

Monthly Update

April 2017

MLN NAV	SHARE PRICE	DISCOUNT
\$0.87	\$0.78	9.9%

as at 31 March 2017



A word from the Manager — Once upon a time

Humans love stories. In ancient times, the only way to share knowledge was through story-telling, person to person and generation to generation. Stories help us visualise, understand concepts and build an emotional connection.

Investors particularly like investment stories. A tidy narrative can help us feel comfortable, and make something otherwise random seem logical and rational.

There are stock stories, like “the new CEO is going to turn the company around” or “the company is about to win a big contract” or “the business is ripe for a takeover”.

Then there are market stories: “stocks are overvalued and ready for a correction” or “the Federal Reserve is going to end quantitative easing” or “the market has broken through 20,000 on its way to 21,000”.

Once upon a time there was a Trump rally...

This has been the story of 2017 so far. It’s been quite an exciting story, with enough emotional drama to keep a large audience interested. And it has been handy in explaining why stocks that were supposedly poised to fall this year have instead gone from strength to strength.

However, the problem with this narrative is that it doesn’t really bear scrutiny. It belongs firmly in the fiction section.

The basic storyline is that the election of President Donald Trump will result in sweeping changes in trade, tax, infrastructure and spending that will benefit the US economy enormously. The US stock market has rallied with every page turn.

The kink in this storyline is that it doesn’t explain why France, Germany, Japan and other developed markets have also rallied since the presidential election in November. Trump’s policies shouldn’t drive the French or Japanese share markets higher, especially given that he is threatening a global trade war.

Then there’s the inconvenient fact that despite Trump’s struggles to put any of his significant promises into effect, markets have rallied anyway.

The story also falters when you consider that most global equity markets had been rallying in the months leading up to the November elections, so calling it a Trump rally is a bit of a stretch.

But really, what’s wrong with fabricating a story if it makes you feel good?

Well if enough people opt for comfort over reality, they won’t be prepared when the storyline eventually turns. If it is not a Trump rally but rather crowd momentum, animal spirits or blind faith with no fundamental basis, then someone will be left with the wrong investments when such behaviour stops.

Emotional stories can get in the way of intelligent investing. We’ve all seen strategists and economists get their forecasts wrong, only to offer a series of excuses for why. We’ve seen investors rationalising why they were right and the market was wrong. We’ve seen people prefer to put good money after bad, rather than admit they got it wrong.

The narrative that we’ve been following on your behalf is that politics are not the driving force behind markets or economies anymore.

It is quite possible that US politics will be dysfunctional and irrelevant for the next few years, and that Trump’s utterings neither hinder nor help business and consumer sentiment. Instead, the US economy will recover on its own at its own pace, and the Federal Reserve will do everything it can to support that economic recovery. Other economies will stage their own recoveries, and many ships will be lifted by the rising tide. But not all ships will rise, and not all tides will either.

Rather than invest where we think Trump’s policies will impact the most, we will continue to invest where quality, and the opportunity for consistent growth, exists. In following our own narrative we may end up zigging when markets are zagging, but at least we’ll be focused on the reality rather than the imagined. And if we get it wrong occasionally, at least we’ll have ourselves to blame rather than a character from a believable but ultimately fictitious yarn.

That way our portfolios can live happily ever after!

Carmel Fisher
Managing Director, Fisher Funds



Key Details

as at 31 March 2017

FUND TYPE	Listed Investment Company
INVESTS IN	Growing international companies
LISTING DATE	1 November 2007
FINANCIAL YEAR END	30 June
TYPICAL PORTFOLIO SIZE	30-40 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	\$0.82 per share
SHARES ON ISSUE	118m
MARKET CAPITALISATION	\$92m
GEARING	None (maximum permitted 20% of gross asset value)

Performance

to 31 March 2017

	1 Month	3 Months	1 Year	3 Years (accumulated)	Since Inception (accumulated)
MLN Adjusted NAV*	+4.1%	+6.9%	+9.9%	+19.6%	+58.1%
Total Shareholder Return*	+0.9%	(0.4%)	+4.8%	+27.8%	+51.2%
Gross Performance [^]	+4.7%	+8.5%	+14.2%	+33.0%	+117.7%
Benchmark Index ^{^^}	+2.9%	+5.9%	+17.8%	+51.8%	+89.1%

[^] Gross of fees and tax and adjusting for capital management initiatives

^{^^} 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

*Definitions of non-GAAP measures:

Adjusted Net Asset Value (Adjusted NAV)

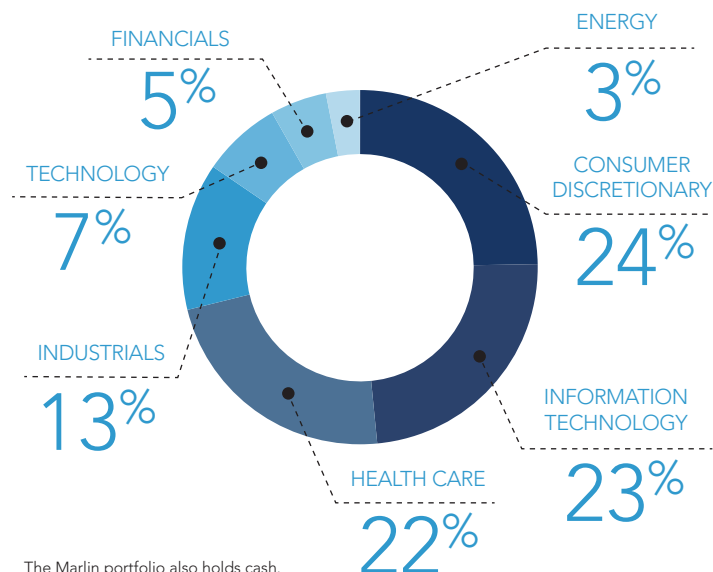
The adjusted NAV per share represents the total assets of Marlin Global (investments and cash) minus any liabilities (expenses and tax), divided by the number of shares on issue. It adds back dividends paid to shareholders and adjusts for:

- » 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.

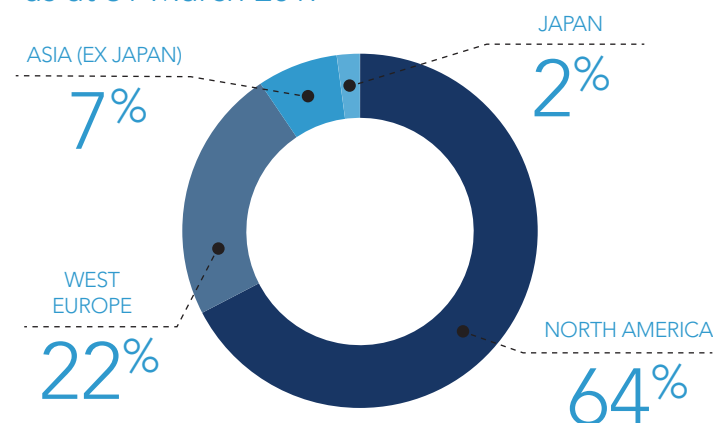
Sector Split

as at 31 March 2017



Geographical Split

as at 31 March 2017



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 capital allocation decisions 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.

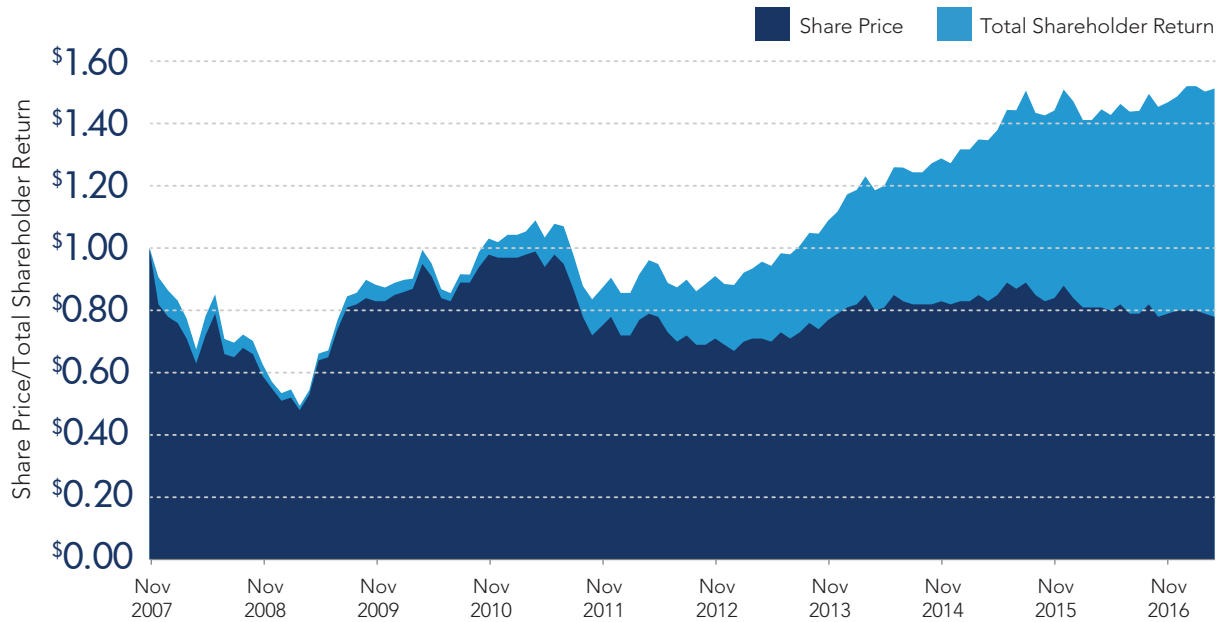
TSR assumes:

- » 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.

Total Shareholder Return

to 31 March 2017



March's Biggest Movers in local currency terms

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

ADIDAS

+13%

BLACKHAWK

+11%

COLOPLAST

+10%

BREMBO

+9%

DESCARTES
SYSTEMS GROUP

+9%

5 Largest Portfolio Positions

as at 31 March 2017

ALPHABET

6%

PAYPAL

5%

MASTERCARD

5%

ALIBABA GROUP

4%

EXPEDIA

4%

The remaining portfolio is made up of another 26 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 30 and 40 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 (Senior Investment Analyst) 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
- » This policy is well received by shareholders as it provides an attractive and regular return that is referable to the NAV
- » 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.