



22 July 2020

**CHAIRMAN'S ADDRESS**  
**2020 ANNUAL GENERAL MEETING**

2019 was a good year for Kina Asset Management Limited shareholders, with global share markets rebounding strongly from the subdued economic activity and volatile market conditions experience during the previous year.

The company recorded a net profit of K10.6 million for the full year, driven by a strong portfolio return of 24.1%.

The company's net assets at year-end stood at K74.6 million, an increase of 20.8%, or K13.3 million, from the previous year, after payment of the 2019 half year dividend to shareholders of K1 million.

Rising global and domestic share prices resulted in the company's investments generating capital gains of K11.3 million.

Dividend and interest income also contributed strongly to the company's performance, totalling K4.4 million.

Despite difficult economic conditions, the fund's PNG investments performed very strongly. Bank of South Pacific - BSP – continues to maintain its position as the biggest driver of the Company's investment performance. Total return from BSP was K4 million, or 28.4%, comprising dividend income of K1.9 million - a dividend yield of 13.6% - and capital gains of K2.1 million, an increase of 14.8%.

BSP is the company's largest investment, representing 22.1% of total investments. The company's other core PNG shareholding, Kina Securities, generated total returns of 66.7%, after its successful acquisition of the retail and SME businesses of ANZ Bank in PNG.

The company's Australian investments also performed strongly – shares in CSL rose 53.8%, Mirvac rose 42.9%, Transurban rose 28.8%, and Telstra, 25%.

The company reviewed its investment strategy during the year, and the fund's investment manager, Kina Funds Management Limited - the investment management division of the Kina Bank Group – added a number of new shareholdings to diversify the company's investments.

These new investments included New Zealand dairy products company A2 Milk, Queensland-based financial services group Suncorp, Sydney Airport Corporation, and international health care providers Resmed and Sonic.

These acquisitions have resulted in a reduction in the company's cash holdings to 8.3% at year-end, from 14.1% in 2018. The company remains well placed to add to existing holdings, or exploit new opportunities as they arose in 2020.

The company's shares traded in light volumes during 2019, and closed at year-end at a price of 95 toea per share. This represents a discount of 38% to the company's net tangible asset backing of K1.53 per share, and is not reflective of either the company's historical performance or the quality of its underlying assets.

An interim dividend of 3 toea per share was paid to shareholders in October 2019. As a result of the ongoing challenges associated with the Covid-19 pandemic, the directors have decided not to pay a final dividend for 2019.

Turning now to 2020, and restrictions on economic activity imposed by the governments of most countries in the world continue to constrain the spread of Covid-19 have led to sharp declines in international share markets. The impact of the rising US dollar has also impacted on the value the company's investments in Australia when translated in to PNG Kina, which is pegged to the US Dollar.

At its lowest point during March 2020, the Australian share market fell as much as 36.5% from its record high in February. Over the same period, the company's NTA fell from a high of K1.53 per share to a low of K1.23 in March.

Global share markets have recovered some of these losses, though in most countries, including PNG and Australia, economies are still in recession.

For the year to 30 June 2020, the preliminary return on the company's investments was minus 5.5%, and the NTA K1.39 per share. Whilst the negative return is disappointing, the company's investments have outperformed their respective market benchmark indices., At the present time there appears to be a disconnect between the distressed state of many leading economies and the relatively buoyant performance of financial markets. Leading Fund managers are uncertain as to the outcome in the near term.

Nevertheless, the company remains optimistic that despite the many challenges faced both in PNG and internationally, it will continue to deliver positive results for shareholders over the long term. Whilst I have advised that directors have decided not to declare a final dividend for 2019, shareholders should be assured that the Board will keep the scope for further dividends in the periods ahead under close review.

The Company has recently amended the DRP to enable the conversion of unclaimed dividends to participate in the Dividend Reinvestment Plan.

In closing my address, I and my fellow directors would like to thank our valued shareholders for your continued confidence and support to the Board and management of the company.

the company will continue our disciplined and conservative approach to investment that will remain focussed on capital preservation and income generation through value investing.

Finally, I would like to thank the management team for another successful year.

**Sir Rabbie Namaliu GCL, CSM, KCMG**  
**Chairman**

**End**

Further Information:

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