

## **KINA ASSET MANAGEMENT LIMITED (KAML) POMSoX RELEASE**

### **KAML RECORDS RESPECTABLE 2.2 PER CENT GAIN IN CHALLENGING YEAR FOR INVESTMENT MARKETS**

POMSoX listed Investment Company Kina Asset Management Ltd (KAML) has recorded an investment return of 2.2 per cent for the year ending 31 December 2018.

The total value of the Fund declined by K2.0 million, after payment of the 2017 full year and 2018 half-year dividends of K1.5 million and K1.0 million respectively.

KAML Chairman Sir Rabbie Namaliu said that the challenging conditions in global investment markets reported earlier in the year had continued to year-end. Notwithstanding the recovery in early 2019, in view of the modest investment return the board had determined not to pay a final dividend for the 2018.

Sir Rabbie said that declines in international share prices resulted in capital losses of K2.7 million for the year. In particular, he noted that capital losses on the Fund's Australian holdings in ANZ, National Australia and Westpac banks totalled K1.6 million, with share price falls of 14.9%, 18.6% and 20.1% respectively. The only international stock to record positive returns was CSL, with a total return of 25.1%.

Sir Rabbie said the Fund's cornerstone investment in BSP continued to perform strongly, with total returns of 22.2%. He said the Fund's other core domestic shareholding in Oil Search was affected by the February 2018 earthquake and returned -8.5% for the year, but that company's share price had recovered in early 2019 and more closely reflects its intrinsic value.

The Fund recorded currency losses of K2.1 million, resulting from the fall of the Australian Dollar of 6.1% against the PNG Kina.

Notwithstanding, dividend and interest income rose strongly to K4.2 million. The key contributors to dividend income were BSP (K1.8 million) and the global equity funds, Vanguard and BlackRock International (K0.5 million). Dividend income from the Fund's Australian equity holdings totalled K1.0 million.

Commenting on asset allocation, Sir Rabbie said that at year-end 40.2 per cent of the Fund was invested in domestic stocks, cash and fixed income; and 59.8 per cent invested in international stocks and cash.

He said that key domestic portfolio holdings (as a percentage of total Funds) at year end were Bank of South Pacific at 23.4%, Oil Search at 5.7%, with smaller holdings in Credit Corp at 3.7% and Kina Securities at 3.0%.

He said that exposure to Global Equity Funds stood at 15.4% at year end, and noted also that in Australia, key portfolio holdings included CSL at 6.5%, Mirvac at 5.5%, and the Fund had gradually increased its exposure to Telstra through the year, to 5.0% at year end.

Whilst this resulted in cash holdings being reduced to 14.1% (from 20.3% at 2017), Sir Rabbie said the Fund was well placed to add to existing holdings, or exploit new opportunities as they arise in 2019.

Sir Rabbie said that the performance of the Fund's key investment sectors against their respective benchmarks was mixed.

He said that during the year, a total of 70,584 shares of KAML were traded at an average price of K0.96 per share. The share price of K0.95 per share at 28 February 2019 represented a substantial discount to the net tangible asset backing of K1.34 per share, reflecting the lack of liquidity on POMSoX.

Sir Rabbie said that despite further evidence of moderating global economic growth and ongoing geopolitical tensions, global markets had performed strongly in the first months of 2019. He said the Fund is well positioned to benefit from its long term growth strategies on behalf of investors.

**ENDs**

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