

Monthly Update

October 2017

MLN NAV	SHARE PRICE	DISCOUNT
\$0.93	\$0.78	16.2%
as at 30 September 2017		



A word from the Manager – Quality Pays

Fisher Funds' Chief Investment Officer, Frank Jasper explains what 'quality' means when looking to invest.

We talk a lot about "quality" when we consider potential investments for the Marlin portfolio. The idea of quality is central to the STEEPP investment process which is the lens we use whenever we look at a company.

One of the most important measures of a company's quality are the returns that it is able to generate on each dollar that it invests on behalf of shareholders. This is common sense. If a company can earn a 15% return on every dollar invested versus another company that only earns 5%, it is pretty obvious that the company generating the 15% return is a higher quality company.

While this may be obvious, it understates just how important high returns on invested capital are to creating future value for shareholders.

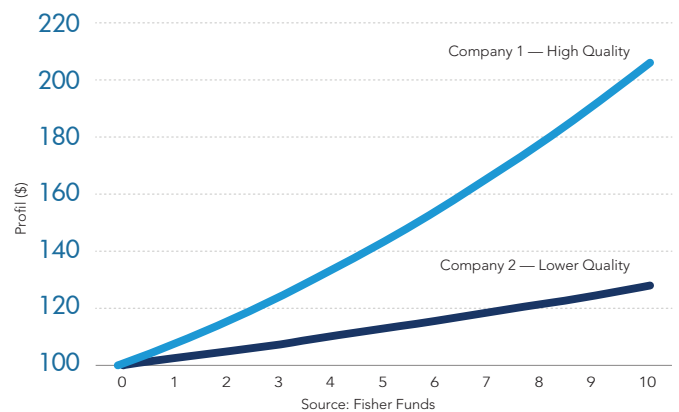
Let's imagine two companies. Both of our mythical companies earn \$100 profit this year. Typically a company would pay some of these profits out as dividends and retain some of these profits to fuel future growth.

For our example let's assume that half of all profits are paid out. Let's go one step further and assume one of our companies, Company 1, is high quality and generates a 15% return on every dollar invested. The other company, Company 2, is a lower quality company which has a 5% return on invested capital.

As Warren Buffett says "time is the friend of the wonderful company and the enemy of the mediocre." The idea is aptly demonstrated by our two mythical companies. Company 1 generates strong returns on every dollar of capital it retains. These higher returns mean more profits over time. Company 1 is able to grow future profits rapidly. Company 2, the poorer quality company, grows future profits at a much slower clip.

The difference is stark. In our example, using our assumption of a consistent rate of return on invested capital and a 50% dividend pay out, the profits of Company 1 more than double over the next ten years. Comparatively, profits for the lower quality Company 2, rise only 28% over the same time.

Quality pays — Profits over time



It's pretty clear which of these two companies you would want to own. Quality really does pay off in the long run and it's these quality companies that we seek to include in the Marlin portfolio.

Frank Jasper
Chief Investment Officer,
Fisher Funds



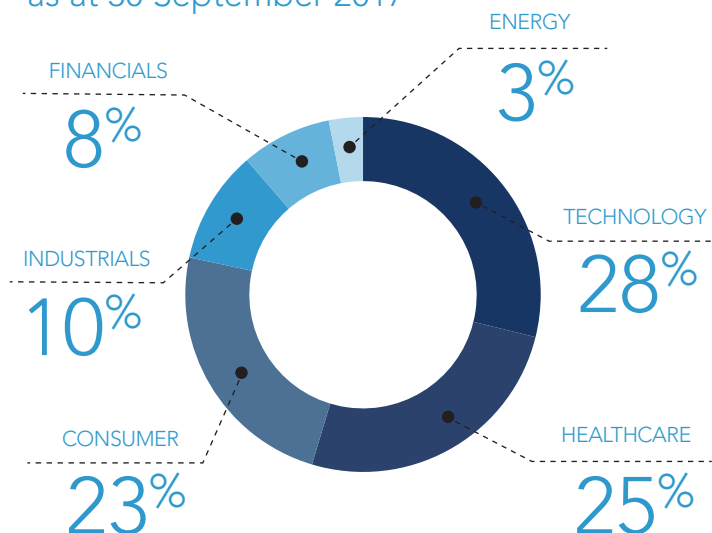
Key Details

as at 30 September 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	\$0.87
SHARES ON ISSUE	119m
MARKET CAPITALISATION	\$93m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

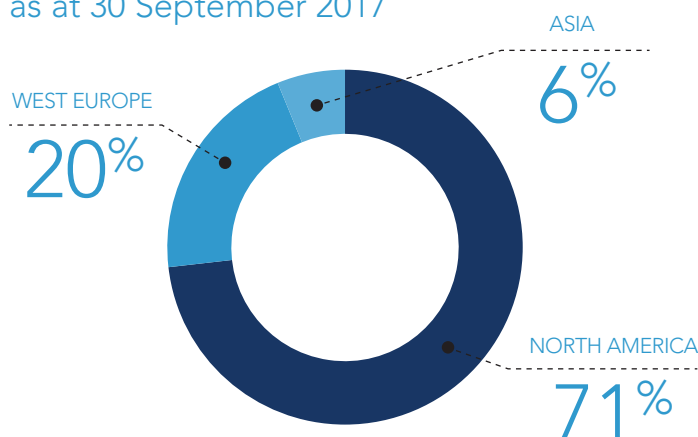
as at 30 September 2017



The Marlin portfolio also holds cash.

Geographical Split

as at 30 September 2017



Performance

to 30 September 2017

	1 Month	3 Months	1 Year	3 Years (accumulated)	Since Inception (accumulated)
Corporate Performance					
MLN Adjusted NAV	+0.7%	+6.2%	+17.7%	+29.6%	+76.9%
Total Shareholder Return	+1.1%	+1.1%	+9.4%	+24.6%	+58.3%
Manager Performance					
Gross Performance	+1.2%	+7.0%	+23.0%	+45.3%	+149.5%
Benchmark Index [^]	+2.3%	+6.1%	+20.3%	+52.7%	+103.6%

[^]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

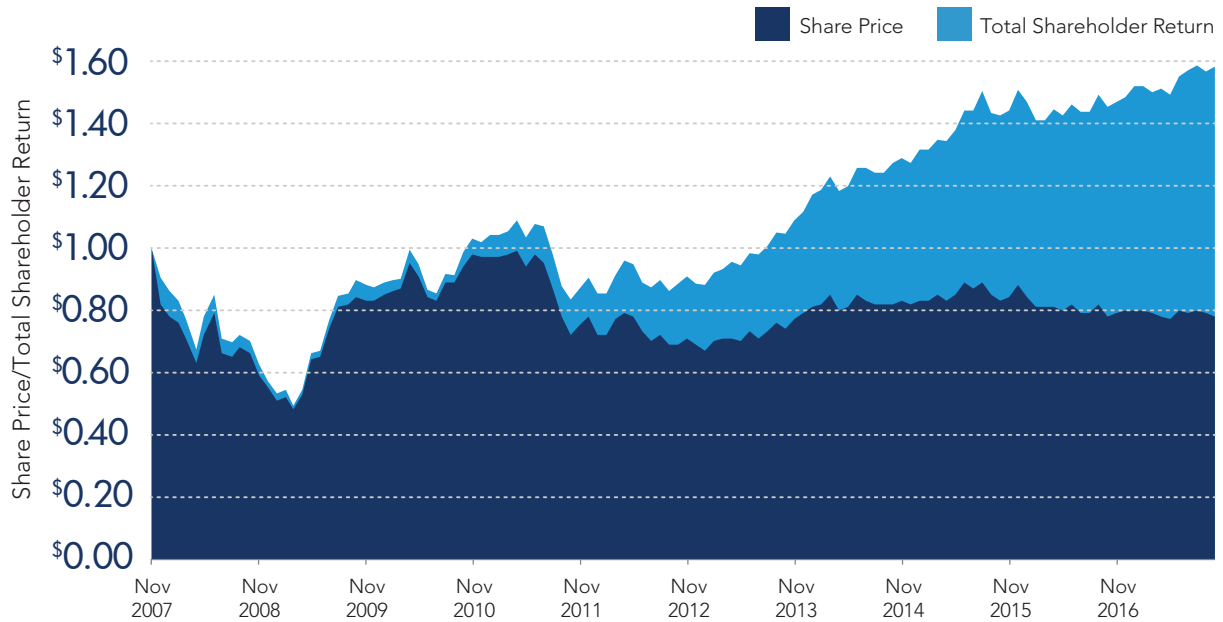
Marlin uses non-GAAP measures, including adjusted net asset value, gross performance return and total shareholder return. The rationale for using such non-GAAP measures is as follows:

- » 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 including 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 Global Non-GAAP Financial Information Policy. A copy of the policy is available at <http://marlin.co.nz/about-marlin/marlin-policies/>.

Total Shareholder Return

to 30 September 2017



September's Biggest Movers in local currency terms

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

CORE LABORATORIES +12%	BREMBO +9%	HEXCEL +7%	EBAY +6%	SARINE TECHNOLOGIES -16%
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5 Largest Portfolio Positions

as at 30 September 2017

PAYPAL 7%	ALPHABET 6%	MASTERCARD 5%	LKQ CORPORATION 5%	ALIBABA GROUP 4%
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The remaining portfolio is made up of another 22 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 (Chief Investment Officer) 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
- » 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.