growing globally

MONTHLY UPDATE

March 2021

Share Price	MLN NAV	PREMIUM[1]
$1.31	$1.16	13.1%

as at 28 February 2021

A WORD FROM THE MANAGER

Marlin's gross performance return for February was up 7.0%, while the adjusted NAV was up 6.3%. This compared with our global benchmark, S&P Large Mid Cap/S&P Small Cap Index (50% hedged to NZD), which was up 3.3%.

Equity markets closed the month with positive returns, despite a drop towards the end of the month. The rotation in favour of value (+4.8%) and small caps (+5.0%) over growth (+0.4%) continued because of the expected post-pandemic normalisation and rising US bond yields.

The selloff towards the end of the month was attributed to investors worrying about inflation due to an impending US$1.9 trillion federal stimulus package that could force the Federal Reserve to raise short-term borrowing costs. High-growth tech companies have been hit the hardest, having benefited from expectations of lower interest rates for an extended period of time.

Portfolio Company Developments

Signature Bank (+32% in local currency), continues to perform well, as does the US banking index which was up +16% in February. Underpinning this rise is a shift higher in the US 10-year government bond yield, which ended the month at 1.42%, up from 0.91% at the start of the year.

Signature Bank is also benefitting from wider interest in crypto currencies. By offering banking services to crypto currency exchanges and institutions who participate in that space the bank is benefitting from strong growth in cheap deposits.

During the month we reduced our Signature Bank position, after the rapid share price appreciation had taken the holding up to a 12% weighting in our portfolio. We are still confident in Signature Bank's ability to grow earnings at a mid-teens rate and therefore the company remains one of our largest positions.

After Signature Bank, the portfolio next top three performers all came from companies, in what we term, our 'old habits return' bucket. This group of businesses includes airplane componentry manufacturer, **Hexcel** (+23%), hotel brand franchisor **Hilton** (+22%), and conference and research provider **Gartner** (+18%). There is increased confidence that vaccination programs currently underway could achieve large-scale reopening of economies in the second half of the year.

PayPal (+11%) was buoyed by strong financial results and an investor day that set out an impressive growth agenda for the next five years.

PayPal has ambitions to move beyond simply being an online checkout option to evolving into a payments 'super app' like WeChat and AliPay in China. PayPal's user numbers have ballooned from 180 million in 2015 to 377 million today. They have set an aggressive 2025 target of growing to 750m users, aided by continued growth in core PayPal, but also explosive growth in newer areas like Venmo for peer-to-peer payments, in-store payments, cryptocurrency wallets, buy now pay later, and newer capabilities like bill payments, investments, and ecommerce. Their large and engaged userbase (bigger than any US bank) and digital capabilities puts them in pole position to capitalise on these new growth areas.

Over the next five years PayPal sees payment volumes and earnings per share almost tripling. We concur. PayPal executed extremely well on its prior five-year plan, and we see years of strong growth ahead.

Facebook (-0.3%) lagged the market slightly in February. Facebook has been in the news a lot in recent weeks, with widespread coverage of its battle with the Australian government about paying media outlets for news. We believe it is important to have a vibrant and independent media sector in any democracy and are pleased they have found a solution here. Both Facebook and Google are negotiating with media outlets globally to develop a revenue sharing model for content that is shared on their platforms. We hope that the agreements reached will fairly balance the value of news content to Facebook and Google, with the value these businesses provide to publishers in terms of distribution and new readers.

Facebook and Google's targeted advertising provides a lot of value to small businesses. It helps level the playing field compared to traditional media formats like TV, radio and print that favour large corporates. Without these platforms we may not have had the strong growth in direct-to-consumer businesses that created jobs, better products, and better value to consumers. Companies that spring to mind include Dollar Shave Club that undercut Gillette and can attribute much of

[1] Share Price Premium to NAV (using NAV to four decimal places).

its early success to its viral YouTube marketing. Allbirds' highly popular merino footwear is another great example.

Icon (-11%) was our largest detractor for the month after the announcement of the acquisition of competitor PRA Healthcare overshadowed strong quarterly earnings and guidance. This transaction, if approved by regulators and shareholders, would make Icon the second largest contract research organisation (CRO), providing clinical research services to pharma and biotech companies. Management believes that this combination will provide a broader service offering and geographic footprint, deeper therapeutic expertise, and strong capability for remote or virtual clinical trials which have seen increased adoption during the pandemic.

The market however was more sceptical of the proposed acquisition, with the share price falling sharply on the announcement. The merger of two large people-based businesses is always challenging, and prior mergers of CRO's have had some issues. We are realistic that there could be some bumps along the road, but our initial view is that this transaction will better position Icon in this attractive and growing industry.

Ashley Gardyne
Senior Portfolio Manager
Fisher Funds Management Limited

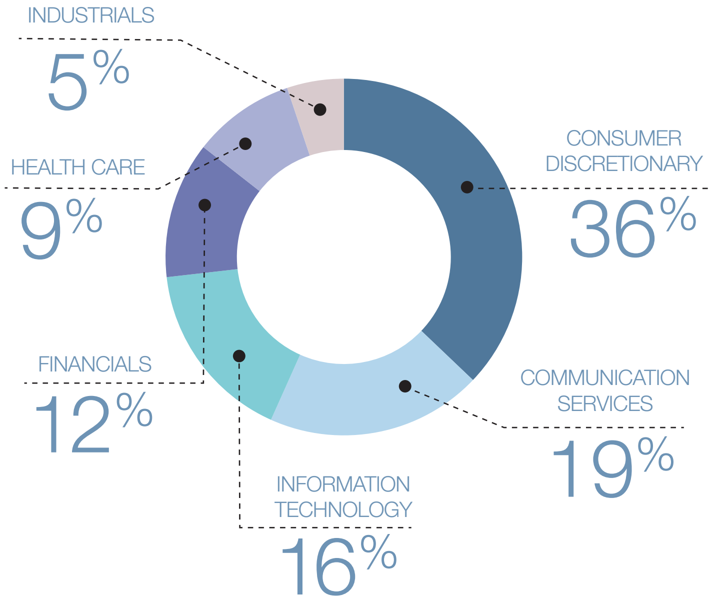
KEY DETAILS

as at 28 February 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	$0.96
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	188m
MARKET CAPITALISATION	$246m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

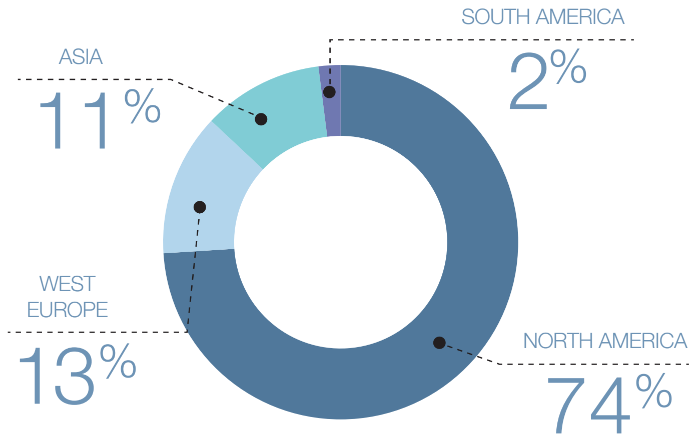
as at 28 February 2021



The Marlin portfolio also holds cash.

GEOGRAPHICAL SPLIT

as at 28 February 2021



FEBRUARY'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO during the month

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

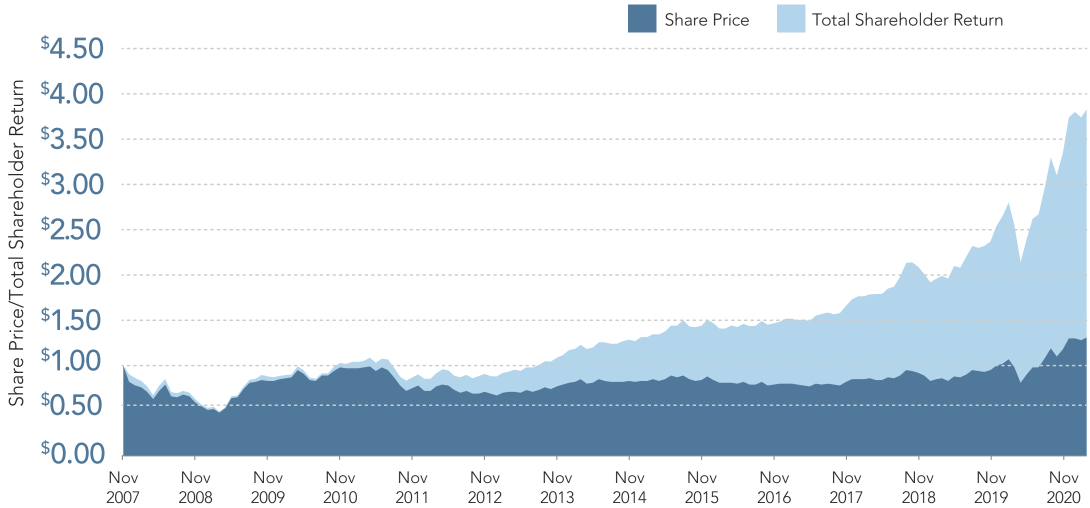
SIGNATURE BANK	HEXCEL CORP	HILTON WORLDWIDE HOLDINGS	STONECO	GARTNER INC
+32%	+23%	+22%	+19%	+18%

5 LARGEST PORTFOLIO POSITIONS as at 28 February 2021

SIGNATURE BANK	ALPHABET	FACEBOOK	ALIBABA	MASTERCARD
8%	8%	7%	6%	5%

The remaining portfolio is made up of another 19 stocks and cash.

TOTAL SHAREHOLDER RETURN to 28 February 2021



PERFORMANCE to 28 February 2021

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+2.3%	+2.5%	+50.2%	+29.0%	+22.2%
Adjusted NAV Return	+6.3%	+7.7%	+30.1%	+17.7%	+17.4%
Portfolio Performance					
Gross Performance Return	+7.0%	+9.5%	+38.0%	+21.6%	+21.9%
Benchmark Index^	+3.3%	+8.0%	+21.8%	+9.6%	+13.0%

^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

» 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 currently no Marlin Global warrants on issue

marlin
growing globally

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