



KINA

**ASSET MANAGEMENT
LIMITED**



2019
CONCISE REPORT

Investment Objectives

Over time the Company aims to:

- Provide a positive rate of return to shareholders via a combination of capital growth and income
- Provide shareholders with regular dividends and;
- Preserve the capital of the Company

Approach to Investing

The investment philosophy is built on taking a medium long term view of the value which means the aim is to buy and hold assets over the longer term

Investment Performance

The company generated a net profit after tax of K14.44 million for the year ending 31 December 2019 compared with the net profit of K119,132 for the previous corresponding period.

2019 Year In Summary

Net Asset

K74.63m

Up by K13.27m or 21.63%

Net Profit

K14.44m

Up by K14.32m or 120x

Investment Portfolio

K74.17m

Up by K13.20m or 21.64%

NTA per share

K1.53

Up by K0.27 or 21.43%

Earnings per share

30 toea

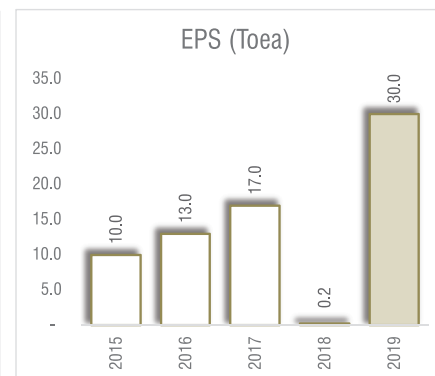
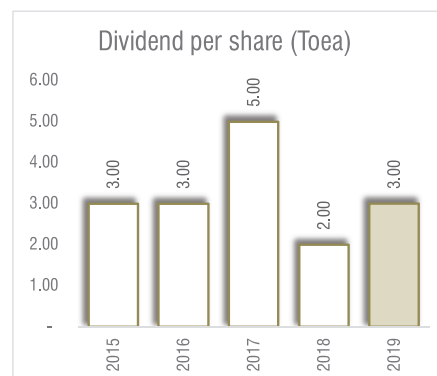
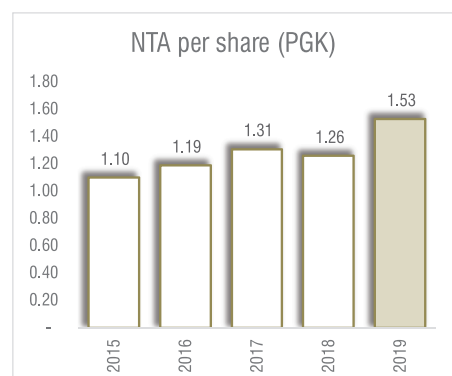
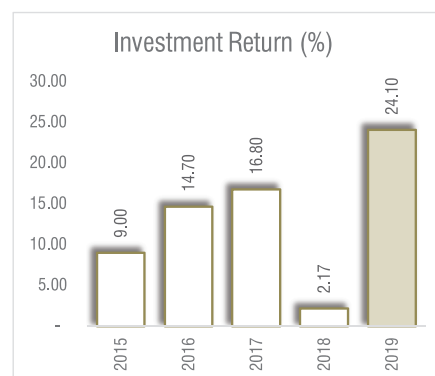
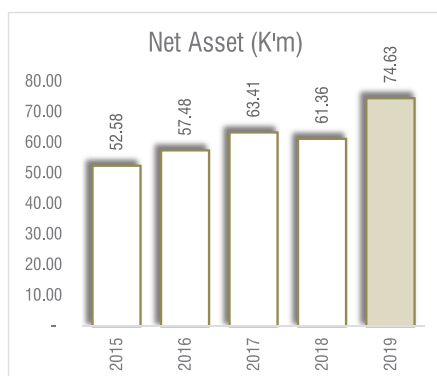
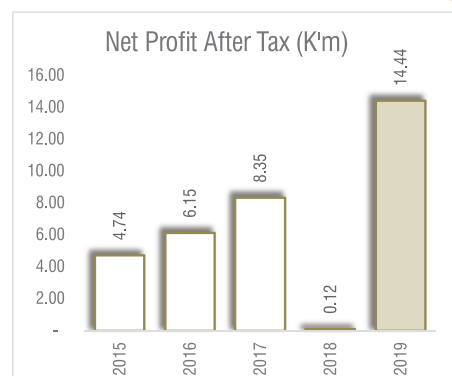
Up by 29 toea or 150x

Interest and Dividend Income

K4.43m

Up by K0.26m or 6.26%

5 Year Summary



Chairman's Report



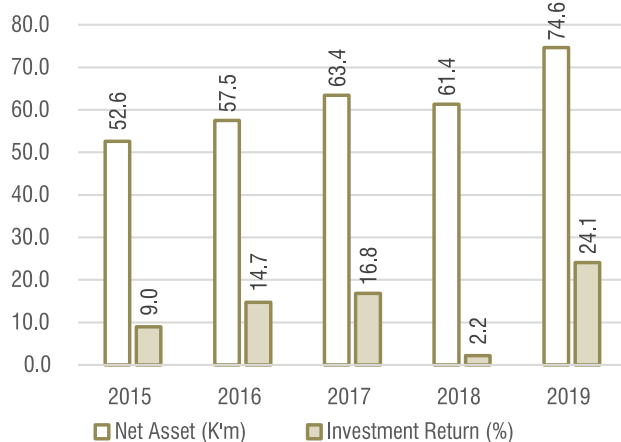
2019 was a good year for KAML shareholders, with financial markets rebounding from the increasing volatile conditions experienced during the previous year. The Company has performed strongly and is well placed for the difficult market conditions which lie ahead.

KINA ASSET MANAGEMENT LIMITED has recorded a net profit after tax (NPAT) of K14.4 million for the year ended 31 December 2019, providing a portfolio return of 24.1% to our shareholders in a market which recovered strongly from the subdued economic activity and volatile conditions of the second half of 2018.

The company's net assets stood at K74.6 million as at 31 December 2019, an increase of 21.6% from the previous year (2018: K61.4 million).

Net tangible asset backing per share as at 31 December 2019 was K1.53, an increase of 21.4% from the previous year (2018: K1.26), after payment of a half year dividend in 2019 of K0.03 toea per share. The company's net asset position and investment returns for the past five years are shown in Exhibit 1.0.

EXHIBIT 1.0 – NET ASSETS & INVESTMENT RETURN



Investment Performance

The strong performance in 2019 reflects the Company's strategic investment approach which focuses on long-term holdings of leading businesses in PNG and Australia, generating strong returns in rising markets, and limiting downside in more challenging market conditions.

Main contributors to the result were:

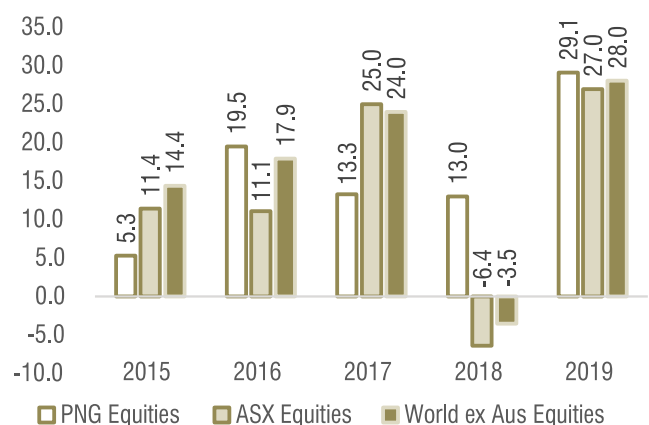
Capital gains of K11.0 million resulting from gains in the prices of most of the company's share holdings. Key contributors in PNG were Bank of South Pacific (BSP, K2.1 million) and Kina Securities (K1.1 million), and in Australia, CSL (K1.6 million) and Mirvac (K1.4 million). Capital gains from the Company's International Unit Trusts totalled K2.1 million.

Dividend and interest income totalled K4.4 million. Key contributors were BSP (K1.9 million), Credit Corporation (K0.4 million), and the Vanguard International Shares Index Fund (K0.4 million).

There was little movement in the PNG Kina against the Australian Dollar during the year, and a nominal currency translation gain of K0.3 million was recorded.

The investment performance of the Company over the past five years is shown in Exhibit 2.0.

EXHIBIT 2.0 – INVESTMENT PERFORMANCE



The Company's strong performance is also reflected in the portfolio's performance against its respective benchmark indices; Domestic PNG shares (+29.1%) outperformed the KSI Home Index (15.0%); Australian shares (+27.0%) outperformed the S&P/ASX200 Index (+23.4%); and International shares (+28.0%) outperformed the MSCI World (ex-Australia) Index (+26.7%).

Investment Portfolio

Asset Allocation at 31 December 2019 was 40.2% invested in Domestic shares, fixed income and cash, and 59.8% invested in International shares and cash. The asset allocation broadly reflects the Company's domestic/international benchmark weights of 40%/60% respectively.

The Company's key investment holdings are summarised in Exhibit 3.0.

Investment Strategy

As a long term investor the Company is generally not a trader of the securities that make up its portfolio. The Company's investment manager, Kina Funds Management Limited, takes a long term view of markets and investments, and sets its portfolio accordingly.

During the year, the Company added a number of new companies to its investment portfolio. These included new investments in the health care sector, ResMed (ASX:RMD) and SonicHealthcare (ASX:SHL); Queensland based financial services giant SunCorp (ASX:SUN); infrastructure provider Sydney Airport Corporation (ASX:SYD); Australia's leading engineering services provider Worley Limited (ASX:WOR); and New Zealand based primary producer A2 Milk Company (ASX:A2M).

EXHIBIT 3.0 – INVESTMENT PORTFOLIO

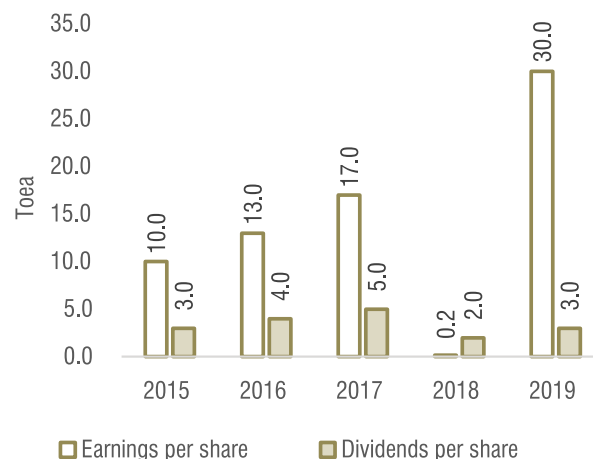
Investments	% of Portfolio
Cash	2.14%
Fixed Income	2.46%
Equities	
Bank South Pacific	22.07%
Credit Corporation	4.63%
Kina Securities Limited	4.02%
City Pharmacy	0.77%
Oil Search Limited	4.12%
Total Domestic Portfolio	40.21%
Total Domestic Portfolio	40.2%
International	
Cash	6.12%
Equities	
ANZ Bank Limited	3.17%
National Australia Bank	1.43%
Westpac Bank Limited	3.12%
Mirvac Group	6.45%
Transurban Group	4.86%
CSL Limited	7.54%
Telstra	5.18%
Boral Limited	0.86%
ResMed Inc	0.49%
Sonic Healthcare	0.46%
Suncorp Group Limited	1.67%
Sydney Airport	0.42%
Treasury Wine Estates	1.04%
Worley Parsons	0.74%
A2 Milk Company Limited (A2M)	0.69%
Vanguard International Shares Index	11.60%
BlackRock Wholesale Indexed International Equity Fund	3.97%
Total International Portfolio	59.81%
Total Portfolio	100%

These acquisitions, along with rising share prices across the portfolio, reduced the Company's cash weighting to 8.3% at 31 December 2019 (2018:14.1%).

Outlook

At the time of writing of this report, PNG remains under a State of Emergency declared by the Government to limit the spread of the Covid-19 virus. The restrictions on economic activity put in place by the governments of almost all countries of the world, have led to the sharpest global economic contraction in more than a century.

EXHIBIT 4.0 – EARNINGS & DIVIDENDS PER SHARE



In Australia, the Reserve Bank has estimated this contraction would be in the order of 10%, for the June quarter of 2020.

Share markets across the world have recorded some of their largest losses on record during the first quarter of 2020. In Australia, from peak to trough the market fell by as much as 36.5%, although there has been a partial recovery since. Whilst domestically, share price falls have not matched those in Australia and other parts of the world, the Company notes that the PNG economy has been similarly affected, with the Government announcing expected revenue shortfalls of ~K2 billion, on top of the 2020 Budget deficit forecast of K4.6 billion. The apparent resilience of the PNG share market is therefore more likely a function of the lack of liquidity in domestic financial markets.

While the Board declared an interim dividend of K0.03 for 2019, as a matter of prudence in light of the uncertain outlook your Company has made the decision not to declare a dividend for 2H/2019. The Board will keep the scope for dividend in the period ahead under close review.

Summary

Later in this Report the company's corporate governance policies – including the Board's Code of Conduct and approach to Risk Management - are outlined in detail. The Company is committed to current best practice in corporate governance and these policies are reviewed each year to ensure they are reflective of that standard.

I and my fellow directors thank you for your unwavering support and confidence in the Board and management of KAML. Uncertainty notwithstanding, KAML is well-positioned and willing to continue to uphold its commitment to you, our valued shareholder.

Sir Rabbie Namaliu, GCL, KCMG, CSM
Chairman

Statements of Comprehensive Income

for the financial year ended 31 December 2019

	Note	Consolidated		Company	
		2019	2018	2019	2018
		K	K	K	K
Continuing operations					
Revenue	3(a)	4,686,816	4,290,857	2,499,363	3,363,624
Changes in fair value of financial assets	8	11,034,403	(2,788,608)	-	-
Exchange gain/(loss)		112,963	(162,886)	-	-
Net income		15,834,181	1,339,363	2,499,363	3,363,624
Directors' fees	16	(225,030)	(165,000)	(225,030)	(165,000)
Insurance		(36,830)	(53,485)	(36,830)	(53,485)
Management fees	17	(489,703)	(459,386)	-	-
Share registry fees		(181,510)	(143,625)	(181,510)	(143,625)
Other operating expenses	3(b)	(450,424)	(189,800)	(437,224)	(149,133)
Profit before tax		14,450,685	328,067	1,618,769	2,852,381
Income tax expense	6	(13,210)	(208,935)	(45,805)	(93,475)
Net Profit/(loss) for the year		14,437,475	119,132	1,572,964	2,758,906
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		14,437,475	119,132	1,572,964	2,758,906
Earnings per share					
Basic (toea per share)	9	30	0.2		
Diluted (toea per share)	9	30	0.2		

Statements of Financial Position

as at 31 December 2019

	Note	Consolidated		Company	
		2019	2018	2019	2018
		K	K	K	K
Assets					
Cash and cash equivalents	12	6,124,373	8,543,950	54,908	132,209
Current tax receivables		342,847	148,718	161,879	-
Other receivables	4	431,616	462,460	319,837	321,773
Financial assets					
Fair value through profit or loss	8	66,230,402	50,629,192	-	-
Held to maturity	8	1,821,750	1,806,285	-	-
Investment in subsidiary company	11	-	-	1	1
Due from related parties	17	-	-	48,478,884	48,202,798
Net deferred tax assets	6	158,235	101,383	-	-
Total assets		75,109,223	61,691,988	49,015,509	48,656,781
Liabilities					
Other payables	7	423,893	214,014	128,384	115,454
Current tax liabilities		-	63,518	-	63,518
Net deferred tax liabilities	6	53,226	55,744	11,195	10,761
Total liabilities		477,119	333,276	139,579	189,733
Net assets		74,632,104	61,358,712	48,875,930	48,467,048
Equity					
Fully paid ordinary shares	5	49,120,304	48,818,301	49,120,304	48,818,301
Accumulated gain/(loss)		25,511,800	12,540,411	(244,374)	(351,253)
Total equity		74,632,104	61,358,712	48,875,930	48,467,048

The full financial statements have been audited by Deloitte Touche Tohmatsu with their independent auditors report included in the Kina Asset Management Limited 2019 Annual Report on pages 15-17.

Shareholder Information

for the financial year ended 31 December 2019

a) Distribution of ordinary shares according to size as at 31 December 2019

Range	Number of holders	Number of Shares	% of Issued Capital
1 to 1000	1,428	817,565	1.66
1001 to 5000	852	1,485,441	3.02
5001 to 10000	103	700,498	1.42
10001 to 100000	85	2,139,068	4.35
100001 and Over	24	44,044,549	89.55
Total	2,492	49,187,121	100.00

b) The twenty largest shareholders of ordinary equity shares as at 31 December 2019

Rank	Shareholders	Number of Shares	% of issued capital
1	MONIAN LIMITED	11,973,117	24.34
2	COMRADE TRUSTEE SERVICES LIMITED	5,426,027	11.03
3	CREDIT CORPORATION (PNG) LIMITED	4,255,463	8.65
4	KINA FUNDS MANAGEMENT LIMITED	3,594,723	7.31
5	MOTOR VEHICLE INSURANCE LTD	3,500,000	7.12
6	COLUMBUS INVESTMENTS LIMITED	3,475,098	7.07
7	PACIFIC MMI INSURANCE LIMITED	2,692,975	5.47
8	EAST NEW BRITAIN SAVINGS & LOAN SOCIETY LIMITED	1,500,000	3.05
9	CAPITAL LIFE INSURANCE COMPANY LIMITED	1,442,760	2.93
10	CAPITAL GENERAL INSURANCE COMPANY LIMITED	1,208,259	2.46
11	MINERAL RESOURCES DEVELOPMENT COMPANY LIMITED	1,000,000	2.03
12	GALE INVESTMENT LIMITED	500,000	1.02
13	MINERAL RESOURCES OK TEDI NO 2 LIMITED	500,000	1.02
14	MINERAL RESOURCES STAR MOUNTAIN LIMITED	500,000	1.02
15	THEODIST LIMITED	500,000	1.02
16	COURTNEY JADE SALTER	380,018	0.77
17	NEW GUINEA FRUIT COMPANY LIMITED	270,300	0.55
18	ZOGI DISTRIBUTORS LIMITED	253,805	0.52
19	NORMAN JOHN NIGHTINGALE + DARRIE PADIR NIGHTINGALE	250,000	0.51
20	PAPINDO TRADING COMPANY	250,000	0.51
Top 20 Shareholders Total:		43,472,545	88.38
Remaining Holders Total:		5,714,576	11.62
Total:		49,187,121	100.00

Corporate Directory

Kina Asset Management Limited is a registered company under the Papua New Guinea Companies Act 1997 and is incorporated and domiciled in Papua New Guinea.

Registered Office	Level 9, Kina Bank Haus Douglas Street (PO Box 1141) Port Moresby National Capital District Papua New Guinea
Directors	Sir Rabbie Langanai Namaliu GCL,CSM, KCMG Gregory Frank Taylor AO Sydney George Yates OBE Monica Salter
Secretary	Sydney George Yates OBE
Auditors	Deloitte Touche Tohmatsu Chartered Accountants PO Box 1275 Port Moresby Papua New Guinea
Bankers	Westpac Bank Limited, Papua New Guinea ANZ Bank Limited, Papua New Guinea Kina Bank Limited, Papua New Guinea Credit Suisse, Australia Bank of Queensland, Australia
Stock Exchange	Port Moresby Stock Exchange Limited Papua New Guinea
Broker	Kina Securities Limited
Share Registry	PNG Registries Limited Part of Link Group Australia Level 4, Cuthbertson House, Cuthbertson Street, Port Moresby NCD PO Box 1265, Port Moresby NCD, Papua New Guinea Ph: +675 321 6377 or 321 6378 Fax: +675 321 6379 Mb: +675 7601 7780 pngregistrieslimited@online.net.pg
Investment Manager	Kina Funds Management Limited



KINA ASSET MANAGEMENT LIMITED

Level 9, Kina Bank Haus
Douglas Street
PO Box 1141
Port Moresby
Papua New Guinea

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