marlin
growing globally

MONTHLY UPDATE

November 2024

SHARE PRICE	WARRANT PRICE	MLN NAV	DISCOUNT[1]
$0.92	$0.02	$0.97	5.1%

as at 31 October 2024

A WORD FROM THE MANAGER

Marlin's gross performance return for October was down -1.2%, while the adjusted NAV return was down -1.4%. This compared with our global benchmark, S&P Large Mid Cap/S&P Small Cap Index (50% hedged to NZD), which was up +1.0%.

A relatively unremarkable month of market returns masked several moving parts underneath, with Q3 reporting seasoning fully underway; and a sharp reversal in interest rate cut expectations in the US. The S&P Global LargeMidCap index was down -1.6% in local currency, having basically been flat all month. It was a similar story in Europe (-2.9%) and Japan (+0.5%). China fell 6% following the strong bounce in September as announced stimulus failed to sustain the rally. The US dollar rallied 6% against the NZ dollar in the month.

At the start of the month the market was pricing over four Fed rate cuts by January 2025, however this fell to two as Jerome Powell took a more hawkish tone during the month; suggesting that while more interest rate cuts are in the pipeline, they would occur at a measured pace intended to support a still-healthy economy.

Earnings season is underway – with over half the S&P 500 having reported, including many of our portfolio companies. While 80% of companies reporting by 30 October exceeded expectations, the average positive performance surprise was smaller than in previous periods, and some companies faced revenue downgrades for Q4.

Portfolio

Netflix (+7%) reported another quarter of new subscriber growth, reaching 283m global users. Netflix saw continued momentum in its ad-supported membership tier which grew 35% in the quarter; and raised prices in several markets including Italy and Spain. Netflix continues to invest in content, even as some competitors are cutting back, which sets them up well for continued growth over the next few years.

Our big-tech companies had mixed performance during earnings, despite all showing continued strength in digital advertising and cloud, driven by the progress made incorporating AI into their operations and rolling out new AI features for customers. Despite fears of AI disrupting the core search product, **Alphabet** (+3%) continues to successfully integrate AI into search, driving increased engagement and user satisfaction. **Meta** (-1%) fell on earnings despite increased revenue from its AI-powered ad targeting and content recommendation engine, with investors wary of Meta's increasing investment in its AI and metaverse projects. **Amazon** (+0%) and **Microsoft** (-6%) both saw very strong AI growth in their cloud businesses, but highlighted issues of ramping capacity fast enough to meet the strong demand.

Microsoft is expecting cloud growth to slow next quarter but to reaccelerate in the first half of 2025 as new capacity comes online.

This strong end demand driving increased investment in AI from the big-tech companies is a tailwind for recent addition **Nvidia** (+9%), which has 85% market share in the semiconductor chips used to run these AI models.

Our medical device companies mostly outperformed for the month, including **Intuitive Surgical** (+3%), **Edwards Lifesciences** (+2%) and **Dexcom** (+5%). Intuitive, the global leader in surgical robots, continued its strong performance YTD, beating market expectations for procedure growth and new robotic placements. With the launch of its latest surgical robot only beginning, we anticipate strong growth over the next few years, but this is somewhat reflected in the stock price give performance YTD. Following its earnings miss last quarter on several execution missteps, Dexcom has shown good progress in turning this around, improving sales force execution and re-engaging with key customers; while Edwards announced positive results for several key clinical trials which are expected to expand its addressable patient pool.

Icon (-23%) and **Danaher** (-12%) are both seeing a slower than expected recovery in biotech R&D spending following several strong years post COVID. While biotech funding has improved this year, this has not yet translated to revenue as these customers have been hesitant to start new drug development projects. Icon is also facing near-term pressure from several large pharma customers such a Pfizer that have made bigger than expected cuts to their clinical research programs as they look to rationalise and reduce costs. While Icon continues to gain share within its large pharma customer base, this has not been enough to offset these headwinds and revenue growth expectations 2024 and 2025 have been reduced. We believe these are temporary headwinds and industry growth will reaccelerate over the course of next year as these pharma and biotech companies continue to invest in innovative new treatments.

ASML (-19%) fell following an unexpected reduction to its 2025 guidance as the company faces several near-term headwinds. ASML makes the lithography machines used to manufacture semiconductor chips used everything from mobiles, PC, cars and more recently for AI chips. While demand for artificial intelligence remained strong, the other end markets are taking longer than expected to recover, forcing chip makers to hold back spending on semiconductor-making machinery. Two of ASMLs largest customers Samsung and Intel, have both delayed the completion of large chip manufacturing facilities given weak demand

[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).

and ongoing competition from the leading chip manufacturer TSMC. We recognise that ASML is a cyclical business, and expect the current headwinds to be largely temporary, with the longer-term demand for ASML's advanced lithography tools still intact.

Floor and Décor (-17%) fell as mortgage rates reversed the recent trend of declines. Higher mortgage rates have put pressure on both existing home sales and renovations, key drivers of flooring demand. Floor & Décor's latest earnings report was promising despite this tough backdrop. While sales were slightly behind expectations, the US west coast region is starting to show promise with same-store-sales nearing a return to growth. Margins and earnings came in better than expected as the company manages expenses tightly through this challenging operating environment. Once the industry backdrop improves, Floor & Décor should be in a position to take increasing market share as competitors have had to retreat or have gone out of business, leaving less competition for Floor & Décor.

Portfolio activity

We added a new stock the portfolio during the month: Zoetis

Zoetis is a previous portfolio holding that we exited in August 2020 on a combination of valuation and our thesis at the time largely playing out. Zoetis is the leader in animal health, owning many of the leading brands of drugs used to treat cats, dogs and livestock. Since spinning out of Pfizer in 2013, Zoetis has consistently gained market share, and with a strong pipeline of innovative new drugs we expect this to continue. Zoetis has underperformed other quality-growth stocks given concerns around a slow-down in vet visits, and we took the opportunity to add it back to the portfolio.

Sam Dickie
Senior Portfolio Manager
Fisher Funds Management Limited

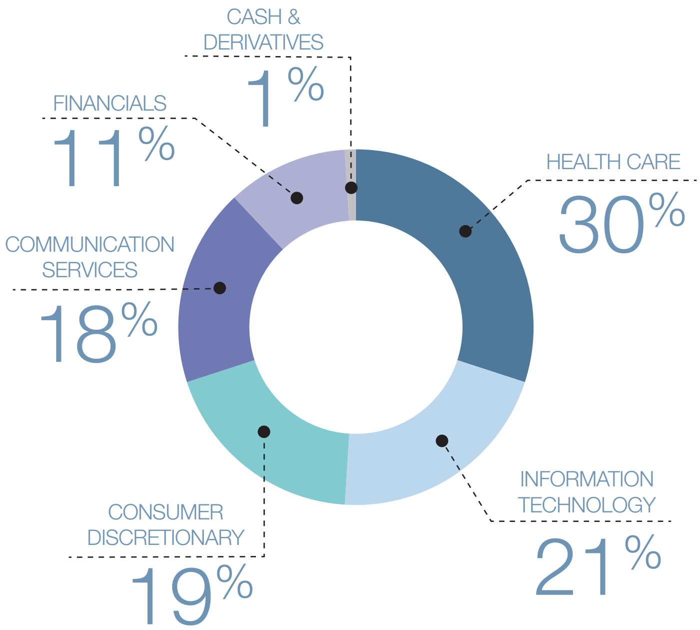
KEY DETAILS

as at 31 October 2024

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	$1.00
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	218m
MARKET CAPITALISATION	$201m
GEARING	None (maximum permitted 20% of gross asset value)

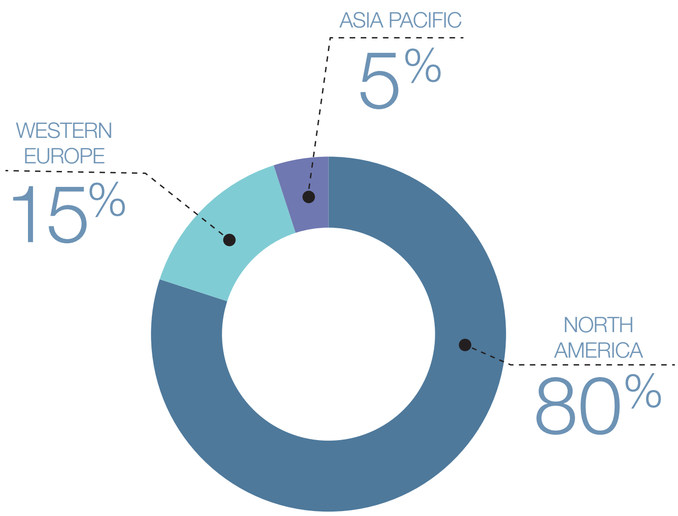
SECTOR SPLIT

as at 31 October 2024



GEOGRAPHICAL SPLIT

as at 31 October 2024



OCTOBER'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO (in local currency) during the month

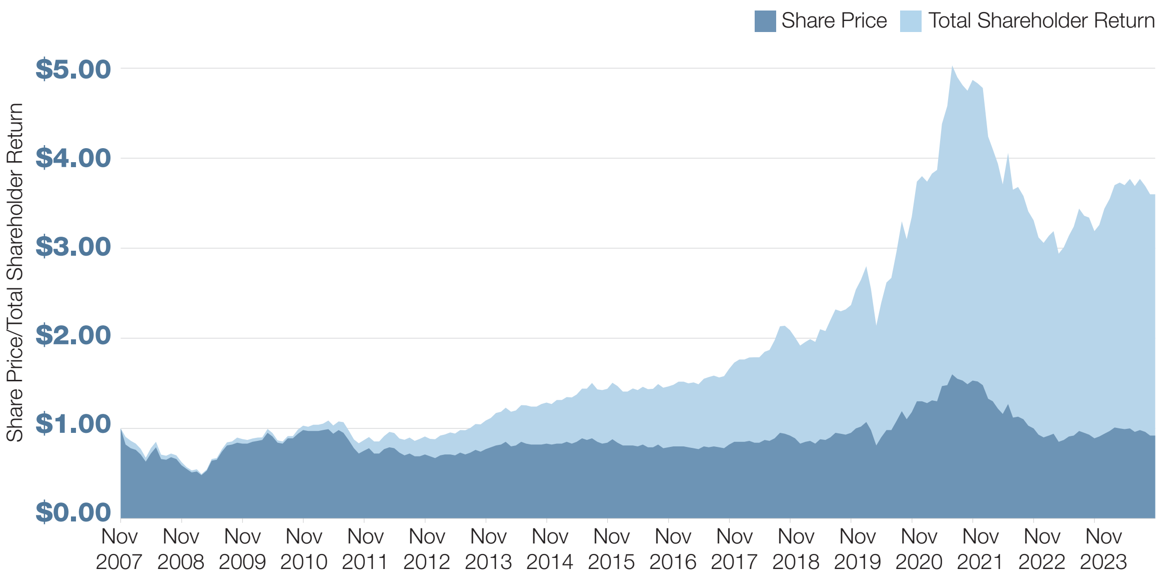
ICON	ASML	FLOOR & DÉCOR HOLDINGS	GREGGS	DANAHER
-23%	-19%	-17%	-12%	-12%

5 LARGEST PORTFOLIO POSITIONS as at 31 October 2024

AMAZON	MICROSOFT	MASTERCARD	ALPHABET	ASML
9%	7%	7%	7%	5%

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

TOTAL SHAREHOLDER RETURN to 31 October 2024



PERFORMANCE to 31 October 2024

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	(0.1%)	(4.4%)	+12.8%	(9.6%)	+8.7%
Adjusted NAV Return	(1.4%)	(1.7%)	+21.3%	(0.6%)	+8.4%
Portfolio Performance					
Gross Performance Return	(1.2%)	(1.1%)	+25.2%	+1.3%	+11.4%
Benchmark Index^	+1.0%	+1.6%	+29.7%	+6.7%	+10.3%

^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 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. Sam Dickie (Senior Portfolio Manager), Chris Waters (Senior Investment Analyst), and Daniel Moser and Charles Barty (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

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 utilised for the dividend reinvestment plan

Warrants

- Marlin announced a new issue of warrants on 29 April 2024
- The warrant term offer document was sent to all Marlin shareholders in early May 2024
- Warrants were allotted to all eligible Marlin shareholders on 16 May 2024
- The new warrants (MLNWG) commence trading on the NZX Main Board from 17 May 2024
- The Exercise Price of each warrant is $1.04, 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 Marlin warrants is 16 May **2025**

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