

# MONTHLY UPDATE

November 2021

Share Price

\$1.53

MLN NAV

\$1.26

Warrant Price

\$0.22

PREMIUM<sup>1</sup>

26.3%

as at 31 October 2021

## A WORD FROM THE MANAGER

Marlin's gross performance return for October was up 2.3%, while the adjusted NAV was +1.5%. This compared with our global benchmark, S&P Large Mid Cap/S&P Small Cap Index (50% hedged to NZD), which was up 2.1%.

Following a weaker September, global markets bounced back in October with the US leading the way, up 7%. The US market had a strong start to Q3 earnings, with more than 80% of companies beating analyst expectations, albeit by a smaller magnitude than previous quarters.

Europe was up 4.2%, while Emerging Markets (+1%) lagged the major western markets as resurgence of COVID in Asia and Russia hampers economic growth.

Supply chain issues remain front of mind however, and were a key discussion point in most company earnings calls. A tight labour market and increasing wage costs further adds to inflationary concerns.

### Portfolio Developments

**Dollar Tree** (+13%) a top US discount retailer, stock price rallied in October after the company announced that it will introduce price points above US\$1 (but not over US\$3) in its 7,700 stores. Dollar Tree has kept its US\$1 fixed price point for decades, even when peers have long since moved to a multi-price point model in the face of inflation and to manage profitability. This is incrementally positive as the new higher pricing can be introduced in stores where previously 90-100% of items were US\$1. With these small price increases we think Dollar Tree maintains its bargain-hunting value proposition while giving the firm the ability to protect profitability in the face of rising costs.

**Alibaba** (+11%) had a strong month, as the Chinese tech industry enjoyed a period of relative calm following the frenetic pace of regulatory announcements in recent months, and with Chinese party leaders providing some reassurance that the tech companies role in the nation's economic development has not been diminished.

**Facebook / Meta Platforms** (-5%) saw its share price slide following financial results from Snapchat which highlighted how Apple's new privacy changes had hit its advertising business. Facebook's results later in the month showed that Facebook's own advertising business had held up relatively well – with revenue growing 35% on the prior year. The more substantial news for Facebook however was their announced name change to Meta Platforms, and their intention to invest significantly (\$10bn per year) to try and build the next computing platform. CEO Mark Zuckerberg has talked for a number of years about wanting to contribute to the development of the metaverse, and to technology like virtual reality that he thinks will be important for the future of computing and communication. This is a significant investment and an area we will monitor closely. The payoffs here are uncertain, but we are comforted by the company's history of astute capital allocation – not least the acquisition of Instagram in 2012 for just \$1bn.

**Mastercard** (-3%) slipped in October on the back of comments by Visa that they weren't expecting their cross-border revenues to return to pre-pandemic levels until 2023. Revenue from cross-border travel is particularly lucrative and is an important part of both the Visa and Mastercard's businesses – which is why Mastercard sold off by 6% in response to Visa's news. Mastercard's own financial results later in the month showed that their business is growing strongly, with revenue up 30% on the prior year, and our expectation is for two more years of elevated transaction, revenue and earnings growth and international travel resumes. While the recovery may not be happening as fast as some would like, we see a long growth runway ahead, the potential for profit margin expansion and valuation that is not as demanding as it used to be.

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

**PayPal** (-11%) saw its share price decline on limited fundamental data in the month. The bulk of the decline followed rumours that they were looking at acquiring image sharing and advertising platform Pinterest for up to \$45 billion. Investors struggled to see the synergies between these two businesses and sent PayPal's share price tumbling on concerns that an acquisition would be value destructive. PayPal has since publicly stated that it isn't pursuing an acquisition of Pinterest.



Ashley Gardyne  
Senior Portfolio Manager  
Fisher Funds Management Limited



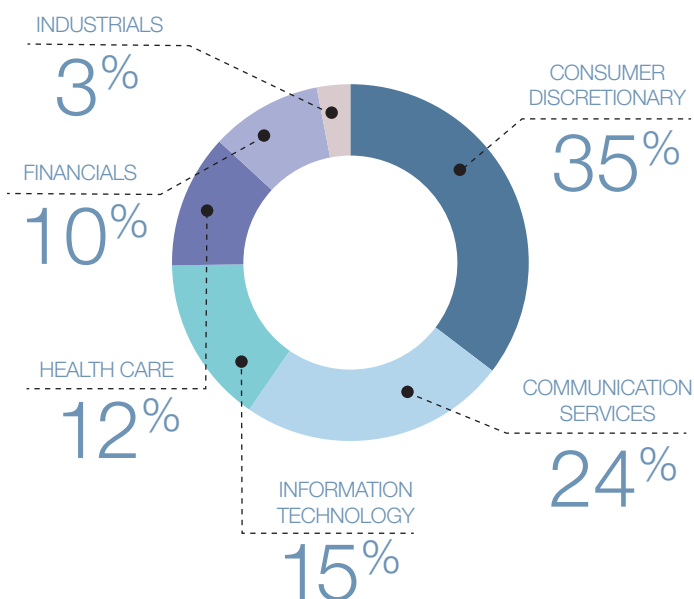
## KEY DETAILS

as at 31 October 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	\$1.25
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	192m
MARKET CAPITALISATION	\$293m
GEARING	None (maximum permitted 20% of gross asset value)

## SECTOR SPLIT

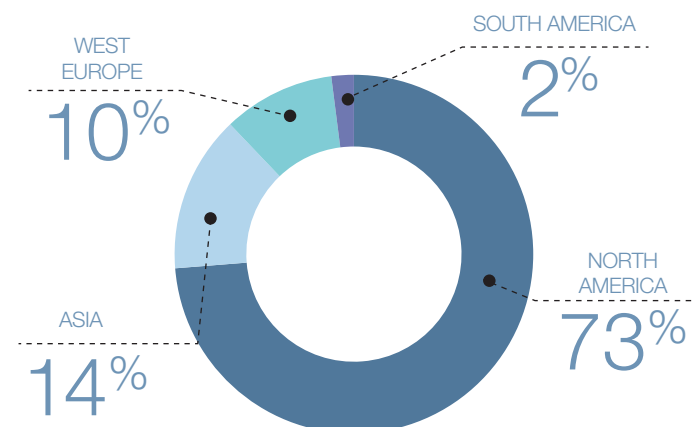
as at 31 October 2021



The Marlin portfolio also holds cash.

## GEOGRAPHICAL SPLIT

as at 31 October 2021



# OCTOBER'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO during the month

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

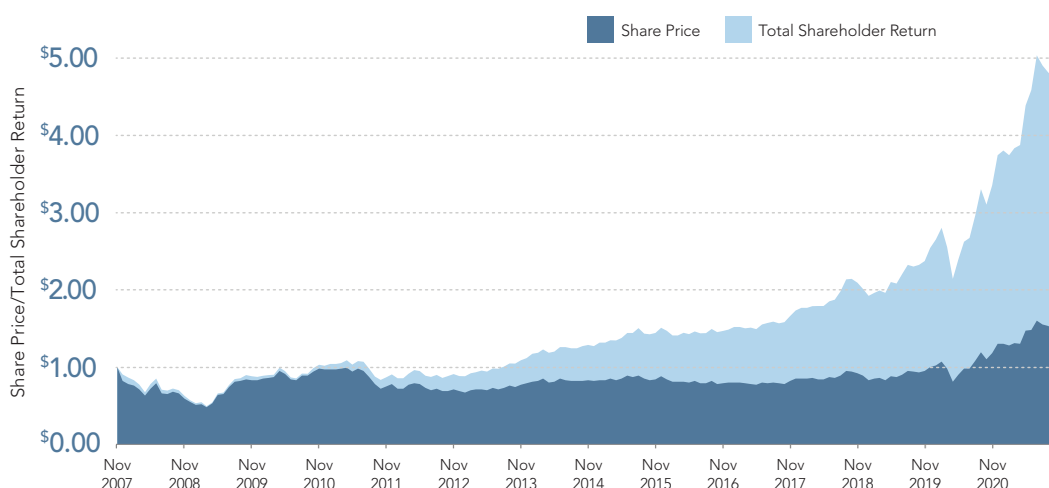
DOLLAR TREE	FLOOR & DÉCOR HOLDINGS	FIRST REPUBLIC BANK	ALIBABA	ALPHABET INC
+13%	+13%	+12%	+11%	+11%

## 5 LARGEST PORTFOLIO POSITIONS as at 31 October 2021

FACEBOOK	ALPHABET	ALIBABA	SIGNATURE BANK	TENCENT
10%	7%	7%	7%	7%

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

## TOTAL SHAREHOLDER RETURN to 31 October 2021



## PERFORMANCE to 31 October 2021

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
<b>Company Performance</b>					
Total Shareholder Return	+2.6%	(0.6%)	+45.2%	+32.6%	+27.1%
Adjusted NAV Return	+1.5%	(1.4%)	+31.8%	+21.9%	+19.3%
<b>Portfolio Performance</b>					
Gross Performance Return	+2.3%	(0.4%)	+37.7%	+26.4%	+23.6%
Benchmark Index <sup>^</sup>	+2.1%	+1.6%	+34.3%	+14.1%	+13.9%

<sup>^</sup>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 David McClatchy.

## 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. Dividends totalling 4.89 cents per share have been declared to date and there are two more dividends expected to be declared in the remaining period up to the announcement of the 20 May 2022 exercise price.
- » 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.



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