

# MONTHLY UPDATE

August 2022

Share Price

\$1.13

MLN NAV

\$0.96

PREMIUM<sup>1</sup>

18.0%

as at 31 July 2022

## A WORD FROM THE MANAGER

Marlin's gross performance return for July was up 8.3%, while the adjusted NAV return was up 7.9%. This compared with our global benchmark, S&P Large Mid Cap/S&P Small Cap Index (50% hedged to NZD), which was up 7.1%.

Economic data during the month highlighted increasing economic headwinds, with high inflation, disappointing growth numbers and manufacturing activity losing momentum. With two quarters of negative GDP growth, the US is technically in a recession. However, for now unemployment remains low and consumer spending continues to grow. The Federal Reserve increased interest rates again (75bps) after July inflation numbers came in higher than expected.

Developed market equities were up 8.0% in the month (year-to-date down 13.9%), while there was weakness in Chinese markets (down 9.4%) due to extended COVID restrictions hampered overall emerging market returns.

### Portfolio News

**Netflix** (+29%) rallied after the company released Q2 earnings, announcing that it lost fewer subscribers than expected during the quarter and guided to a return to subscriber growth in Q3. The company advised that subscriber retention in the US and Canada region (UCAN) is almost back to historical levels, following a period of elevated churn when Netflix increased prices in the region earlier this year. This is pleasing as UCAN subscribers are highly valuable, contributing 44% of Netflix revenues whilst being 33% of the subscriber base. Netflix is also working on an ad-supported tier and paid account sharing to improve monetisation of an estimated 100mn households who use but do not pay for the service. We think these initiatives, as well as the company's focus on right-sizing its operations and content spend, will contribute to robust free cash flow growth going forward.

**Amazon** (+27%) had a very strong month, cumulating in a robust earnings update at the end of the month. Amazon sits at the intersection of three structural growth themes, being e-commerce, cloud computing and the shift of advertising

dollars online. Better than expected results in each of these verticals coupled with sequential operating cost improvement drove strong performance. We are encouraged by the resilience in Amazon's e-commerce business and growth in the company's advertising business despite mixed results from competitors in these industries.

**PayPal** (+24%) was up in the month notably as Elliott Management, one of the largest activist funds globally, was reported as taking a stake in the company. It is unconfirmed how large Elliott's stake in the company is or what strategic initiatives they plan to recommend to the management team and board of PayPal. Activist investors are frequently drawn to companies with good business models and strong financial positions with the flexibility to deploy additional capital to increase shareholder value, all of which we believe to be true for PayPal.

**Meta Platforms** (-1%) reported revenue that grew only 3% (at constant exchange rates) during Q2. This was broadly in line with expectations, although the company's guidance of no revenue growth for Q3 disappointed the market, and macroeconomic uncertainty is causing advertisers to pull back on ad spending. Part of this slowdown is self-inflicted, with Meta encouraging Facebook and Instagram users to spend more time watching Reels videos (which currently have a lower ad load). We saw this same dynamic when Meta first launched Stories in 2018, but Stories is now monetising well and has been a major contributor to growth. We believe Meta will return to solid revenue growth as ad load is increased in Reels, and the company laps recent Apple ad-tracking headwinds.

**Alibaba** (-21%) and **Tencent** (-13%) declined along with the wider Chinese market on the threat of renewed and sustained COVID restrictions, following earlier optimism that they may be winding down. Investors were also wary of the lack of progress in negotiations between the SEC and China regulators around audit requirements for Chinese stocks listed on US stock exchanges. Alibaba this month announced it will be shifting its primary listing to the Hong Kong stock exchange, which would mitigate any risks around this.

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

## Portfolio Changes

There were no substantive changes to the portfolio in July.



Ashley Gardyne  
Senior Portfolio Manager  
Fisher Funds Management Limited



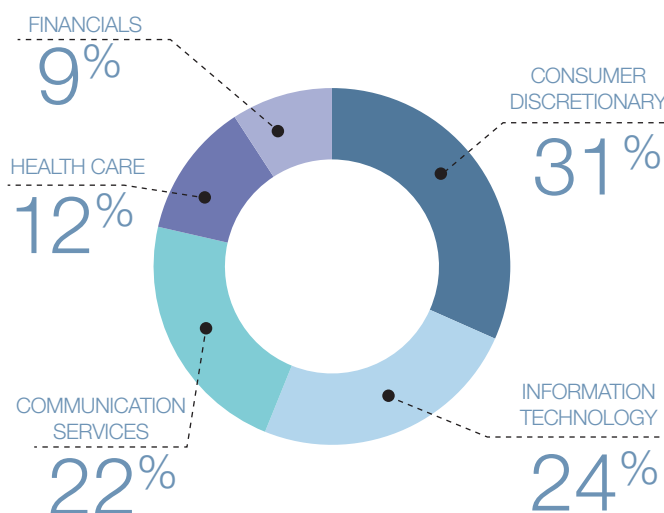
## KEY DETAILS

as at 31 July 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	\$227m
GEARING	None (maximum permitted 20% of gross asset value)

## SECTOR SPLIT

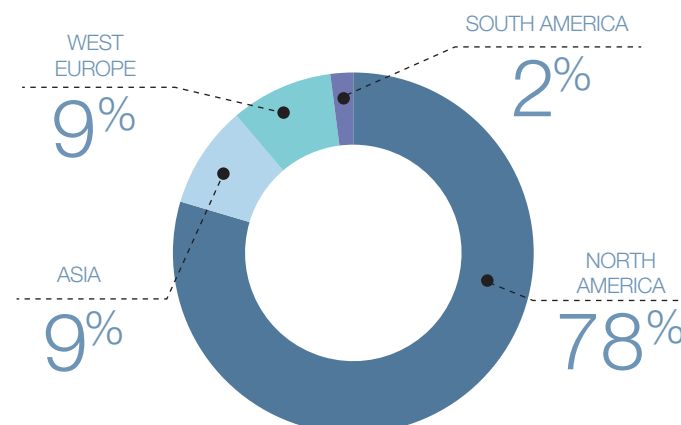
as at 31 July 2022



The Marlin portfolio also holds cash.

## GEOGRAPHICAL SPLIT

as at 31 July 2022



# JULY'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO

during the month

NETFLIX

+29%

FLOOR & DÉCOR

+28%

AMAZON

+27%

STONECO

+24%

PAYPAL HOLDINGS

+24%

## 5 LARGEST PORTFOLIO POSITIONS as at 31 July 2022

AMAZON

9%

PAYPAL

8%

META PLATFORMS

7%

ALPHABET

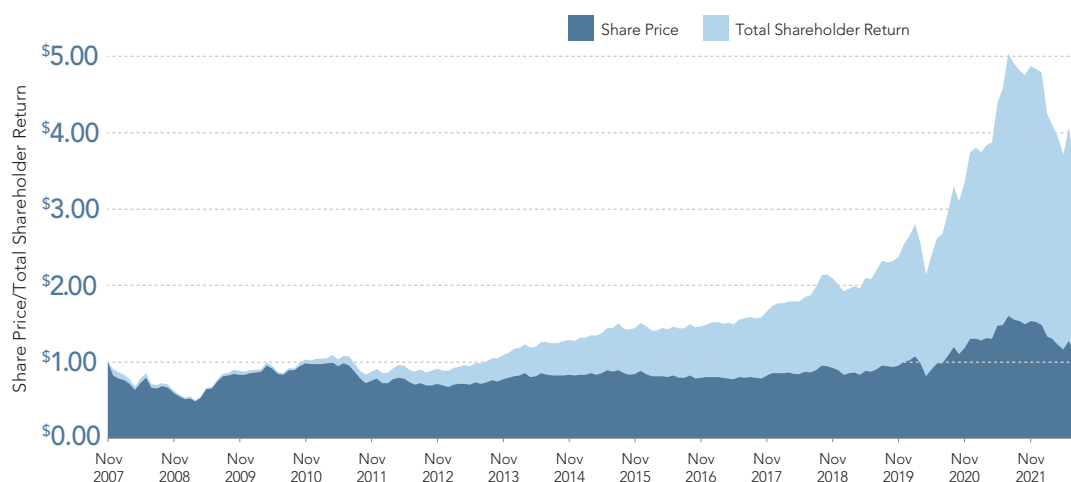
7%

FLOOR & DECOR

7%

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

## TOTAL SHAREHOLDER RETURN to 31 July 2022



## PERFORMANCE to 31 July 2022

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
<b>Company Performance</b>					
Total Shareholder Return	+0.9%	(0.8%)	(24.9%)	+16.6%	+18.3%
Adjusted NAV Return	+7.9%	(0.8%)	(20.5%)	+8.2%	+11.3%
<b>Portfolio Performance</b>					
Gross Performance Return	+8.3%	(0.7%)	(19.6%)	+11.3%	+14.4%
Benchmark Index <sup>^</sup>	+7.1%	(0.2%)	(6.5%)	+8.3%	+8.8%

<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 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 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.



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)