marlin
growing globally

MONTHLY UPDATE

December 2020

Share Price	MLN NAV	PREMIUM[1]
$1.30	$1.10	18.6%

as at 30 November 2020

A WORD FROM THE MANAGER

Marlin's gross performance for November was up 8.3%, while the adjusted NAV was up 7.0%. This compared with our global benchmark, which was up 9.7%.

November was the month of the vaccine. Three vaccines were announced that are effective against the COVID-19. This drove a risk-on mood[2] in global equity markets, adding fuel to the post-US election rally. This eclipsed worries about the near-term economic outlook.

Equity markets cheered the light at the end of the COVID-19 tunnel, with this year's biggest losers gaining the most in November. MSCI Europe ex-UK and FTSE All-Share indices returned 14.2% and 12.7%, respectively as the financial and energy sectors, which are large contributors to those indices rallied strongly.

The year-to-date star performers, Asia ex-Japan and the US, still made impressive monthly gains of 8.0% and 11.0%. .

Portfolio Company Developments

During the month we were rewarded by companies in what we term our 'old habits return' bucket. This group of businesses includes airplane component manufacturers **Hexcel (+48%)** and **Heico (18%)**, conference and research provider **Gartner (+27%)**, and hotel brand franchisor **Hilton (+18%)**. The latter three of these companies were added to the portfolio during March when equity markets had fallen significantly. Our investment thesis at the time was simple, these are quality growth companies, with strong balance sheets whose businesses had been decimated by COVID-19. Our thought process was that in a return to a more normal environment the share prices of these quality companies should perform strongly. Concurrently, Hexcel, benefited from US regulators clearing Boeing's 737 Max plane to fly again after imposing a grounding order in March 2019.

After consecutive months of being a laggard, **Signature Bank (+39%)**, which is now our largest holding, had a very strong month. A substantial amount of the share price appreciation occurred early in the month on the announcement of COVID-19 vaccines. This dampened concerns the market had around Signature Bank's lending exposure to New York real estate, particularly retail. At the same time management provided upbeat commentary for net interest income growth.

Dollar Tree (+21%) posted a strong quarterly earnings report. The discount retailer operates under two banners, Dollar Tree and Family Dollar. At Dollar Tree every item is sold for US$1. The company has been testing US$3 and US$5 items over the past year. On the quarterly earnings call the new CEO explained the test had being going well and Dollar Tree intended to expand the multi price point test from 100 stores to 500 stores. If Dollar Tree commits to roll out multi price point items to all stores, these higher priced items could have a material benefit to company sales and profit margins.

Alibaba (-14%) was our worst performer for the month as the ecommerce and fintech industries in China face increasing regulatory scrutiny. Firstly, the IPO of Ant Group, of which Alibaba owns 33%, was cancelled just two days before the proposed listing date as regulators proposed a slate of new guidelines in areas such as consumer lending. Later in the month, regulators announced draft antimonopoly rules targeted at internet companies. The regulations are aimed at driving a healthier competitive environment. Alibaba believe they are compliant with the new regulations, and having spoken to antitrust expert in China we do not expect the new regulations to have a major impact on the business. We still like the long-term growth story and Alibaba's strong position in the digital economy.

Additions

We added **First Republic Bank (-4%)** during the month. The bank is a high quality, founder run company with a best-in-class business model. First Republic provides services to high net worth households in select markets. The bank has consistently generated superior loan growth, while maintaining extremely prudent lending standards. In addition, by providing its customers with exceptional personalised service, the company has built more profitable relationships by offering other products including its wealth management services. The company is also working to broaden its reach to emerging professionals and younger millennial

[1] Share Price Premium to NAV (using NAV to four decimal places).
[2] In 'risk-on' situations investors have a higher risk appetite and bid up the prices of assets in the market

households, which should add to its overall growth rate.

Exits

We added **Starbucks (+9%)** to the portfolio in March 2020 in the depths of the COVID-19 sell-off. Our thesis was simply that Starbucks was a great business with a reliable growth algorithm and was oversold because of the pandemic. Starbucks stores would ultimately reopen, they would take share from independents and return to their growth algorithm of c.6% pa store growth (largely China and US drive-through stores). We have been positively surprised by the recovery with shares up 60% since purchase. With the strong performance we have taken the opportunity to exit Starbucks and reallocate capital into ideas where we have higher conviction around future return potential – Signature Bank and First Republic Bank.

Ashley Gardyne
Senior Portfolio Manager
Fisher Funds Management Limited

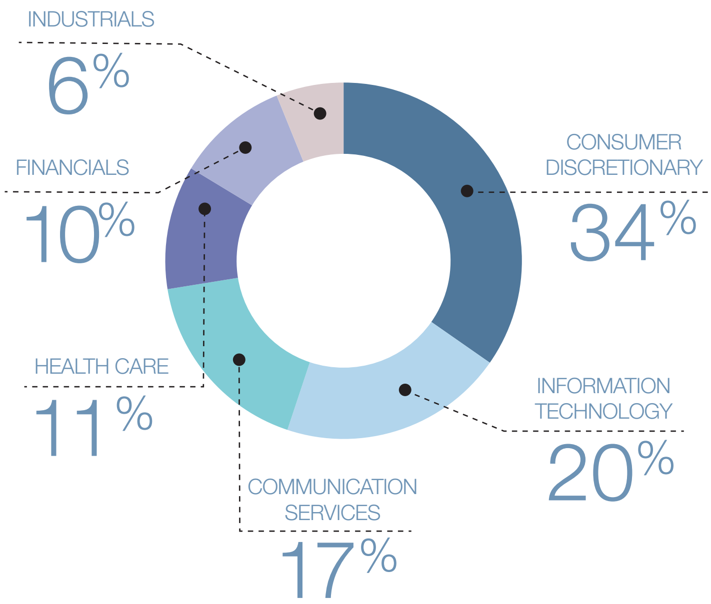
KEY DETAILS

as at 30 November 2020

FUND TYPE	Listed Investment Company
INVESTS IN	Growing international companies
LISTING DATE	1 October 2007
FINANCIAL YEAR END	30 June
TYPICAL PORTFOLIO SIZE	20-35 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	10% of returns in excess of benchmark and high water mark
HIGH WATER MARK	$0.98
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	186m
MARKET CAPITALISATION	$242m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

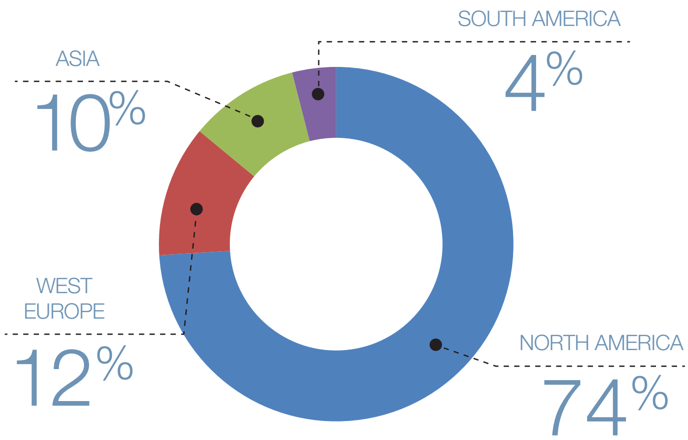
as at 30 November 2020



The Marlin portfolio also holds cash.

GEOGRAPHICAL SPLIT

as at 30 November 2020



NOVEMEBR'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO during the month

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

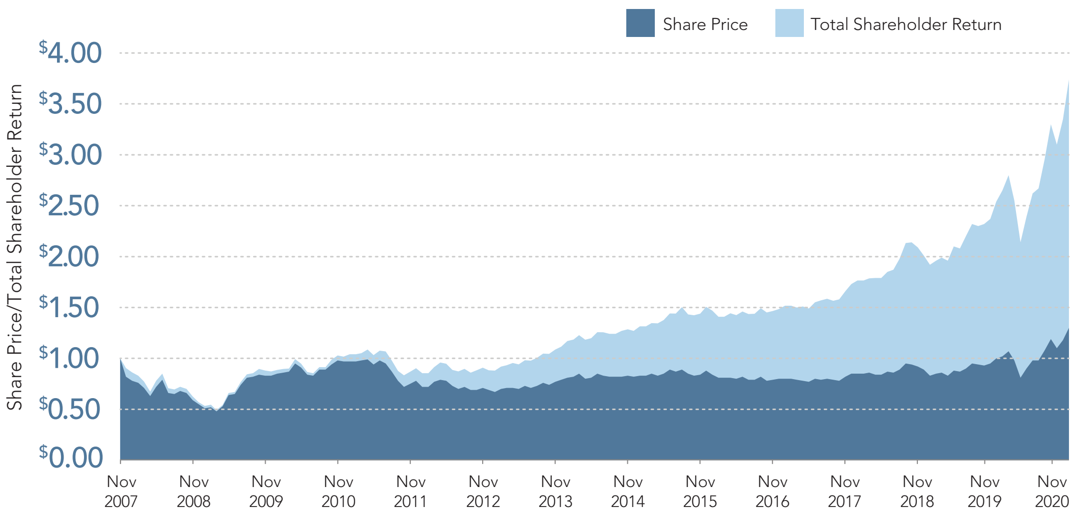
HEXCEL CORP	STONECO	SIGNATURE BANK	GARTNER	TJX COMPANIES INC
+48%	+39%	+39%	+27%	+25%

5 LARGEST PORTFOLIO POSITIONS as at 30 November 2020

SIGNATURE BANK	ALPHABET	FACEBOOK	ALIBABA	MASTERCARD
8%	7%	6%	5%	5%

The remaining portfolio is made up of another 20 stocks and cash.

TOTAL SHAREHOLDER RETURN to 30 November 2020



PERFORMANCE to 30 November 2020

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+11.4%	+13.2%	+47.2%	+29.4%	+19.9%
Adjusted NAV Return	+7.0%	+3.2%	+20.1%	+15.6%	+13.0%
Portfolio Performance					
Gross Performance Return	+8.3%	+4.3%	+25.5%	+19.3%	+17.0%
Benchmark Index^	+9.7%	+6.5%	+6.6%	+6.4%	+9.2%

^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 expenses, fees and tax,
- » adjusted NAV return – the net return to an investor after expenses, fees and tax,
- » gross performance return – the Manager's portfolio performance in terms of stock selection and currency hedging before expenses, fees and tax, and
- » total shareholder return – the return combines the share price performance, the warrant price performance, the net value of converting any warrants into shares, and the dividends paid to shareholders. It assumes all dividends are reinvested in the company's dividend reinvestment plan, and that shareholders exercise their warrants, (if they were in the money) at warrant expiry date.

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 20 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, Andy Coupe and 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 its shares on market

» 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 Global in a better position to grow further, 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 Global at a fixed price on a fixed date.

» There are now no Marlin Global warrants on issue.

marlin growing globally

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