

# MONTHLY UPDATE

September 2024

Share Price

\$0.96

Warrant Price

\$0.03

MLN NAV

\$1.00

DISCOUNT<sup>1</sup>

3.2%

as at 31 August 2024

## A WORD FROM THE MANAGER

Marlin's gross performance return for August was down -0.9%, while the adjusted NAV return was down -1.1%. This compared with our global benchmark, S&P Large Mid Cap/S&P Small Cap Index (50% hedged to NZD), which was down -1.0%.

August was an eventful month in global markets. It started with a sharp market sell-off on disappointing US economic data and an interest rate hike in Japan, followed by a fairly rapid recovery. On August 5th, the Japanese Topix market fell 12%, its biggest daily drop since Black Monday in 1987. In the US, weaker manufacturing and jobs reports led to growing fears around a recession. However, a series of strong corporate earnings reports and the prospect of lower US interest rates helped equity markets rebound in the second half of the month. The US S&P 500 Index ended up 2.4%; Europe up 1.4% and even Japan only ended down 2.9% despite the large decline earlier in the month. Currencies also saw large moves; the NZ dollar rose 5% against the US dollar over the month.

### Portfolio

**Floor and Décor** (+15%) second quarter earnings at the beginning of August were worse than expected. While same-store sales growth for the quarter was weaker than expected there were green shoots. Same-store sale growth improved for the first time in a year and a half (-9.0% vs. -11.6% for the previous quarter). Given the macro headwinds the company is still facing, the company decided to prudently reduce their store roll out target for 2025 to 25. One of Floor & Décor's main competitors, LL Flooring, went into bankruptcy during the month given the challenging environment, demonstrating the strength of Floor & Décor's position. We believe, even with the challenging housing environment, Floor & Décor continues to take market share. Once cyclical headwinds abate Floor & Décor will be in the best position to reaccelerate revenue growth and continue to take market share.

Our medical device companies mostly outperformed for the month, including **Intuitive Surgical** (+11%), **Edwards Lifesciences** (+11%) and **Boston Scientific** (+11%). Underlying surgical volumes continue to grow in the US, helped by demographic factors, Covid backlogs and new medical device launches. US hospital utilisation rates and capex are running at elevated levels versus history, and Intuitive Surgical, Boston Scientific and Edwards are all benefiting from new product launches. But this high demand for surgical procedures is

causing capacity constraints in some areas. As we noted last month, Edward's reported slower growth in its core TAVR business due to capacity concerns, which caused a 30% stock price decline. However, given higher hospital capex investment, we expect this should be resolved over time.

**Tencent** (+5%) reported during the quarter and again demonstrated its ability to outgrow peers against a tough China macro backdrop. Better than expected growth in its domestic gaming and advertising segments, offset slower growth in the more economically exposed payments segment. Tencent's profit margins were again the standout performer, as the high incremental margins on fast growth businesses such as video accounts and ecommerce, coupled with ongoing efficiency initiatives, drove gross margins higher.

**Amazon** (-5%) fell during the month on weaker than expected second quarter earnings. AWS, Amazon's cloud computing platform, outperformed expectations again with revenue growth reaccelerating for the third quarter in a row to 19%. AWS margins were also strong at 35%, ahead of expectations. Amazon's eCommerce business and fast-growing digital advertising business were weaker than expected in the quarter. Meanwhile company operating income and margins came in better-than-expected, demonstrating Amazon's continued focus on driving margin expansion. Disappointment came from next quarter's guidance which was lower than expectation on revenue and operating income. While Amazon is still gaining efficiencies in its eCommerce platform, they are investing into their Kuiper platform to offer customers satellite internet in the future.

**Alphabet** (-5%) had a weak month as a long-awaited court case brought by the Department of Justice was ruled against Alphabet. US District Judge Amit Mehta ruled that Alphabet has violated US antitrust law with its search business given its monopolistic position. In question are the payments Alphabet makes to Apple to make Google the default search engine across Apple's products, therefore hindering competition and enabling Alphabet to maintain their monopoly position. Alphabet plans on appealing this ruling. The next step in the case is proposing remedies to fix the situation. This is also likely to be appealed depending on what remedies are proposed. We continue to maintain a close eye on this situation but expect the final outcome to take a number of years.

<sup>1</sup> Share Price Discount 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).

**Dollar General** (-31%) and **Dollar Tree** (-19%) both fell after Dollar General's earnings report late in the month. The company not only reported further weakness in its core low-income consumer, but also that increased competition meant Dollar General was not able to gain share in the middle-to-higher income consumers that are trading down. During the GFC, dollar stores saw sales growth accelerate from low-single-digits to high-single-digits. This has not been repeated in the current environment, with Dollar General revenue largely flat in the quarter. The low-income consumer (which makes up 60% of the customer base) continues to reduce spending in the face of the higher cost of living. While higher-income consumers are also tightening their belts, Dollar General is seeing increased competition from large discount stores like Walmart and ecommerce retailers, with the store announcing increased discounting to try and win these customers back. Dollar General

was a small position in our portfolio, and we believe the latest miss versus our investment thesis, particularly on elevated competitive concerns, is enough to warrant an exit. While Dollar Tree does operate a different retail model (more like a traditional dollar store) and targets a higher income consumer than Dollar General, we felt it was prudent to reduce our position until we get more clarity on what is happening in the discount retail market.

## Portfolio activity

We exited Dollar General during the month.



Sam Dickie  
Senior Portfolio Manager  
Fisher Funds Management Limited



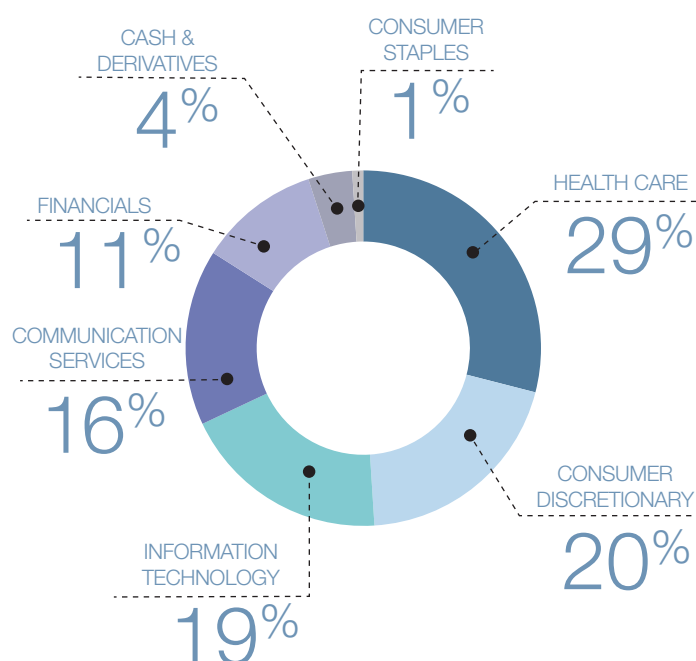
## KEY DETAILS

as at 31 August 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        | \$1.03   |
| PERFORMANCE FEE CAP    | 1.25%  |
| SHARES ON ISSUE        | 216m   |
| MARKET CAPITALISATION  | \$208m   |
| GEARING                | None (maximum permitted 20% of gross asset value)  |

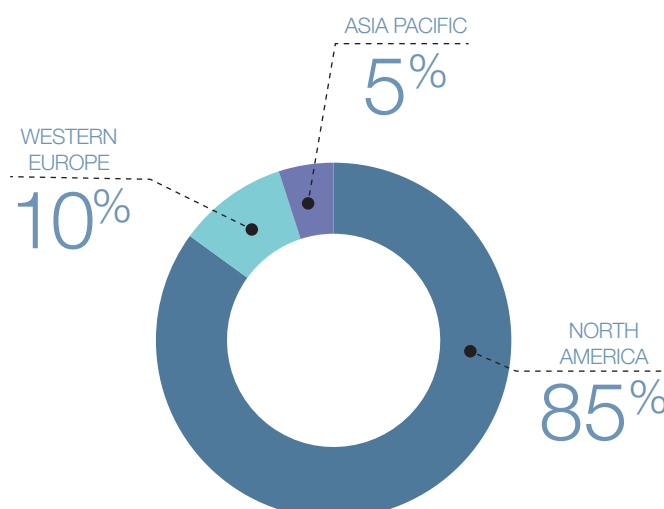
## SECTOR SPLIT

as at 31 August 2024



## GEOGRAPHICAL SPLIT

as at 31 August 2024



# AUGUST'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO

(in local currency) during the month

FLOOR & DÉCOR HOLDINGS

+15%

NETFLIX INC

+12%

EDWARDS LIFESCIENCES

+11%

DOLLAR TREE

-19%

DOLLAR GENERAL

-31%

## 5 LARGEST PORTFOLIO POSITIONS as at 31 August 2024

AMAZON

9%

MASTERCARD

7%

MICROSOFT

7%

FLOOR & DÉCOR

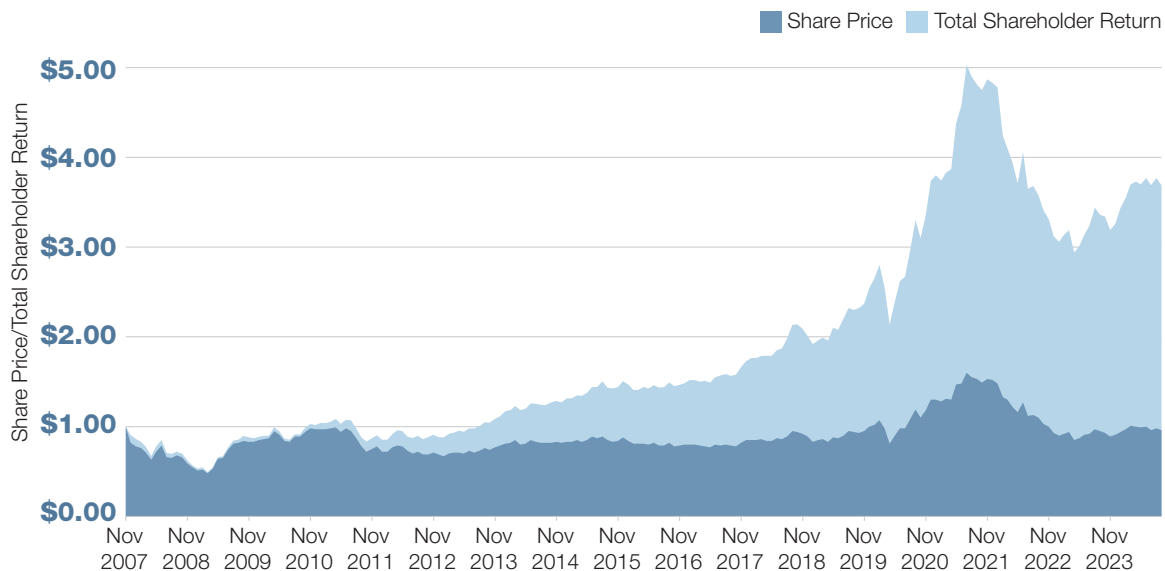
6%

ALPHABET

6%

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

## TOTAL SHAREHOLDER RETURN to 31 August 2024



## PERFORMANCE to 31 August 2024

|                              | 1 Month | 3 Months | 1 Year | 3 Years (annualised) | 5 Years (annualised) |
|------------------------------|---------|----------|--------|----------------------|----------------------|
| <b>Company Performance</b>   |         |          |        |                      |                      |
| Total Shareholder Return     | (2.0%)  | (2.1%)   | +10.0% | (8.4%)               | +10.0%               |
| Adjusted NAV Return          | (1.1%)  | (0.9%)   | +14.0% | (0.9%)               | +8.6%                |
| <b>Portfolio Performance</b> |         |          |        |                      |                      |
| Gross Performance Return     | (0.9%)  | (0.0%)   | +17.6% | +1.0%                | +11.7%               |
| Benchmark Index <sup>^</sup> | (1.0%)  | +4.7%    | +16.7% | +5.6%                | +10.4%               |

<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 [marlin.co.nz/about-marlin/marlin-policies](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 Daniel Moser and Charles Barty (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 a new issue of warrants on 29 April 2024
- » The warrant term offer document was sent to all Marlin shareholders in early May 2024
- » Warrants were allotted to all eligible Marlin shareholders on 16 May 2024
- » The new warrants (MLNWG) commence trading on the NZX Main Board from 17 May 2024
- » The Exercise Price of each warrant is \$1.04, 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 Marlin warrants is 16 May 2025

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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