

Quarter Update Newsletter

1 January 2017 — 31 March 2017

MLN NAV	SHARE PRICE	DISCOUNT
\$0.87	\$0.78	9.9%
as at 31 March 2017		



Marlin gross performance* rose by 8.5% during the quarter ended 31 March 2017, ahead of the benchmark^ at 5.9% for the same period.

Global equity markets continued their strong post-Trump rally, with all three major US market indices (S&P 500, Nasdaq and Dow Jones Industrial Average) and the UK's FTSE 100 Index hitting record highs during the quarter. Markets were supported by improving economic data and an uptick in corporate profit growth in the recent US earnings season. In the US, the unemployment rate fell to 4.7% and consumer confidence climbed to a level not seen since December 2000. Europe's economic recovery has been significantly slower than that of the US, but in recent months an improvement in the manufacturing sector and declining unemployment point to emerging green shoots.

Portfolio performance was supported by a relatively strong fourth quarter earnings season for our companies. **Alibaba** was the biggest contributor to performance, with its share price up 23% during the quarter. Alibaba's revenue grew 44% in the fourth quarter and its cloud computing customer base grew by over 100%. Infant formula producer, **Mead Johnson**, was up 25% following a takeover offer by UK consumer goods group Reckitt Benckiser, and **adidas** gained 19% on strong full year financial results and a boost to its long term growth guidance. adidas's recent efforts to reinvigorate its brands are paying dividends, with the company now targeting earnings growth of 20-22% per annum out to 2020.

The biggest detractor from performance was **United Parcel Service**, which was down 6% during the quarter after reporting results below expectations. While parcel volumes were up strongly, e-commerce deliveries to consumers made up a higher proportion of revenue and hit margins (given lower route densities on residential versus business deliveries). Auto parts supplier, **LKQ**, was down 5% on slightly disappointing 2017 revenue growth guidance and deteriorating sentiment in the US auto sector given views that new car sales may have peaked. As LKQ distributes replacement parts for older cars, new car sales have limited impact on their business and we added to our position during the quarter. Despite reporting earnings in line with expectations oilfield service provider, **Core Laboratories**, fell 4% as oil prices came under pressure due to a rebound in US oil production and inventory levels.

Notable Returns in the Quarter in local currency

BIOTEST	MEAD JOHNSON	CERNER CORPORATION	ALIBABA GROUP	BREMBO
+29%	+25%	+24%	+23%	+21%

We made a number of changes to the portfolio in the first quarter, adding four new stocks and exiting six of our smaller positions. The four additions were **William Demant Holdings** (one of the world's largest hearing aid manufacturers), **Edwards Lifesciences** (a medical device manufacturer focused on heart valve repair and replacement products), **Essilor** (the leading global optical lens supplier), and **Abbott Laboratories** (a diversified healthcare company providing products including infant formula, diagnostic systems and pharmaceuticals). To create room for these new holdings we sold out of **Stratec Biomedical**, **Biotest**, **IMI plc**, **Varian Medical Systems** and **Wirecard**. We also exited our position in Mead Johnson following the takeover offer from Reckitt Benckiser.

We are still in a period of significant global political uncertainty, with upcoming elections in Europe, the recent commencement of the UK's formal EU exit process, and concerns regarding President Trump's ability to implement his proposed tax, healthcare and infrastructure spending reforms. Despite these uncertainties, the global economic recovery continues and the recent pickup in corporate earnings growth is also proving supportive for equities.



Ashley Gardyne
Senior Portfolio Manager
Fisher Funds Management Ltd
21 April 2017



Carmel Fisher
Managing Director
Fisher Funds Management Ltd
21 April 2017

*Gross of fees and tax and adjusting for capital management initiatives

^Benchmark index: S&P Large Mid Cap/S&P Small Cap Index (hedged 50% to NZX)

Performance

to 31 March 2017

	3 Months	3 Years (accumulated)	Since Inception November 2007 (accumulated)
Marlin Adjusted NAV*	+6.9%	+19.6%	+58.1%
Total Shareholder Return*	(0.4%)	+27.8%	+51.2%
Gross Return ¹	+8.5%	+33.0%	+117.7%
Relative Performance			
Benchmark Index ² (in NZ dollar terms)	+5.9%	+51.8%	+89.1%

¹ Gross of fees and tax and adjusting for capital management initiatives

² Blended index: World Small Cap Gross Index until 30 September 2015 & S&P Large Mid Cap/S&P Small Cap Index (hedged 50% to NZD) from 1 October 2015

*Definitions of non-GAAP measures

Adjusted Net Asset Value (NAV)

The adjusted NAV per share represents the total assets of Marlin (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.

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 a capital allocation decision 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.

Company News

Dividend paid 31 March 2017

A dividend of 1.66 cents per share was paid to Marlin shareholders on 31 March 2017, under the quarterly distribution policy. Interest in Marlin's dividend reinvestment plan (DRP) remains high with 40% of shareholders participating in the plan. Shares issued to DRP participants are at a 3% discount to market price. If you would like to participate in the DRP, please contact our share registrar, Computershare on 09 488 8777.

Portfolio Holdings Summary

as at 31 March 2017

Company	% Holding
Canada	
Descartes Systems Group	2.6%
China	
Alibaba Group	4.5%
Denmark	
Coloplast	3.2%
William Demant Holding	2.0%
France	
Essilor International	2.9%
Germany	
Adidas	2.3%
Fresenius Medical Care	3.0%
Ireland	
Icon	2.9%
Israel	
Sarine Technologies	2.8%
Italy	
Brembo	2.7%
Japan	
Park 24	2.2%
United Kingdom	
Worldpay Group	3.1%
United States	
Abbott Laboratories	1.9%
Alphabet	6.0%
Amazon.com	2.7%
Blackhawk	2.6%
Cerner Corporation	2.3%
Cognizant Technology Solutions Corporation	3.2%
Core Laboratories	2.5%
eBay	3.5%
Ecolab	3.1%
Edwards Lifesciences Corp.	3.0%
Expedia	3.6%
Graco	2.2%
LKQ	3.1%
Mastercard	4.7%
Nike	3.4%
PayPal Holdings	5.1%
Plantronics	3.2%
United Parcel Service	2.6%
Zoetis	3.1%
Equity Total	96.0%
Total foreign cash	2.6%
New Zealand dollar cash	1.2%
Cash Total	3.8%
Forward foreign exchange contracts	0.2%
TOTAL	100%

Disclaimer: The information in this newsletter 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 newsletter 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 newsletter 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.



Marlin Global Limited
Private Bag 93502, Takapuna, Auckland 0740
Phone: +64 9 484 0365 | Fax: +64 9 489 7139
Email: enquire@marlin.co.nz | www.marlin.co.nz

The Marlin quarter update newsletter is produced for the March and September quarters only. The annual and interim reports cover the June and December periods. If you would like to receive future newsletters electronically please email us at enquire@marlin.co.nz