KINA ASSET MANAGEMENT LIMITED - 2024 AGM

CHAIRMAN'S ADDRESS

Wednesday 26 June 2024

2023 was a positive year for Kina Asset Management and the Company delivered a creditable full year financial performance bolstered by stronger global markets.

Global equity markets ended 2023 on a high note, with many international benchmarks delivering strong double-digit returns. This strong performance was led by a cooling off in global inflation fears and higher expectations of rate cuts by the US Fed and other Central banks.

Given the diversity of its portfolio, the Company achieved a net profit after tax of K12.7 million for the full year ended 31 December 2023.

A key driver of the result was a strong investment return of 18.6% for the full year.

The Fund's net assets stood at approximately K81.8 million as at 31 December 2023, compared with K74.2 million as at 31 December 2022, an increase of 10.2%.

Net tangible asset backing per share as at 31 December 2023 was K1.61 (2022: K1.49), after payment of a dividend of K0.12 per share to shareholders in October. This represented an 8.1% increase over the year.

KEY SHARE RETURNS FOR 2023

The performance in 2023 highlighted the prudence and robustness of the Fund's strategic investment approach, which continues to focus on diversification and long-term holdings in leading PNG and Australian companies in addition to international funds.

The strategy provides a buffer from any impacts of the local PNG economic cycle on the Fund's earnings and also provides greater industry sector diversity and access to asset classes other than those available in our home market.

The key components of the result included:

The Company's international funds, the BlackRock iShares, and Vanguard International Shares were the best performers in 2023, with returns of +31.1% and +31.2% respectively.

The Fund's Australian equities also performed strongly in 2023, despite economic conditions moderating under the weight of rising interest rates. The best performers (in PNG Kina adjusted terms) were Suncorp (+27.4%) and ANZ (+24.6%).

The Fund's cornerstone position in BSP Financial Group (BSP) maintained its position as the largest contributor to the Company's return.

The Company's PNGX-listed BSP shares rose 10.4% from K12.41 to K13.70 at 31 December 2023, and total returns were boosted by dividends of K1.77 per share (14.3%). The Company's ASX-listed BSP shares rose from AUD4.90 to AUD5.42 at 31 December 2023, a return of 18.0%, inclusive of currency gains from appreciation of the Australian Dollar.

Credit Corporation shares rose 8.1% from K1.85 to K2.00 at 31 December 2023, and total returns were boosted by dividend payments of K0.233 per share (12.6%).

Contributing to this result was a K4.3 million in foreign currency exchange gains, as a result of the depreciation of the PNG Kina against the Australian Dollar during the year.

Dividend and interest income also contributed strongly to the Company's earnings, totalling K5.3 million for the year.

The Company's equity investments recorded mixed results against their benchmark indices. Domestic equities (27.2%) strongly outperformed the benchmark KSI Home Index (4.2%); ASX-listed equities and global equity funds generated returns of 11.5% and 31.1% respectively, against their PGK-equivalent benchmarks, the S&P/ASX200 Accumulation and MSCI World ex-Australia Index returns of 18.2% and 32.1% respectively.

ALLOCATION

As I have noted, the company's portfolio is well diversified. At year end, 32.5% was invested in domestic stocks, cash and fixed income; and 67.5% was invested in international stocks and cash. The portfolio benchmark weights were 40% (domestic) and 60% (international) respectively and the current allocation is presently modestly overweight international assets.

Key portfolio holdings as a percentage of the Fund as at 31 December 2023 were: in PNG, BSP Financial Group (15.2%), Kina Securities Limited (6.3%), and Credit Corporation (5.3%); and International, the Vanguard International Equity fund (13.8%), CSL Limited (6.9%), and Blackrock iShares (5.8%).

The Company is a long-term investor and is generally not a trader of the securities. The Company's investment manager, Kina Funds Management Limited, takes a long-term view and sets the portfolio accordingly.

However, the Company will always act on specific opportunities as they arise and during the year it sold its shareholding in Worley for a total return of +22.8% and acquired a new shareholding in consumer staples giant Coles (+4.5%).

KAML's investment manager, Kina Funds Management Limited, continued to maintain a disciplined approach to the evaluation of new growth opportunities through the year and cash holdings stood at 7.3% at the end of the year.

During the year, Kina Funds Management Limited made only small changes to the company's investments.

Early in the year the company acquired a holding in Auckland International Airport, the 4th largest international airport in the region, with proceeds from the sale of Sydney Airport Corporation, which was earlier acquired by a consortium of Australian superannuation and international private equity funds.

SHARE PRICE DISCOUNT TO NTA

Following the close of books for 2023, the Company's share price has grown from K0.90 to K1.25 as at 31 May 2024 while over the same period the NTA has increased from K1.61 to K1.78.

While the share price performance is a pleasing development, it still remains

at a significant discount to the underlying value of the Company. This situation continues to reflect a lack of liquidity on the PNGX. KAML will continue to explore opportunities to narrow this gap on an ongoing basis.

DIVIDEND HISTORY

KAML's financial strength allowed the company to declare an interim dividend of PGK12 toea per share payable 19th October 2023.

YEAR TO DATE UPDATE

Turning now to the current year.

Despite geopolitical tensions and ongoing economic headwinds, the outlook for the global economy appears to be improving. There appears to be a developing economic mood of cautious optimism.

Earlier this month the World Bank raised its outlook for the world economy.

The slightly brighter forecast has been led by the resilience of the U.S. economy, which continues to defy expectations despite higher interest rates. Broadly, advanced economies are growing at an annual rate of 1.5%, with output remaining subdued in Europe and Japan. By contrast, emerging market and developing economies are growing at a rate of 4% percent, led by China and Indonesia.

In Australia, there remains caution about the stalling economy and ongoing inflation. But while the Australian economy is in a weak position, Reserve Bank and Treasury forecasts have economic growth accelerating later this year.

The PNG economy is expected to improve in 2024 and 2025, according to the Asian Development Bank's April 2024 Asian Development Outlook.

The positive outlook is driven by improved prospects for the mining sector. The report says PNG's economy is set to grow by 3.3% in 2024 due to resumption of production at the Porgera gold mine.

While the medium-term outlook for PNG's economy remains positive, there are ongoing challenges such as foreign exchange restrictions and frequent power disruptions continue to dampen activity in the economy.

For the year to 31 May 2024, KAML's portfolio recorded a year-to-date (YTD) return of 10.5% or K8.7 million.

KAML's total portfolio value increased by K7.9million to K89.7million during that period. The increase was attributable to unrealized capital gains on the Company's domestic and offshore-listed holdings and the dividend receipts.

And as stated previously both the share price and NTA have also improved over the same period.

The most recent trend in performance has been encouraging and the Company remains optimistic that, it will continue to deliver positive results for shareholders over the long term. The Company will continue its disciplined and strategic approach to investment and 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.

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