

Monthly Update

September 2018

MLN NAV	SHARE PRICE	WARRANT PRICE	DISCOUNT ¹
\$1.07	\$0.95	\$0.13	8.5%

as at 31 August 2018



A word from the Manager

Market Overview

For the first time in a number of months there was significant dispersion between the performance of equities in the US, Europe and emerging markets in August. The US market (S&P 500 Index +3.0%) was supported by a strong end to earning season, while the European market was hit by weak economic data (Stoxx 600 Index -2.4%). While the MSCI Emerging Markets Index closed the month down just 0.7%, it had been down 7% mid-month as the Turkish Lira plunged (on concerns around external debt levels and high inflation) and took the Indonesian, Mexican and South African currencies with it.

The 5% dispersion between the US and European markets broadly reflects the diverging economic fundamentals we are seeing in these markets. In the US we continue to see evidence of a strong consumer, which has been reflected in recent confidence surveys and consumer spending data. This strength was also seen during US reporting season, with stronger than expected results at US retailers like Walmart, Target, Best Buy, Dollar General and Lululemon. On the other hand, recent European data shows that growth in the Eurozone slowed to a two-year low in the June quarter. The deterioration in growth and falling European business confidence seem at least partially due to rising trade tensions with the US.

In August Marlin Global's gross performance return was up 4.5%, compared with our global benchmark which was up 2.9%.

Portfolio Developments

Two of the top contributors to performance in August were **TJX Companies** and adidas. TJX (+14%) produced a great set of quarterly results, with sales growing 12% on the prior year. This was driven by same store sales growth of 7% at the company's TJ Maxx and Marshalls stores, combined with new store openings. Customer traffic was strong in store and customer basket sizes ticked higher on strong apparel demand. While wage and

freight inflation continue to be a headwind for TJX (and US retailers generally), strong sales growth and share buybacks allowed TJX to grow underlying earnings per share by 16%.

adidas (+14%) reported solid second quarter results, with double digit revenue growth on the back of strong performances in the Chinese and US markets. While growth in Europe was lower than we would have liked, a strong pricing environment and recent cost saving initiatives saw operating profit margins expand and earnings per share grow 20% on the same period last year.

The two biggest drags on performance were Alibaba and Pandora. While **Alibaba** (-7%) was a drag on performance in August we attribute this largely to weak Chinese equity markets, with many Chinese technology companies down 5-10% during the month. Alibaba reported second quarter results during the month that showed 33% revenue growth in its core e-commerce business. Despite Alibaba's scale they are still growing customers rapidly, with 24% growth in customers over the last year. Alibaba's cloud computing business (the largest in China) grew 93% year-on-year and its video streaming business grew revenues 46%, supported by its live streaming of the FIFA World Cup in China. After significant investment these cloud and video streaming businesses are gaining scale and showing some long-term potential.

Pandora (-15%) is a company we added to the portfolio early this year and needless to say it has not performed as we expected. Pandora is one of the leading jewellery brands globally, both in terms of brand recognition and sales. When we first invested we thought the recent slowdown in Pandora's growth would prove transitory, and an increased cadence of new product launches (including its new rose gold and gold plated charms) would support sales. However, recent results have

been dragged down by slowing growth in China and weak like-for-like sales elsewhere in the globe. Its new collections seem to be having limited impact and it is now more apparent to us that despite management's best efforts, Pandora's profitability is unlikely to return to previous levels. As a result we have decided to exit our position in Pandora and we have taken some valuable lessons from this investment.



Ashley Gardyne
Senior Portfolio Manager
Fisher Funds Management Limited



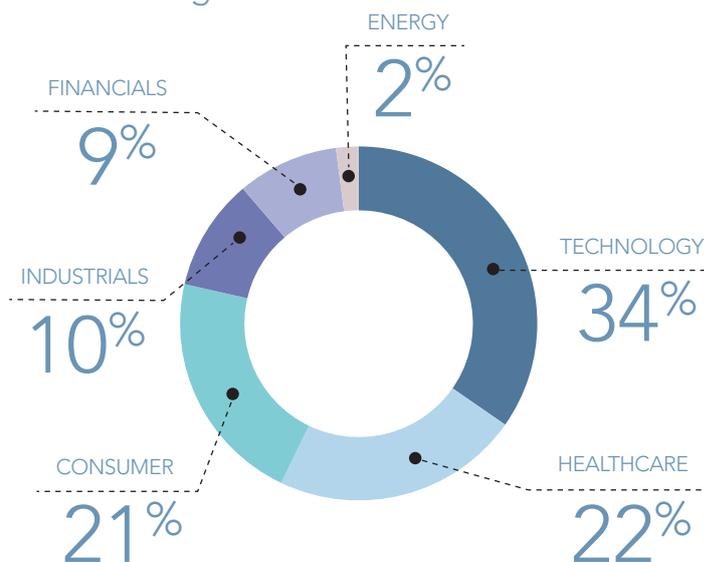
Key Details

as at 31 August 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	\$113m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

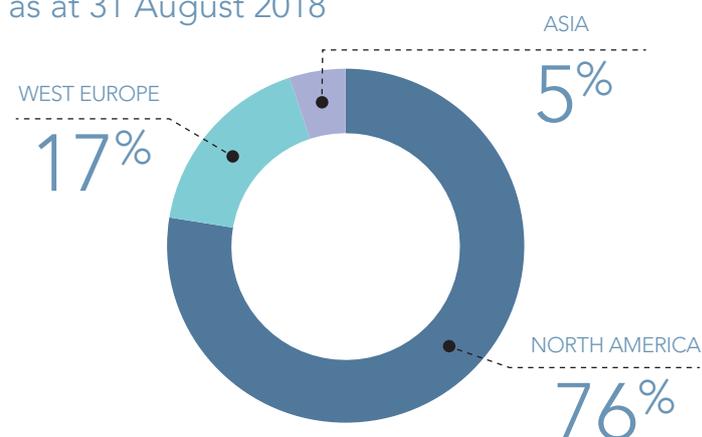
as at 31 August 2018



The Marlin portfolio also holds cash.

Geographical Split

as at 31 August 2018



The Marlin portfolio also holds cash.

August's Biggest Movers in local currency terms

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

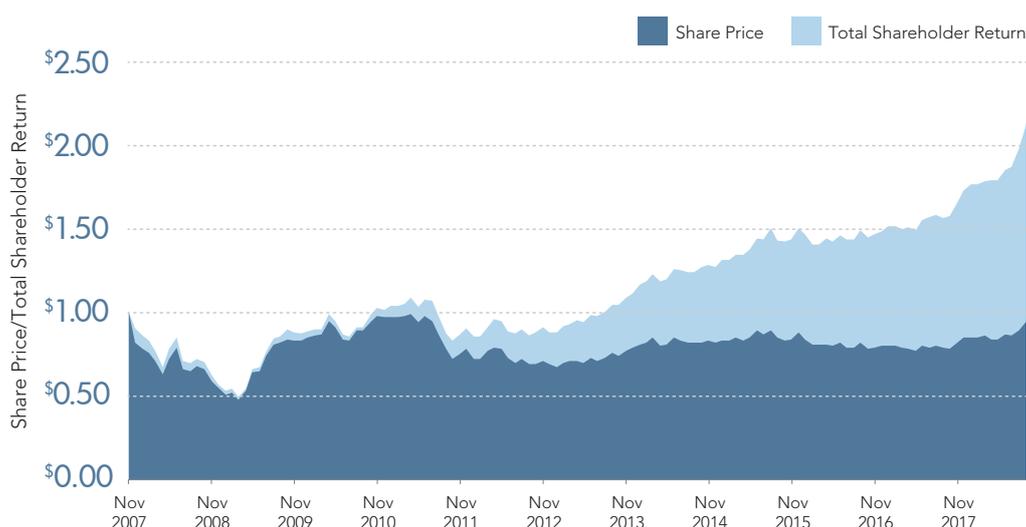
ADIDAS	TJX COMPANIES	PAYPAL	ALIBABA GROUP	PANDORA
+14%	+14%	+12%	-7%	-15%

5 Largest Portfolio Positions as at 31 August 2018

ALPHABET	PAYPAL	TJX COMPANIES	MASTERCARD	ALIBABA
8%	6%	6%	5%	5%

The remaining portfolio is made up of another 19 stocks and cash.

Total Shareholder Return to 31 August 2018



Performance to 31 August 2018

	1 Month	3 Months	1 Year	3 Years (annualised)	Since Inception (annualised)
Company Performance					
Total Shareholder Return	+7.8%	+13.8%	+36.2%	+14.2%	+7.2%
Adjusted NAV Return	+4.6%	+7.9%	+23.0%	+11.8%	+7.4%
Portfolio Performance					
Gross Performance Return	+4.5%	+8.5%	+26.4%	+15.8%	+11.1%
Benchmark Index [^]	+2.9%	+6.1%	+18.4%	+11.8%	+8.2%

[^]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, 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 currency hedging before fees and tax, 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.