

# MONTHLY UPDATE

August 2021

Share Price

\$1.55

MLN NAV

\$1.30

Warrant Price

\$0.28

PREMIUM<sup>1</sup>

24.9%

as at 31 July 2021

## A WORD FROM THE MANAGER

Marlin's gross performance return for July was up 1.2%, while the adjusted NAV was 0.9%. This compared with our global benchmark, S&P Large Mid Cap/S&P Small Cap Index (50% hedged to NZD), which was up 0.7%.

The global economic recovery continued as the vaccine rollout progressed and lockdowns eased in some regions. However, there are growing concerns that the highly contagious delta variant of COVID could threaten this economic recovery, with cyclical and COVID sensitive sectors like travel underperforming for the month.

The US led global markets up 2.4%, followed by Europe up 1.8%. We are now halfway through earnings season, with over 83% of US companies and 70% of European companies beating sales expectations. More encouragingly, corporate guidance has also been strong, with 58% of companies raising guidance for next quarter. Of those companies that have also updated full-year guidance, 78% have increased expectations.

Emerging markets fell 6.7%, driven by weakness in Chinese stocks following increased regulatory scrutiny on several key industries, as policymakers look to reduce inequality and increase competition. Proposed reforms to the private education sector effectively barring for-profit tutoring sent shockwaves through the industry and soured sentiment towards all Chinese stocks. The China Dragon Index (an index of Chinese stocks listed in the US) was down 22% for the month.

### Portfolio Developments

**Floor and Décor (+15.4%)** performed strongly during the month. Traditionally, the specialty retailer has focused on serving retail and trade's people hard flooring from their Bunning's sized warehouses. In June the company announced it was moving into the US\$13 billion commercial sector through the acquisition of Spartan. Floor & Décor will be able to leverage its supply chain and direct purchasing to grow Spartan's business serving large architecture and design shops on projects such as hotels and hospitals.

In addition, existing home sales data, which is closely correlated to Floor and Décor's performance improved after a couple of negative months. We continue to view Floor and Décor positively given the store growth runway.

**Icon (+17.7%)** delivered another excellent quarterly result, with revenue and bookings both growing above expectations. Icon is a contract research organisation (CRO), which helps pharmaceutical companies design and run clinical drug trials. It continues to benefit from growing spend on drug research and the increased outsourcing of clinical research to trusted service providers like Icon. Earlier this year, Icon announced a merger with competitor PRA Health Sciences to create the third largest CRO. While the market was initially sceptical of the merger, positive commentary from management and strong quarterly results have eased concerns and helped drive performance during the month.

**Alphabet (+10.4%)** also reported another stellar quarter as the company benefits from the ongoing shift of advertising dollars online. Search was the largest outperformer, with revenue up 68% versus last year. In addition to a recovery in spend from COVID-impacted industries like travel, the pandemic has created urgency amongst businesses to accelerate the pace of digital transformation, including moving advertising spend online. This tailwind also drove 84% growth in YouTube revenues, as advertisers have started moving brand advertising dollars away from linear television. We believe there is still plenty of runway left in this shift and see portfolio companies like Alphabet, Facebook and Amazon as key beneficiaries.

Our two Chinese stocks **Alibaba (-13.9%)** and **Tencent (-18.0%)** were both caught up in the China tech sell-off. Having benefited from years of light-touch regulation, the Chinese tech industry is now seeing a period of increasing regulatory focus. We believe this is a natural progression as the industry and economy matures, and that the more alarming reforms such as that in the private education sectors are largely contained to those industries and are

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

focussed on reducing inequality. Alibaba and Tencent are more aligned with policymaker's goals as they play an important role in the digitalisation of commerce and industry in China, improving the livelihoods of both consumers and businesses and we are still positive on the long-term prospects for both companies. We have taken advantage of what we think is irrational selling to increase our weight in these names.



Ashley Gardyne  
Senior Portfolio Manager  
Fisher Funds Management Limited



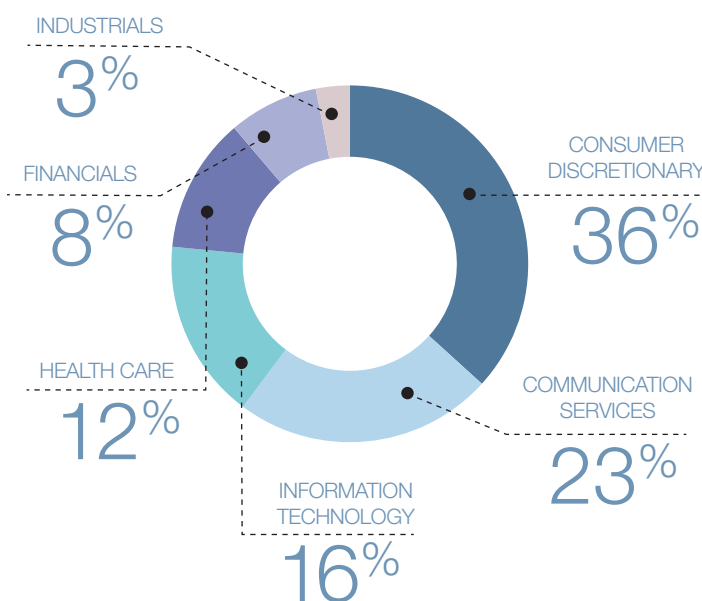
## KEY DETAILS

as at 31 July 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	\$0.92
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	190m
MARKET CAPITALISATION	\$295m
GEARING	None (maximum permitted 20% of gross asset value)

## SECTOR SPLIT

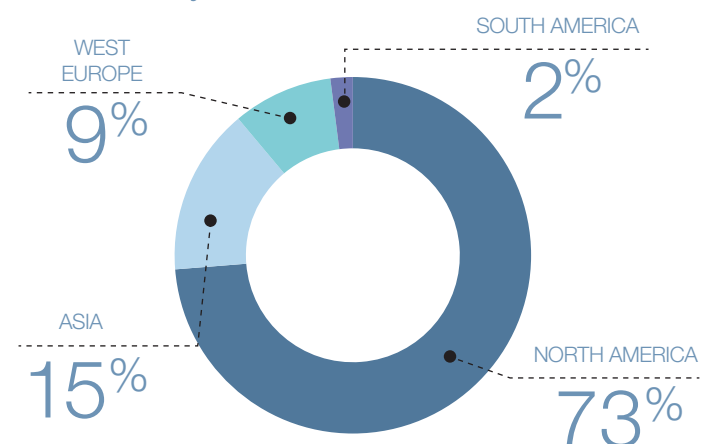
as at 31 July 2021



The Marlin portfolio also holds cash.

## GEOGRAPHICAL SPLIT

as at 31 July 2021



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

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

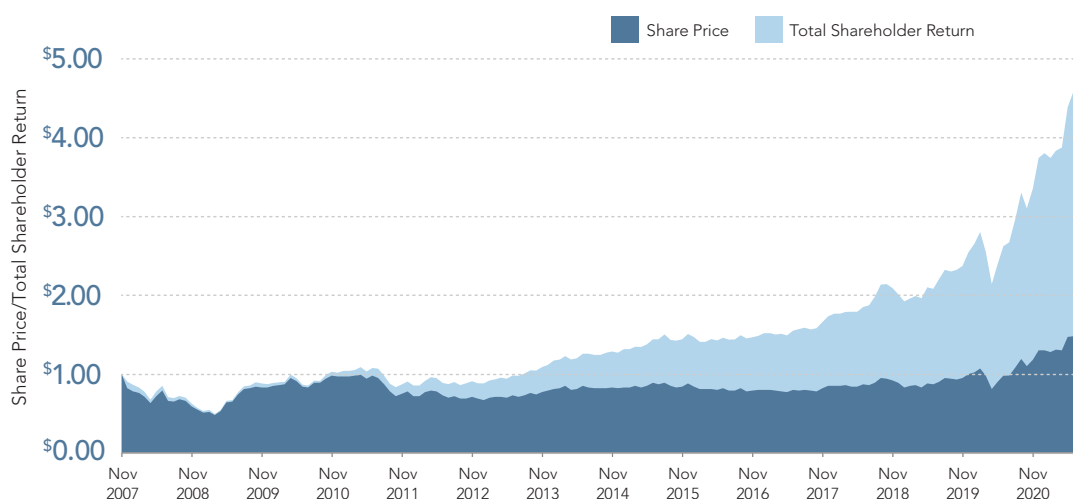
ICON	FLOOR AND DÉCOR	HEXCEL CORP	ALIBABA	TENCENT
+18%	+15%	-13%	-14%	-18%

## 5 LARGEST PORTFOLIO POSITIONS as at 31 July 2021

FACEBOOK	ALIBABA	ALPHABET	TENCENT	SIGNATURE BANK
10%	8%	7%	7%	5%

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

## TOTAL SHAREHOLDER RETURN to 31 July 2021



## PERFORMANCE to 31 July 2021

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
<b>Company Performance</b>					
Total Shareholder Return	(2.7%)	+12.0%	+65.3%	+35.3%	+27.8%
Adjusted NAV Return	+0.9%	+5.4%	+36.5%	+20.5%	+19.4%
<b>Portfolio Performance</b>					
Gross Performance Return	+1.2%	+5.6%	+42.2%	+24.7%	+23.6%
Benchmark Index <sup>^</sup>	(0.1%)	+3.9%	+34.3%	+11.4%	+13.5%

<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
- » 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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