

Monthly Update

September 2019

MLN NAV	SHARE PRICE	DISCOUNT ¹
\$1.02	\$0.94	7.7%

as at 31 August 2019



A word from the Manager

Market Overview

The tone for markets in August was set on its first day, when President Trump announced a 10% tariff on all remaining Chinese imports. The decision came as a surprise given the ceasefire agreed at the G20 in May, driving global equities lower. The US S&P 500 Index fell 1.8%, the European Stoxx 600 Index dropped 1.6% and the Hong Kong Hang Seng Index fell 7.4% for the month.

Global interest rates also headed lower in August. By the end of the month the US 10-year bond rate had fallen to 1.5% and almost half of all European investment grade bonds now have negative yields. The recent drop in interest rates reflects investor concern about the global economic outlook, with a weak global manufacturing sector and a handful of European countries close to recession. This includes Germany, which had been a bright spot in Europe until recently. However, while global growth is weaker than last year, unemployment is still low and consumer spending is robust in many countries. Corporate earnings also continue to grow, with the recent US earnings season better than many feared.

When global investor fears spike the New Zealand Dollar often falls and acts as a shock absorber for the Marlin portfolio. This helped in August, with our weak currency boosting Marlin's New Zealand Dollar returns for the month. A strong reporting season for our portfolio companies also contributed to Marlin's outperformance over the month.

Marlin's gross performance return was +2.2% in August, while our global benchmark fell 0.5%.

Portfolio Company Developments

Two of our more defensive portfolio holdings, **Dollar General** and **Zoetis**, contributed strongly to returns in a difficult market.

Dollar General (+16%) rallied sharply following second quarter earnings. The company continues to capture a greater share of low and middle-income consumers' budgets, while internal initiatives including DG Fresh and Fast Track are showing promise. DG Fresh is accretive to

gross margin. It brings the distribution of fresh and frozen products in-house, lowering procurement costs and fees paid to distributors. Fast Track involves using shelf-ready containers to reduce the time required to stock shelves and reduce out-of-stock occurrences. Early results have shown a 20% increase in item availability.

Zoetis (+10%) continues to deliver for the portfolio, buoyed by strong trends in animal health spending. Revenue was up across all segments, with companion animal again the standout. Zoetis's novel dermatology products grew around 30%, and with a strong pipeline of new products over the next few years we expect this growth to be sustained. Fears of a negative impact from the African Swine flu did not eventuate, reflecting the benefit of Zoetis' diversified drug portfolio. With exposure to all regions and animal species – weakness in one area is typically offset by strength in another.

While investors have been nervous about the Chinese economy, **Alibaba (+1%)** shrugged off these concerns and delivered another strong quarter of growth. The Chinese consumer continues to spend and this spending continues to shift online. Alibaba's core commerce business grew 44% over last year, driven by advertising and commission revenue in its ecommerce marketplaces and 137% growth in its food delivery business. User numbers grew 17% as Alibaba continues to penetrate lower-tier cities and less developed regions. Retail consumption from these regions is expected to triple over the next ten years, which should sustain growth in Alibaba's business for years to come.

Tencent (-12%) was the only company to drag materially on performance in the month. While the overall result was solid, weakness in its advertising business disappointed some investors. The company delivered 21% revenue growth, supported by its mobile gaming business. While gaming is the largest segment, Tencent continues to diversify into the fast growing cloud computing and financial technology businesses, which together grew 37% over last year. While advertising revenue growth has slowed due to

¹ Share Price Discount to NAV (using NAV to four decimal places)

the uncertain macro environment, we still see good growth ahead for Tencent's advertising business as it increases the ad-load on the WeChat app and gives advertisers greater access to its one billion users.

With the bulk of the Marlin portfolio having now reported second quarter earnings we are pleased with how the companies are tracking. With reporting season in the rear-view mirror we have returned to our favourite pastime of looking for new investment ideas. While markets are certainly not cheap, we are still finding a small number of prospective investments that we believe will make attractive investments. Our Senior

Investment Analyst, Harry Smith, is heading to Germany and the UK shortly to meet with some of these businesses, and I am planning a trip to the US later in the year.



Ashley Gardyne
Senior Portfolio Manager
Fisher Funds Management Limited



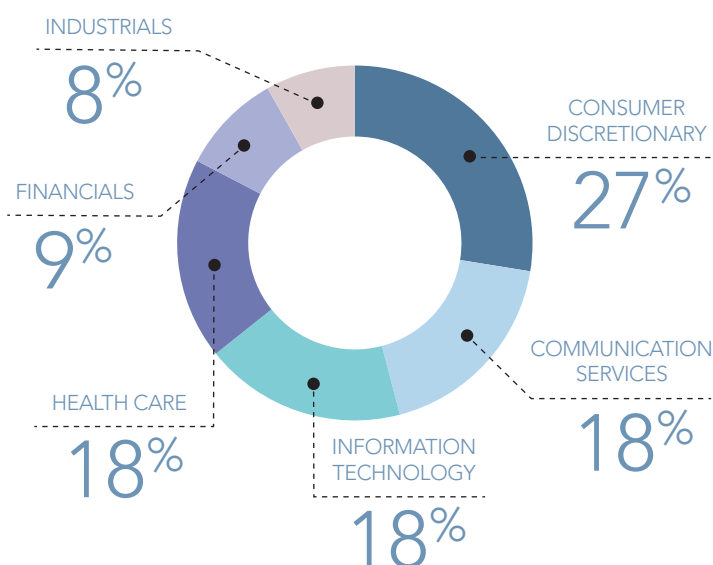
Key Details

as at 31 August 2019

FUND TYPE	Listed Investment Company
INVESTS IN	Growing international companies
LISTING DATE	1 October 2007
FINANCIAL YEAR END	30 June
TYPICAL PORTFOLIO SIZE	25-35 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	147m
MARKET CAPITALISATION	\$138m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

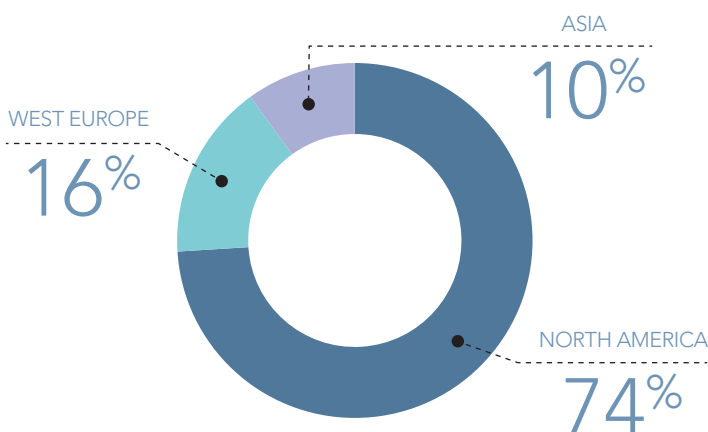
as at 31 August 2019



The Marlin portfolio also holds cash.

Geographical Split

as at 31 August 2019



August's Biggest Movers in local currency terms

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

DOLLAR GENERAL

+16%

ZOETIS INC

+10%

ESSILORLUXOTTICA
SA

+9%

SIGNATURE BANK

-8%

TENCENT
HOLDINGS

-12%

5 Largest Portfolio Positions as at 31 August 2019

ALPHABET

9%

ALIBABA GROUP

6%

FACEBOOK

6%

MASTERCARD

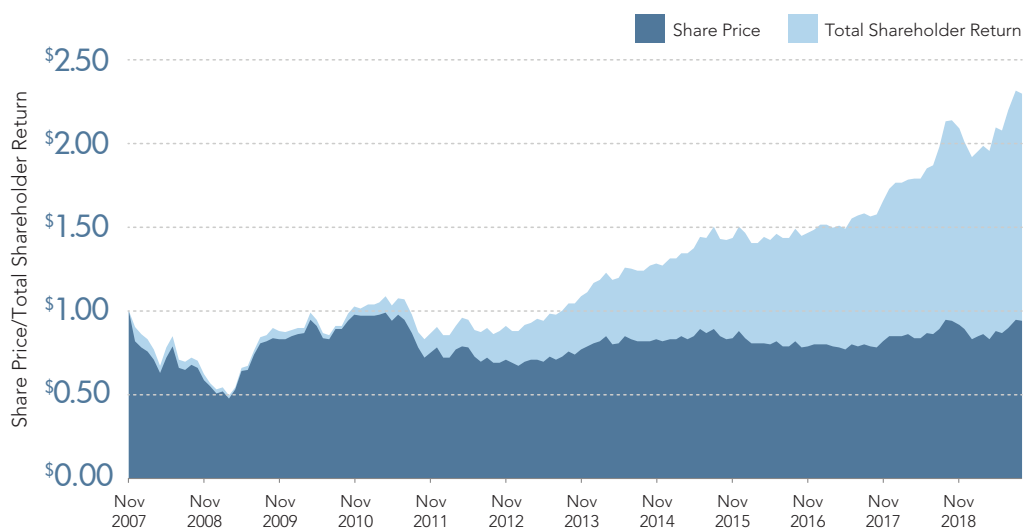
5%

PAYPAL

5%

The remaining portfolio is made up of another 20 stocks and cash.

Total Shareholder Return to 31 August 2019



Performance to 31 August 2019

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	(1.1%)	+10.6%	+7.6%	+15.6%	+13.1%
Adjusted NAV Return	+2.5%	+10.3%	+7.7%	+15.8%	+11.9%
Portfolio Performance					
Gross Performance Return	+2.2%	+10.8%	+10.5%	+19.5%	+15.7%
Benchmark Index [^]	(0.5%)	+5.1%	(1.7%)	+11.2%	+11.9%

[^]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 fees and tax,
- » adjusted NAV return – the net return to an investor after fees and tax,
- » gross performance return – the Manager's portfolio performance in terms of stock selection and currency hedging before fees and tax, and
- » total shareholder return – the return to an investor who reinvests their dividends, and if in the money, exercises their warrants at warrant maturity date for additional shares.

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 25 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, and Andy Coupe; and non-independent director 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 up to 5.9m of its shares on market in the year to 31 October 2019
- » 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 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 warrants on issue

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 an authorised 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 may have no correlation with results historically achieved.