marlin
growing globally

MONTHLY UPDATE

June 2022

Share Price	MLN NAV	PREMIUM[1]
$1.27	$0.95	33.0%

as at 31 May 2022

A WORD FROM THE MANAGER

Marlin's gross performance return for May was down (2.9%), while the adjusted NAV return was down (3.2%). This compared with our global benchmark, S&P Large Mid Cap/S&P Small Cap Index (50% hedged to NZD), which was down (0.3%).

Global markets saw significant intra-month volatility in May before ending broadly flat for the month, as macro concerns including inflation, tightening monetary policy, China COVID restrictions, and the conflict in Ukraine continue to weigh on sentiment. US headline inflation hit 8.3% in April, and the US Federal Reserve increased rates by 50bps in May, its biggest hike in 22 years. Developed market equities were modestly up 0.2% (year to date down 13%). Value stocks continues to fare better than growth, with the MSCI World Value index up 2% in the month while the MSCI World Growth Index declined 2%.

US wrapped up its first quarter (Q1) earnings season in May, and earnings performance continued to be robust with 76% of S&P 500 companies beating expectations. These companies reported average Q1 revenue growth of 14.6% and net income growth of 8.5%, however investors remain unimpressed, with average post-reporting price performance just 0.2% better than the market. Concerns around slowing economic growth and low consumer sentiment continue to pressure market expectations and share prices.

Portfolio News

Hexcel (+6%) continued its strong performance of recent months as exceptionally high demand for global travel is driving increased expectations for new plane orders, which benefits Hexcel as a leading manufacturer of composite parts for new aircraft.

Signature Bank (-11%) shares fell on the collapse of algorithmically backed stablecoins such as Terra. The bank has circa US$30bn in digital asset deposits which are related to cryptocurrencies. While Signature Bank holds these deposits, the bank has no exposure to price swings in cryptocurrency. Of the US$30bn, around US$7bn of deposits are related to stablecoins. Given the volatility, management provided a mid-quarter update where they confirmed their stablecoin deposits relate only to coins that are 100% backed by US dollars or equivalent. While deposits are down around 1% this quarter, as participation in cryptocurrencies has fallen with volatility, management still expects to grow interest-earning assets at the mid-teens level as they deploy some of the US$30bn cash on their balance sheet.

Gartner (-10%) was down following an earnings announcement, despite another quarter of strong results and guidance ahead of expectations. While demand remains high for Gartner's research products, the market is concerned around their ability to grow their sales force in a tough hiring environment, which could impair future growth. From our conversations with the company, they are confident in their ability to meet their hiring targets and we believe the sell-off was unwarranted.

Salesforce (-9%) declined during the month, likely due to concerns that broader macro weakness would see slowing demand for Salesforce's front office product suite. Salesforce reported Q1 earnings after market close on 31 May (US time), with the stock rising 9% in after-hours trading on increased margin and non-GAAP earnings guidance.

Floor and Décor (-5%) reported robust 1Q earnings at the start of the month. The company continues to execute on their strong nationwide store roll out, with 166 warehouse store locations currently and 400 as their long-term target. Existing stores are also growing, as they mature and contribute meaningfully to revenue growth. Floor and Décor continues to see strength in their Pro customer segment, with Pro customers still benefiting from a solid pipeline of work ahead, which keeps them coming back to Floor and Décor stores. The company also reiterated their previously provided FY22 guidance which the market liked, given current macroeconomic concerns.

Shares in US discount retailers **Dollar Tree** (-1%) and **Dollar General** (-7%) headed sharply lower in the middle of the month on weak earnings reports from large US retailers Walmart and Target, which the market extrapolated to the dollar stores. Both companies subsequently reported better than expected Q1 earnings and outlook, on which shares rebounded. Dollar Tree's profitability benefited, as it increased prices from US$1 on all items, to its new US$1.25 price point, across all 8,000+ Dollar Tree banner stores. Meanwhile, Dollar General reiterated its full year earnings guidance as the company's product expansion and cost saving initiatives helps offset profit margin headwinds from inflation and supply chain cost pressures. Both companies upgraded sales guidance – we believe this demonstrates the defensive nature of dollar stores in the current inflationary environment, as consumers seek value for money and record high gas prices drive them to shop closer to home. Dollar General and Dollar Tree have a combined 34,000 stores located within convenient distance of the majority of US consumers.

[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).

China tech companies **Alibaba** (-1%) and **Tencent** (-4%) also reported March quarter results in the month. Earnings per share at both companies declined 23% year-on-year as they cycle regulatory restrictions and face headwinds from slowing economic growth and COVID lockdowns in China. While the decline was disappointing, this appears largely priced in by the market going into earnings, and with lockdowns easing and the government introducing economic stimulus, we see the operating environment improving from here. After a period of heightened regulatory oversight, government officials and regulators have also taken a more supportive tone around China's tech industry. Both companies are focused on managing costs and streamlining non-core businesses to improve margins going forward. We maintain confidence in Alibaba and Tencent's market dominant positions in their key business segments, and positively view their long-term prospects.

Ashley Gardyne
Senior Portfolio Manager
Fisher Funds Management Limited

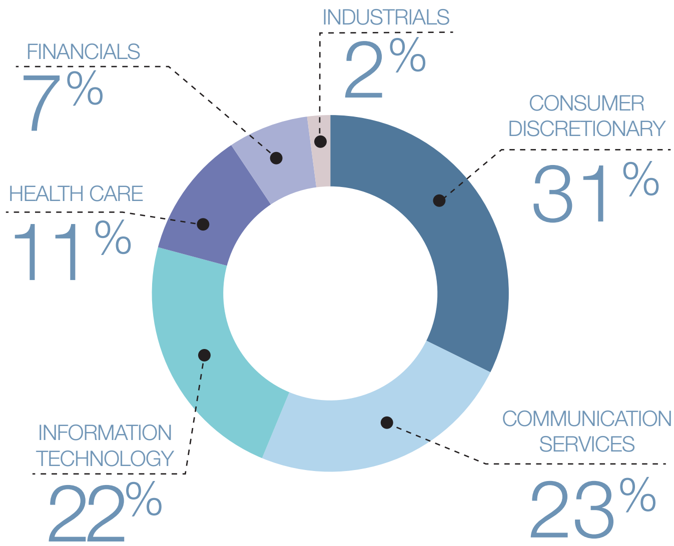
KEY DETAILS

as at 31 May 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	199m
MARKET CAPITALISATION	$253m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

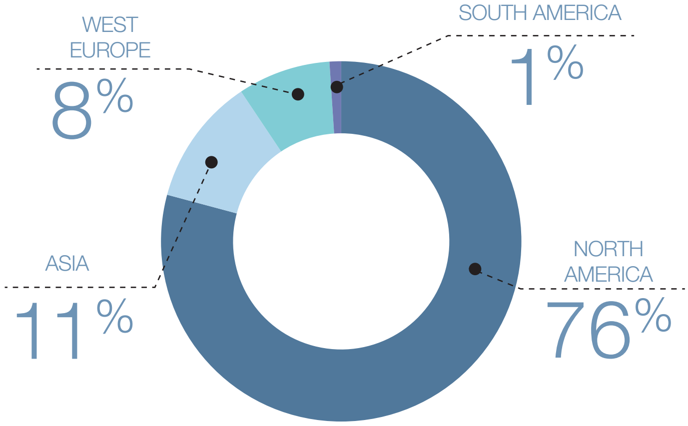
as at 31 May 2022



The Marlin portfolio also holds cash.

GEOGRAPHICAL SPLIT

as at 31 May 2022



MAY'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO during the month

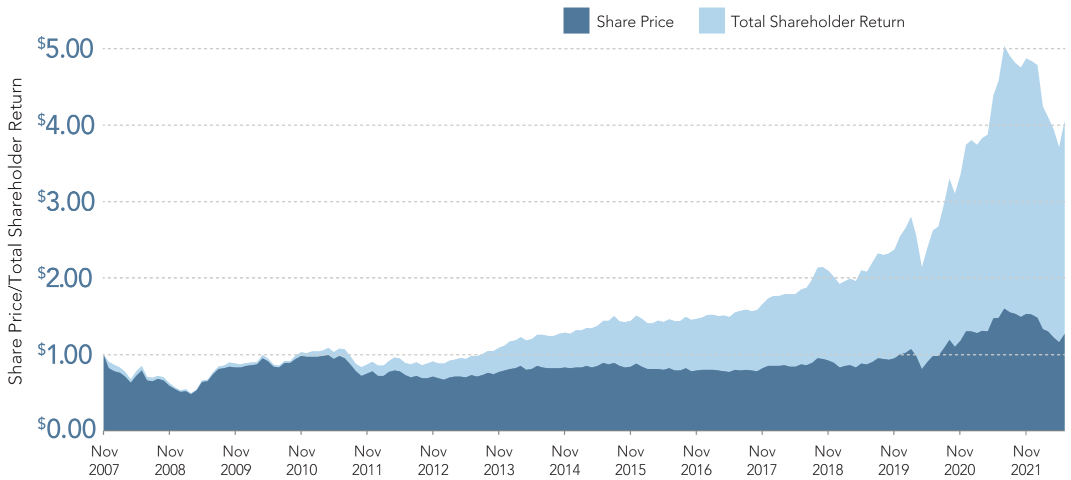
STONECO	DOLLAR GENERAL	SALESFORCE INC	GARTNER	SIGNATURE BANK
+7%	-7%	-9%	-10%	-11%

5 LARGEST PORTFOLIO POSITIONS as at 31 May 2022

META PLATFORMS	ALPHABET	AMAZON	PAYPAL	FLOOR & DECOR
8%	8%	7%	6%	6%

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

TOTAL SHAREHOLDER RETURN to 31 May 2022



PERFORMANCE to 31 May 2022

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+9.5%	(1.1%)	(11.4%)	+25.0%	+21.2%
Adjusted NAV Return	(3.2%)	(11.3%)	(17.3%)	+10.0%	+10.7%
Portfolio Performance					
Gross Performance Return	(2.9%)	(11.0%)	(16.3%)	+13.5%	+14.0%
Benchmark Index^	(0.3%)	(3.9%)	(3.4%)	+10.3%	+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 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 re-issued for the dividend reinvestment plan

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

marlin
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