



23 June 2021

CHAIRMAN'S ADDRESS
2021 ANNUAL GENERAL MEETING

2020 was a challenging year for Kina Asset Management Limited shareholders. The onset of the COVID-19 global pandemic caused the largest falls in economic activity in many countries since the great depression, and in the first quarter, global share markets recorded their largest falls since the global financial crisis. For the remainder of the year, economic activity around the world was constrained by the restrictions put in place by governments to contain the spread of the virus.

Given the diversity of its portfolio, the company performed well in these difficult conditions, recording a net profit of 3.3 million kina for the full year, driven by a respectable portfolio return of 6.2%.

At the end of the year the company's net assets stood at 78.3 million kina, an increase of 5.5% from the previous year, before payment of the full year dividend of 4 toea per share.

Capital losses of 5.2 million kina were reported from falls in the prices of most of the Fund's share holdings. Among the few individual companies which reported gains were the Fund's PNG investments in BSP, which rose by 0.3 million kina, and Credit Corp, by 0.2 million kina.

Dividend and interest income of 3.7 million was reported for the year. Again, the Fund's PNG investments were key contributors, with BSP paying dividends of 1.6 million kina, Credit Corp 0.3 million kina, and Kina Securities 0.2 million kina.

BSP remains the company's largest investment, representing 19.3% of total investments. During the year, the company increased its exposure to another core PNG shareholding, Kina Securities. Kina Securities is continuing its growth trajectory by announcing its intention to acquire Westpac PNG, after the successful acquisition of the retail and SME businesses of ANZ Bank in PNG in 2019.

Following the company's review of its investment strategy in 2019, the fund's investment manager, Kina Funds Management Limited 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 Healthcare.

Australia's response to the COVID-19 pandemic has been amongst the world's most restrictive, and included both international and state border closures, and lockdowns. As a result, the Company suspended its investment program in Australia until the impact on economic conditions became more certain.

The Company's Australian investments reported capital losses of 3 million kina for the year, and dividend income fell from to 0.9 million in 2019 to 0.6 million kina in 2020.

However, the Australian dollar rose strongly against the PNG kina during the year, and foreign currency gains of 6.3 million kina were recorded.

The company's shares again traded in very light volumes during 2020, and closed at year-end at a price of 95 toea per share. This represented a discount of 40% to the company's net tangible asset backing of K1.59 per share, and is not reflective of either the company's historical performance or the quality of its underlying assets.

Turning now to the current year, a combination of fiscal and monetary stimulus, along with the rapid progress of vaccination programs, has led to a strong recovery in economic growth in most developed countries. In Australia, the success of Federal and State governments in controlling the pandemic appears to have led to some slowness in easing restrictive measures when compared with their counterparts in the US and Europe.

Global share markets have continued their recovery. For the five months to 31 May 2021, the main stock indices in the US, Europe and Australia have all risen strongly: in the US, the S&P500 index has risen 11.3%; in Europe, the EuroStoxx index is up 13.7%; and in Australian, the ASX200 has risen 8.7%.

For the year to 31 May 2021, the preliminary return on the Company's investments was 9.7%, and the NTA has increased to K1.68 per share. Whilst trading in the Company's shares remains light, the share price has risen to 1.08 kina as at 31 May 2021.

The most recent trend in performance has been encouraging and 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. The Company will continue our disciplined and conservative approach to investment that will remain focused on capital preservation and income generation through value investing.

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.

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

Sir Rabbie Namaliu GCL, CSM, KCMG
Chairman

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Further Information:

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