marlin
growing globally

MONTHLY UPDATE

June 2024

Share Price	Warrant Price	MLN NAV	DISCOUNT[1]
$1.00	$0.04	$1.03	2.0%

as at 31 May 2024

A WORD FROM THE MANAGER

Marlin's gross performance return for May was up +1.7%, while the adjusted NAV return was up +1.4%. This compared with our global benchmark, S&P Large Mid Cap/S&P Small Cap Index (50% hedged to NZD), which was up +2.0%.

In May, equities delivered strong returns (MSCI global equities +4%) as the uncomfortable heat came out of the global economy (particularly the US) and equity investors enjoyed a respite from higher bond yields (e.g. US 10-year bond yield as proxy for global interest rates fell -20bps).

US equity markets outperformed global (+5%), while Europe underperformed (+3%) and emerging markets were only up 1% (China solid, India and Brazil weaker).

Currencies moved aggressively, with the broad USD weakening against a basket of currencies (EUR, JPY, AUD, NZD etc) for the first time this year. The NZD bounced aggressively (+5%) driven primarily by that broad weakening in the USD and the higher beta nature (more volatile currency) of the NZD.

Portfolio News

Netflix's (+17%) share price rose steadily in May after a sharp pullback in April. Last month, the company's solid first quarter results were unfairly overshadowed by its announcement to stop reporting subscriber numbers and revenue per user figures, leading to a 9% decline in the stock price in April. Mid-May, Netflix stated the number of users on its ad-tier had nearly doubled since the start of the year to 40 million, which was a positive update. This, along with positive initiation reports from analysts saw the stock recover its April losses, finishing May at a two-year high.

Greggs (+8%) held an investor day and site visit at their Enfield distribution and manufacturing facility in May. Management first provided an update on their store growth opportunity. It had previously been targeting 3k stores across the UK but now believe it can support 3.5k stores based on population density analysis, with potential upside to this number in the future. Management also provided clarity on the benefits of its current elevated supply chain investment, which has previously been a concern for investors. The investment is not only going towards expanding their supply chain to support Gregg's growing store base, but also introducing more centralisation and automation for efficiency. Management noted that their previous supply chain consolidation programme resulted in roughly 300bps of margin improvement in operating costs in the subsequent years between FY16 and FY23. All in all, this was a positive update for investors and addressed some concerns that have been hanging over the stock.

We attended **Icon's** (+9%) annual investor day during the month. Icon reiterated the structural growth drivers underpinning the business, including growing R&D spend on new drugs; increased outsourcing of clinical trials to specialist Clinical Research Organisations (CROs) such as Icon; and market share accruing to larger CROs given the ability to invest more in technology and other capabilities relative to smaller competitors. Icon highlighted several aspects of these capabilities, including the investment made in technology. The company is utilising AI and machine learning on its large amount of proprietary and third-party data to improve the clinical trial process for customers. For example, Icon's One Search product can reduce the time to identify clinical trials sites by 53%. Given clinical trials can cost billions of dollars, these innovations drive real cost savings for Icon's customers, and help strengthen Icon's competitive position.

Dollar General (-2%) fell following its quarterly earnings, as positive growth in customer traffic was overshadowed by ongoing headwinds from shrink (i.e. shoplifting). Customer traffic grew as middle-and higher-income consumers trade down to lower-cost options like Dollar General given inflationary pressures; and early successes from the company's "Back to Basics" strategy to improve the stores and supply chain. This positive traffic growth was offset by continued headwinds from shrink, as cost of living pressures have increased rates of shrink not just for Dollar General, but retailers globally. While the company has several initiatives in place to lower shrink, they may take longer than expected to gain traction.

Salesforce (-13%) reported weaker than expected first quarter earnings at the end of May. While software subscription revenue was largely as expected, cRPO[2] and bookings were unexpectedly weaker. While Salesforce maintained their full year guidance, the guide for next quarter key growth metrics were below expectations, bringing into question the full year outlook. Management stated weakness in the quarter was driven by the macro environment. They are currently seeing deal cycles elongate, deal sizes compress, and higher levels of budget scrutiny from customers. This all came as a surprise as at their previous quarterly report, and throughout the quarter, management sounded very positive and optimistic for the year, with some expectations of potential revenue growth reacceleration. Additionally, management couldn't calm nerves

[1] Share Price Discount to NAV (including warrant price on a pro-rated basis and using the net asset value per share, after expenses, fees and tax, to four decimal places).
[2] cRPO (current Remaining Performance Obligation) is a metric used by Software-as-a-Service (SaaS) companies to give investors an indication of future revenue that will come from existing contracts over the next 12 months.

about potential large-scale M&A they might do in the near future, which is a concern investors continue to have.

Portfolio activity

In May we added ASML to our portfolio. ASML is the leading manufacturer of lithography machines used to produce semiconductor chips. Described by some as the most complex machines ever built, these lithography machines can be as large as a bus, contain over 100,000 parts and cost hundreds of millions of dollars. ASML has 100% market share in the cutting-edge lithography machines that are used to manufacture the most advanced semiconductor chips such as those used in smartphones and laptops. Advances in areas such as AI and autonomous driving will require increasing amounts of these advanced semiconductor chips, which will drive ongoing demand for ASML's advanced lithography machines. While the AI spotlight is currently on companies like Nvidia or AMD that are generating AI revenues today, ASML's AI revenue is currently minimal, but this long-term structural demand for increased computing power will underpin ASML's revenue growth over the medium-to-longer term.

Sam Dickie
Senior Portfolio Manager
Fisher Funds Management Limited

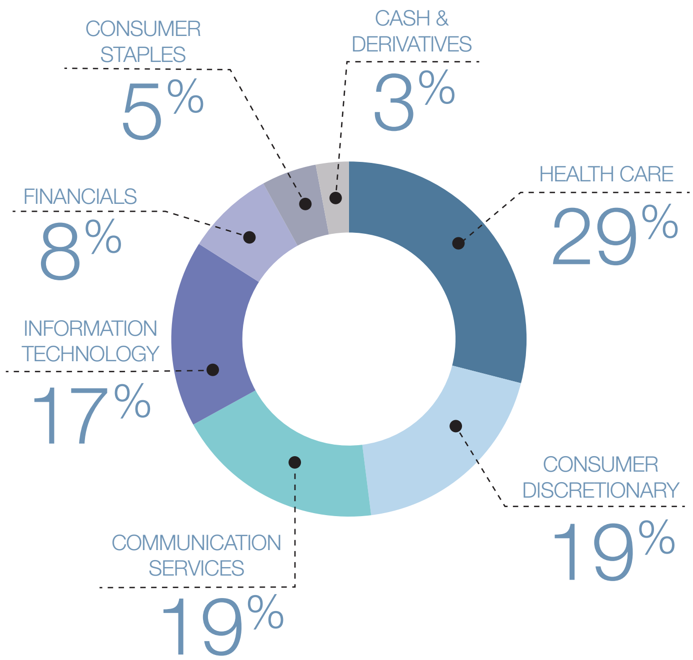
KEY DETAILS

as at 31 May 2024

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	$1.02
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	215m
MARKET CAPITALISATION	$215m
GEARING	None (maximum permitted 20% of gross asset value)

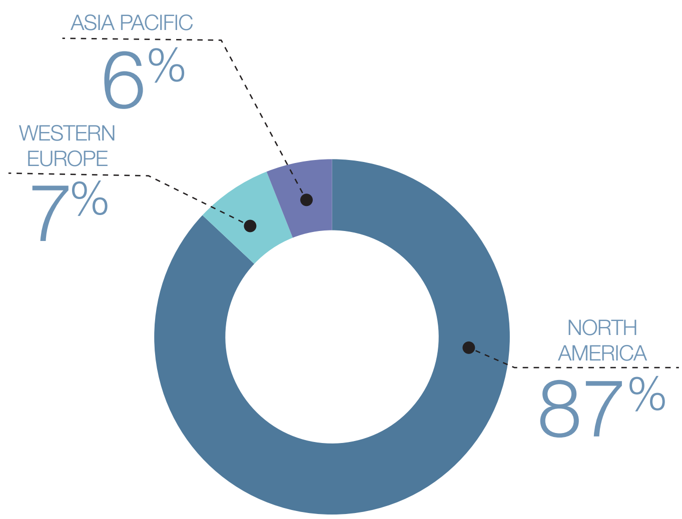
SECTOR SPLIT

as at 31 May 2024



GEOGRAPHICAL SPLIT

as at 31 May 2024



MAY'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO (in local currency) during the month

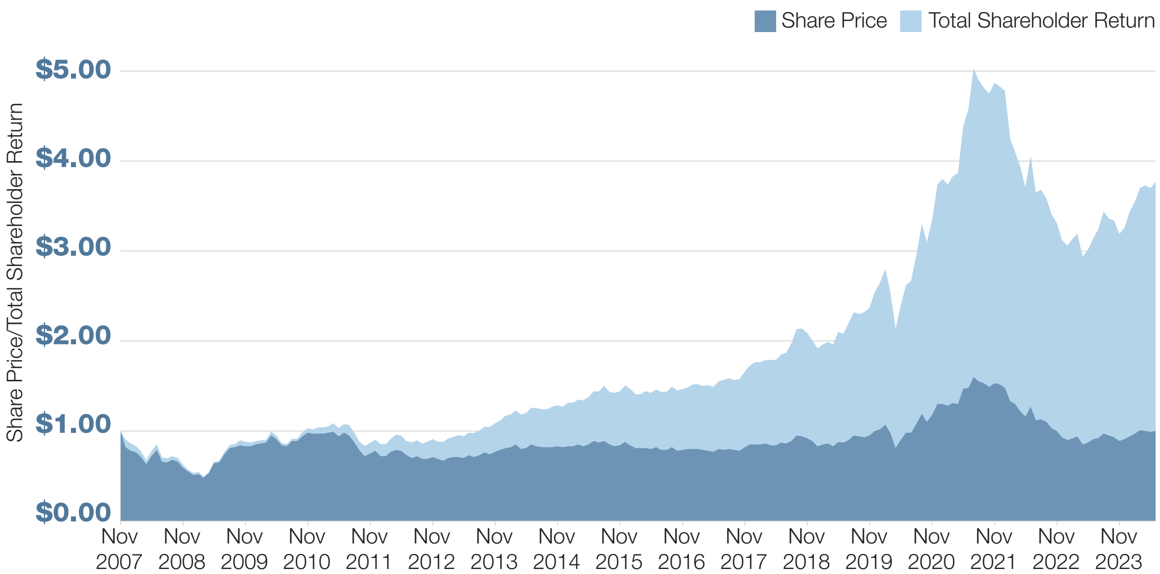
NETFLIX	ICON PLC	META PLATFORMS	INTUITIVE SURGICAL	SALESFORCE
+17%	+9%	+9%	+9%	-13%

5 LARGEST PORTFOLIO POSITIONS as at 31 May 2024

AMAZON	ALPHABET	MICROSOFT	FLOOR & DÉCOR	META PLATFORMS
8%	7%	7%	6%	5%

The remaining portfolio is made up of another 16 stocks and cash.

TOTAL SHAREHOLDER RETURN to 31 May 2024



PERFORMANCE to 31 May 2024

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+2.0%	+1.9%	+20.0%	(6.3%)	+12.7%
Adjusted NAV Return	+1.4%	(0.0%)	+21.0%	+1.6%	+11.0%
Portfolio Performance					
Gross Performance Return	+1.7%	+0.7%	+24.5%	+3.4%	+14.0%
Benchmark Index^	+2.0%	+3.1%	+19.8%	+6.0%	+10.5%

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

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 dividends (and other capital management initiatives) and after expenses, fees, and tax,
- adjusted NAV return – the percentage change in the adjusted NAV,
- 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 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. Sam Dickie (Senior Portfolio Manager), Chris Waters (Senior Investment Analyst), and Daniel Moser and Charles Barty (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 Andy Coupe (Chair), Carol Campbell, David McClatchy and Fiona Oliver.

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 utilised for the dividend reinvestment plan

Warrants

- Marlin announced a new issue of warrants on 29 April 2024
- The new warrant term offer document was sent to all Marlin shareholders in early May 2024
- The Record Date for the issue of the new Marlin warrants to eligible Marlin shareholders was 15 May 2024
- Warrants were allotted to all eligible Marlin shareholders on 16 May 2024
- The new warrants (MLNWG) commence trading on the NZX Main Board from 17 May 2024
- The Exercise Date for the new Marlin warrants is 16 May **2025**

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