marlin
growing globally

MONTHLY UPDATE

May 2024

Share Price	MLN NAV	DISCOUNT[1]
$0.99	$1.02	2.6%

as at 30 April 2024

A WORD FROM THE MANAGER

Marlin's gross performance return for April was down -5.3%, while the adjusted NAV return was down -5.2%. This compared with our global benchmark, S&P Large Mid Cap/S&P Small Cap Index (50% hedged to NZD), which was down -3.3%.

April was a tougher month for equity markets. Hotter-than expected US inflation, the risk of escalation in the Middle East boosting oil prices, and Federal Reserve officials talking down rate cut expectations drove interest rates higher and equity markets lower.

Developed market equities fell -3.7%, the US leading the way down -4.1%, with Europe -1.5% and Japan -0.9%. European equities outperformed their US counterparts, as stronger economic indicators, and lower-than- expected inflation, suggested a soft landing could be in reach.

China continued its strong 2024 performance, with the MSCI China index up 6.5%, and up 20% from January lows. While the economy is not out of the woods yet, a better-than-expected first quarter GDP print and cheap valuations has seen renewed interest from investors.

The US reporting season has begun, and so far, companies have broadly beaten expectations for first quarter earnings. The market did punish companies that missed estimates, especially where valuations had run up in recent months. As we report below, it was a mixed bag for the Big Tech names that have reported; but one theme that did emerge was the step up in capex expectations driven by artificial intelligence (AI).

Portfolio News

Alphabet (+8% in local currency) was the strongest contributor to portfolio returns in April, driven by a strong earnings result. The market had been concerned that generative AI would disrupt Alphabet's key Search business and Alphabet would struggle to reinvent itself. Alphabet put these concerns to bed for the time being with an unexpected acceleration in Search revenue growth. Its new AI product, Search Generative Experience (SGE), has also had positive initial results. Consumers are increasing search usage when they use SGE which potentially increases the revenue pie for Alphabet. Like Search, YouTube posted unexpected revenue growth acceleration, growing +21% year-on-year in the quarter. Google Cloud also outperformed expectation with growth coming in at +28%. Operating income margins were better than expected at 32% (vs. 29% expected). Like peers, Alphabet is increasing capex spend towards AI investment given the large opportunity it sees ahead. But management were measured, saying that they are still committed to continued profitable growth while investing for the future.

Boston Scientific (+5%) had a strong earnings report. First quarter revenue growth was well above even the most optimistic estimate, as the company grew strongly across almost all its medical device segments. The company successfully launched its latest technology that aims to help correct an irregular heartbeat while minimizing the damage to nearby healthy tissues. With a leading position in an addressable market in the billions of dollars, this product has potential to be a multi-year growth driver for the business.

Tencent (+14%) benefited from the improved sentiment in China, highlighting the benefits of geographic diversification. Tencent is one of the highest quality companies in China, if not globally, with its Weixin mobile app used daily by over 1 billion people in China, for everything from communicating with friends, watching videos, or paying for dinner. We recently upgraded our STEEPP 'E2' score (but not our weight) as Tencent starts to monetise this large user base through highly profitable revenue streams like advertising and financial services. As sentiment improves, we are starting to see the quality and idiosyncratic growth of Tencent reflected in share performance, with Tencent outperforming its Chinese technology peers in April and YTD.

Edward's Lifesciences (-11%) fell as revenue in its core transcatheter aortic heart valve (TAVR) fell slightly below expectations, as they saw aggressive pricing from competitors in Europe that led to doctors trialling the competitive TAVR devices. Edwards's device, while premium priced, has better clinical outcomes for patients; and is typically easier for doctors to use; and with the launch of its latest Resilia TAVR device into Europe this month, we expect growth to improve throughout the rest of the year.

Floor & Décor (-15%) had a tough month as it retreated from the recent highs it made in March. Through the month, expectations for mortgage rate cuts waned and US existing home sales reported for March took a step back, both of which are generally seen as headwinds to Floor & Décor. Even though the macro environment continues to be difficult for Floor & Décor, as long-term investors we look through this and added some weight during the month. Floor & Décor continues to have a strong value proposition for customers and is gaining market share.

[1] Share Price Discount to NAV (using the net asset value per share, after expenses, fees and tax, to four decimal places).

Meta (-11%) had a negative reaction to its earnings release. While results for the quarter were slightly better than expected, revenue guidance fell short of elevated expectations. Management also increased expense and capex guidance for the year. Meta sees a lot of opportunity in AI and is already taking advantage of the technology to drive its business. For example, 50% of the content that people see on Instagram is now AI recommended. AI is helping Meta place more relevant ads in front of more people. Management was quick to reiterate that while they see a multi-year investment cycle for AI, they are still focussed on operating efficiency in the business.

Portfolio activity

No new additions or exits during the month.

Sam Dickie
Senior Portfolio Manager
Fisher Funds Management Limited

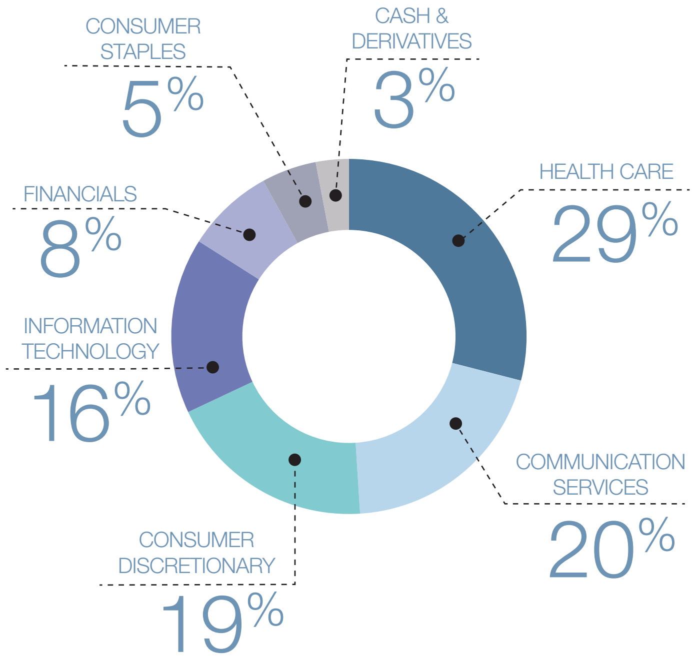
KEY DETAILS

as at 30 April 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	$213m
GEARING	None (maximum permitted 20% of gross asset value)

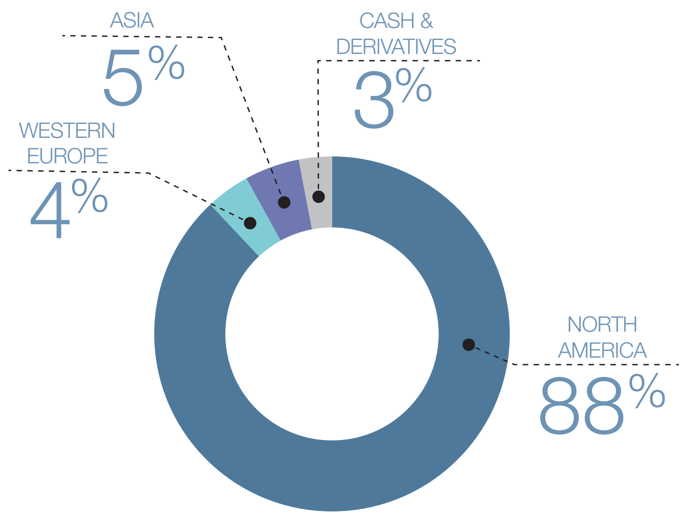
SECTOR SPLIT

as at 30 April 2024



GEOGRAPHICAL SPLIT

as at 30 April 2024



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

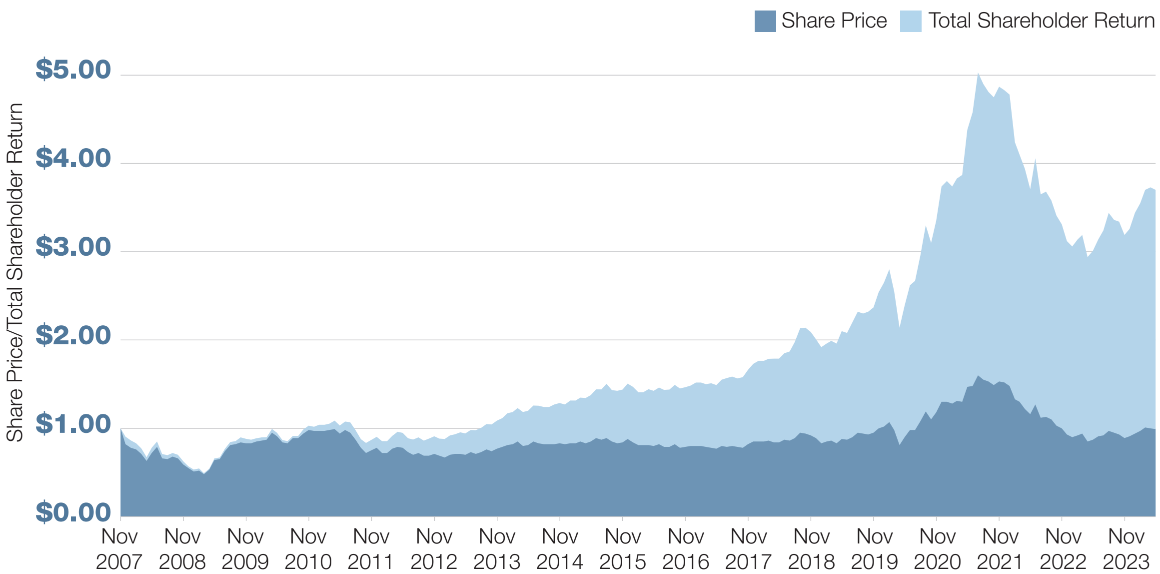
TENCENT HOLDINGS	META PLATFORMS	GARTNER INCORPORATED	FLOOR & DÉCOR	MSCI INCORPORATED
+14%	-11%	-13%	-15%	-17%

5 LARGEST PORTFOLIO POSITIONS as at 30 April 2024

AMAZON	ALPHABET	MICROSOFT	FLOOR & DÉCOR	META PLATFORMS
9%	7%	7%	6%	6%

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

TOTAL SHAREHOLDER RETURN to 30 April 2024



PERFORMANCE to 30 April 2024

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	(1.0%)	+4.0%	+22.9%	(5.5%)	+12.0%
Adjusted NAV Return	(5.2%)	+6.2%	+24.8%	+0.7%	+9.7%
Portfolio Performance					
Gross Performance Return	(5.3%)	+6.9%	+27.9%	+2.5%	+12.6%
Benchmark Index^	(3.3%)	+5.7%	+17.2%	+5.4%	+9.0%

^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 warrants will be issued at no cost to eligible shareholders in the ratio of one warrant for every four Marlin shares held, based on the record date of 15 May 2024
- Warrants will be allotted to all eligible Marlin shareholders on 16 May 2024
- The new warrants (MLNWG) are expected to 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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