

# MONTHLY UPDATE

May 2021

Share Price

\$1.47

MLN NAV

\$1.25

PREMIUM<sup>1</sup>

17.4%

as at 30 April 2021

## A WORD FROM THE MANAGER

Marlin's gross performance return for April was 6.5%, while the adjusted NAV was up 5.9%. This compared with our global benchmark, S&P Large Mid Cap/S&P Small Cap Index (50% hedged to NZD), which was up 2.6%.

Global equity markets had another strong month. The US lead the way, returning +5.4%, while more cyclical markets like Europe (+2.1%) and Japan (-2.8%) lagged, as value stocks underperformed growth following a period of strong outperformance since November.

Earnings season is underway, and first-quarter results have generally been strong, supported by the economic recovery. However, the stock price reaction has so far been disappointing, with even some good results being penalised due to high expectations. Take Apple, which reported revenue and earnings 15% and 40% ahead of analyst estimates respectively, but the share price still fell.

Despite a choppy earnings season for the broader market, Marlin's out-performance was driven by strong results by a handful of our portfolio companies, like Alphabet and Facebook.

### Portfolio Company Developments

Ten of our portfolio companies reported in April.

**Alphabet (+14.1%)** and **Facebook (+10.4%)** both reported phenomenal earnings results in April, driving their stock prices meaningfully higher. As these are two of our largest holdings, they were two of the top three drivers of our performance in the month.

**Alphabet's** profit soared in the first quarter, as the company's core search and advertising products continue to benefit from the pandemic-related shifts in consumer behaviour, which have pushed more people to seek more goods and services online. Revenue rose 34% to \$55.3 billion, boosted in part by YouTube, which saw its revenue

grow nearly 50% from a year ago. Google's Cloud unit grew revenue 56% year-on-year, faster than its two larger competitors, Amazon Web Services and Microsoft Azure. Its Cloud division also materially reduced its losses as recent investments bear fruit, and its Cloud business gains scale.

**Facebook** reported even better earnings, smashing revenue estimates by more than 10% and earnings per share estimates by more than 40%. Its advertising sales grew a remarkable 46% to \$25.4 billion, and by limiting expense growth to 25% this led to operating income nearly doubling to \$11.4 billion. We still see a lot of growth ahead for Facebook as it expands its commerce and payments initiatives in Instagram, Facebook and WhatsApp.

**Floor and Decor (+16.1%)** which sells home flooring products, was buoyed by strong residential construction figures released mid-month, showing March housing starts increasing 19.4% month-over-month, to the highest level in fifteen years.

Healthcare was another high performing sector as the strong vaccination roll-out in developed markets drove optimism for a second half recovery in surgical procedures. Our two medical device companies, **Edwards Lifesciences (+14.2%)** and **Boston Scientific (+12.8%)** both reported better than expected first quarter revenues and we expect momentum to continue to build throughout the year as patients get comfortable returning to hospitals for treatment.

**Adidas (-3.5%)** is facing two near-term headwinds: the ongoing consumer boycotts in China; and ongoing lockdowns in Europe, its largest market. We consider both these headwinds to be temporary and are still comfortable in our thesis on longer-term industry growth and the continued shift to direct-to-consumer driving higher profit margins.

<sup>1</sup> Share Price Premium to NAV (using NAV to four decimal places).

Our two Chinese stocks **Alibaba (+1.9%)** and **Tencent (+2.1%)** marginally underperformed as technology stocks face increased regulatory scrutiny in China, following President Xi Jinping's orders to regulators to crack down on monopolies and promote fair competition. Alibaba was recently fined US\$2.8b for abusing its market position, which equates to less than 4% of revenue. While there is still some regulatory focus on Alibaba subsidiary, Ant Financial, we think this fine helps remove the regulatory overhang, which will allow investors to again focus on the strong underlying growth in these businesses.



Ashley Gardyne  
Senior Portfolio Manager  
Fisher Funds Management Limited



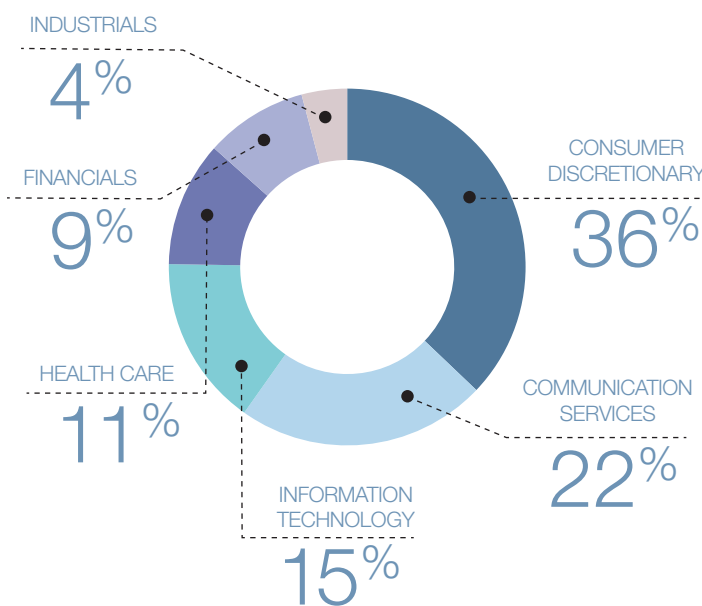
## KEY DETAILS

as at 30 April 2021

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	\$0.94
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	189m
MARKET CAPITALISATION	\$278m
GEARING	None (maximum permitted 20% of gross asset value)

## SECTOR SPLIT

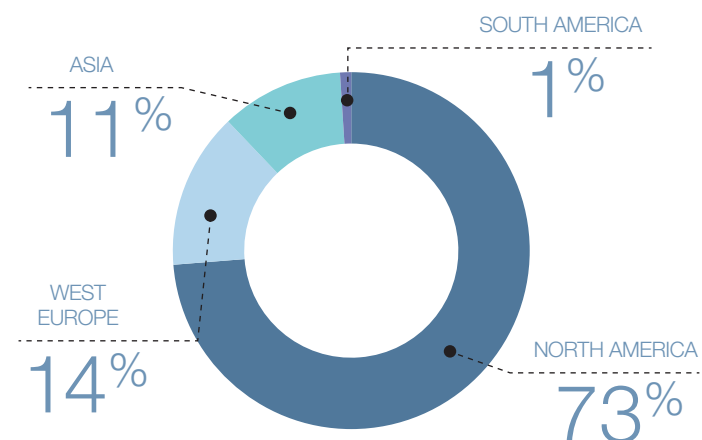
as at 30 April 2021



The Marlin portfolio also holds cash.

## GEOGRAPHICAL SPLIT

as at 30 April 2021



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

Typically the Marlin portfolio will be invested 90% or more in equities.

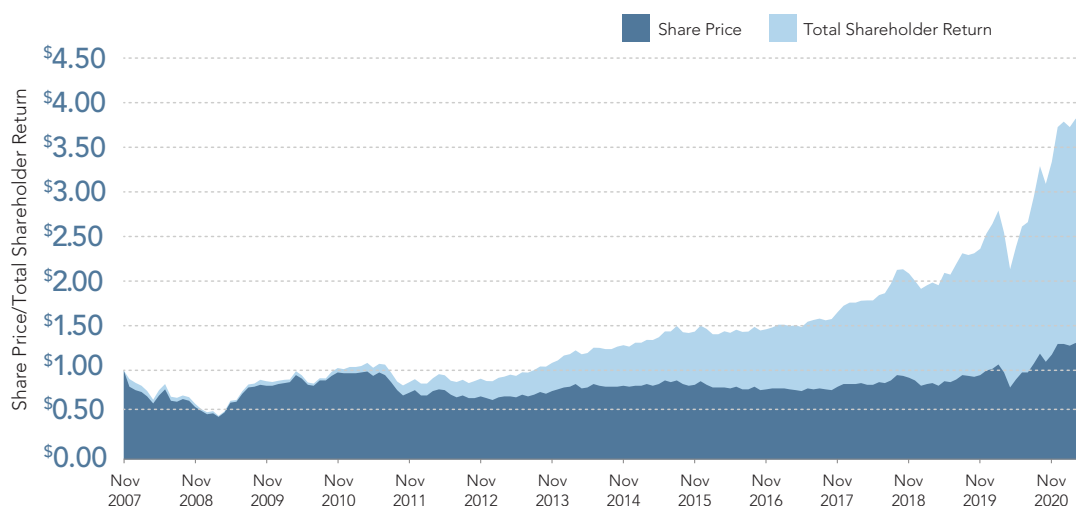
FLOOR AND DECOR	EDWARDS LIFESCIENCES	ALPHABET	BOSTON SCIENTIFIC	AMAZON
+16%	+14%	+14%	+13%	+12%

## 5 LARGEST PORTFOLIO POSITIONS as at 30 April 2021

FACEBOOK	ALIBABA	ALPHABET	SIGNATURE BANK	MASTERCARD
11%	7%	7%	6%	5%

The remaining portfolio is made up of another 19 stocks and cash.

## TOTAL SHAREHOLDER RETURN to 30 April 2021



## PERFORMANCE to 30 April 2021

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
<b>Company Performance</b>					
Total Shareholder Return	+13.1%	+16.9%	+82.8%	+34.8%	+25.2%
Adjusted NAV Return	+5.9%	+17.0%	+42.9%	+20.6%	+18.9%
<b>Portfolio Performance</b>					
Gross Performance Return	+6.5%	+18.2%	+51.5%	+25.2%	+23.3%
Benchmark Index <sup>^</sup>	+2.6%	+10.9%	+40.9%	+11.7%	+13.4%

<sup>^</sup>Benchmark index: World Small Cap Gross Index until 30 September 2015 & S&P Large Mid Cap/S&P Small Cap Index (50% hedged to NZD) from 1 October 2015

### 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 net return to an investor after expenses, fees and tax,
- » 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) 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 Alistair Ryan (Chair), Carol Campbell, Andy Coupe and Carmel Fisher.

## 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 re-issued for the dividend reinvestment plan

### Warrants

- » On 19 April 2021 a new issue of warrants (MLNWE) was announced
- » The warrants will be issued at no cost to eligible shareholders in the ratio of one warrant for every four Marlin shares held
- » The warrants will be allotted to shareholders in May 2021 based on a 14 May 2021 Record Date and the warrants will be listed on the NZX Main Board from 18 May 2021. (Information pertaining to the warrants was mailed/ emailed to shareholders in early May 2021)
- » The Exercise Price of each warrant is \$1.28, adjusted down for the aggregate amount per Share of any cash dividends declared on the Shares with a record date during the period commencing on the date of allotment of the Warrants and ending on the last Business Day before the final Exercise Price is announced by Marlin
- » The Exercise Date for the new warrants (MLNWE) is **20 May 2022**
- » The final Exercise Price will be announced and an Exercise Form sent to warrant holders in **April 2022**

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.



Marlin Global Limited  
Private Bag 93502, Takapuna, Auckland 0740  
Phone: +64 9 484 0365 | Fax: +64 9 489 7139  
Email: [enquire@marlin.co.nz](mailto:enquire@marlin.co.nz) | [www.marlin.co.nz](http://www.marlin.co.nz)

Computershare Investor Services Limited  
Private Bag 92119, Auckland 1142  
Phone: +64 9 488 8777 | Fax: +64 9 488 8787  
Email: [enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz) | [www.computershare.com/nz](http://www.computershare.com/nz)