marlin
growing globally

MONTHLY UPDATE

November 2020

Share Price	MLN NAV	Warrant Price	PREMIUM[1]
$1.18	$1.07	$0.25	16%

as at 31 October 2020

A WORD FROM THE MANAGER

Marlin's gross performance for October was down 1.2%, while the adjusted NAV was down 1.3%. This compared with our global benchmark, which was down 1.4%.

The headlines over the month were dominated by the pandemic and US elections. The MSCI Europe index was down 5.4% as a "second-wave" of COVID-19 runs through Europe. Many countries including UK, Germany and France are implementing lockdowns or other restrictive measures to control the virus. Conversely, China was one of the better performing markets as economic data showed a continuing recovery, with the economy returning to growth in Q3.

The US S&P 500 index was down 2.7%, having ended the month with the largest weekly decline since March on the reacceleration of daily COVID-19 cases. This drove underperformance in areas such as discretionary retail and airlines. The US market performance also reflected increasing odds of a Biden election win. The prospect of fiscal stimulus and infrastructure spend provided a boost to renewable energy and infrastructure stocks.

Lastly, earnings season is well underway with around 60% of S&P 500 companies having reported. 80% of these companies beat sales estimates, with revenue declining 3% on average. Based on share price reactions, investors largely appear to be looking through this quarter and focussing more on Q4 and 2021 commentary from management teams.

Portfolio Company Developments

Alphabet (+10.3%) continues to deliver strong advertising growth despite a weak economic backdrop. Group revenue grew 14% in the third quarter, driven by strong search advertising and YouTube growth, combined with 45% growth in its Cloud business. Its advertising business is benefitting from the continual shift of ad budgets from traditional media to digital – a trend that has accelerated in 2020.

We saw this trend across the broader digital advertising space, with Facebook, Snapchat and Pinterest also delivering better than expected results. The US Department of Justice also filed its long-expected antitrust lawsuit against Google, accusing the tech giant of using anticompetitive tactics to preserve its search engine monopoly. The lawsuit did not have much share market impact given it was narrowly focused on its deals to be default search provider with mobile device manufacturers (like Apple). There were no calls to break up Google and YouTube or its advertising network business.

Tencent (+15.5%) and **Alibaba (+3.7%)** were the other top contributors this month. In addition to strong Chinese economic data, both companies were buoyed by the highly anticipated Ant Group IPO.

Investor demand for Ant Group has been strong to say the least. Chinese retail investors alone subscribed for nearly $3 trillion of stock, 870 times the shares reserved for retail investors and well above the $37 billion being raised in total. Hong Kong retail investors (only 389 oversubscribed) and institutional investors further bolstered demand. This in turn has driven valuation expectations well above the $250b originally being discussed.

While Alibaba is the obvious beneficiary via its 33% shareholding, this also shone the spotlight on Tencent's underappreciated fintech business, which has around 40% share of the Chinese payments market.

Mastercard (-14.5%) was the biggest drag on performance in October after hitting all-time highs in recent months. Mastercard's third quarter results showed that while ecommerce and contactless payments are benefitting parts of its business, weak cross-border travel activity is still materially impacting its business. Cross-border payment fees are likely to remain under pressure until there is a widely

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

available vaccine and travellers are again feeling confident – which is unlikely to be until 2022.

Despite these near-term headwinds, the long-term outlook for digital payment adoption has only been strengthened by the pandemic.

As discussed, the resurgence of coronavirus and risk of further lockdowns and restrictions hurt discretionary retail names like **TJX (-8.7%)**, **Essilor (-8.6%)** and **Adidas (-7.6%)**.

Ashley Gardyne
Senior Portfolio Manager
Fisher Funds Management Limited

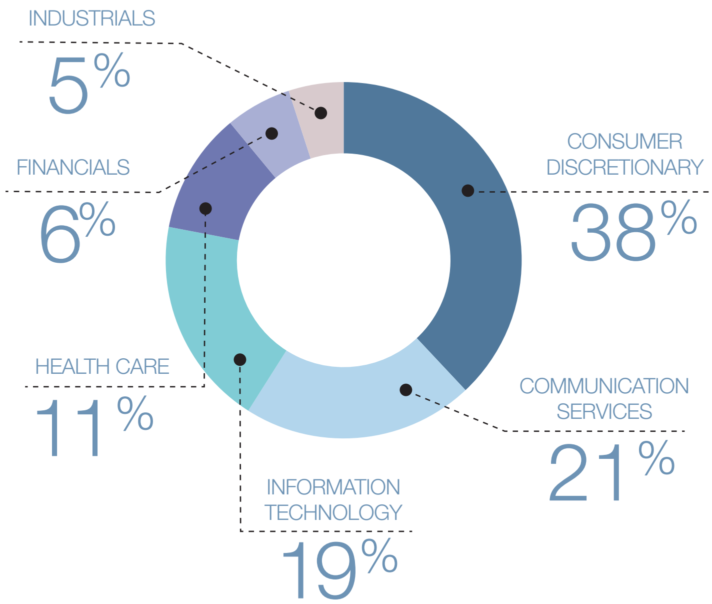
KEY DETAILS

as at 31 October 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	$1.01
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	153m
MARKET CAPITALISATION	$181m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

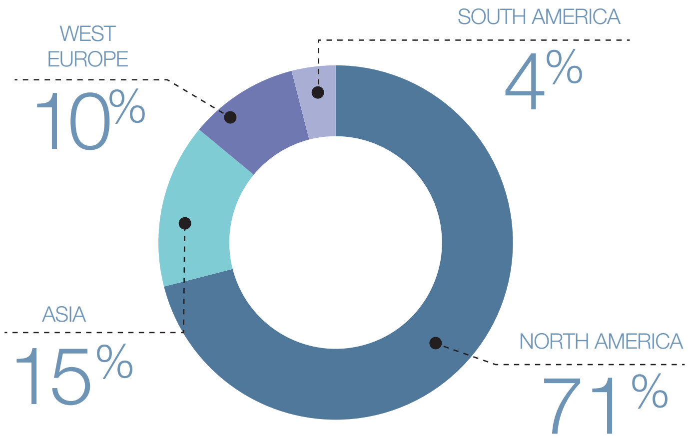
as at 31 October 2020



The Marlin portfolio also holds cash.

GEOGRAPHICAL SPLIT

as at 31 October 2020



OCTOBER'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO during the month

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

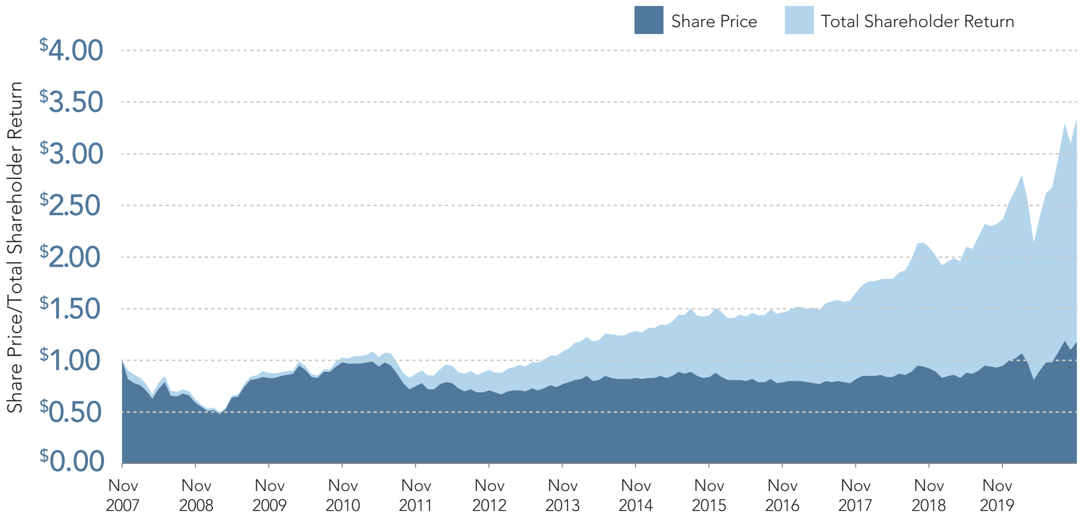
TENCENT HOLDINGS	TYLER TECHNOLOGIES	ALPHABET	EDWARDS LIFESCIENCES	MASTERCARD
+16%	+10%	+10%	-10%	-15%

5 LARGEST PORTFOLIO POSITIONS as at 31 October 2020

ALIBABA	FACEBOOK	ALPHABET	SIGNATURE BANK	TENCENT HOLDINGS
8%	8%	7%	6%	6%

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

TOTAL SHAREHOLDER RETURN to 31 October 2020



PERFORMANCE to 31 October 2020

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+8.2%	+13.2%	+41.5%	+26.3%	+18.4%
Adjusted NAV Return	(1.3%)	+2.1%	+15.7%	+13.5%	+12.1%
Portfolio Performance					
Gross Performance Return	(1.2%)	+2.8%	+20.0%	+16.8%	+15.8%
Benchmark Index^	(1.4%)	+1.6%	(0.1%)	+3.8%	+7.6%

^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

» The previous Marlin Global Limited warrants MLNWD were exercised on 6 November 2020 and new Marlin Global shares were allotted to those who had exercised their warrants.

» All MLNWD warrants that were not exercised, lapsed on 6 November 2020, and all rights in regard to them have now expired.

» Details pertaining to the exercise of MLNWD warrants were announced to the market via the NZX in early November 2020.

» 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.

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 an authorised 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.

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