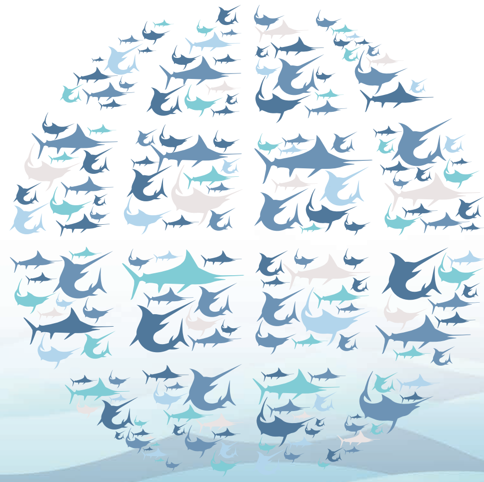
marlin
growing globally

Monthly Update

November 2019



MLN NAV **$1.00** | SHARE PRICE **$0.95** | DISCOUNT[1] **5.3%**

as at 31 October 2019

A word from the Manager

October was a good month for global equity markets, driven by signs of an improving geopolitical backdrop. Tensions between the US and China appear to be improving, with signs their trade delegations are edging closer to a partial trade deal. In the UK a hastily arranged snap election has seen the country step back from the precipice of a no-deal Brexit (for now). The US S&P 500 Index gained 2.2% in October, hitting fresh all-time highs, driven by this improved backdrop and a better than feared US corporate reporting season.

Marlin gained 0.3% (gross performance) for the month, compared with our global benchmark which gained 1.3%. The Marlin Adjusted NAV return for October was -0.2%.

Portfolio Company Developments

Facebook (+8%) was a strong performer in the portfolio this month, reporting better than expected third-quarter results. Facebook and Instagram continue to attract more users and Instagram's Stories format continues to grow in popularity with both users and advertisers. Despite Facebook's size, advertising revenues grew a massive 28% on the prior year and profits increased 19%. While Facebook continues to garner a lot of newspaper headlines and political attention, the product teams have continued to focus on innovating and making their products more useful for both users and advertisers. A good example of this is the new Checkout for Instagram, which allows users to shop, purchase and track orders directly in the Instagram app. The popularity of Instagram Stories and other platform improvements are driving increased user engagement and advertisers continue to flock to the platform to reach consumers no longer watching TV or reading the newspaper. While we believe Facebook must continue to address the myriad of issues associated with running a social network (user safety, privacy concerns, security, election interference etc), they continue to build a strong business with a lot of growth potential. We believe the business is still materially undervalued despite the 46% increase in share price so far this year.

LKQ Corp (+8%) a distributor of replacement auto parts, gained in October after reporting strong cash flow growth. LKQ's European business has struggled over the last two years, with the weak European economic environment weighing on revenue growth and the integration of a number of acquisitions crimping profit margins. Evidence that management's recent actions to streamline the business, improve margins and enhance cash flow generation saw its share price spike. LKQ has now gained over 40% this year.

Fresenius Medical Care (+5%) the German kidney dialysis service provider, continues to execute strongly in an environment of uncertainty for dialysis providers in the US. During the last quarter, Fresenius saw an acceleration in growth of dialysis patients coming to its clinics and a pick-up in dialysis equipment sales. Fresenius's US dialysis services growth continues to outpace peers, with home dialysis in particular seeing strong growth rates. These strong results came at a time of increasing regulation in the US dialysis sector, with the Trump administration introducing regulation to push for an increase in home dialysis over in-clinic care. The proposed regulations are still in the consultation phase, but we believe Fresenius is well positioned for these changes due to its proactive investments in home dialysis in recent years.

EssilorLuxottica (+3%) the eyewear and optical lens giant, reported a similar story of strong execution and accelerating growth. The Essilor lenses business saw growth hit the top end of its 4-6% medium-term target range, while the Luxottica eyewear business also saw good growth. The company, which was created through the merger of Luxottica and Essilor in 2018, reconfirmed its synergy targets and is already seeing the benefits of early initiatives such as increasing sales of Essilor lenses in Luxottica's retail stores. The recently announced acquisition of Grandvision further consolidates the company's position as the global leader in eyewear.

[1] Share Price Discount to NAV (using NAV to four decimal places)

Hexcel (-9%) the carbon fibre composites supplier, fell in October due to continued issues with its large customer Boeing. The main issue is the continued grounding of Boeing's 737 Max aircraft, following two fatal crashes caused by faults in Boeing's plane design. Delays getting the 737 Max back into the air have now forced Boeing to reduce production rates, which is having a knock-on effect for suppliers like Hexcel. While Boeing is confident that the 737 Max will return to service by the end of the year, this will have a short-term impact on Hexcel's growth.

Ashley Gardyne
Senior Portfolio Manager
Fisher Funds Management Limited

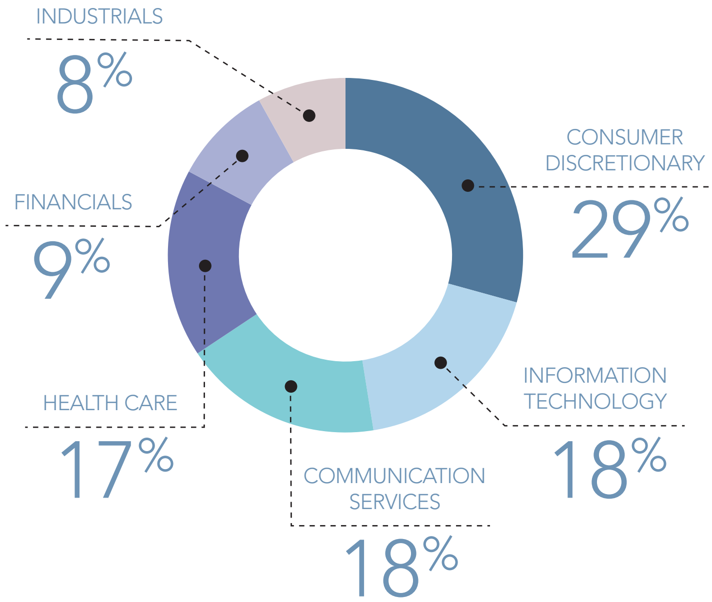
Key Details

as at 31 October 2019

FUND TYPE	Listed Investment Company
INVESTS IN	Growing international companies
LISTING DATE	1 October 2007
FINANCIAL YEAR END	30 June
TYPICAL PORTFOLIO SIZE	25-35 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	148m
MARKET CAPITALISATION	$141m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

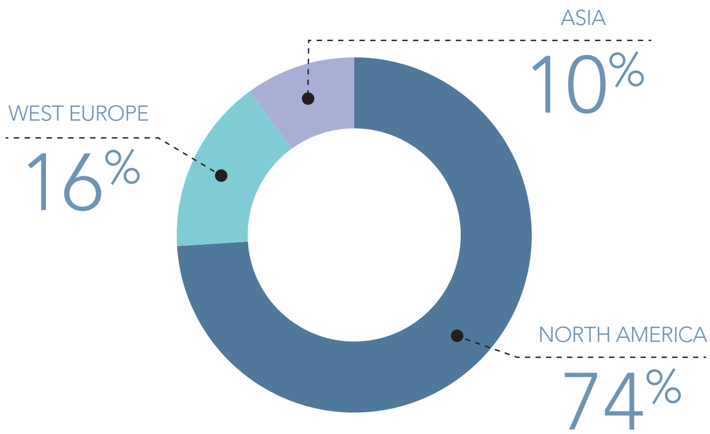
as at 31 October 2019



The Marlin portfolio also holds cash.

Geographical Split

as at 31 October 2019



October's Biggest Movers in local currency terms

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

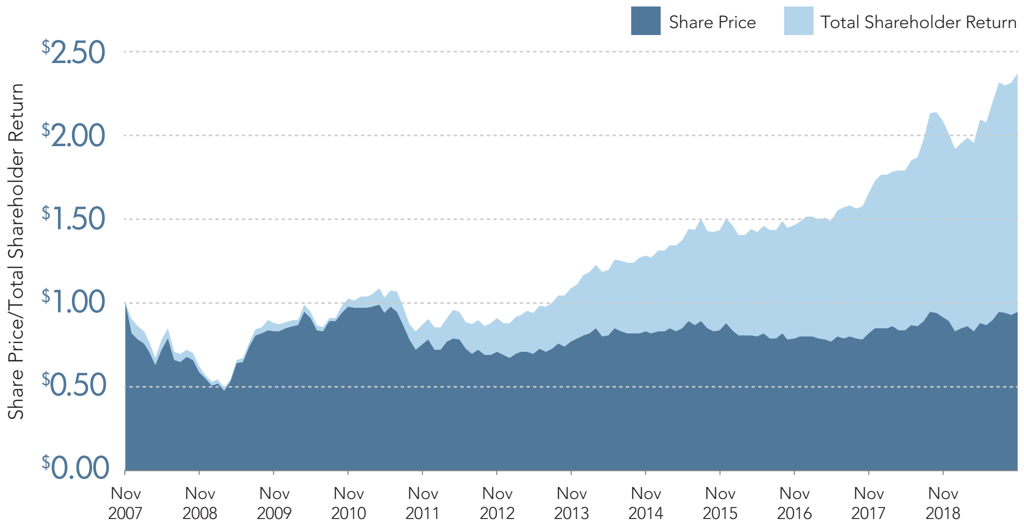
EDWARD LIFESCIENCES CORP	LKQ CORPORATION	FACEBOOK	ALIBABA GROUP	HEXCEL CORP
+8%	+8%	+8%	+6%	-9%

5 Largest Portfolio Positions as at 31 October 2019

ALPHABET	ALIBABA GROUP	FACEBOOK	TJX COMPANIES	MASTERCARD
8%	6%	6%	5%	5%

The remaining portfolio is made up of another 21 stocks and cash.

Total Shareholder Return to 31 October 2019



Performance to 31 October 2019

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+2.2%	+2.1%	+13.4%	+17.4%	+13.0%
Adjusted NAV Return	(0.2%)	+3.0%	+18.8%	+16.5%	+11.5%
Portfolio Performance					
Gross Performance Return	+0.3%	+3.4%	+22.4%	+20.3%	+15.3%
Benchmark Index^	+1.3%	+3.0%	+10.8%	+12.6%	+12.0%

^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 fees and tax,
- adjusted NAV return – the net return to an investor after fees and tax,
- gross performance return – the Manager's portfolio performance in terms of stock selection and currency hedging before fees and tax, and
- total shareholder return – the return to an investor who reinvests their dividends, and if in the money, exercises their warrants at warrant maturity date for additional shares.

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 25 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, 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

» 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 7.3m of its shares on market in the year to 31 October 2020

» 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, 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

» New warrants (MLNWD) have been issued by Marlin in early November 2019

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