

# Annual Meeting of Shareholders 28 October 2009



maclin  
growing globally

# Welcome

- Rob Challinor - Independent Chairman
- Carmel Fisher - Executive Director
- Ian Hendry - Independent Director
- Annabel Cotton - Independent Director
  
- Ken Applegate - Portfolio Manager
- Nivedita Findlay - Corporate Manager



- Welcome and introduction of directors, senior portfolio manager and corporate manager.
  
- Also in attendance representatives of:
  - PWC Auditors
  - Deloitte Tax Advisers
  - KMPG Independent Advisers on structure of Marlin

## Preliminary matters

- ❑ Notice of meeting dated 2 October
- ❑ Quorum
- ❑ Proxies received – 15.5 million
- ❑ Minutes of the 2008 meeting



- Proxies received from 417 shareholders holding 15,572,485 shares or 15.5% of total shares on issue.
- Minutes of 2008 meeting on website and available at registration desk.



# Presentation of Annual Result

## Chairman's Overview



- As outlined in our Annual Report, Directors are pleased to advise a net surplus for the year to 30 June 09 of \$6.2 million.
- This annual result is attributable to the strong recovery in international markets in the last 4 months of the financial year following losses of nearly \$5 million for the eight months from our IPO to 30 June 08 and a further \$14 million losses in the 6 months to 31 December 2008. The weakness of the NZD against main portfolio currencies helped this performance.

## Result for 2008/09

	Cents per share*
Net Asset Value: 30 June 2008	92
30 June 2009	99
Change in value (+8%)	<u>7</u>
Surplus for the year: \$6m	

\*Rounded to nearest cent



- The dollar surplus for the year is a reflection of the size of the portfolio managed on shareholders behalf by Fisher Funds.
- More relevant to individual shareholders is the return per share shown in this chart.
- The NAV at 30 June 09 of 99c was 2 cents higher than the NAV of 97 cents at the time of listing – being the \$1 per share raised in the IPO, offset by nearly 3 cents issue costs.

## Update to 30 September 2009

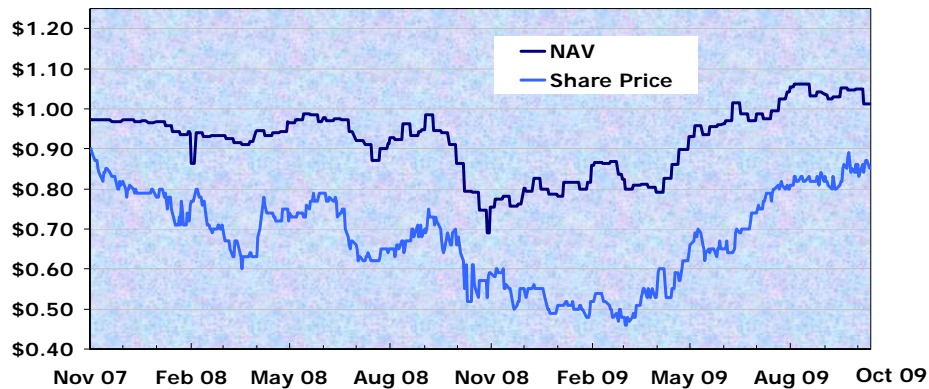
	Cents per share*
Net Asset Value: 30 June 09	99
30 Sept 09	<u>105</u>
Increase	6
Dividend paid: 18 Sept 09	<u>2</u>
Change in value (+8 %)	<u>8</u>
Surplus for 3 months: \$8m	

\*Rounded to nearest cent



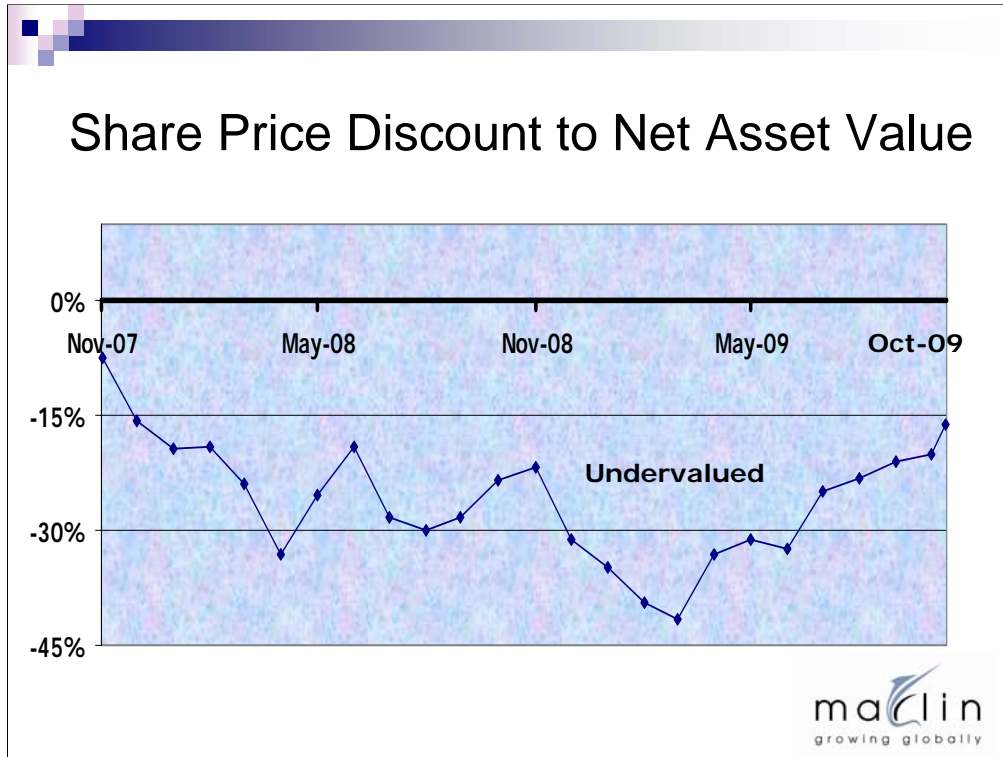
- Since balance date, performance has continued its upward trend with a further 8% gain, notwithstanding a strong recovery in the NZD during this period.
- Marlin paid its first dividend of 2 cents per share in September 2009 and this has been taken into account in calculating the 8 % return.

## Net Asset Value and Share Price



maclin  
growing globally

- This chart shows how share price has tracked NAV since the company was listed. The current discount between diluted NAV and share price is now around 17% - having reached mid-40's earlier in the calendar year.
- The discount for Marlin, and indeed for other listed investment companies around the world, typically widens in falling markets and narrows in rising markets.
- Discounts to net asset value are not uncommon in listed investment companies. Other NZ listed companies such as GPG, Infratil and the listed property trusts have suffered large discounts post the global financial crisis.
- However the fact that Marlin's discount reached over 40% seemed illogical – reflecting it would seem panic or distressed sale of shares without regard to fundamentals. Shareholders who purchased at that time will be well pleased. Others who held on have been vindicated.



- Another way of looking at the discount is shown in this graph.
- A few shareholders have been critical of your board for not aggressively buying back shares when the discount was at its peak. In retrospect that may be fair comment. Directors and Fisher Funds debated entering into buybacks at the time but concluded that this would have little effect on price in an irrational falling market. Also, at our meeting last year, I highlighted the need to buyback significant volumes to have any meaningful impact on NAV.
- The recent closing of the discount is likely to have resulted primarily from improving market sentiment, aided perhaps by recent more aggressive buybacks by your board – timed to support the upturn in sentiment.

# Capital Management

- ❑ Share buybacks
- ❑ Dividends – modest in short term
- ❑ Dividend Reinvestment Plan
  - ❑ 750,000 shares issued from buybacks



- Companies Act did not allow buybacks in first year to October 08.
- Programme introduced from that date and renewed October 09.
- In April 09, Board instructed Manager to buyback 1m shares and to monitor impact. (bought back 867k shares to mid June – stopped when “Cross Proposal” came up and the Company could have been perceived to have “inside information”).
- Commenced buybacks again from mid-September - 1.7 m shares bought back to 22 October.
- Since Dec 08 – 2.8m shares bought back at average cost of 76c. 750k re-issued for DRP in Sept 09 at 78c each.



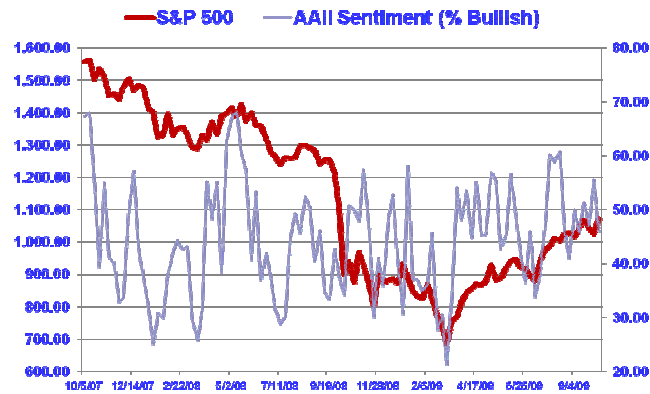
# Manager's Review

Kenneth Applegate





*“Many of life’s failures are people who did not realise how close they were to success when they gave up” - Thomas A Edison*

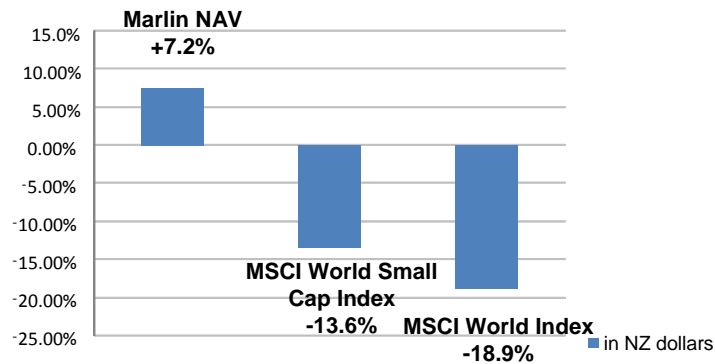


*Bullish Sentiment reached a 19 year low the first week of March when the S&P 500 bottomed*

- Buy low, sell high. But emotions make it hard for most people to do.
- Investing for the long term is critical.
- Shares provide 8-10% annualised returns and are one of the best performing asset classes. We look to exceed this.



## Continued market outperformance



*From June 30 – October 20, 2009 the NAV has increased by another 8.5% (which includes a 2cps dividend)*

- We achieved positive absolute performance and significantly outperformed global stock market indices and our peers.
- Should not be judged on just one year. We seek long term wealth creation.
- Fisher Funds and Ken Applegate both have successful long term track records.



## We own high quality long term growth companies

Actual Earnings Growth <i>(last 12 months)</i>	20%
Forecast Earnings Growth <i>(broker estimate)</i>	18%
P/E <i>(ntm)</i>	14x
Upside to fair value <i>(versus 5 year average p/e)</i>	40%

- Success should also be judged on the performance of our companies. Ultimately stock prices follow earnings.



Added 10 new companies in the last 15 months



BARE ESSENTIALS



TELVENT

- We are continually searching the world to find undiscovered gems.



Sold 6 companies in the last 15 months

**Sciele**  
Pharma, Inc.



**ROTH  
&RAU**



**micros**



- The acquisition of Sciele by a Japanese competitor (at a 60% premium) was a highlight during the last year.
- We stay disciplined to our investment process and allocate capital to the best investment opportunities.



## Themes in the fund:

1. Urbanisation in China driven by the emerging middle class
2. Healthcare companies (generally not impacted by the economy)
3. Successful US businesses implementing global strategies
4. Leaders in market niches

- While we focus on individual companies there are some themes that categorise the fund.



## Urbanisation in China driven by the emerging middle class ✓

Warren Buffett :

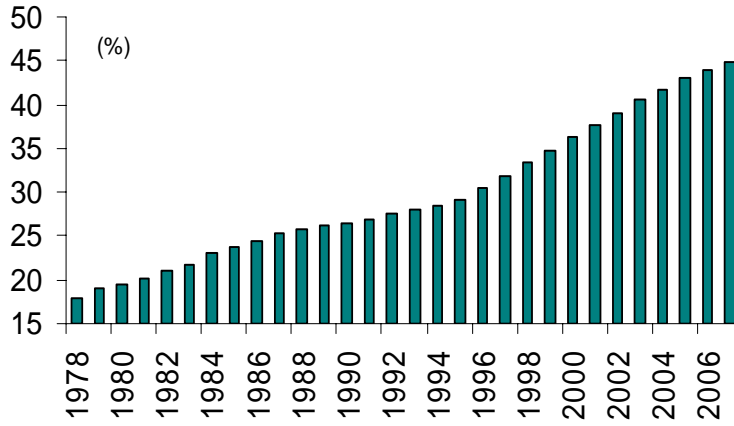
"The 19th century belonged to England, the 20th century belonged to the US, and the 21st century belongs to China. Invest accordingly."

- We identified this as the most important global trend in investing and it has enhanced our performance.
- China is leading the global economy and is in a “V” shaped recovery.
- Most people believe global stock markets bottomed in March. Wrong. Everyone focuses on the US or just their home market. The Asian stock markets bottomed on October 27 last year – one week after the Marlin ASM.
- Our investments in the Chinese train equipment companies highlights that there is always money to be made somewhere in the world.

Over the next 20 years more than 300 million people in China will move to cities

*That's equal to the entire population of the US*

**China urbanisation rate (%)**





## Healthcare companies

- The sector has underperformed recently
- There are long term secular growth drivers
- We have been increasing our weighting

Two reasons for underperformance of healthcare:

1. Less economically sensitive – they did not go down as much in 2008 but also didn't rally in 2009. But there are long term growth drivers for this sector including demographics.
2. Healthcare reform in the US by President Obama. While some parts of healthcare, like insurance and managed care, may be impacted negatively, many companies will see a positive outcome. Another way to cut costs is through innovative and increased efficiency. The US stimulus package includes \$14b in r&d spending. Qiagen's business prospects have never been better.

This sector is unpopular right now...but so was China late last year.



## Successful US businesses implementing global strategies ✓

The best performing stock in Marlin Global over the last 15 months...



**+114%**

versus MSCI World Small Cap Index -5.7%

- This actually applies to other successful 'local' companies that are expanding beyond their borders.



Despite the rally we still find undervalued and undiscovered opportunities



- We bought the company below cash on the balance sheet, i.e. you get the business for free
- How can this be?
- It hasn't been rediscovered...yet
- We have completed thorough due diligence

- Why is it so cheap?
  - IPO in April 2008 and stock was savaged by the bear market – small caps out of favour;
  - Chinese consumer stocks fell out of bed;
  - company doesn't fit into an "industry" thus bankers and analysts haven't supported the stock
- We spent a day with the company at their facility in Quanzhou, Fujian Province
- China Zaino – we can buy these smaller and relatively illiquid companies because we manage a closed-end fund



Typical Dapai store



Discussion with the CEO Perry Chen



Manufacturing facility in Quanzhou, Fujian Province



Construction of new manufacturing facility that will double capacity



## Summary...

- The world has returned to normal
- We own high quality companies that will survive and grow earnings
- Marlin remains a long term investor
- China (and Asia) is the investment destination of the future and still under invested
- There are plenty of great investment opportunities out there – it is our job to find them.

- We look to achieve a high long term return for shareholders.
- We can provide access to a number of growing companies from around the world, including China and Asia, through a single investment.



## Structure of Marlin Global and the KPMG Report



## Structure of Marlin Global

- ❑ Currently a listed “closed-end” company
- ❑ Cross proposal suggests conversion to an “open-end” unit trust
- ❑ Directors commissioned a report from KPMG on benefits, costs and risks of each



- Listed shares trade through a broker at a price depending on supply and demand – not necessarily at NAV.
  - Share price discount led to shareholder request for alternative structure and a report thereon.
- Investors subscribe for units or withdraw capital at current NAV – adjusted for any entry or exit fees.
- Comprehensive KPMG report dated 25 September 09.

## KPMG Report – Key Issue

- Warrant holders need to approve any proposed changes independently of, and prior to, shareholders
  - Change of structure prejudicial to interests of warrant holders
  - Change of structure before 31 October 2010 (warrant expiry date) requires compensation at shareholders' expense



- 51.5 million warrants on issue.
- Warrant price at report date was 8 cents (\$4.1 million in total).
- To buy out warrant holders would likely require a premium to current share price.

## KPMG Report – Conclusion

- ❑ Due to warrant holder approval and buyout: *in shareholders' interest not to consider restructure until warrants expire*
- ❑ Because of risk of “open-end” fund redemptions: *recommend Board investigate all options to reduce or close NAV discount*
- ❑ Circumstances, investment objectives and preferences of individual shareholders and warrant holders will differ: *each will need to form their own opinion on action to take*



- Accordingly, the Marlin Board does not support changing the structure of Marlin at this time – will continue to monitor the situation.

## Election of Directors

- ❑ Board Refreshment Process 2010
- ❑ Consider re-election of Ian Hendry as a Director
- ❑ Consider election of Bevan Killick as a Director



### Marlin Board:

- is committed to succession planning;
- Requires a balance of independence, skills, knowledge, experience and perspectives;
- Considers 4 members appropriate for size and complexity of company;
- Will commence formal process with an HR firm next year to identify and appoint a new director;
- Does not support Bevan Killick's appointment in the meantime.

## Other Business

- ❑ Note continuation of PricewaterhouseCoopers as auditors and to authorise Directors to set their remuneration
- ❑ General - Questions

