



march 2009 - update



## Dear Share and Warrant Holders

After a rather sombre start this year, global equity markets rallied strongly in the last part of March, providing a much welcomed break from the gloomy previous quarter. The US earnings reporting season is underway, with the performance of the financial sector a bellwether of market sentiment. While there will no doubt be some negative numbers in the profit results ahead, early results have been encouraging with a number of Marlin portfolio companies having participated in the market resurgence.

The company's share buyback programme, announced in October 2008 became more active mid-quarter. Our Manager is instructed to undertake buybacks when the share price discount to Net Asset Value represents good value as compared with other investment alternatives. The buyback programme is executed in a disciplined manner so as not to distort normal trading. Marlin shares that are repurchased reduce the number of shares on the market and are held as "treasury stock" and are available for re-issue. We are required under the Companies Act, to inform our shareholders within three months of the company buying back its shares. Our first buyback advice letter prompted calls from some shareholders to explain the buyback. Given that the Marlin share price continues to trade at a significant discount to Net Asset Value, you should expect to see notifications of further buybacks, as we seek to invest the capital of the business in the most effective way.

The year ahead will be volatile and every share market investor should prepare for rallies and pullbacks, but the March quarter has given us a glimpse of how markets can perform when investor confidence returns.

Yours sincerely

**Rob Challinor** - Chairman, Marlin Global Limited  
21 April 2009

## Exercise of Marlin Global Warrants (MLNWA) – 15 June 2009

As required by the NZX Listing Rules, we advise Marlin **warrant holders** as follows.

**You have a number of choices to exercise your warrants at a cost of \$1 each:**

1. You can elect to exercise some or all of your warrants (a minimum of 500) on 15 June 2009 [please refer to instructions below]. Future warrant exercise dates are at, 15 September 2009, 15 December 2009, 15 March 2010, 15 June 2010, 15 September 2010 and 31 October 2010.
2. You can elect to not consider the exercise of any warrants until the end of the exercise period, namely 31 October 2010, at which time you may exercise all rights still held.
3. You can sell all or some of your Marlin Global warrants at any time on the NZX up until the final exercise date of 31 October 2010.

Any warrants not exercised by 31 October 2010 will lapse and all rights in regard to them will expire. >

## At a Glance

*Performance for the period 1 Nov 2007 to 31 Mar 2009 (since listing):*

Net Asset Value	-18.6%*
Share Price	-47.0%
Warrant Price	-87.6%

\* Based on adjusted Net Asset Value per share at listing of \$0.9734, representing the issue price of \$1 less issue costs of \$0.0266 per share.

*Performance for the three months 1 Jan 2009 to 31 Mar 2009*

Net Asset Value	1.3%
Share Price	3.9%
Warrant Price	-43.5%

*Notable March Quarter share price gains/(falls) in local currency terms*

O2 Micro	74.5%
Advent Software	66.8%
Jumbo	31.3%
Raffles Education	-33.6%
Hongguo	-42.5%

Relative Performance 31 March 2009 NZD	Three Months	Since Inception
Marlin NAV	1.3%	-18.6%
90 Day Bank Bill Index + 5% p.a.	2.4%	19.7%
MSCI Global Small Cap	-7.7%	-36.3%

## Portfolio Holdings Summary as at 31 Mar 2009

Companies by Location	% Holding
<b>United States</b>	
Advent Software	0.5%
Conceptus	1.7%
Celera	1.4%
Ebix Inc	3.2%
Equinix	4.1%
F5 Networks	1.9%
Hansens Natural	2.7%
OSI Pharmaceuticals Ltd	3.4%
Ultimate Software	1.3%
<b>Britain</b>	
Wellstream	3.2%
<b>Ireland</b>	
Icon PLC	2.4%
<b>Finland</b>	
Nokian Tyre	1.1%
<b>France</b>	
Gameloft	1.0%
<b>Italy</b>	
Brembo	0.5%
<b>Germany</b>	
Roth & Rau	1.2%
Stratec Biomedical	1.6%
Wirecard	5.4%
<b>Greece</b>	
Jumbo	5.6%
<b>Holland</b>	
Qiagen	3.1%
<b>Hong Kong</b>	
City Telecom	2.5%
<b>Japan</b>	
Shinko Plantech	1.0%
<b>China</b>	
CSR Times Electric	1.9%
China Automation Group	1.6%
Home Inns & Hotels Management Ltd	2.1%
Hongguo International Holdings Ltd	2.0%
Midas	4.5%
O2Micro International Ltd	5.8%
Ports Design	5.7%
<b>Singapore</b>	
Hyflux Limited	5.6%
Raffles Education Corp Ltd	4.4%
<b>Equity Total</b>	<b>82.4%</b>
US dollar Cash	6.0%
New Zealand Cash	2.9%
Hong Kong dollar Cash	2.8%
Singapore dollar Cash	2.0%
Euro Cash	1.5%
Stirling Cash	1.2%
Swiss Franc Cash	1.0%
Japanese Cash	0.2%
<b>Cash Total</b>	<b>17.6%</b>
<b>TOTAL</b>	<b>100.0%</b>

## What do I do if I wish to exercise my warrants?

If you wish to exercise some or all of your warrants (subject to a minimum exercise of 500 warrants) on 15 June 2009, please contact Computershare on (09) 488 8700 for your exercise form. This form must be received by Computershare no later than 5pm 15 June 2009 in order to be processed for that exercise date.

**You do not have to do anything now. Marlin's shares are currently trading significantly below \$1. IF YOU ARE CONSIDERING EXERCISING YOUR WARRANTS AT 15 JUNE 2009, WE STRONGLY RECOMMEND THAT YOU CONTACT YOUR FINANCIAL ADVISOR.**

## Marlin Global Quarterly Review – Fisher Funds

### Market review and outlook

The global equity markets sell-off continued with the MSCI Global Small Cap Index declining 7.7% in the March quarter. Marlin Global managed to buck the trend with NAV lifting 1.3% to 79 cents per share while the share price rallied 4% to close at 53 cents on 31 March 2009.

In the December interim report we discussed the tug of war that is occurring between the deteriorating global economy and the massive and expanding global policy response. This battle continued during the first quarter of 2009 as share markets capitulated in January and February leaving valuations and expectations extremely low. Stocks rebounded sharply during March which is a reminder that shares can rally, even though the world economic environment remains tough. The stock market has historically discounted recessions before they end, even while all the negative news continues to flow. Are we at the bottom? Even Nostradamus wouldn't know the answer, and frankly we don't believe this is the most important question. Rather than looking for a market bottom, we think investors should be looking for value and potential long-term earnings growth. Both of these are in abundance right now.

There was evidence during the quarter that global equity market correlation is falling with emerging markets significantly outperforming developed markets. That is, not all world share markets are following the same trends. The local Chinese market was up 30% compared to the US's S&P500 decline of 12%. The US and many parts of the western world continue to face structural issues while China's issues are mostly cyclical. The fact that markets are beginning to reflect the fortunes of their underlying economies is positive for Marlin as it can select those markets and economies that will likely fare best in the years ahead.

Economic data in China has been improving lately partly due to a RMB4trillion (\$US600million) stimulus package announced last November focused on infrastructure spending. The Chinese Government has the means to further increase spending if necessary. To be successful there must be a flow on effect to domestic consumption and the Chinese government considers both economic and social stability as vital to success. It is important to note that the Chinese consumer is starting from a strong base - incomes have been growing for a decade, they have a high savings rate with low levels of debt and leverage. The other defining factor for China is the flood of credit and liquidity being pumped into the economy. Unlike the banks in the West, Chinese banks do not have a big exposure to toxic assets, they are 'controlled' by the state and are doing what they should be doing at this stage in the economic cycle...lending. The shift of economic power from the West to the East continues.

### Portfolio

Our largest exposure remains Asia and China although we have also enjoyed strong stock price performance from our US and European companies. **Advent Software**, a US based software provider, rallied 67% after reporting stronger than expected earnings. **Jumbo**, Greece's largest retailer operating in the toys, baby apparel and seasonal home products market, rallied 31% as they reported earnings growth for the second half of 2008 of 15%. This is an exceptional result for a retail company in this environment

and validates the success of their business model. We increased our holding in **Wellstream**, a leading designer and manufacturer of flexible pipe for offshore oil and gas drilling, after meeting with their largest customer, Petrobras. This meeting reinforced the strength of Wellstream's "moat" and gives us comfort in future order flow. This strategy has already proven fruitful as shares have rallied 22%.

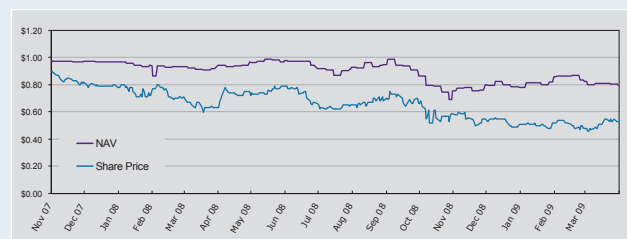
In Asia, **City Telecom**, a leading high speed broadband internet provider in Hong Kong, announced that it has commenced a tender offer to purchase all of its outstanding debt which will strengthen their balance sheet and add value for shareholders. In addition, they announced that the number of subscribers increased by 25% and profits increased by more than 40% for the six months ended 28 February, 2009. **Raffles Education**, Asia's leading for-profit education provider, suffered as an equity investment in another listed company dragged its shares down 34%. We have a high degree of conviction in this business and after speaking to the CEO and other industry participants we used the opportunity to increase our shareholding. Our rail infrastructure investment thesis continues to play out as **Zhuzhou CSR Times Electric** rallied 26% on the back of the Chinese stimulus package which has significant spending allocated for upgrading the railway network.

We added a new company **Shinko Plantech**, which is also our first investment in Japan. Shinko provides maintenance services for plants in Japan, with a concentration on the oil refining and petrochemical sectors. They have the leading market share in both core sectors where growth has been driven by the aging of the infrastructure which requires increased maintenance and repair. Additional growth is coming from expansion into other industries such as food, paper, and pharmaceuticals. Sales to customers in other industries rose to 28% of sales in the nine months to Dec 2008 versus 16% in the prior year. Profits increased five-fold from 2005 to 2008 and it's a nice "margin of safety" that they have 25% of their market cap in cash and the shares are trading at two times the cash flow.

**Carmel Fisher**  
Managing Director  
Fisher Funds Management Ltd  
21 April 2009

**Ken Applegate**  
Senior Portfolio Manager  
Fisher Funds Management Ltd  
21 April 2009

## Marlin Net Asset Value and Share Price Performance



## Catch Carmel

Tune in to hear Fisher Fund's views on the market on Newstalk ZB as Carmel Fisher talks with Larry Williams at around 6.30pm on Tuesdays. You can also see Carmel on TV3's Sunrise programme with Carly Flynn at just after 8am on Fridays.

## What's Coming Up?

- Warrant exercise date – 15 June 2009
- 30 June 2009 Full Year preliminary result - August 2009
- 30 June 2009 Annual Report publication – September 2009
- Warrant exercise date – 15 September 2009
- Annual Shareholders Meeting – October 2009
- Update newsletter September 2009 – October 2009

*The Marlin Update newsletter is produced for the March and September quarters only. The Annual and Interim Reports will cover the June and December periods. Should you prefer to receive future Update newsletters electronically please email us at [enquire@marlin.co.nz](mailto:enquire@marlin.co.nz). If you would also like to be emailed the monthly NAV please also email us to be added to the mailing list.*

**Marlin Global Limited. Phone +64 9 484 0365, Fax +64 9 489 7139, PO Box 33 549 Takapuna, Auckland 0740, New Zealand**  
**Email [enquire@marlin.co.nz](mailto:enquire@marlin.co.nz) www.marlin.co.nz**

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