

18 October 2019

## **Marlin Limited Annual Meeting**

### **Chair's Address from Alistair Ryan**

[Slide: Marlin Global Limited Annual Meeting of Shareholders]

Welcome to the 12th Marlin Global Limited Annual Meeting of Shareholders. I am Alistair Ryan, Chair of Marlin.

We are duly convened as a notice of meeting has been circulated to shareholders and I can confirm that a quorum is present so I declare the meeting open.

Please note that the exits are at the back and front of the room. Please ensure you turn off your cell phones.

At the conclusion of the meeting there will be a light lunch. We look forward to meeting many of you after the meeting.

[Slide: Agenda]

To briefly cover off preliminary matters:

- The minutes of the 2018 annual shareholders' meeting held on 31 October 2018 are available at the registration desk and are also on the Marlin website.
- The 2019 annual report has been circulated to shareholders – additional copies are available at the registration desk.

Today I'll give a brief update on the Marlin 2019 financial year, and then Marlin's Senior Portfolio Manager, Ashley Gardyne will review the Marlin portfolio.

After the Manager's Review, we will have a Q&A session, and will then move to the formal business of the meeting. There are four resolutions for you to consider and vote on today, which are set out in the notice of meeting.

[Slide: Introductions]

Let me introduce the front table.

Firstly, the directors. To my right is Carmel Fisher, then Andy Coupe and Carol Campbell.

Next to Carol is Ashley Gardyne, Senior Portfolio Manager for Marlin.

Next to Ashley, is Wayne Burns Corporate Manager for Marlin.

Also here today are Senior Investment Analysts, Chris Waters and Harry Smith who are in the audience, please stand up Chris and Harry.

We are also pleased to have representatives from our share registrar, Computershare, auditor, PricewaterhouseCoopers, our tax agent, Deloitte and our legal advisors, Bell Gully in the audience today.

[Slide: Chair's Overview]

Shareholders, it is my pleasure to again present the Chair's Overview at this meeting.

[Slide: Marlin's Investment Objective]

Before we begin the review of the year ended 30 June 2019, it is useful to refresh ourselves as to the key investment objectives of Marlin, namely:

- to achieve a high real rate of return, comprising both income and capital growth, within risk parameters acceptable to the directors; and
- to provide access to a diversified portfolio of international quality growth stocks through a single tax-efficient investment vehicle.

Both of these objectives were achieved for the 2019 financial year.

[Slide: Corporate Governance]

The Board is committed to strong governance principles and to overseeing the Manager's portfolio performance on behalf of shareholders. The Investment Committee generally meets twice a year, on a six monthly basis, to hear from the Manager about what has gone well and what has disappointed, and to engage in a comprehensive review session covering key performance metrics, some of which we will go through on the following slides. The Audit and Risk Committee meets at least twice a year to review not only the financial accounts, but also all internal control structures, risk management systems and the external audit function. Thereby ensuring full financial and regulatory compliance.

The Board generally meets formally six times per annum plus other meetings as required.

Further details with regards to the corporate governance can be found in the Marlin Annual Report.

As announced to the market on 20 August this year, the Board has negotiated a 33% reduction to the performance fee earn rate (above the performance hurdle) from 15% to 10% together with the introduction of a cap (1.25%) on the total performance fee amount. The payment of any performance fee remains unchanged at 100% in cash, however there will no longer be an obligation on the Manager to apply 25% of any performance fee to purchase of ordinary shares in the Company. The changes took effect from 1 July 2019.

The Marlin board wishes to acknowledge the positive response from Fisher Funds Management Limited to enter into fee discussions and for agreeing to these changes which will be of significant benefit to Marlin shareholders in the circumstances where a performance fee has been earned by the Manager.

There has been no change to the fulcrum fee, where the base management fee can be reduced on a sliding scale below 1.25% to as low as 0.75% depending on the performance of the fund.

The combination of the fulcrum fee, (down to as low as 0.75% for lower performance) along with the potential for the Manager to receive upside benefit for performance above the nominated threshold level, is a good fee combination.

[Slide: 2019 Overview]

So how has 2019 treated shareholders?

- We are pleased with Marlin's performance during what was a particularly volatile and challenging period. The global share market correction that occurred in the December 2018 quarter meant that Marlin's half year position was a NPAT loss of around \$14m. It was therefore very pleasing to see Marlin's portfolio recover by approximately \$23m over the second half of the financial year to end the year with a NPAT of \$8.4m. That was a significant achievement against a challenging market backdrop and further demonstrated the prevailing quality of the Marlin portfolio.
- Despite the strong recovery in the second half of the financial year we were unfortunately not able to match the recorded NPAT from the previous financial year of \$23.8m.
- The total shareholder return for the year was 15.5%.
- Marlin's regular dividends continued to contribute to the total shareholder return with 7.87 cents per share paid in dividends during the 2019 financial year, which is equivalent to a dividend return of +9.2% (2018: +9.6%).
- The NAV per share at year end was \$0.96, slightly down on the previous year end NAV per share of \$1.02, which is of course after dividends were paid out.
- The adjusted NAV return was +6.8% for the period which represents the net return to an investor after expenses, fees and tax, which was down from the 2018 result of +23.2%.
- Over the 2019 financial year, the share price to NAV discount narrowed from 13.7% (30 June 2018) to be 6.2% at 30 June 2019. However, for a reasonable part of the year the discount was below 8%. Since year end, the share price to NAV discount has continued to be below 8%. Total shareholder return is the return to an investor who reinvests their dividends, and if in the money, exercises their warrants at warrant maturity date for additional share. The narrowing of the discount helps explain why the total shareholder return is higher than the adjusted NAV return.
- The Board has a number of initiatives in place to help manage the share price to NAV discount including the buyback programme. Over the 12 months to 30 June 2019, approximately 1 million Marlin shares were purchased under the buyback programme when the shares were trading at sufficiently deep discounts. Shares purchased under the buyback programme are held as treasury stock and primarily utilised under the dividend reinvestment plan. There haven't been any buybacks in the first quarter of the new financial year, because of the small size of the discount.

[Slide: 2019 Overview - Continued]

As I mentioned in the previous slide the adjusted NAV return was +6.8% for the period, which represents the net return to an investor after expenses, fees and tax. This return was comfortably ahead of the benchmark return of 2.1%.

As you can see from this slide both the three & five year annualised adjusted NAV returns compare well with the equivalent period benchmark returns.

Ashley will discuss the international market dynamics and how the portfolio performed shortly in the Manager's Review.

#### [Slide: Use of Shareholder Funds]

The chart shows the Marlin NAV of \$121m as at June 2018, increased \$19m to \$141m at the end of the June 2019 reporting period.

The movements during the year as represented by the green and orange columns were:

- plus \$8.4m net profit,

And movements due to our capital management initiatives:

- less \$10m dividends paid,
- adding back \$4m for dividends reinvested by shareholders,
- less \$1m for buybacks, and
- plus \$18m for the new shares issued when the warrants were exercised in April.

#### [Slide: Quarter 1, 2019]

The first quarter of Marlin's 2020 financial year was relatively settled and markets had risen slightly.

This slide provides a snapshot of those first three months of the current financial year to 30 September 2019, where you can see that:

- Total shareholder return for the quarter was +5.5%.
- Unaudited net profit for the three months was \$9.7m.
- NAV per share was \$1.01, (bearing in mind that Marlin made a quarterly dividend payment of 1.93 cents per share in late September (paid on 26 September).
- The share price to NAV discount remained narrow, and was 7% as at 30 September 2019.
- Marlin's adjusted NAV return for those first three months was +7.0%, which represents the net return to an investor after expenses, fees and tax, and
- The benchmark index for the same three months, which was 3.1%.

In closing, on behalf of the Board I'd like to thank you shareholders for your continued support of Marlin. I will now hand over to Ashley Gardyne, Senior Portfolio Manager of Marlin.

#### [Slide: Marlin Warrants]

As we announced to the market on Thursday this week Marlin will issue a new Warrant to shareholders in early November.

As with prior warrants, one warrant will be issued for every four shares held by shareholders on the record date of 6 November 2019.

Details of the new warrant will be sent to shareholders later this month, however the actual allotment of the warrants won't occur until 7 November, which is when allotment notices will be sent to warrant holders.

It is intended that the New Marlin Warrants will trade on the NZX from 8 November 2019.

The exercise price per warrant of \$0.94 will be adjusted down by the dividends per share that are declared on the Marlin shares between allotment of the warrants and the notification of the final exercise price in late September next year.

The warrants will be exercisable in early November next year (2020)

### **Closing remarks**

In closing, on behalf of the Board I'd like to thank you shareholders for your continued support of Marlin. I will now hand over to Ashley Gardyne, Senior Portfolio Manager of Marlin.

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