

MONTHLY UPDATE

June 2021

Share Price

\$1.48

MLN NAV

\$1.24

Warrant Price

\$0.24

PREMIUM¹

24.3%

as at 31 May 2021

A WORD FROM THE MANAGER

Marlin's gross performance return for May was down (0.9%), while the adjusted NAV was down (1.1%). This compared with our global benchmark, S&P Large Mid Cap/S&P Small Cap Index (50% hedged to NZD), which was up 0.4%.

Developed market equities managed to gain +1.5% in May. Equity markets were muted given the robust economic data reflecting the strong start to the year for stocks. Expectations of stronger economic growth and inflation favoured the value factor over the growth factor. MSCI World Value rose 3.0% and MSCI World Growth fell 0.1%.

US corporate earnings for the first quarter, which wrapped up in May were much stronger than expected. S&P 500 companies reported earnings growth of 47% (year-on-year) relative to consensus expectations for 20% growth. Despite the strong earnings performance, the S&P 500 rose 0.7% in May, but the more expensive technology and consumer discretionary sectors, which make up 40% of the index, came under pressure.

After a relatively slow start, vaccination rates in Europe have picked up. Across the major economies, jobs are being provided to around 0.8% of the population per day, in line with the UK. At this pace, the eurozone will soon have provided at least one dose to the over 50s. The expectations for growth rebound this year have therefore risen and this has helped European equities. The MSCI Europe ex-UK Index rose 2.8% in May, the best performing major equity index.

Portfolio Developments

Gartner (+18%) reported strong earnings across all three segments (research, consulting and events). The company raised its full year earnings guidance by over 20%, which still excludes the upside from the resumption of in-person conferences later this year. We have increased conviction in company given recent performance. Specifically, Gartner can move beyond IT research into other business verticals, maintain high customer retention rates, and lastly, improve profitability. Given the improving outlook for the business, we increased our holding in Gartner during the month.

Adidas (+17%) started the month at depressed levels on concerns around China sales as influencers in China sought to punish the company, along with other multinationals, for comments European countries had made concerning China's use of manual labour in cotton production. Shares bounced back as Adidas reported strong sales for the quarter in other regions as well as lifting their full year revenue guidance. Direct-to-consumer and e-commerce sales continue to drive strong performance and improve profitability at the sportswear giant.

Dollar Tree (-16%) fell during the month. The company reported earnings, which came below market expectations as freight costs were a greater cost headwind than expected. We view freight as a transitory issue and remain optimistic around the company's future. The company's Dollar Tree banner, which till recently only sold items for \$1, has introduced \$3 and \$5 items. This should increase sales per store and profitability. Also, the turnaround at the Family Dollar banner, which sells everyday needs, continues to progress well with store renovations and the introduction of combo Dollar Tree and Family Dollar stores providing a meaningful sales uplift.

Addition

We added home builder, **NVR** to the portfolio in May. NVR is the 4th largest homebuilder in the US. Unlike most homebuilders, which are also land developers, NVR focuses solely on homebuilding, using options to control land, which gives them the right but not the obligation to buy lots on a just-in-time basis. NVR also differentiates itself from peers by pre-fabricating frames, roofs, staircases in one of its eight manufacturing facilities. Most of NVR competitors still do everything on site. NVR's asset-light model, central pre-fabrication and local economies of scale allow NVR to generate higher returns on investment capital than peers, and grow more rapidly without having to reinvest much capital. Combined with what is a very fragmented market comprising many small players, these advantaged should allow NVR to take market share and deliver superior returns for many years to come.

¹ Share Price Premium to NAV (including warrant price on a pro-rated basis and using NAV to four decimal places).

Exits

We exited three smaller positions during May. The first was **TJX**. While we believe the company should continue to take market share thanks to their unique value proposition, our thinking has developed around profit margins. The off-price business model, which TJX runs, is very labour intensive. Especially in the supply chain with manual sorting, picking and packing. A higher probability of wage inflation led us to reallocate our TJX holding into portfolio company, Dollar General, which we consider to be cheaper, equally well run and having better growth prospects.

Aerospace aftermarket supplier, **Heico**, was added to your portfolio in 2020 following a 50% decline during COVID. A large part of the company's revenue is tied to the recovery in air travel. Even so, Heico's share price has benefited from the COVID reopening narrative and now trades around 5% above pre-COVID levels, despite a full recovery in air

travel being a couple of years away. We think this is overly optimistic and that there were better opportunities to reinvest the capital in other portfolio holdings.

Lastly, we exited our position in optical product manufacturer and retailer, **EssilorLuxottica**. We invested in the company in 2017 following the announcement of the merger of Essilor and Luxottica. The merger created a vertically integrated industry leader, with significant synergy benefits. This thesis has largely played out and with shares now near all-time highs we decided to redeploy funds into NVR.



Ashley Gardyne
Senior Portfolio Manager
Fisher Funds Management Limited



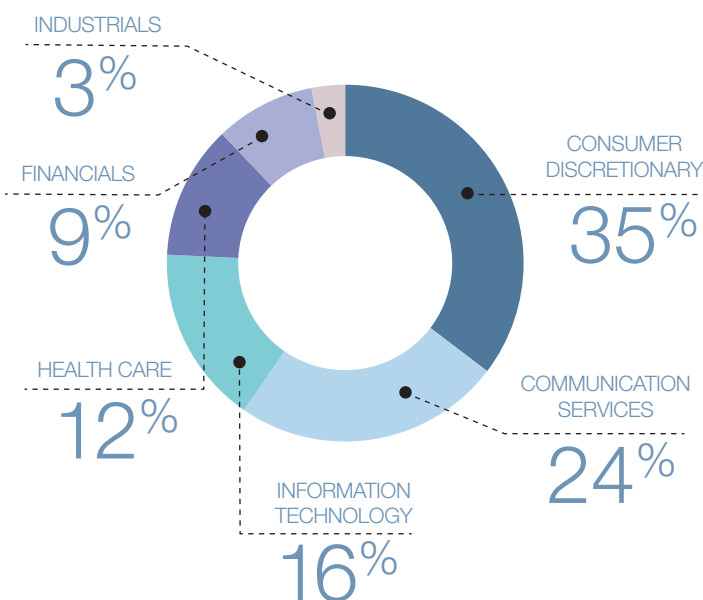
KEY DETAILS

as at 31 May 2021

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	\$0.94
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	189m
MARKET CAPITALISATION	\$280m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

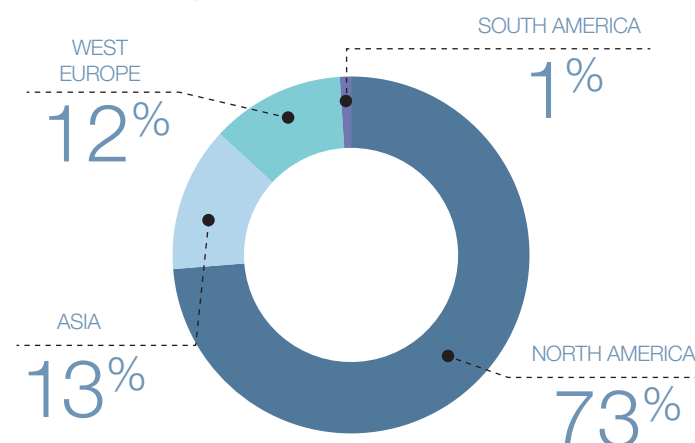
as at 31 May 2021



The Marlin portfolio also holds cash.

GEOGRAPHICAL SPLIT

as at 31 May 2021



MAY'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO during the month

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

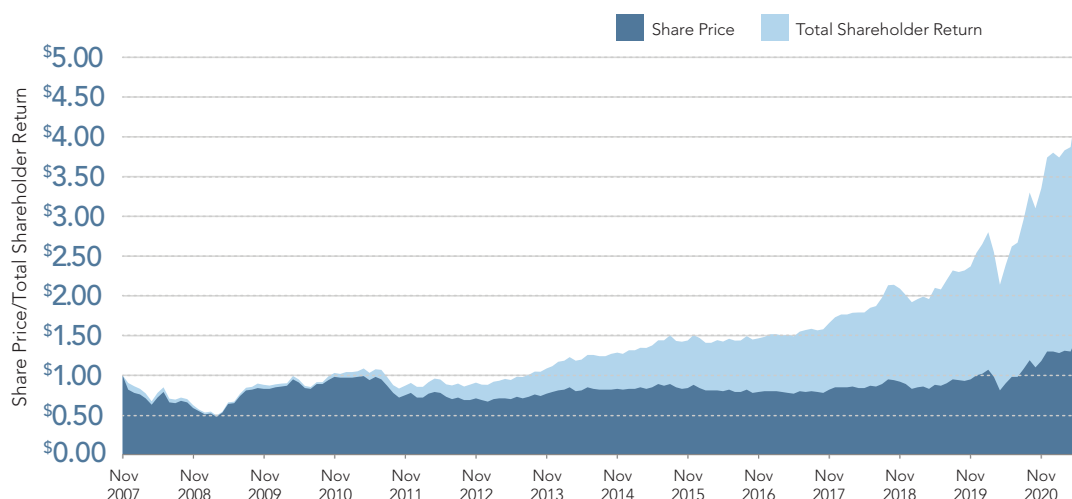
GARTNER	ADIDAS	ALIBABA	FLOOR AND DÉCOR	DOLLAR TREE
+18%	+17%	-7%	-11%	-15%

5 LARGEST PORTFOLIO POSITIONS as at 31 May 2021

FACEBOOK	ALPHABET	ALIBABA	SIGNATURE BANK	TENCENT
11%	7%	7%	6%	6%

The remaining portfolio is made up of another 17 stocks and cash.

TOTAL SHAREHOLDER RETURN to 31 May 2021



PERFORMANCE to 31 May 2021

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+4.7%	+19.5%	+74.9%	+34.7%	+25.7%
Adjusted NAV Return	(1.1%)	+8.9%	+32.7%	+19.2%	+17.8%
Portfolio Performance					
Gross Performance Return	(0.9%)	+9.5%	+39.9%	+23.6%	+22.2%
Benchmark Index [^]	+0.4%	+7.8%	+34.5%	+11.2%	+12.8%

[^]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

The Manager has authority delegated to it from the Board to invest according to the Management Agreement and other written policies. 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 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

- » On 19 April 2021 a new issue of warrants (MLNWE) was announced
- » The warrants were issued at no cost to eligible shareholders in the ratio of one warrant for every four Marlin shares held
- » The warrants were allotted to shareholders on 17 May 2021 based on a 14 May 2021 Record Date and were listed on the NZX Main Board from 18 May 2021. (Information pertaining to the warrants was mailed/ emailed to shareholders in early May 2021).
- » The Exercise Price of each warrant is \$1.28, adjusted down for the aggregate amount per share of any cash dividends declared on the shares with a record date during the period commencing on the date of allotment of the warrants and ending on the last Business Day before the final Exercise Price is announced by Marlin
- » The Exercise Date for the new warrants (MLNWE) is **20 May 2022**
- » The final Exercise Price will be announced and an Exercise Form sent to warrant holders in **April 2022**

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 a 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 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

Computershare Investor Services Limited
Private Bag 92119, Auckland 1142
Phone: +64 9 488 8777 | Fax: +64 9 488 8787
Email: enquiry@computershare.co.nz | www.computershare.com/nz