

# MONTHLY UPDATE

March 2023

Share Price

\$0.94

Warrant Price

\$0.02

MLN NAV

\$0.87

PREMIUM<sup>1</sup>

8.0%

as at 28 February 2023

## A WORD FROM THE MANAGER

Marlin's gross performance return for February was down 2.2%, while the adjusted NAV return was down 1.8%. This compared with our global benchmark, S&P Large Mid Cap/S&P Small Cap Index (50% hedged to NZD), which was down 0.6%.

In February, global and US equities gave back some of the January gains and were down -2.2% and -2.4%, respectively. European equities were up +1.9%, whilst emerging market equities were down -6.5%.

The story for the month was simple and all too familiar. Inflationary drivers, such as a tight US labour market, are proving sticky. Hence, the US Federal Reserve's (Fed's) language and actions remain hawkish. The market was pricing a peak Fed funds interest rate of 4.9% as at the end of January and by the end of February, the market was pricing 5.4%. US 10-year bond yields, as a proxy for global interest rates, rose +50bps for the month and are now higher than the end of December 2022.

### Portfolio

**Alphabet** (-9%), also known as Google, reported stable earnings in February. However, its shares traded down due to concerns that Microsoft Bing (in partnership with artificial intelligence (AI) chatbot ChatGPT) will take market share away from Google Search and thereby reduce Google's profitability. While it's early days in the new tussle for market share, StatCounter, a web traffic analysis website, found that Google's share of search actually increased by 50bps (to 93.4%) in February, while Bing's share decreased by 20bps (to 2.8%). Several news articles pointing out a wrong answer by Bard (Google's version of ChatGPT) also weighed on sentiment. However, there has been plenty of news on incorrect answers and 'rogue' conversations from the ChatGPT-powered Bing chatbot (codenamed Sydney). Google has been using AI in its products such as Google Search and Google Maps for many years. And the company is one of the few with the resources to spend on AI research and development. This gives us confidence in the company's longer-term value proposition of providing users with faster

and more relevant search responses.

**Amazon** (-9%) gave back some of the strong gains it made in January. The earnings result was mixed. On the positive side, the number and value of third-party sellers on the e-commerce platform was strong, +13% vs expectations. This is important because third party sellers come with higher margins and drive volume through Amazon's vast logistics network. And they also drive advertising dollars. Probably as a result, advertising growth was better than expected at +23.0% (constant currency) vs 21.5% expected. This was overshadowed by weaker than expected Amazon Web Services (AWS) revenue growth of 20.0% (constant currency) vs 23.5% expected. As a result of the revenue miss in AWS and inline expenses, the AWS operating profit margin was weaker than expected. AWS revenue growth further slowed in January to mid-teens growth. Amazon CEO Andy Jassy expects the slowdown in AWS revenue lasting for at least another quarter or two.

**Floor and Décor** (+1%) reported earnings in February. The company reported weaker than expected revenues but stronger than anticipated earnings. The gross profit margin was better than expected as supply chain costs and congestion eased. Guidance for 2023 came in slightly weaker than expected. However, given the muted home sales environment in the US due to rising interest rates, it wasn't that surprising. Floor and Décor continue to take market share and grow store count quickly which will continue in 2023. Store count is expected to grow by another 32 to 35, on top of the current 191 store base.

**Meta** (+17%) reported earnings in February. Management reduced 2023 expenditure guidance and announced an extra US\$40bn of share repurchases, which is equivalent to circa 9% of Meta's market capitalisation. It was good to see the clear focus on cost discipline. And the increased buybacks show confidence in the long-term value offered by the shares currently. Meta has 3.7bn monthly active users across its four apps (Facebook, Messenger, Instagram, and WhatsApp), up +4% compared to the prior year.

<sup>1</sup> Share Price Premium 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).

**PayPal** (-10%) reported results in February. New account adds and revenues were weaker than expected given continued post-pandemic e-commerce normalisation and increasing competition. PayPal increased capital returns to shareholders through share buybacks. 2023 is off to a stronger start than expected indicating PayPal is gaining market share, particularly when merchants are implementing PayPal's latest payment checkout technology. We reduced our target weighting in PayPal in recent months as the industry has become more competitive.

### Portfolio Changes

There were no substantive changes to the portfolio in the month.



Sam Dickie  
**Senior Portfolio Manager**  
**Fisher Funds Management Limited**



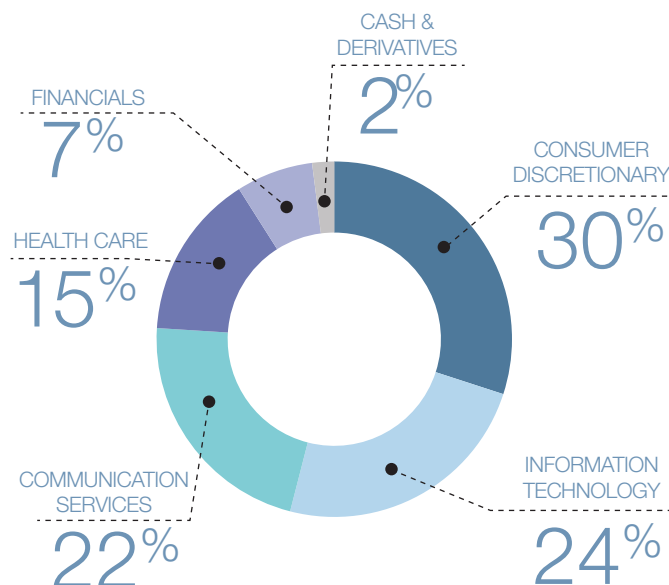
## KEY DETAILS

as at 28 February 2023

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	\$1.13
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	204m
MARKET CAPITALISATION	\$191m
GEARING	None (maximum permitted 20% of gross asset value)

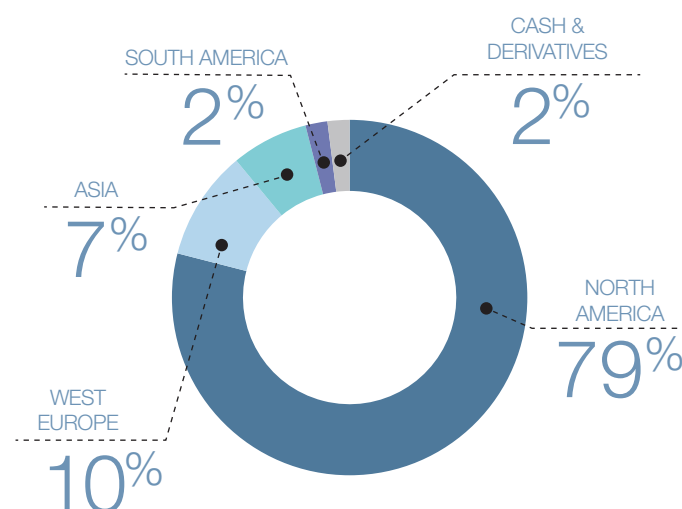
## SECTOR SPLIT

as at 28 February 2023



## GEOGRAPHICAL SPLIT

as at 28 February 2023



# FEBRUARY'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO during the month

META PLATFORMS

+17%

FIRST REPUBLIC BANK  
SAN FRANCISCO

-13%

ALIBABA GROUP

-20%

MEITUAN

-22%

STONECO

-24%

## 5 LARGEST PORTFOLIO POSITIONS as at 28 February 2023

META PLATFORMS

8%

AMAZON

8%

ALPHABET

7%

FLOOR & DECOR

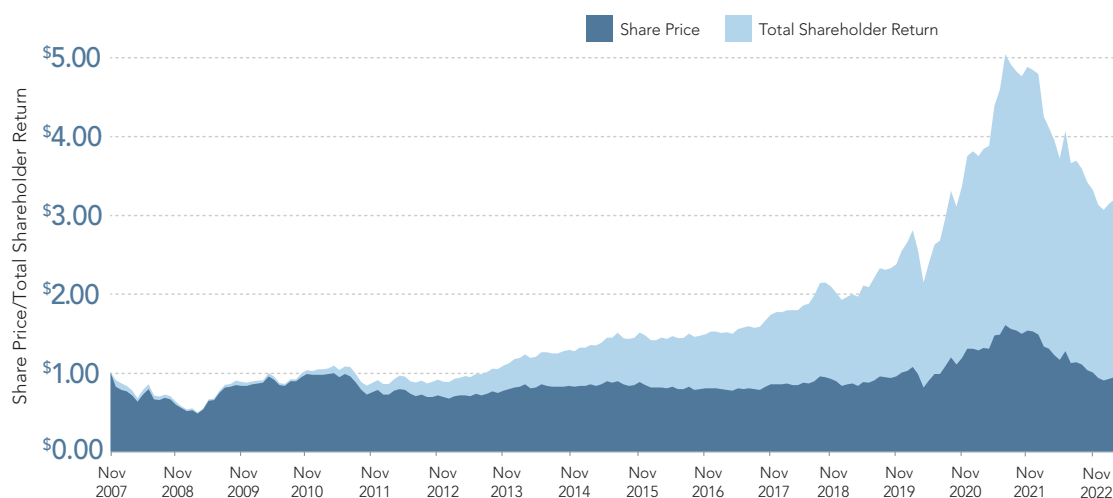
7%

ICON

5%

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

## TOTAL SHAREHOLDER RETURN to 28 February 2023



## PERFORMANCE to 28 February 2023

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
<b>Company Performance</b>					
Total Shareholder Return	+1.9%	+2.5%	(22.2%)	+7.8%	+12.3%
Adjusted NAV Return	(1.8%)	+3.1%	(13.4%)	+4.6%	+7.5%
<b>Portfolio Performance</b>					
Gross Performance Return	(2.2%)	+3.6%	(12.3%)	+7.7%	+10.2%
Benchmark Index <sup>^</sup>	(0.6%)	+1.6%	(2.4%)	+8.8%	+6.8%

<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 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 <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. Sam Dickie (Senior Portfolio Manager), Chris Waters (Senior Investment Analyst), and Lily Zhuang and Daniel Moser (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

- » Marlin announced a new issue of warrants (MLNWF) on 18 October 2022
- » Information pertaining to the warrants was mailed/emailed to all shareholders on 25 October 2022
- » The warrants were issued at no cost to eligible shareholders in the ratio of one warrant for every four Marlin shares held based on the record date of 2 November 2022
- » The warrants were allotted to shareholders on 3 November 2022 and listed on the NZX Main Board from 4 November 2022
- » The Exercise Price of each warrant is \$0.99, 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 new warrants is 10 November 2023

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  
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  
Email: [enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz) | [www.computershare.com/nz](http://www.computershare.com/nz)