVID. Lastly, the company's in-person conference business is set to return to a more normal cadence in the latter half of this year, creating a further tailwind to earnings growth.

**Dollar Tree** (-18%) declined after reporting quarterly results that were within market expectations and a reduced full year earnings outlook. The company operates Dollar Tree and Family Dollar stores, with the reduction mainly driven by lowering prices at Family Dollar to close its price gap with competitors as well as absorbing inflationary cost increases. Dollar Tree stores continue to benefit from the banner increasing its fixed price point from US\$1 to US\$1.25, with segment margin improving year-over-year. We remain confident in Dollar Tree's value proposition as higher income consumers trade down in the face of inflationary cost pressures and expect Family Dollar's pricing move will help drive sales productivity and margin improvement over time.

**Salesforce** (-15%) declined on its quarterly update where the company lowered its full year revenue outlook, primarily due to sales contracts taking longer to close as customers become more cautious given broader macro weakness. Despite these macro headwinds, Salesforce still expects to grow revenue by 17% this year, and we are encouraged by continued margin expansion, with the company maintaining expectations for full year margin improvement despite slower growth. Salesforce also announced a US\$10bn

<sup>1</sup> Share Price Premium to NAV (using net asset value per share, after expenses, fees and tax, to four decimal places).

<sup>2</sup> US Securities and Exchange Commission.

share repurchase program (equivalent to c.6.5% of market cap), which we consider to be a sensible move as current share price levels do not adequately reflect the company's business-critical value proposition and long growth runway, in our view.

## Portfolio Changes

There were no substantive changes to the portfolio in August.



Ashley Gardyne  
Senior Portfolio Manager  
Fisher Funds Management Limited



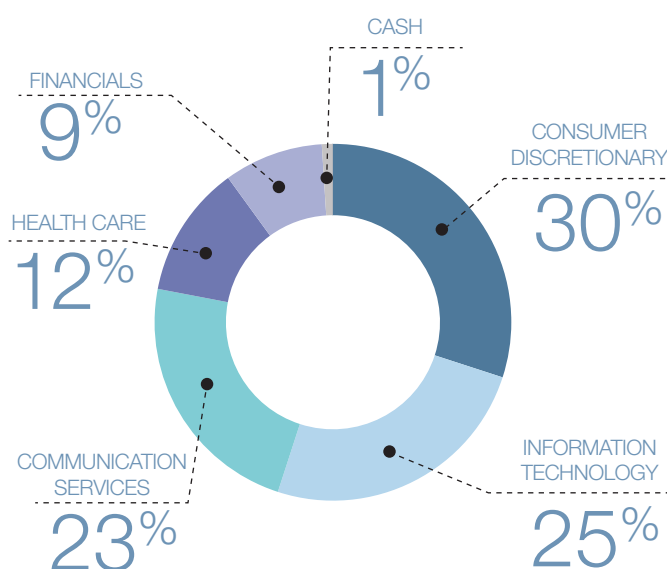
## KEY DETAILS

as at 31 August 2022

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	\$1.17
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	201m
MARKET CAPITALISATION	\$221m
GEARING	None (maximum permitted 20% of gross asset value)

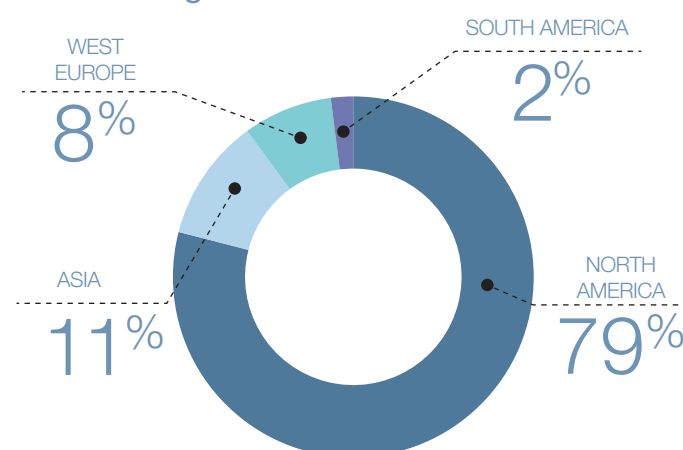
## SECTOR SPLIT

as at 31 August 2022



## GEOGRAPHICAL SPLIT

as at 31 August 2022



# AUGUST'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO during the month

DOLLAR TREE

-18%

SALESFORCE

-15%

ICON

-13%

EDWARDS  
LIFESCIENCES

-10%

GREGGS

-10%

## 5 LARGEST PORTFOLIO POSITIONS as at 31 August 2022

AMAZON

8%

PAYPAL

8%

META PLATFORMS

8%

ALPHABET

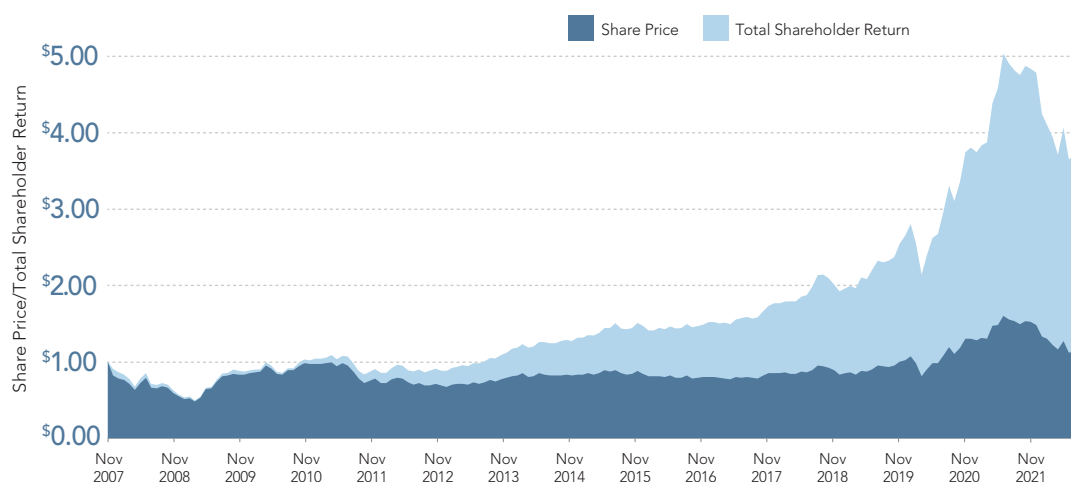
8%

FLOOR & DECOR

6%

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

## TOTAL SHAREHOLDER RETURN to 31 August 2022



## PERFORMANCE to 31 August 2022

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
<b>Company Performance</b>					
Total Shareholder Return	(2.7%)	(11.8%)	(25.5%)	+16.0%	+18.0%
Adjusted NAV Return	(2.1%)	+0.3%	(22.4%)	+6.5%	+9.9%
<b>Portfolio Performance</b>					
Gross Performance Return	(2.2%)	+0.0%	(21.8%)	+9.7%	+13.0%
Benchmark Index <sup>^</sup>	(1.9%)	(1.8%)	(10.2%)	+7.8%	+7.8%

<sup>^</sup>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 <http://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. Ashley Gardyne (Senior Portfolio Manager), Chris Waters and Harry Smith (Senior Investment Analysts), 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

### 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

### 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 re-issued for the dividend reinvestment plan

Disclaimer: The information in this update has been prepared as at the date noted on the front page. The information has been prepared as a general summary of the matters covered only, and it is by necessity brief. The information and opinions are based upon sources which are believed to be reliable, but Marlin Global Limited and its officers and directors make no representation as to its accuracy or completeness. The update is not intended to constitute professional or investment advice and should not be relied upon in making any investment decisions. Professional financial advice from a financial adviser should be taken before making an investment. To the extent that the update contains data relating to the historical performance of Marlin Global Limited or its portfolio companies, please note that fund performance can and will vary and that future results have no correlation with results historically achieved.



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