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KINA ASSET MANAGEMENT LIMITED (KAM) POMSOX RELEASE

KAM DELIVERS K1.22 MILLION IN NPAT FOR JUNE HALF YEAR AND DECLARES INTERIM DIVIDEND

Kina Asset Management is pleased to announce a half-year net profit after tax result of K1.22m despite challenging global market conditions.

The Chairman of Kina Asset Management, Sir Rabbie Namaliu said, "The half year results have delivered a satisfactory investment performance for shareholders, with the KAM performance generating an investment return of 3.08 per cent, despite adverse currency movements negatively affecting the portfolio".

Sir Rabbie reported that the main contribution to portfolio return came from valuation gains of K1.40m, which were achieved by the strong performance of Oil Search Limited (OSH), up 10.79 per cent; CSL Limited (CSL), up 30.77 per cent, and; Bank South Pacific (BSP), up 5.34 per cent over the half year reporting period.

"Dividend and interest income from BSP and the iShares Wholesale International Equity Indexed Fund was K2.28m. Notwithstanding these encouraging results, during the period a 4.25 per cent appreciation of the Kina against the Australian dollar detracted from KAM's returns overall," Sir Rabbie said.

Detailing the portfolio investment strategy, Sir Rabbie said that asset allocation at the end of the reporting period was 40.75 per cent invested in domestic stocks, cash and fixed income; and 59.25 per cent invested with international stocks and cash.

"While the Fund's AUD denominated portfolio produced lackluster returns due to adverse currency effects, KAM's Global ex Australia Exchange Traded Fund's significantly outperformed their benchmark. Similarly, the Domestic equities and fixed interest significantly outperformed their respective benchmarks in the reporting period", Sir Rabbie said.

He reported that the key portfolio exposures through the period were BSP at 22.38 per cent of the Fund, Vanguard International at 11.98 per cent, Oil Search Limited at 7.51 per cent and CSL at 6.49 per cent.

Sir Rabbie said that the first six months of the financial year posed some challenges to the portfolio, with global markets remaining volatile as a result of continued trade and geo-political unrest and the risk of rising interest rates.

“Domestically the economy remains under pressure, however KAM’s investments are largely in sectors not exposed to domestic consumption,” he said.

“We remain cautious for the balance of the year as markets are generally reflecting high valuations and global geo-political risks remain a threat to markets. “

“Whilst KAM retains a solid liquidity position, we remain cautious of some head-winds given our view that the Kina (PGK) will remain under pressure as the foreign exchange market continues to clear the backlog of import orders in the next 6 to 12 months, “ Sir Rabbie said.

Sir Rabbie said the net tangible asset backing per share was K1.31 at June 30, 2018 (unaudited and pre dividend) up from K1.26 at the end of June 2017. “The share price is trading at a significant discount to the underlying value of the company and the board continues to investigate ways to close this gap. Options being explored range from a potential buyback to a possible listing on a foreign exchange to broaden our shareholder base and improve liquidity in the stock over time.”

Sir Rabbie further commented “KAM has declared an interim dividend of 2 toea per share, as a reflection of our continued confidence in KAM’s investment performance and as a way to reward our shareholders. KAM has a long term track record of delivering strong growth in the value of its investments and ongoing income for its shareholders.”

END

Further Information:

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