

Monthly Update

May 2018

MLN NAV	SHARE PRICE	DISCOUNT
\$0.99	\$0.84	15.2%

as at 30 April 2018



A word from the Manager

Volatility subsided in April and markets gained, with investors focusing on the start of a strong corporate earnings season in the US and less on trade war headlines.

So far it has been a blockbuster earnings season in the US, with earnings per share for the market (S&P 500) on track to grow more than 20% on the prior year. While part of this earnings growth has been driven by the Trump Administration tax cuts, underlying revenue growth of 10% for companies that have reported is solid and ahead of the 7% growth expected.

What is also evident from following recent corporate results is a pick-up in inflationary pressures. Companies have referenced significant wage inflation and pointed to increasing oil and freight costs as factors impacting their businesses. While there is some concern that these costs could crimp corporate profit margins, at this stage strong revenue growth is allowing companies to offset these pressures.

For April, the Marlin portfolio was up 1.4%, behind our global benchmark¹ which was up 2.5%.

Facebook: from likes to shares

We added **Facebook** to the portfolio in April. Facebook owns four of the most dominant social networking and messaging platforms in the world (Facebook, Instagram, Messenger and WhatsApp) and has an unparalleled ability to deliver an audience of over 2 billion users to advertisers.

The average US user spends over an hour a day on Facebook and Instagram combined. I recently installed an app to track how much time I spend on my smartphone. I was hopeful the app would prove I didn't spend that much time looking at my mobile screen, but unfortunately I failed miserably – it turns out I'm on my phone anywhere from one to two hours a day!

While our smartphone addictions may not be great news for our employers, TV networks or even family members trying to get our attention – our increasing mobile usage is great for Facebook's advertising revenue – and marketers savvy enough to use their ad platform.

Facebook's treasure trove of data on users means that they not only know your age, gender and location, but they also know your hobbies, who you are friends with, and what you do and don't like. This data means Facebook can offer advertisers a level of targeting like no one else, and when combined with Facebook's huge reach should allow Facebook to capture a significant share of advertising budgets as they move online.

We have been following Facebook for some time – it is a high quality growth company with a great business model and a long runway for growth. However, we were waiting on the sidelines for an attractive buying opportunity. The recent scrutiny of Facebook following the Cambridge Analytica data breach caused the Facebook share price to recede, and we believe this has created an opportunity for Facebook investors to purchase the stock at a very attractive valuation.

While we don't take the regulatory risks facing Facebook lightly, we believe management will do what is necessary to restore user trust. We believe the scandal itself will have limited impact on the number of Facebook users as consumers' mobile usage and social media habits are now well entrenched. Facebook has become a primary way for people to communicate, follow developments with friends and family, and to build new relationships. It has also become a store of our memories and photographs. In the modern world, most users are now comfortable sharing some of their data (and being shown targeted adverts) in exchange for access to these social platforms.

In our opinion, new regulations in the sector that make it harder to share user data (along the lines of GDPR in Europe) are likely to simply entrench the competitive advantage of companies like Facebook and Google who already have this data. While it is still early days, Facebook's first set of results since our investment have shown strong profit growth and increasing user numbers - with the addition of 70 million monthly active users globally in the first quarter.

The addition of Facebook was funded through our exit of **Amazon**. The decision to exit Amazon was a difficult one as we admire Amazon, its founder Jeff Bezos, and the wide

moats it is building around its retail and cloud businesses. However, the share price has more than doubled since we invested nearly two years ago and we believe the market is getting ahead of itself. Specifically, investors may be overly optimistic about the margin levels Amazon can ultimately achieve in its retail business, particularly given future retail growth will become increasingly dependent on loss-making international markets and on less profitable categories (like grocery). Amazon appears priced to perfection, with little room for hiccups.



Ashley Gardyne
Senior Portfolio Manager
Fisher Funds



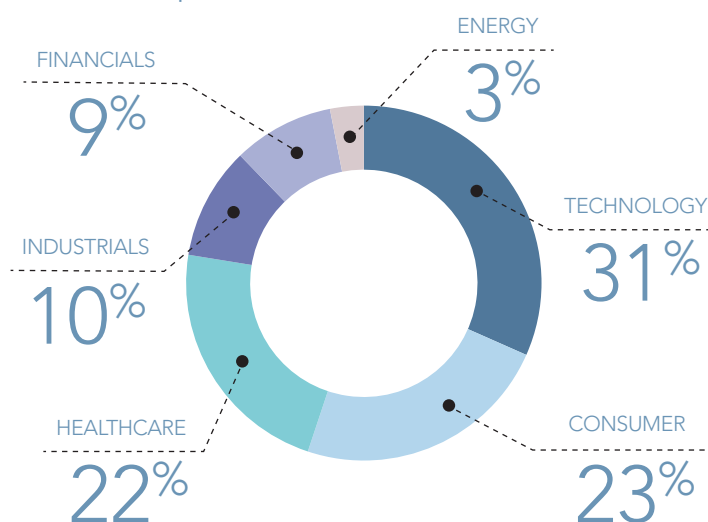
Key Details

as at 30 April 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	\$0.85
SHARES ON ISSUE	118m
MARKET CAPITALISATION	\$99m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

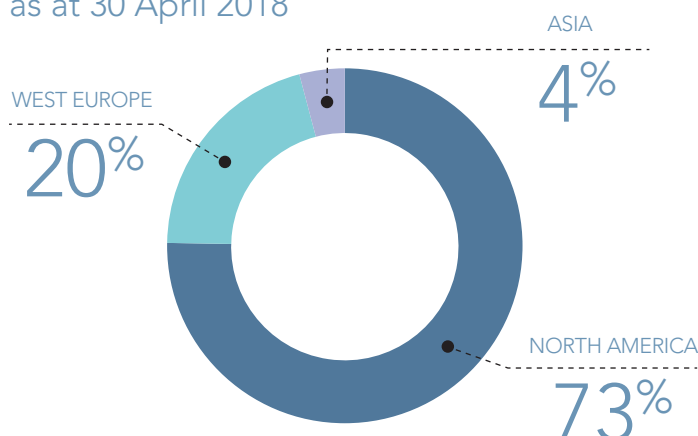
as at 30 April 2018



The Marlin portfolio also holds cash.

Geographical Split

as at 30 April 2018



April's Biggest Movers in local currency terms

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

CORE LABORATORIES

+14%

UNITED PARCEL SERVICE

+8%

EDWARDS LIFESCIENCES

-9%

SIGNATURE BANK

-10%

LKQ CORPORATION

-18%

5 Largest Portfolio Positions as at 30 April 2018

ALPHABET

7%

PAYPAL

5%

MASTERCARD

5%

FRESENIUS MEDICAL CARE

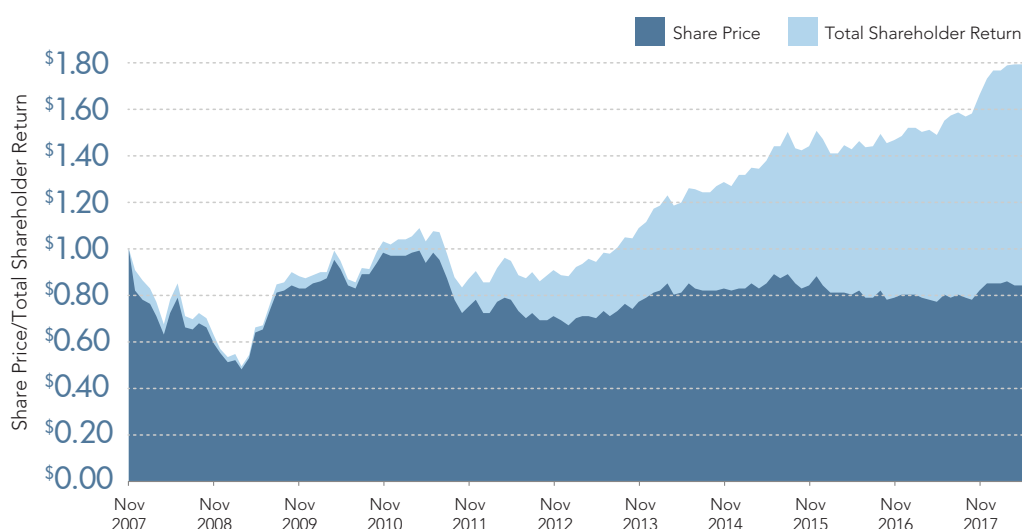
5%

ESSILOR

5%

The remaining portfolio is made up of another 20 stocks and cash.

Total Shareholder Return to 30 April 2018



Performance to 30 April 2018

	1 Month	3 Months	1 Year	3 Years (annualised)	Since Inception (annualised)
Corporate Performance					
Total Shareholder Return	+0.0%	+1.2%	+19.6%	+9.1%	+5.7%
Adjusted NAV Return	+1.3%	+1.2%	+17.5%	+11.5%	+6.6%
Manager Performance					
Gross Performance Return	+1.4%	+0.3%	+20.9%	+15.5%	+10.3%
Benchmark Index [^]	+2.5%	(1.3%)	+12.5%	+13.8%	+7.7%

[^]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

Non-GAAP Financial Information

Marlin uses non-GAAP measures, including adjusted net asset value, 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,
- » 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, 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.