growing globally

MONTHLY UPDATE

March 2022

Share Price	Warrant Price	MLN NAV	PREMIUM[1]
$1.30	$0.05	$1.09	20.1%

as at 28 February 2022

A WORD FROM THE MANAGER

Marlin's gross performance return for February was down (9.2%), while the adjusted NAV return was down (9.6%). This compared with our global benchmark, S&P Large Mid Cap/S&P Small Cap Index (50% hedged to NZD), which was down (2.8%).

Both equity and bond markets globally had a difficult month in February as expectations for the number of interest rate hikes that would be delivered by central banks globally ramped up quickly, and Russia invaded Ukraine after months of posturing. Global growth stocks felt the impact most heavily, falling by (3.5%), while more cyclical value stocks fared better but still fell by (1.6%) in the month. This is a continuation of the trend seen in January, where value stocks have materially outperformed due to rising interest rates and commodity prices (which tend to favour banks and energy companies).

Fourth quarter earnings reporting continued in February with 79% of companies that reported in the US beating growth expectations. Even though corporate earnings results have been solid, wider global macro-economic concerns are front of mind for investors.

Portfolio Changes

Market weakness has given us the opportunity to add two very high-quality software companies to the portfolio, Salesforce and Microsoft.

Salesforce is the dominant provider of cloud customer relationship management (CRM) technology globally. According to research company IDC, Salesforce has 25% share of the cloud CRM market, while the next closest players have just 4-5% market share each. Salesforce's business-critical software offerings are used by 90% of Fortune 500 companies. Salesforce's revenue growth strategy is to "land and expand": land a new customer, and once they're using one or more of the Salesforce products, expand their usage by upselling or cross-selling other offerings from Salesforce's vast ecosystem. Salesforce has also historically grown via acquisitions. We see Salesforce as a quality business that is well-positioned to grow and take market share in a fast-growing software market.

Microsoft develops, sells and supports business critical software and cloud computing services. Founded in 1975, Microsoft products include many well-known franchises such as the Windows operating system, Office productivity applications, and Azure cloud services. LinkedIn, its business oriented social network, is used by millions to make connections, and outside of the office Microsoft's Xbox gaming system is second only to Sony's PlayStation. Microsoft's customers range from consumers and small businesses to the world's biggest companies and government agencies. We see Microsoft as very well positioned for strong secular growth as businesses undertake digital transformations and 'cloudify' themselves by moving from on-premise servers to off-premise cloud solutions.

Portfolio News

Earnings season has continued, with ten portfolio companies reporting during the month.

Meta (-33%), formerly Facebook, fell following its fourth quarter results. While its revenue grew 20% in the quarter (ahead of market expectations), their commentary on growth for next year disappointed the market. They are seeing some headwinds in advertising demand after changes from Apple that impact advertising tracking. Users are also spending more time on Meta's new Reels short video product (rather than scrolling down the timeline / using Stories) and Meta haven't put much advertising load on this new product yet. They also cited some headwinds from Tik Tok competition. All considered, this means revenue in 2022 is likely to grow at circa.14%, compared to the 17% growth previously expected. While the result was disappointing, they are still the dominant social media platform with close to three billion users globally and will continue to benefit from the structural growth of digital advertising. Overall, we think it is still a great business and the market should ultimately reflect this value. We have bought more shares on the back of this share price weakness and Meta remains the highest weighting stock in the Marlin portfolio.

Alphabet (-0.2%) in contrast to the weak Meta result, our other digital advertising investment Alphabet goes from strength to strength. Revenue grew 33% - 34% better than expectations - driven by strong performance across Search (+36% year on year), YouTube (+25% y/y), Network (+26% y/y) and Google Cloud (+45% y/y). Google also noted 70%+ growth in backlog for its cloud business ending the year at circa $51bn. Operating income of $22bn (+40% y/y) was also 3% ahead of expectation and the company bought back $50bn of stock for the year. Despite Alphabet's scale, the business continues to grow rapidly and generate a lot of free cash flow.

[1] Share Price Premium to NAV (including warrant price on a pro-rated basis and using NAV to four decimal places).

PayPal (-35%) also fell materially in the month following their earnings and 2022 guidance, which the market did not like, with the stock now back at pre-Covid levels despite the business generating over 40% more revenue today. Notably, net account additions slowed in the quarter and resulted in the company walking away from a long-term target of 750m accounts set in early 2021, now focussing on driving revenue growth by deepening engagement with their most regular users, which drives the majority of revenues. On the back of this weakness, we have taken the opportunity to increase PayPal's weight in the portfolio as we believe the company has a growth profile that is still intact, owns very attractive payments assets, and is exposed to strong secular e-commerce tailwinds.

Ashley Gardyne
Senior Portfolio Manager
Fisher Funds Management Limited

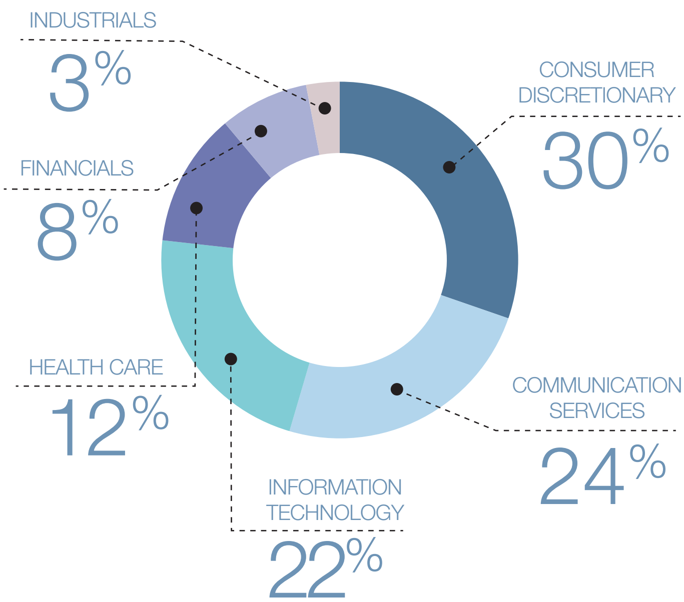
KEY DETAILS

as at 28 February 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	$1.20
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	193m
MARKET CAPITALISATION	$251m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

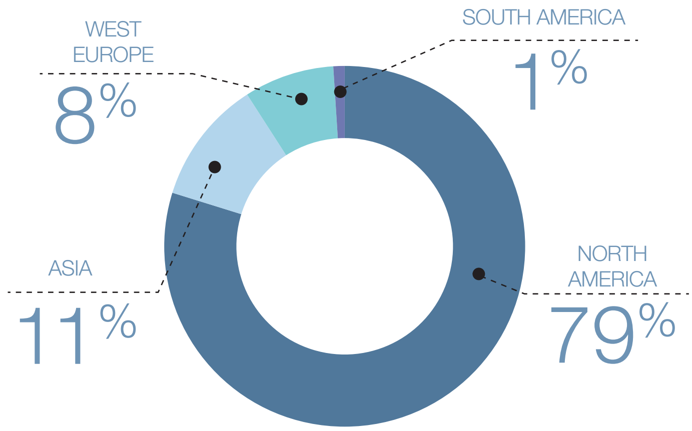
as at 28 February 2022



The Marlin portfolio also holds cash.

GEOGRAPHICAL SPLIT

as at 28 February 2022



FEBRUARY'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO during the month

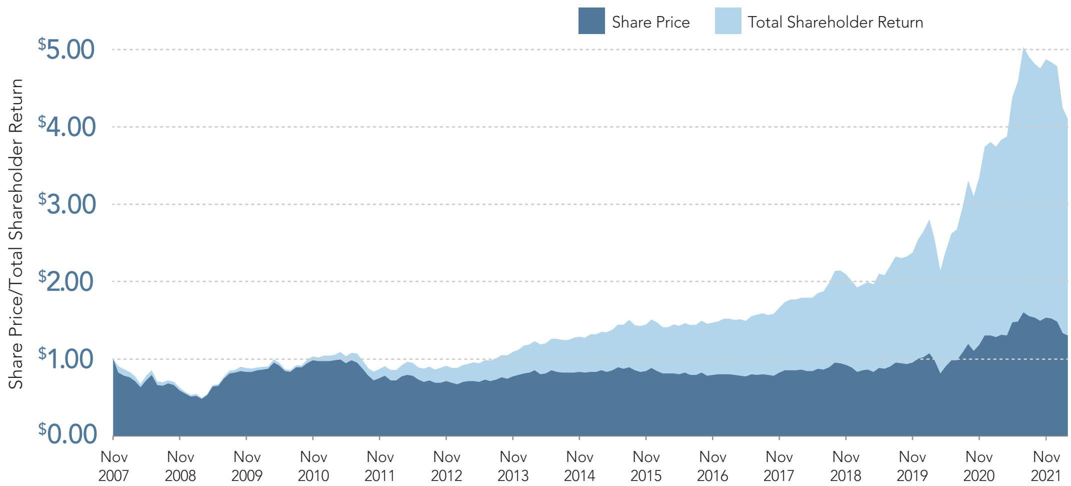
SIGNATURE BANK	ALIBABA GROUP	STONECO	META PLATFORMS (FACEBOOK)	PAYPAL HOLDINGS
+13%	-16%	-28%	-33%	-35%

5 LARGEST PORTFOLIO POSITIONS as at 28 February 2022

META PLATFORMS (Previously FACEBOOK)	ALPHABET	PAYPAL	TENCENT	AMAZON
7%	7%	7%	6%	5%

The remaining portfolio is made up of another 18 stocks and cash.

TOTAL SHAREHOLDER RETURN to 28 February 2022



PERFORMANCE to 28 February 2022

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	(3.1%)	(14.9%)	+7.1%	+27.2%	+22.3%
Adjusted NAV Return	(9.6%)	(9.5%)	+1.5%	+15.5%	+15.8%
Portfolio Performance					
Gross Performance Return	(9.2%)	(9.0%)	+3.1%	+19.1%	+19.7%
Benchmark Index^	(2.8%)	(3.8%)	+8.4%	+11.6%	+10.8%

^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 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 David McClatchy.

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 were issued at no cost to eligible shareholders in the ratio of one warrant for every four Marlin shares held
- The warrants were allotted to shareholders on 17 May 2021 based on a 14 May 2021 Record Date and were 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. Dividends totalling 9.92 cents per share have been declared to date and there are no more dividends expected to be declared in the remaining period up to the announcement of the 20 May 2022 exercise price.
- 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**

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