

Monthly Update

August 2018

MLN NAV	SHARE PRICE	WARRANT PRICE	DISCOUNT ¹
\$1.03	\$0.89	\$0.08	11.3%

as at 31 July 2018



A word from the Manager

Market Overview

Global markets continued their strong run in July despite some jitters in the technology sector towards the end of the month. The MSCI World Index climbed 3.1%, supported by the US S&P 500 Index (+3.6%) which was lifted by a solid start to US earnings season. European markets also gained significant ground (Stoxx 600 Index +3.1%) and emerging markets posted modest gains (MSCI Emerging Markets Index +1.2%).

The change in fortunes of the US technology sector during the month was a focal point. The tech heavy Nasdaq 100 Index (home to Apple, Amazon and Microsoft) started the month strongly, gaining almost 6% and hitting a new all-time high at one point during July. However, disappointing earnings results late in the month from a handful of large-cap tech companies like Netflix and Facebook caused the market to sell off and the Nasdaq to close the month up just 2.2%. This late weakness in tech stocks, combined with strong US economic growth data (4.1% GDP growth reported), what appeared to be a temporary truce in the ongoing trade war, and increasing interest rates created a favourable environment for cyclical stocks. This caused US industrial companies (+7%) and banks (+5%) to outperform tech stocks (+2%) by the widest margin since President Trump was elected in 2016.

Portfolio Developments

Reporting season was a mixed bag for the Marlin portfolio in July, with solid results from **Alphabet**, **Expedia** and **United Parcel Service** unable to offset disappointing results from **eBay**, **Facebook** and **Signature Bank**.

On the positive side of the ledger, **Alphabet** (+9%) reported 23% revenue growth in the second quarter, calling out strong mobile search growth, YouTube and an inflection as its cloud computing business. It was also pleasing to see limited impact on advertising so far from new European data protection regulations (GDPR).

Expedia (+11%) posted a quarterly earnings result that surpassed market expectations as the company was able to leverage very healthy revenue growth of 11% into underlying earnings growth of 18%. The market had been concerned recently about Expedia's dependence on expensive digital advertising channels for customer acquisition, but this result helped allay these fears by showing strong bookings growth despite pulling back on marketing spend.

United Parcel Service (+13%) grew earnings 23% versus the prior year, aided by 10% revenue growth and the recently enacted US tax cuts. The strong economy is clearly benefiting United Parcel Service's delivery volumes and the company is actively exploring ways to increase automation and add capacity so it can continue to capitalise on growing e-commerce parcel volumes.

On the negative side of the ledger, **eBay's** (-8%) quarterly result was slightly disappointing, with revenue growth of 9% coming in lower than expectations. In our opinion the big picture has not changed. We believe eBay should still grow earnings by over 10% per annum, with potential upside by better monetising advertising space on its website and capturing a greater share of customer wallets by in-sourcing payment services from PayPal.

Signature Bank's (-14%) share price fell in July as its results showed that recent rate hikes by the US Federal Reserve are compressing its net interest margin (the spread between what it receives on loans and pays on deposits). While a strong economic environment has allowed it to grow its loan book by 12% over the last year, increasing funding costs restricted growth in its net interest income to 4.5%. While the result is disappointing, we are pleased with both the growth and credit quality of Signature Bank's loan book, which we believe will ultimately allow for stronger earnings growth as the Federal Reserve tightening cycle slows.

Facebook (-11%) received a lot of publicity late in July. The significant fall in the company's share price came after announcing it would need to hire more staff and

increase spending on security, data protection and content moderation. These investments are aimed at reducing the spread of fake news, eliminating election interference, and also providing users with tools to control how personal data is used for advertising. The scale of these investments caught the market by surprise and management's margin targets are lower than we would have liked. That said, if these investments ultimately increase trust and engagement by Facebook's community of 2.5 billion users, then this spending will help the company maximise the long-term value of its various platforms (Facebook, Instagram, Messenger and WhatsApp). It is important to put the disappointing guidance in context: Facebook announced advertising revenues that grew over 40%, global user growth of 11%, and a 31% growth in earnings. Facebook owns two of the largest media assets in

the world (Facebook and Instagram), to which advertisers are allocating an increasing share of their advertising budgets. Despite the slowdown in growth, Facebook is still expected to generate more than 20% per annum growth in revenue and earnings over the next few years.



Ashley Gardyne
Senior Portfolio Manager
Fisher Funds Management Limited



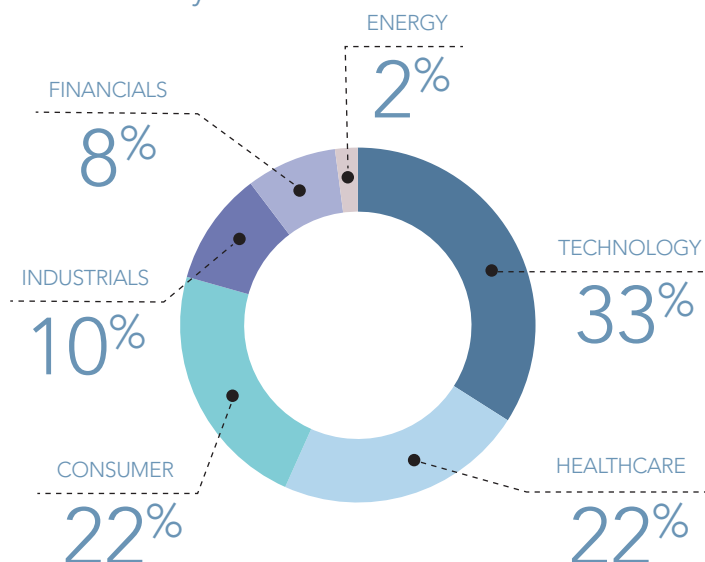
Key Details

as at 31 July 2018

FUND TYPE	Listed Investment Company
INVESTS IN	Growing international companies
LISTING DATE	1 November 2007
FINANCIAL YEAR END	30 June
TYPICAL PORTFOLIO SIZE	25-35 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	15% of returns in excess of benchmark and high water mark
HIGH WATER MARK	\$1.02
SHARES ON ISSUE	119m
MARKET CAPITALISATION	\$106m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

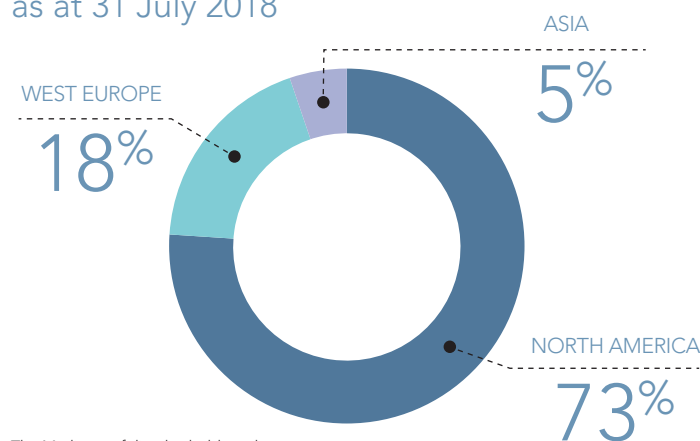
as at 31 July 2018



The Marlin portfolio also holds cash.

Geographical Split

as at 31 July 2018



The Marlin portfolio also holds cash.

July's Biggest Movers in local currency terms

Typically the Marlin portfolio will be invested 90% or more in equities.

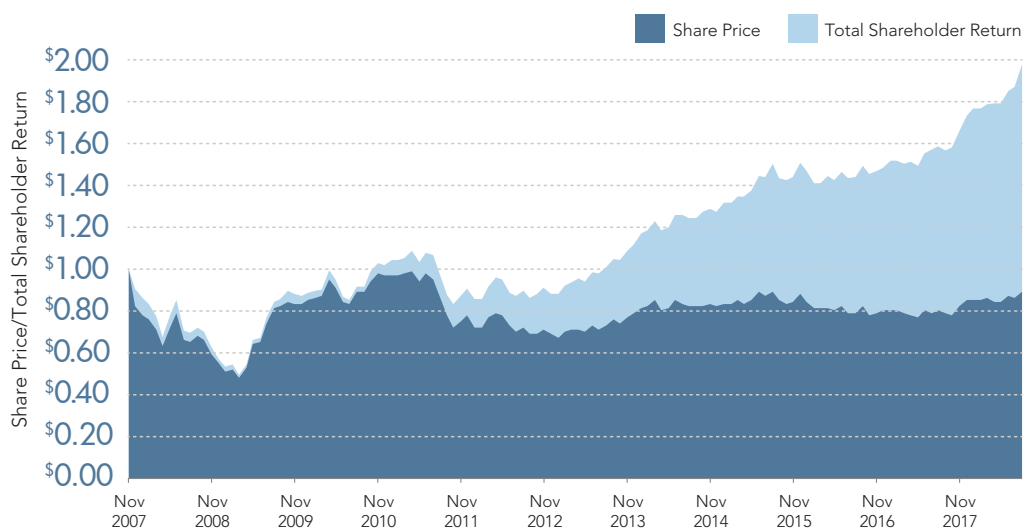
UNITED PARCEL SERVICE +13%	EXPEDIA +11%	CORE LABORATORIES -11%	FACEBOOK -11%	SIGNATURE BANK -14%
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5 Largest Portfolio Positions as at 31 July 2018

ALPHABET 8%	TJX COMPANIES 6%	PAYPAL 5%	ESSILOR 5%	ALIBABA 5%
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The remaining portfolio is made up of another 20 stocks and cash.

Total Shareholder Return to 31 July 2018



Performance to 31 July 2018

	1 Month	3 Months	1 Year	3 Years (annualised)	Since Inception (annualised)
Corporate Performance					
Total Shareholder Return	+4.0%	+10.8%	+24.8%	+9.6%	+6.6%
Adjusted NAV Return	+0.8%	+5.7%	+22.7%	+8.8%	+7.0%
Manager Performance					
Gross Performance Return	+1.1%	+6.9%	+25.9%	+12.7%	+10.7%
Benchmark Index [^]	+1.8%	+4.9%	+18.2%	+10.1%	+8.0%

[^]Benchmark index: World Small Cap Gross Index until 30 October 2015 & S&P Large Mid Cap/S&P Small Cap Index (50% hedged to NZD) from 1 October 2015

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 fees and tax,
- » adjusted NAV return – the net return to an investor after fees and tax,
- » gross performance return – the Manager's portfolio performance in terms of stock selection and hedging of currency movements, and
- » total shareholder return – the return to an investor who reinvests their dividends, and if in the money, exercises their warrants at warrant maturity date for additional shares.

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 25 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

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 Manager has authority delegated to it from the Board to invest according to the Management Agreement and other written policies. The Board of Marlin comprises independent directors Alistair Ryan (Chair), Carol Campbell and Andy Coupe; and non-independent director Carmel Fisher.

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 up to 5.9m of its shares on market in the year to 31 October 2018
- » 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 16 April 2018, a new issue of warrants (MLNWC) was announced
- » The warrants were issued at no cost to eligible shareholders and in the ratio of one warrant for every four Marlin shares held
- » Exercise Price = \$0.83 per warrant, to be adjusted down for dividends declared during the period up to the Exercise Date
- » Exercise Date = 12 April **2019**
- » The final Exercise Price will be announced and an Exercise Form will be posted to warrant holders in March **2019**

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 an authorised 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 may have no correlation with results historically achieved.