

Monthly Update

June 2017

MLN NAV

\$0.93

SHARE PRICE

\$0.80

DISCOUNT

13.6%

as at 31 May 2017



Crying wolf

A 'seminal' decision by an Australian fund manager last month to exit his investments and return funds to clients caused ripples amongst retail investors and competing fund managers. Altair Asset Management chair Philip Parker announced his firm was liquidating all portfolios, reportedly returning millions of dollars to clients, and revisiting markets in six to twelve months' time, after what he believes will be a major share market and property correction in Australia.

When given the choice, apparently 95 percent of Altair's clients chose to be paid out in cash. Mind you, who wouldn't be tempted after being warned of dire market conditions similar to the housing calamity of the late eighties and early nineties? Some media comments suggested the Fund's lackluster performance might have contributed to Parker's clients wanting out.

Parker cited a number of factors that led to his decision to exit the Australian share market including "the Australian east coast property market bubble, China property and debt issues, the overvalued Australian share markets, oversized geopolitical risks and an unpredictable US political environment".

Other fund managers were critical of Altair's move arguing the role of a fund manager is to manage client assets in good times and bad. Several also suggested the risks cited by Parker had prevailed for a long time yet smart investors had found ways to make money, and that an overheated property market had little direct relevance for individual listed companies.

Whether Altair's 'sell everything' call is clever or reckless will only be known in time.

Having managed client assets in tricky market conditions and at times where good buying opportunities were thin on the ground, I can fully understand the temptation to cash up and lock in previous gains.

However I also know how dangerous it is to believe we can accurately and consistently pinpoint the right time to enter and exit markets or individual investments. In our portfolios we have from time to time sold too early or too late, been fully invested when a cash buffer would have been preferable, and had too much cash in a rising market.

Often the most damaging aspect of a sell call is the reverse; recognising when it is time to buy back in. Investors can sometimes enjoy the short-term rewards of cashing up but then miss out on subsequent and significant gains over the longer-term.

Economic, political and market risks certainly feel bigger and harder to manage today than they did say five years ago, when central banks and governments were largely in synch in their efforts to achieve an orderly global economic recovery.

But arguably the risks feel more onerous simply because we hear about them so often; it's not like the risks have changed significantly.

We've heard about China's hard landing for years; politicians are forever changing seats; the pace of economic growth is never constant; left-field events often throw markets into turmoil momentarily and asset bubbles appear reasonably frequently but often deflate before bursting or doing any real damage.

Is the current environment one that warrants a 'sell everything' approach? We think not, and trust that time will again prove us correct.

Carmel Fisher
Director,
Marlin Global Limited



Key Details

as at 31 May 2017

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	\$0.82 per share
SHARES ON ISSUE	118m
MARKET CAPITALISATION	\$94m
GEARING	None (maximum permitted 20% of gross asset value)

Performance

to 31 May 2017

	1 Month	3 Months	1 Year	3 Years (accumulated)	Since Inception (accumulated)
MLN Adjusted NAV*	+1.5%	+11.2%	+12.7%	+25.2%	+68.9%
Total Shareholder Return*	+3.9%	+3.5%	+6.2%	+23.3%	+55.1%
Gross Performance [^]	+2.2%	+13.5%	+18.3%	+40.3%	+136.0%
Benchmark Index ^{^^}	(0.4%)	+5.1%	+15.7%	+53.0%	+93.1%

[^] Gross of fees and tax and adjusting for capital management initiatives

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

*Definitions of non-GAAP measures:

Adjusted Net Asset Value (Adjusted NAV)

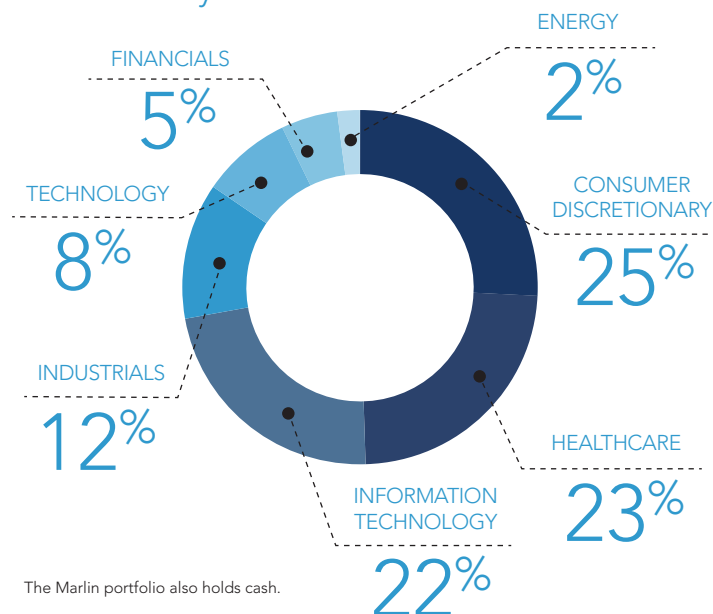
The adjusted NAV per share represents the total assets of Marlin Global (investments and cash) minus any liabilities (expenses and tax), divided by the number of shares on issue. It adds back dividends paid to shareholders and adjusts for:

- » the impact of shares issued under the dividend reinvestment plan at the discounted reinvestment price;
- » shares bought on-market (share buybacks) at a price different to the NAV, and;
- » warrants exercised at a price different to the NAV at the time exercised.

Adjusted NAV assumes all dividends are reinvested in the company's dividend reinvestment plan and excludes imputation credits.

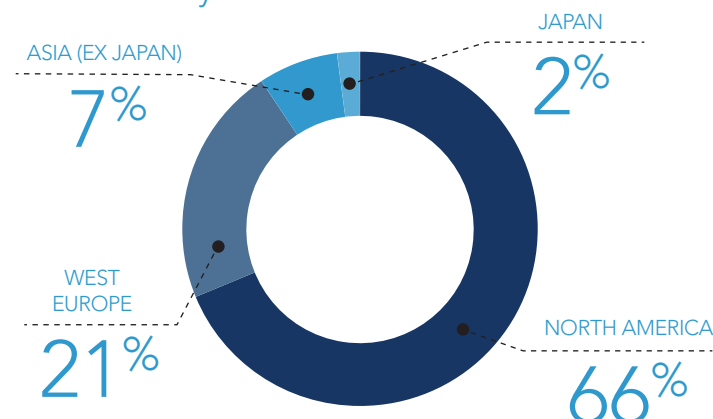
Sector Split

as at 31 May 2017



Geographical Split

as at 31 May 2017



The directors believe this metric to be useful as it reflects the underlying performance of the investment portfolio adjusted for dividends, share buybacks and warrants, which are capital allocation decisions and not a reflection of the portfolio's performance.

Total Shareholder Return (TSR)

The TSR combines the share price performance, the warrant price performance (when warrants are on issue), the net value of converting warrants into shares and dividends paid to shareholders.

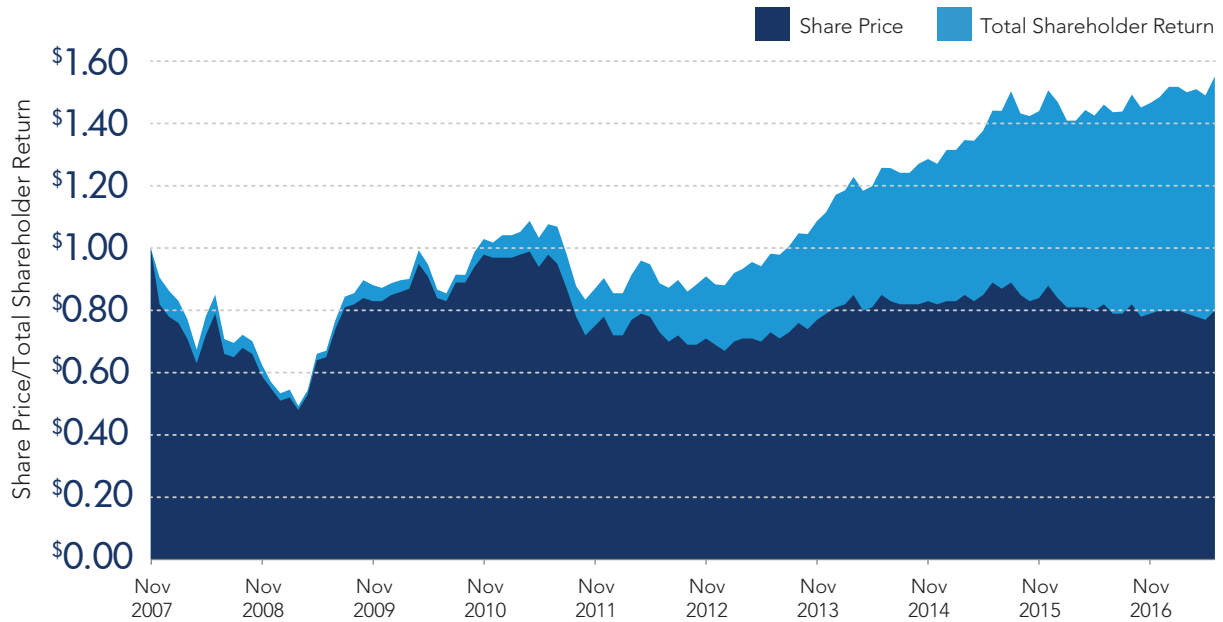
TSR assumes:

- » all dividends paid are reinvested in the company's dividend reinvestment plan at the discounted reinvestment price and exclude imputation credits, and;
- » all shareholders that have received warrants (for free), have subsequently exercised their warrants at the warrant expiry date and bought shares (if they were in the money).

The directors believe this metric to be useful as it reflects the return of an investor who reinvests their dividends and, if in the money, exercises their warrants at warrant maturity date for additional shares. No metric has been included for investors who choose other investment options.

Total Shareholder Return

to 31 May 2017



May's Biggest Movers in local currency terms

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

WILLIAM DEMANT

+11%

ICON

+8%

COGNIZANT TECHNOLOGY SOLUTIONS

+8%

CORE LABORATORIES

-11%

SARINE TECHNOLOGIES

-11%

5 Largest Portfolio Positions

as at 31 May 2017

ALPHABET

6%

PAYPAL

6%

MASTERCARD

5%

ALIBABA GROUP

5%

LKQ CORPORATION

4%

The remaining portfolio is made up of another 24 stocks and cash.

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), Frank Jasper (Senior Investment Analyst) and Chris Waters (Senior Investment Analyst) have prime responsibility for managing the Marlin portfolio. Together they have 50 years 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
- » This policy is well received by shareholders as it provides an attractive and regular return that is referable to the NAV
- » 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 5.7m of its shares on market in the year to 31 October 2017
- » 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, improve liquidity, 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 warrants on issue

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.