



**17 June 2022**

## **CHAIRMAN'S ADDRESS**

### **2022 ANNUAL GENERAL MEETING**

2021 was another challenging year for Kina Asset Management Limited shareholders, as the global economy continued along the pathway of recovery from the COVID-19 pandemic. Travel and other restrictions on economic activity put in place by governments to contain the spread of the virus began to be removed in most parts of the world, but outbreaks of more transmissible variants continued to disrupt supply chains, which in turn led to accelerating inflationary pressures in most developed countries.

The company has again performed respectably well in these difficult conditions, recording a net profit of 3.3 million kina for the full year, driven by a portfolio return of 8.3 per cent.

At the end of the year the company's net assets stood at 80.1 million kina, an increase of 2.3 per cent from the previous year, after dividend payments of 10 toea per share.

The company continues to benefit from the international diversification of its portfolio. In 2021 capital gains of 5.2 million kina were reported from rises in the prices of most of the company's International and Australian share holdings. The company's international unit trusts rose by a total of 3 million kina. In Australia, those gains reached 3.6 million kina. Of note, shares in Telstra rose 1.2 million kina, and shares in ANZ Bank, Sonic Healthcare, and Sydney Airport, each rose by 0.6 million kina.

Dividend and interest income of 4.5 million kina was reported for the year. The Fund's PNG investments were the key contributors to dividend income, led again by BSP, which paid dividends of 1.7 million kina. Credit Corp and Kina Securities each paid dividends of 0.5 million kina.

BSP remains the company's largest investment, representing 16.9 per cent of total investments. During the year, BSP undertook a compliance listing on the Australian Securities Exchange, the ASX. This means that PNG investors may transfer their shares, at no cost, to the Australian market, trade their shares in this large and very liquid market.

At the end of the year, Australian oil and gas giant Santos merged with PNG's Oil Search. The company has retained its exposure to the merged entity, which is now listed on both the Australian Securities Exchange and PNGX.

In the early part of the year, the company's investment manager, Kina Funds Management Limited, cautiously increased exposure to some of its existing holdings, particularly in the health care sector, and

took profits by liquidating other holdings where long term performance targets were achieved. The portfolio remains well-diversified to a range of industry sectors.

The company's shares again traded in very light volumes during 2021, and closed at the end of the year at a price of 99 toea per share. Whilst this was a ten per cent increase in the share price when compared to the 2020 year-end, it also represented a discount of 38 per cent to the company's net tangible asset backing of K1.60 per share. The share price is not reflective of either the company's historical performance, or the quality of its underlying assets.

The company declared an interim dividend of 6 toea per share for the 2021 half-year, which was paid to shareholders in October.

In the second half of 2021, the inflationary pressures I referred to earlier in my address resulted in the central banks of many countries, notably the United States, beginning to withdraw monetary stimulus. The prospect of higher interest rates caused share prices in many developed countries to fall from their highs in the first half of the year. In this environment, the company decided not to declare a final dividend for the 2021 full year.

Turning now to the current year, as I have noted earlier in my address, inflationary pressures have led to rising interest rates in many developed countries and investors have become concerned about the outlook for economic activity and company profits.

Global share markets have been weak. For the five months to 31 May 2022, the main stock indices in the US, Europe and Australia have all fallen. In the US, the S&P 500 index has fallen 13.3 per cent, and in Europe, the Euro Stoxx index is down 11.8 per cent. In Australia, the ASX200 has fared a little better because of the large number of companies benefiting from rising commodity prices, and the index has fallen only 3.1 per cent.

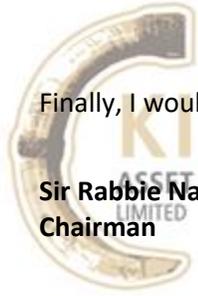
For the year to 31 May 2022, the preliminary return on the Company's investments was 1.3 per cent, another respectable outcome when compared with the underlying markets. The NTA has remained unchanged at K1.60 per share. Trading in the Company's shares remains light, and the share price has risen by 1 toea to 1 kina as at 31 May 2022.

Before closing my address, I thought I should speak to the events in global markets this past week or so. Shareholders may be aware that last week, the release of economic data confirmed that inflation in the US is accelerating, with the country recording its highest annual inflation rate in 40 years – a rate of 8.6 per cent for the year to 31 May 2022.

Markets have again reacted to fears that this outcome will likely push the US Federal Reserve to extend an aggressive series of interest rate rises, increasing the risk of a recession. Since the end of May, global share markets have continued to fall. In the US, the S&P500 has fallen a further 9 per cent, and in Australia, the ASX200 more than 7 per cent.

As PNG prepares for the general election, the Company remains cautiously 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 focussed 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**

**End**

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