marlin
growing globally

MONTHLY UPDATE

December 2021

Share Price	Warrant Price	MLN NAV	PREMIUM[1]
$1.52	$0.20	$1.23	27.7%

as at 30 November 2021

A WORD FROM THE MANAGER

Marlin's gross performance return for November was down by (2.5%), while the adjusted NAV return was down by (2.0%). This compared with our global benchmark, S&P Large Mid Cap/S&P Small Cap Index (50% hedged to NZD), which was down by (0.6%).

Marlin lagged the market in November. The underperformance was caused by weaker than expected financial results from three of our portfolio companies – PayPal, StoneCo and Alibaba.

For markets, November started well, but equity markets faded into the end of the month, with the MSCI World Index finishing 2.3% lower due to rising Covid hospitalisations in parts of Europe, concerns over the new Omicron variant and a more hawkish stance from the US Federal Reserve.

The effectiveness of vaccines against the new Omicron variant is currently unknown, and this will clearly be a key issue to monitor over the coming weeks. However, even if vaccine efficacy is reduced, drug companies seem confident that they will be able to produce new vaccines to address the new strain relatively quickly. New antiviral pills should also provide a further lever to help reduce hospitalisations when they are available in the coming months.

Portfolio Developments

Dollar Tree (+24%) a US discount retailer, was the top performer in the portfolio for the second month running. Shares rallied following disclosure that activist, Mantle Ridge had taken a sizeable equity stake and the company was moving away from its fixed $1 price point. Regarding Mantle Ridge, not many details have been released yet aside from the involvement of Richard Dreiling, the former CEO of Dollar General, who led the firm during its turnaround in 2008. This is a positive as Dollar Tree tries to close the performance gap between their Family Dollar banner and now best-in-class Dollar General.

Management also announced they were 'breaking the buck' at the Dollar Tree banner and rolling out a new US$1.25 price point to all c.8,000 Dollar Tree stores. Freight costs have been a significant headwind for the company recently, and Dollar Tree expects the 25c price increase to offset cost inflation and help lift profit margins back to historical levels. Even with this price increase, we still believe Dollar Tree retains a very strong customer value proposition compared to peers.

US homebuilder **NVR** (+7%) rose along with the homebuilder's index for the month. Housing data in the US continues to show a robust demand environment. As supply chain headwinds stabilise, we expect homebuilders to deliver strong growth as they work through their large backlogs of new housing orders.

Signature Bank (+1.5%) continues to perform well. An update during November was further evidence that the bank is outdistancing peers in loan and deposit growth. While 2021 has been a standout year with assets up 70% year-over-year, we continue to think the company can produce robust growth going forward. The bank has a unique operating model of acquiring established teams, which allows Signature to enter new regions and markets. With best-in-class profitability and excess cash on the balance sheet to deploy, earnings should grow ahead of revenue.

PayPal (-21%) sold off in November after the company lowered its 2021 revenue guidance and provided 2022 growth expectations that were below market expectations. On the positive side, Paypal announced a deal with Amazon which should add incremental volume over time and the company is gaining traction in the buy now, pay later space.

Alibaba (-23%) was down in November after reporting earnings that showed growth slowing in the company's e-commerce business, due to economic headwinds and competition. Over time, there are three variables that will drive Alibaba's share price. These are, e-commerce market share, profit margins and the level of new investment required to keep driving growth. We think the market is being too negative on the eventual outcome of all of these drivers and we remain confident that growth in Alibaba's core e-commerce business will eventually accelerate. We also remain positive on the company's international retail and cloud computing segments which are both growing strongly.

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

StoneCo (-54%), a Brazilian payment service provider, was the worst performer in the portfolio in November. While StoneCo's third quarter earnings showed that it continues to grow its customer base and payment volumes rapidly, profitability missed expectations and weighed heavily on the company's share price.

The main concern from the earnings release was the company's rising financial expenses due to increasing interest rates, which it has not yet been able to pass on to customers. This created a material headwind to profit margins. StoneCo also signalled that it would increase investment into their portfolio of products and services they offer to support further growth and market share gains, but signalled this will also dampen profit margins in the near-term. The positive news in the quarter was that the company continues to sign on new customers at a rapid rate, more than doubling the client base in the past year to 1.3 million active clients. The company is also witnessing accelerating payment volume growth (+81% year-on-year) and reported a record market share gain for the quarter.

We were disappointed by StoneCo's results and are doing more research to understand the company's competitive position and ability to pass through higher interest rates to customers. We believe that the long-term tailwinds behind the company are still intact, and the company's strategy and products are still being well received by customers.

Ashley Gardyne
Senior Portfolio Manager
Fisher Funds Management Limited

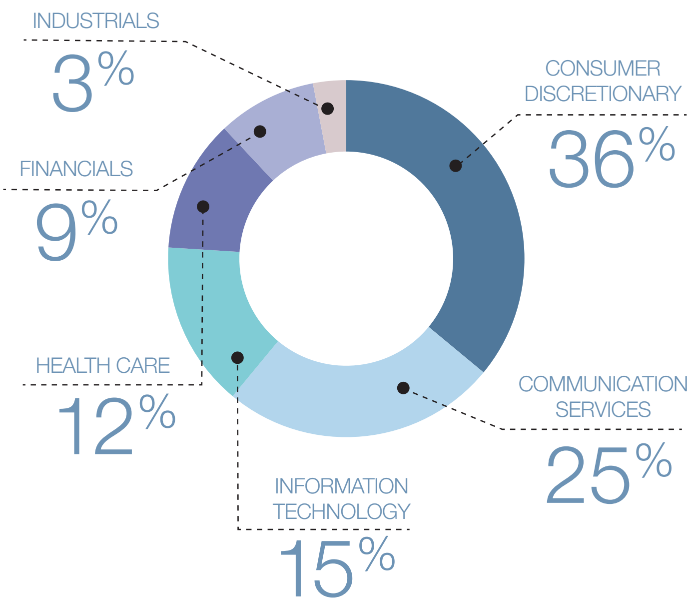
KEY DETAILS

as at 30 November 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	$1.25
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	192m
MARKET CAPITALISATION	$291m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

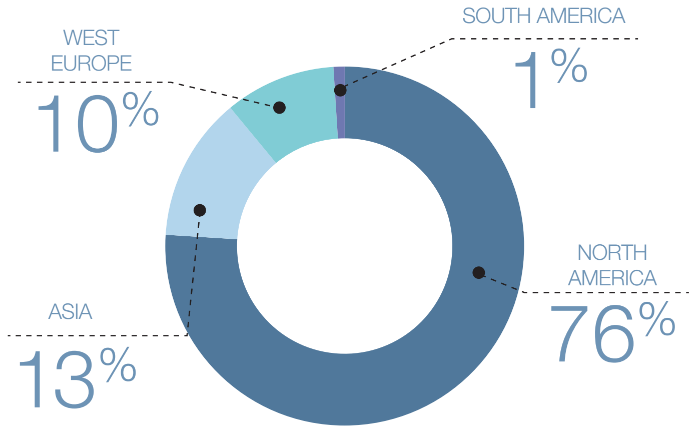
as at 30 November 2021



The Marlin portfolio also holds cash.

GEOGRAPHICAL SPLIT

as at 30 November 2021



NOVEMBER'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO during the month

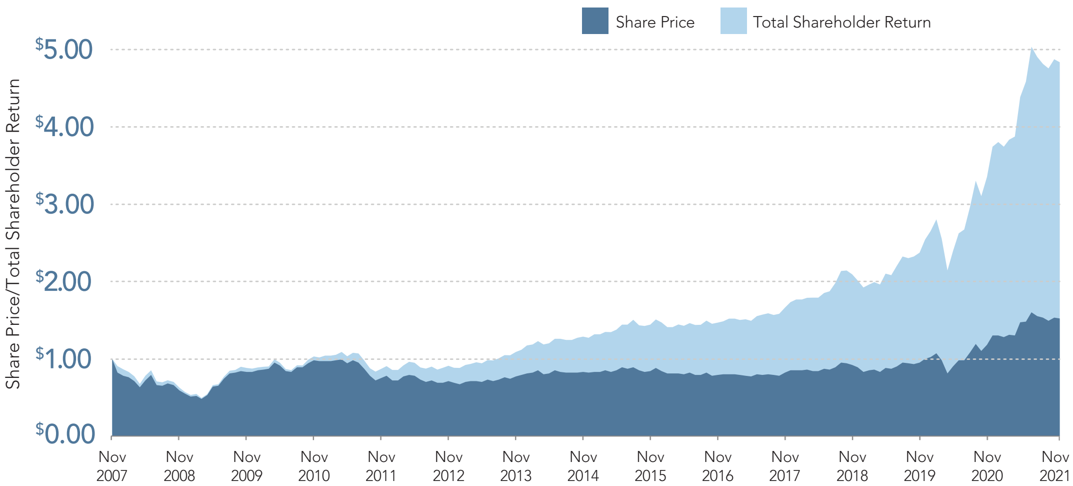
DOLLAR TREE	BOSTON SCIENTIFIC	PAYPAL	ALIBABA	STONECO
+24%	-12%	-21%	-23%	-54%

5 LARGEST PORTFOLIO POSITIONS as at 30 November 2021

META PLATFORMS (Previously FACEBOOK)	ALPHABET	TENCENT	SIGNATURE BANK	ALIBABA
10%	7%	7%	6%	6%

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

TOTAL SHAREHOLDER RETURN to 30 November 2021



PERFORMANCE to 30 November 2021

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	(0.9%)	+0.4%	+29.1%	+34.0%	+26.6%
Adjusted NAV Return	(2.0%)	(3.6%)	+20.7%	+21.7%	+19.2%
Portfolio Performance					
Gross Performance Return	(2.5%)	(3.5%)	+24.0%	+25.6%	+23.3%
Benchmark Index^	(0.6%)	(1.0%)	+21.7%	+14.3%	+13.0%

^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 7.43 cents per share have been declared to date and there is one more dividend 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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