

# MONTHLY UPDATE

August 2023

Share Price

\$0.97

Warrant Price

\$0.03

MLN NAV

\$0.96

PREMIUM<sup>1</sup>

1.9%

as at 31 July 2023

## A WORD FROM THE MANAGER

Marlin's gross performance return for July was up 3.3%, while the adjusted NAV return was up 2.8%. This compared with our global benchmark, S&P Large Mid Cap/S&P Small Cap Index (50% hedged to NZD), which was up 3.5%.

In July, global equities were up +3.4% driven by Emerging Market equities up +6.3%. US and European equities were up +3.2% and +1.8% respectively for the month. Growth underperformed value in the month, with MSCI World Growth Index up +2.9% compared to MSCI World Value Index up +3.9%.

Market hopes for an economic soft-landing and US headline inflation numbers falling more than expected supported equities. The US Federal Reserve raised rates 25bps and is no longer forecasting a recession.

### Portfolio News

**Alibaba** (+20%) and **Tencent** (+7%) rallied in July alongside the broader China stock market (MSCI China Index +10% for the month). There are signs in recent weeks that regulatory scrutiny on China's tech sector is easing, and China policymakers are also looking to introduce stimulus to bolster the economy which has been slow to recover post-COVID. Both considerations drove improved market sentiment in the month.

**Alphabet** (+11%) reported earnings that beat market expectations. The digital advertising market continues to grow, with Google Search and YouTube well positioned to capture market share given their ability to deliver high return on investment for advertisers. Alphabet's artificial intelligence (AI) investments are also paying off. CEO Sundar Pichai noted that Google's AI-driven Search Generative Experience (SGE) is driving incremental new queries that can be monetised with advertising. Alphabet management also continue to focus on cost discipline, which is very positive for the company's earnings growth outlook as revenues continue to trend upwards.

**Meta** (+11%) reported earnings in the month. Robust revenue, engagement trends and outlook guidance beat expectations and drove shares up 9% post-announcement. The company's investments in AI are paying off. AI recommendations drove a 7% increase in overall Facebook user engagement, and almost all of Meta's advertisers use at least one of its AI-driven ad products. Reels continue to drive incremental engagement, and monetisation has steadily increased over time. Along with

Reels, the next leg of Meta's runway comes from its small but rapidly growing Click-to-Message (via Messenger, Instagram or WhatsApp) offering. Meta also continues to invest significantly in the Metaverse, which currently has no clear return on investment. We are monitoring this closely. That said, 80% of Meta's spending is on its core Family of Apps business which generates highly attractive margins and free cash flow. Ongoing cost discipline in its core business will further improve Family of Apps' margin and cash flow profile.

**MSCI** (+17%), a new portfolio addition as of June, reported better than expected quarterly earnings in July. Revenues grew 13% year-on-year (YOY), the key Index business grew 13% YOY and EPS grew 17% YOY. MSCI's fastest growing segment, ESG & Climate, came in better than expected growing at 29% y/y. There were concerns surrounding a slowdown in ESG & Climate growth in the previous quarterly result which were eased this quarter with management reassuring investors of the long growth runway the segment still has. MSCI has various avenues of growth they are benefitting from and are executing well to capture these opportunities.

Our medical device companies, **Edwards Lifesciences** (-13%) and **Boston Scientific** (-4%), both underperformed for the month as the anticipated recovery in surgical procedures was slower than the market expected. Medical device stocks have performed well year-to-date, given easing COVID restrictions and improvements in hospital staffing levels. Although overall surgical procedure volumes improved during recent months, more complex procedures such as Edwards' heart valve replacements are taking longer to recover given a greater time lag between referrals and treatment. Edwards expects growth rates to accelerate towards year end as staffing levels continue to improve and as these more complex cases move through the system.

**Icon** (flat) reported results which show that signs of a recovery in its biotech customer base have not yet translated into new orders. The company noted it typically takes around three months for underlying activity to translate into bookings growth and is cautiously optimistic that new business wins will increase in the second half of this year.

<sup>1</sup> Share Price Premium to NAV (including warrant price on a pro-rated basis and using the net asset value per share, after expenses, fees and tax, to four decimal places).

## Portfolio Changes

During the month we reduced our position in Netflix and increased our position in Gartner.

We exited homebuilder **NVR** (-1%) in July because we see better value elsewhere. We bought NVR in May 2021. The company has since delivered a 15% p.a. return vs. +4% return from the S&P 500. NVR's runway for new orders in the company's active development communities has shrunk in recent years. NVR gross margins are at all-time highs given

recent appreciation in house prices, and we see downside risk to market consensus expectations for margins to remain at elevated levels for the next 3 years. We put NVR back into the fishing pond and will continue monitoring these dynamics closely.



Sam Dickie  
Senior Portfolio Manager  
Fisher Funds Management Limited



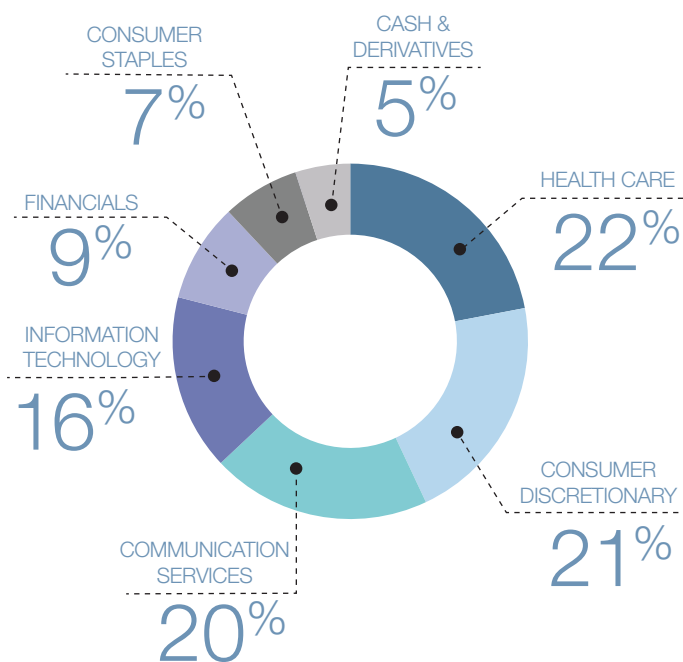
## KEY DETAILS

as at 31 July 2023

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	\$1.08
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	207m
MARKET CAPITALISATION	\$200m
GEARING	None (maximum permitted 20% of gross asset value)

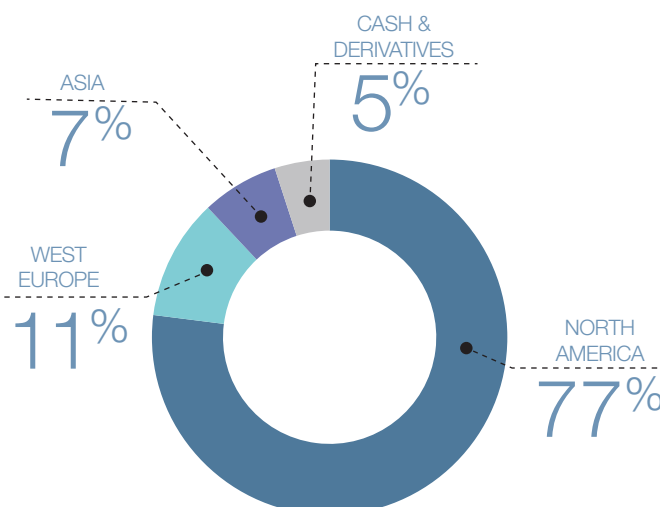
## SECTOR SPLIT

as at 31 July 2023



## GEOGRAPHICAL SPLIT

as at 31 July 2023



# JULY'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO

(in local currency) during the month

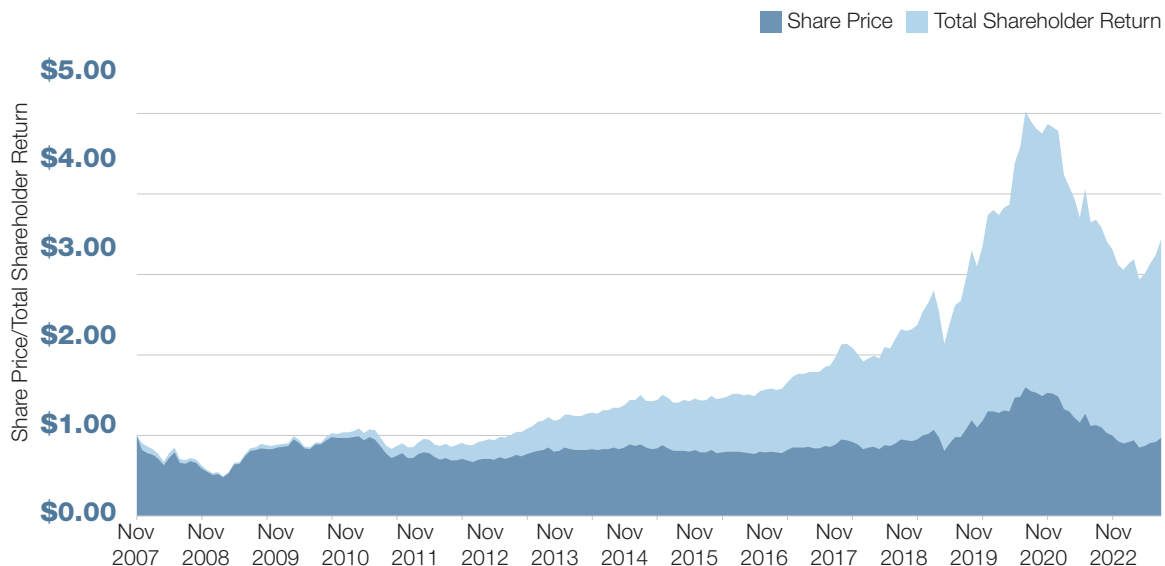
ALIBABA	MSCI	PAYPAL	META PLATFORMS	EDWARDS LIFESCIENCES
+20%	+17%	+14%	+11%	-13%

## 5 LARGEST PORTFOLIO POSITIONS as at 31 July 2023

AMAZON	ALPHABET	ICON	META PLATFORMS	GARTNER
8%	7%	7%	6%	6%

The remaining portfolio is made up of another 16 stocks and cash.

## TOTAL SHAREHOLDER RETURN to 31 July 2023



## PERFORMANCE to 31 July 2023

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
<b>Company Performance</b>					
Total Shareholder Return	+6.0%	+14.3%	(6.6%)	+5.0%	+11.7%
Adjusted NAV Return	+2.8%	+11.1%	+8.5%	+5.6%	+8.6%
<b>Portfolio Performance</b>					
Gross Performance Return	+3.3%	+12.0%	+11.1%	+8.3%	+11.6%
Benchmark Index <sup>^</sup>	+3.5%	+8.3%	+11.5%	+11.9%	+7.6%

<sup>^</sup>Benchmark index: S&P Large Mid Cap/S&P Small Cap Index (50% hedged to NZD)

### 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 dividends (and other capital management initiatives) and after expenses, fees, and tax,
- » adjusted NAV return – the percentage change in the adjusted NAV,
- » 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. Sam Dickie (Senior Portfolio Manager), Chris Waters (Senior Investment Analyst), and Lily Zhuang and Daniel Moser (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 Andy Coupe (Chair), Carol Campbell, David McClatchy and Fiona Oliver.

## 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 utilised for the dividend reinvestment plan

### Warrants

- » Marlin announced an issue of warrants (MLNWF) on 18 October 2022
- » Information pertaining to the warrants was mailed/emailed to all shareholders on 25 October 2022
- » The warrants were issued at no cost to eligible shareholders in the ratio of one warrant for every four Marlin shares held based on the record date of 2 November 2022
- » The warrants were allotted to shareholders on 3 November 2022 and listed on the NZX Main Board from 4 November 2022
- » The Exercise Price of each warrant is \$0.99, 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 warrants is 10 November 2023

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.



Marlin Global Limited  
Private Bag 93502, Takapuna, Auckland 0740  
Phone: +64 9 484 0365  
Email: [enquire@marlin.co.nz](mailto:enquire@marlin.co.nz) | [www.marlin.co.nz](http://www.marlin.co.nz)

Computershare Investor Services Limited  
Private Bag 92119, Auckland 1142  
Phone: +64 9 488 8777  
Email: [enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz) | [www.computershare.com/nz](http://www.computershare.com/nz)