

Monthly Update

September 2017

MLN NAV

\$0.94

SHARE PRICE

\$0.79

DISCOUNT

16.3%

as at 31 August 2017



A word from the Manager – numbers are only half the story

Remember the days of the old schoolyard. Exam results. Sweaty palms, a beating heart, the thrill of success, the worry of failure. For the Marlin investment team the “reporting season” has echoes of exam results. Reporting seasons is that time of the year when companies announce profit results for the past six months or, in the case of the United States, the past quarter.

When we invest in a company we develop a clear road map of where we think that company is heading. We look at this primarily from a strategic perspective. What is a company doing to beat its competition, how will it sell more goods and services and can it improve profit margins? The litmus test of strategy is profitability. A good strategy means over time a company earns higher profits and higher profits mean a higher share price and happy investors.

Reporting season is one of those litmus tests, it helps us assess if a company remains on the road to investment success or if things are beginning to stray. This is often a time that we make active changes to our portfolio.

While the media commentary on company results often looks at the headline numbers the real insights may be buried much deeper. Three companies that we own serve to illustrate this.

Hexcel, a leading supplier of carbon fibre composites to the aerospace industry, is a recent addition to the portfolio. Carbon fibre significantly reduces aircraft weight and fuel usage and is increasingly being used in new aircraft, including the Airbus A350 and Boeing 777. We believe increasing carbon per plane, combined with higher aircraft production due to global travel growth will drive steady revenue growth. Hexcel’s recent results showed a slight reduction in revenue as a result of temporary production delays by Airbus. Costs and capex have also been elevated recently as it ramps up production capacity to meet future carbon fibre demand. The share price fell 5% on the result, but in our opinion the delay does not impact Hexcel’s expected level of production, revenue or earnings in 2020, and we are comfortable with the path it is on. Patience will be rewarded in our view.

PayPal, one of the leading global payments platforms, has been a great success for the portfolio over the past year, rising 66%. While it’s never plain sailing PayPal looks to have put a number of investor concerns behind it. The worries had come in three for PayPal. Investors were concerned that Apple Pay would steal share, similarly the rollout of Android payment solutions was regarded as a material risk. Probably of more focus for us was PayPal’s fractious relationship with Visa and the chance that Visa could retaliate and impose higher costs on PayPal. These concerns, at least for now are resolved. PayPal has not lost meaningful share to either Apple or Android Pay, both of which has struggled to gain consumer relevance. In July 2016 PayPal signed an agreement with Visa ending competitive hostilities and opening up new opportunities for both Visa and PayPal to work together to the benefit of both. This all adds up to great profit results and a higher share price. Most importantly it demonstrates that being prepared to buy more shares during a time when investors are cautious can enhance returns.

Sometimes reporting season can be a chance to see if decisions we have already made were right. In May we exited our investment in US based telephone headset company Plantronics. The promise in investing in Plantronics was based on companies adopting “Unified Communications”, in short, moving away from traditional phones to using internet based telephony like Skype. While this is undoubtedly where the World is heading, we became cautious that the transition was happening very slowly. This fear was confirmed by a number of industry experts we spoke to in the United States. We exited Plantronics. The company just posted poor results and the stock fell 20%. Sometimes a dollar saved is just as important as a dollar earned.

Overall it was a good reporting season for Marlin, with more passes than fails. That said, where managing a portfolio is different than the old schoolyard is that we get to retake the exam over and over again. Each results season is a chance to actively manage our portfolio and to drive for even better results next time. Great results are the best way to slow that beating heart.

Frank Jasper,
Chief Investment Officer, Fisher Funds

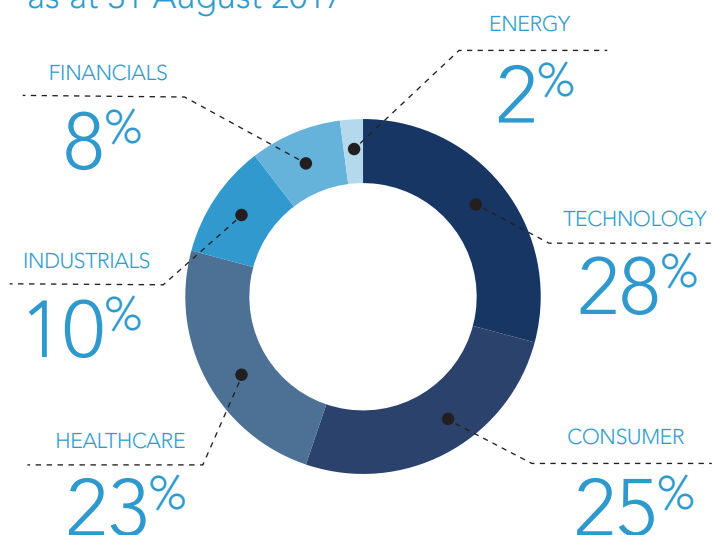
Key Details

as at 31 August 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	\$0.89
SHARES ON ISSUE	118m
MARKET CAPITALISATION	\$93m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

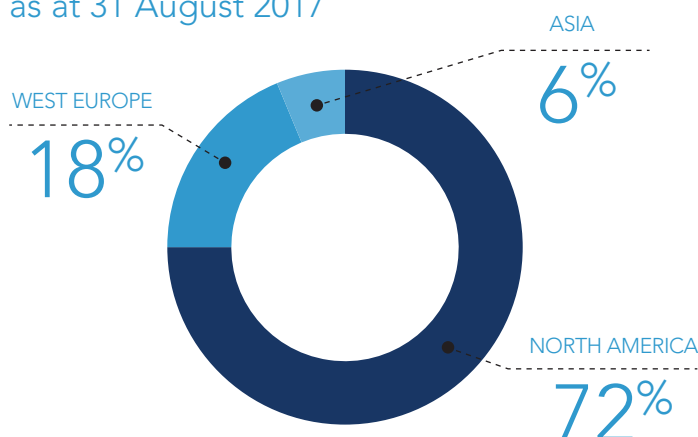
as at 31 August 2017



The Marlin portfolio also holds cash.

Geographical Split

as at 31 August 2017



Performance

to 31 August 2017

	1 Month	3 Months	1 Year	3 Years (accumulated)	Since Inception (accumulated)
Corporate Performance					
MLN Adjusted NAV	+4.3%	+4.0%	+17.1%	+32.6%	+75.7%
Total Shareholder Return	(1.2%)	+1.0%	+5.2%	+26.2%	+56.6%
Manager Performance					
Gross Performance	+4.1%	+4.5%	+22.1%	+48.4%	+146.5%
Benchmark Index [^]	+2.7%	+3.0%	+18.4%	+50.8%	+98.9%

[^]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

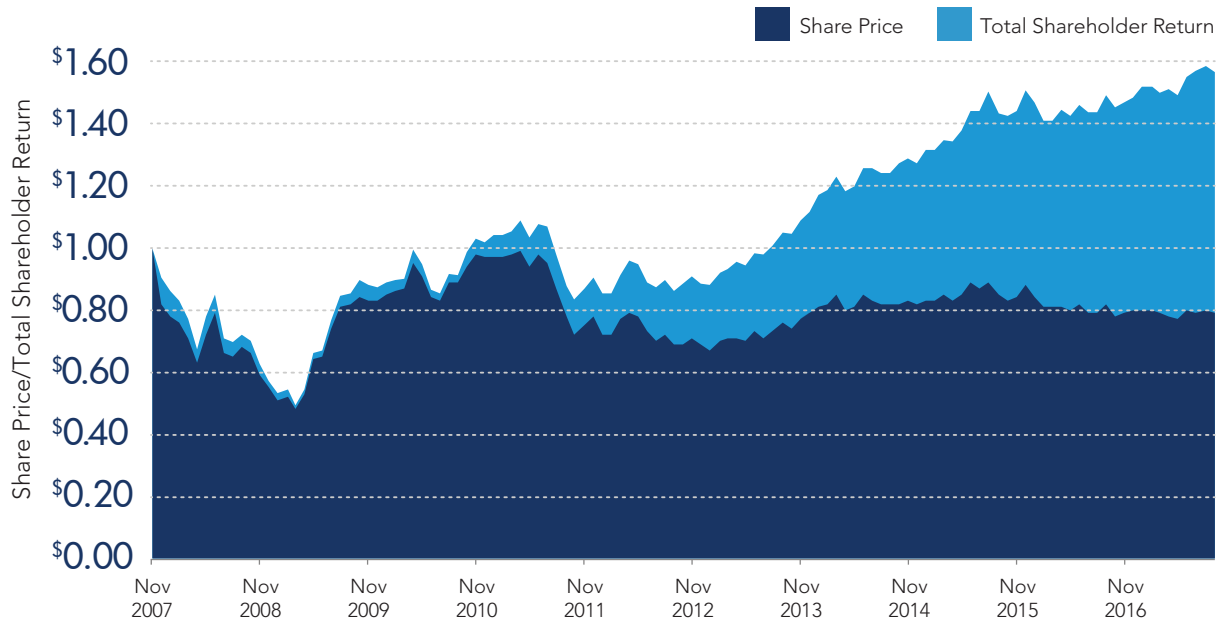
Marlin uses non-GAAP measures, including adjusted net asset value, gross performance return and total shareholder return. The rationale for using such non-GAAP measures is as follows:

- » 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 31 August 2017



August's Biggest Movers in local currency terms

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

DESCARTES SYSTEMS

+12%

ALIBABA GROUP

+11%

WORLDPAY

+10%

NIKE

-10%

CORE LABORATORIES

-12%

5 Largest Portfolio Positions

as at 31 August 2017

PAYPAL

6%

ALPHABET

6%

MASTERCARD

5%

ALIBABA GROUP

4%

LKQ CORPORATION

4%

The remaining portfolio is made up of another 23 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.