growing globally

MONTHLY UPDATE

March 2024

Share Price	MLN NAV	DISCOUNT[1]
$1.01	$1.05	3.7%

as at 29 February 2024

A WORD FROM THE MANAGER

Marlin's gross performance return for February was up 8.0%, while the adjusted NAV return was up 7.6%. This compared with our global benchmark, S&P Large Mid Cap/S&P Small Cap Index (50% hedged to NZD), which was up 4.6%.

February was a solid month for equity markets, with resilient economic data and strong earnings reports both driving the market higher. Emerging market equities performed well, up 5%, thanks primarily to a Chinese rebound.

The results reporting season in the US has been strong. With over 90% of S&P 500 firms having reported, nearly three quarters have beaten expectations. Economic data also proved resilient, with the US PMI suggesting activity continued to expand over February and the US economy added 353k jobs in January.

Portfolio

Meta (+26%) reported strong results at the beginning of February, with better-than-expected revenue and profit for the quarter. And Meta guided to higher-than-expected next quarter revenue growth of 25% (vs. circa 20% expected). Meta's short-form video format Reels that had been a headwind to revenue growth has now turned into a tailwind as the product is now accepted as a core part of advertiser's budgets. Meta's investment in AI capabilities has helped the company deliver more efficient advertising. 2023 was Meta's "year of efficiency", and it has executed very well with operating income margins expanded from 25% in 2022 to 35% in 2023. Importantly, the company signalled that the focus on cost discipline and running leaner teams would continue into 2024 and beyond. Meta initiated its first dividend which sent a positive signal to investors that while Meta continues to invest for growth (i.e. the metaverse) it will be a measured approach.

Icon (+23%), the leading clinical research organisation ("CRO"), was among our best performers, after a positive earnings result and management commentary on end-market demand gave the market confidence around medium-term growth prospects. The positive tone from management was a turnaround from a more cautious view in early January, which saw CRO stocks tumble nearly 10%. Icon's new project pipeline continues to grow, driven by strong underlying R&D spend in its large pharmaceutical customer base; a slow but steady recovery in biotech demand; and new business wins driving market share gains.

Floor & Décor (+20%) finished 2023 with a firm last quarter, with a better-than-expected result. Floor & Décor is operating through the toughest housing environment with existing home sales at GFC lows, and the company has posted four consecutive quarters of negative same store sales. Regardless of this, the company continues to take strong market share thanks to its superior value proposition for customers.

Amazon (+14%) also had a better-than-expected quarterly earnings report. The highlight from the earnings report was operating income which came in 26% higher than expected ($13.2b vs. $10.5b expected) and guided to operating income above expectations. Amazon continues to gain efficiencies as it grows into its expanded logistics and fulfilment infrastructure. AWS, Amazon's important cloud computing platform, has stabilised its growth after a year where customers have been slowing or optimising spend. Amazon's high-margin advertising business also reaccelerated revenue growth in the quarter to 26% year-on-year (y/y) and is now an impressive $47b business.

Salesforce (+10%) reported revenues and earnings largely as expected and the guidance for the next financial year was also solid. Like peer tech companies, Salesforce spent 2023 adjusting its cost base and have expanded operating margins by 8% to 31%. Salesforce are seeing some benefit from AI adoption as Data Cloud grows extremely fast (90% y/y). For customers to take advantage of AI models, they must first get their data in order upon which the AI models will be run, which the Data Cloud product addresses.

Alphabet (-1%) earnings were largely in-line with expectations. While Alphabet has made some progress on cost discipline, it has not been to the same degree as peers and hence the profit margins have not expanded at the same rate, expanding circa 1% in 2023. Alphabet's core Search business and Google Cloud business both accelerated revenue growth in the quarter. Weighing on Alphabet's stock is negative sentiment that the company has become an AI laggard. Launches of its AI products so far have not met high expectations, because Alphabet has traditionally been the thought leader around AI and machine learning. Thus far AI does not seem to have impacted Alphabet's business model, as many are concerned, but we continue to monitor this closely.

[1] Share Price Discount to NAV (using the net asset value per share, after expenses, fees and tax, to four decimal places).

UnitedHealth (UNH; -4%), the leading US healthcare services business, fell as the Wall Street Journal reported the Department of Justice has launched a "non-public antitrust" investigation into UNH. The investigation is focussed on the relationship between UNH's insurance business and healthcare provider business (Optum Health); and its impact on patients, competing insurance companies, and competing healthcare providers. Details are still limited, and it is too early to predict what impact, if any this will have on UNH. UNH say that patients typically see better outcomes and have higher customer satisfaction scores when it operates under this integrated model. We continue to follow this investigation closely.

Portfolio activity

No new additions or exits during the month.

Sam Dickie
Senior Portfolio Manager
Fisher Funds Management Limited

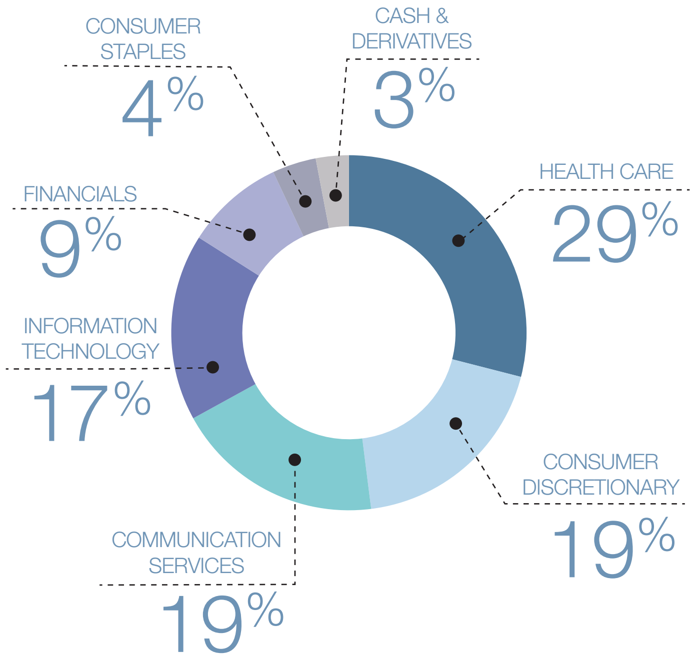
KEY DETAILS

as at 29 February 2024

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	$1.04
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	214m
MARKET CAPITALISATION	$216m
GEARING	None (maximum permitted 20% of gross asset value)

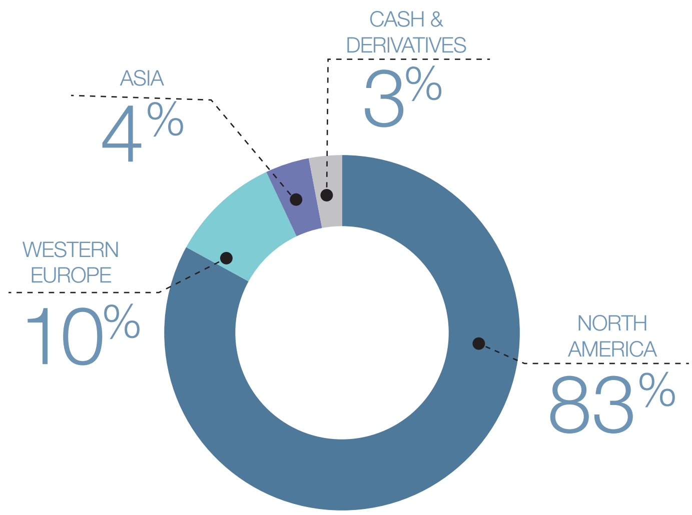
SECTOR SPLIT

as at 29 February 2024



GEOGRAPHICAL SPLIT

as at 29 February 2024



FEBRUARY'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO (in local currency) during the month

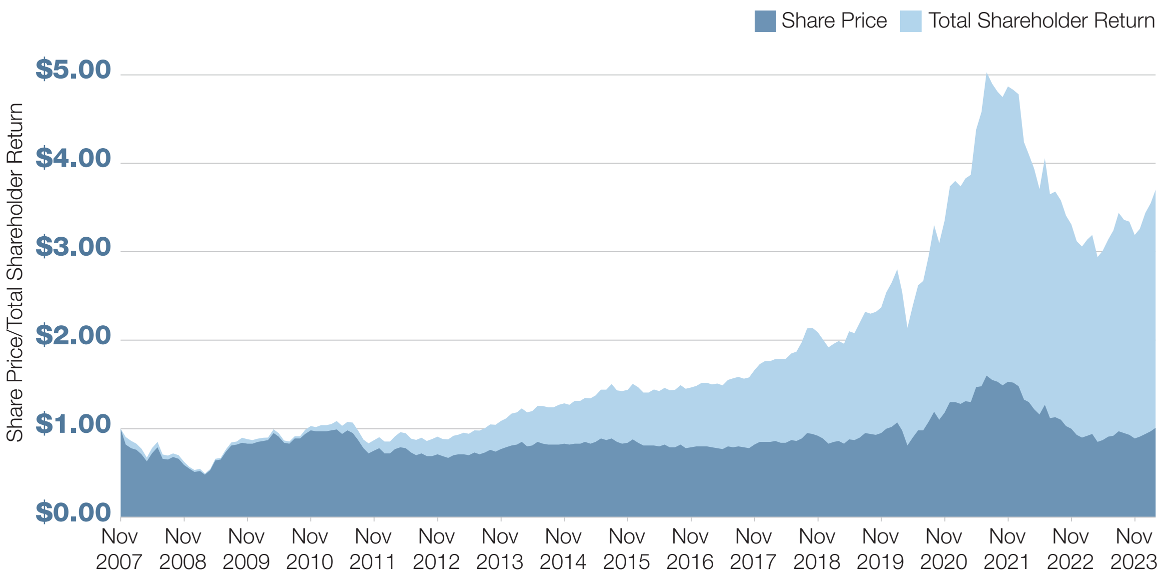
META PLATFORMS	ICON	FLOOR & DÉCOR	AMAZON	DOLLAR TREE
+26%	+23%	+20%	+14%	+12%

5 LARGEST PORTFOLIO POSITIONS as at 29 February 2024

AMAZON	MICROSOFT	FLOOR & DÉCOR	META PLATFORMS	SALESFORCE
9%	7%	6%	6%	6%

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

TOTAL SHAREHOLDER RETURN to 29 February 2024



PERFORMANCE to 29 February 2024

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+4.1%	+13.3%	+15.8%	(1.2%)	+13.1%
Adjusted NAV Return	+7.6%	+15.0%	+29.7%	+4.5%	+11.6%
Portfolio Performance					
Gross Performance Return	+8.0%	+15.9%	+32.9%	+6.3%	+14.5%
Benchmark Index^	+4.6%	+10.5%	+17.6%	+7.6%	+9.8%

^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 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 Daniel Moser (Investment Analyst) 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

» Warrants put Marlin 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 at a fixed price on a fixed date

» There are currently no Marlin warrants on issue

marlin growing globally

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