marlin
growing globally

MONTHLY UPDATE

May 2022

Share Price	Warrant Price	MLN NAV	PREMIUM[1]
$1.16	$0.00	$0.98	18.5%

as at 30 April 2022

A WORD FROM THE MANAGER

Marlin's gross performance return for April was down (7.1%), while the adjusted NAV return was down (6.5%). This compared with our global benchmark, S&P Large Mid Cap/S&P Small Cap Index (50% hedged to NZD), which was down (3.9%).

Global equity markets dropped in April, given headwinds from numerous ongoing factors including inflation, rising interest rates, and growth and supply chain concerns stemming from COVID lockdowns in China. Developed market equities were down 8% in the month, bringing year-to-date losses to 13%. The tech-heavy Nasdaq Composite Index fell 14% for the month and is down 21% year-to-date.

In contrast to falling share prices, corporate fundamentals still appear to be strong. As an example, the US market is seeing a strong start to Q1 earnings season, with 76% of companies so far beating expectations. Companies that have reported so far have reported average earnings growth of 8%, with continued growth expected throughout the year despite the economic headwinds.

Portfolio Changes

Earnings season has begun, with 14 portfolio companies reporting during the month. The results highlighted solid underlying growth and execution by most of our companies, although Netflix results were disappointing, and Amazon's results showed that its rapid infrastructure expansion and cost inflation are posing near-term challenges.

Mastercard, Microsoft, Alphabet, Meta Platforms and our bank holdings **First Republic** and **Signature Bank** all delivered solid results. As did homebuilder **NVR** and aerospace composites manufacturer **Hexcel**.

Positive contributors to performance in the month included **Dollar General (+7%)** and **Dollar Tree (+1%)**. While there has been limited new news for these companies, we expect that as inflation bites, consumers will trade down with value for money increasing in importance. This should benefit Dollar General and Dollar Tree which operate more than 18,000 and 16,000 stores across the US respectively, all within convenient distance of the majority of American consumers.

Tencent (+1%) recovered towards the end of the month, as sentiment improved on news signalling a pullback of government crackdowns on the industry. Regulatory scrutiny has been a persistent overhang to market sentiment for China's tech industry during the past year, as a raft of regulatory announcements were issued to rein in monopolies and promote common prosperity in the country. Tencent (and our other Chinese holding Alibaba) are more aligned with policymakers' new goals as they play an important role in the digitalisation of commerce and industry in China. We remain confident in the long-term prospects for both Tencent and Alibaba.

Mastercard (+2%) reported strong earnings and continues to execute well. Payment volumes saw impressive growth driven by pent-up demand for travel and leisure and remained strong during the quarter despite rising inflation. The company is likely to benefit from higher prices due to inflation, although this may eventually affect consumer spending if it becomes too high or persistent.

Detractors from performance in the month included PayPal, Netflix and Amazon.

PayPal (-24%) sold off significantly at the start of April along with growth and technology stocks more generally. PayPal partially rebounded towards the end of the month after reporting earnings that were better than feared. After a period of rapid investment over the last two years to attract new customers as ecommerce growth surged, PayPal has experienced slower growth in recent quarters. In response to this PayPal has reduced its growth guidance and is refocusing on a return to cost control and measured expansion as was the focus pre-pandemic. We believe PayPal remains very well positioned to take share in the fast-growing e-commerce and digital payments segments. Despite the recent headwinds, they are still expected to grow revenue (ex-eBay) by 15%+ this year.

Netflix (-49%) fell materially in the month after reporting earnings and providing weaker than expected guidance. Shares are now trading at late-2017 levels, despite the company having doubled its subscriber base and is generating 2.6-times the revenue back then. Netflix lost 0.2mn subscribers in Q1 – the first time in over a decade the streaming service has seen a net loss – and expects a further 2mn losses in Q2. The company attributes subscriber headwinds primarily to macroeconomic pressures, the Russia-Ukraine conflict, and competition – but no doubt recent subscription price hikes are also having an impact. We continue to believe Netflix is a quality business, with dominance in global streaming and content spend leverage, and is advantageously positioned in the structurally growing SVOD (streaming video-on-demand) industry. Netflix is a new holding which we initiated at a small position. It currently has a small 1.5% weight in

[1] Share Price Premium to NAV (including warrant price on a pro-rated basis and using net asset value per share, after expenses, fees and tax, to four decimal places).

the portfolio and as with any company that delivers a disappointing result of this magnitude, we are undertaking a detailed review of our investment thesis.

Amazon (-24%) reported its first operating profit loss in seven years at its quarterly earnings update. Inflation and capacity expansion added $6 billion in costs, weighing on profitability. Over the last two years, Amazon has been through a significant investment cycle, doubling the size of operations and workforce. These investments contributed two-thirds of the additional cost. We are confident Amazon will return to profitability as the company grows into this newly created capacity and as the company's sales mix continues to shift towards the highly profitable segments of Amazon Web Services (cloud computing) and Amazon Marketing Services.

Meta (-10%) had a similar theme to PayPal going into earnings. With sentiment negative on the stock, the earnings and guidance were not as bad as feared and Meta rose c.18% after its results. The company noted that Reels now makes up more than 20% of user time on Instagram and is growing quickly. While currently under-monetised, demand to date is very positive for Reels and we expect Meta will be able to monetise short-form videos successfully in the future

Ashley Gardyne
Senior Portfolio Manager
Fisher Funds Management Limited

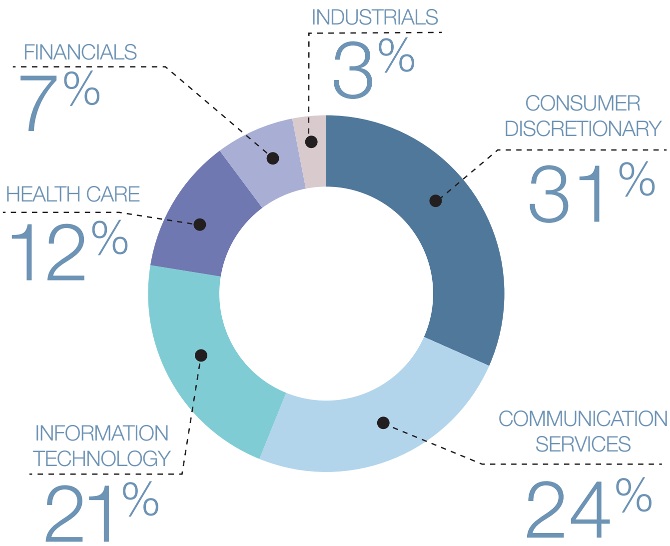
KEY DETAILS

as at 30 April 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	194m
MARKET CAPITALISATION	$225m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

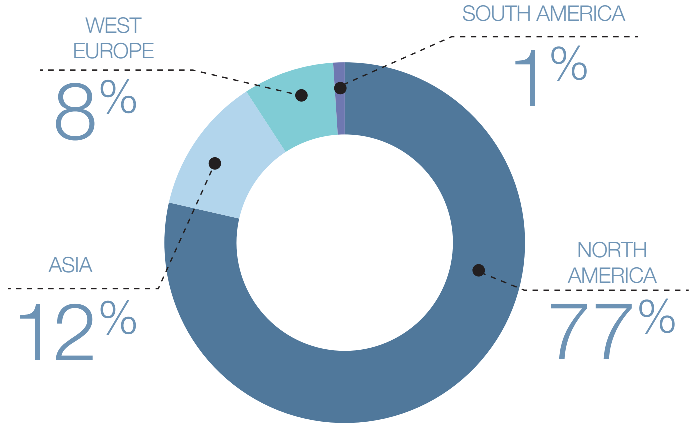
as at 30 April 2022



The Marlin portfolio also holds cash.

GEOGRAPHICAL SPLIT

as at 30 April 2022



APRIL'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO during the month

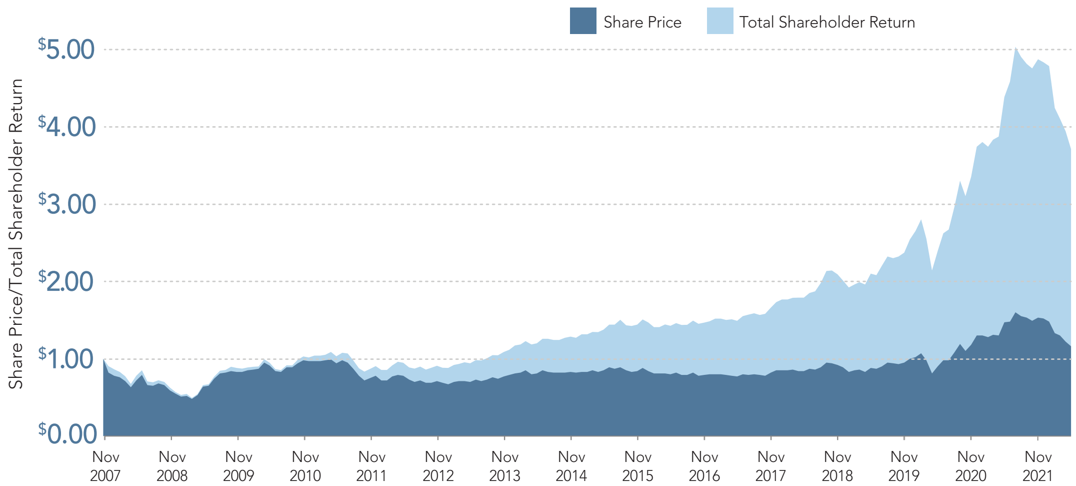
NETFLIX	PAYPAL	AMAZON	STONECO	ALPHABET
-49%	-24%	-24%	-19%	-18%

5 LARGEST PORTFOLIO POSITIONS as at 30 April 2022

META PLATFORMS (Previously FACEBOOK)	ALPHABET	TENCENT	PAYPAL	ALIBABA
9%	7%	7%	6%	6%

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

TOTAL SHAREHOLDER RETURN to 30 April 2022



PERFORMANCE to 30 April 2022

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	(5.8%)	(12.5%)	(15.3%)	+20.8%	+20.0%
Adjusted NAV Return	(6.5%)	(17.1%)	(15.5%)	+9.5%	+11.7%
Portfolio Performance					
Gross Performance Return	(7.1%)	(16.8%)	(14.5%)	+12.8%	+15.2%
Benchmark Index^	(3.9%)	(6.3%)	(2.7%)	+8.5%	+8.8%

^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 final Exercise Price of each warrant is $1.18
- The Exercise Date for the warrants (MLNWE) is **20 May 2022**

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