



20th June 2014

CHAIRMAN'S ADDRESS
ANNUAL GENERAL MEETING

Good Morning,

I am very pleased to be here today to report on what has been another successful year for PNG's first listed investment company, Kina Asset Management Limited and the ongoing achievements of your company.

This company has had to do the hard yards just weeks after it was launched and it is indeed very pleasing to see consistent growth over the past two years by KAML.

2013 Background & Performance

The investment portfolio increased K7.64 million or a record 18% from K42.35 million to K49.99 million as at the end of December 2013. The increase in the portfolio value was attributed to improving sentiment in global equities market, satisfactory dividend yields and your Company's forward planning to take advantage of very accommodative foreign exchange movements.

You will see in your 2013 annual report that KAML has been able to increase its exposure to locally based investments, with significant outcomes in terms of moving in and out of market positions. Through our investment committee at Kina Funds Management, we have had a resoundingly positive performance with our international investments, with some high returns as the world economy continues to recover.

During the year, KAML effectively implemented changes to our geographical allocation in line with our outlook for sectors of prospective growth. KAML moved our target exposure of international and domestic to a neutral range of 50-60% international versus a 40-50% domestic allocation. This reweighting of the portfolio allowed KAML to take advantage of continued global recovery over the period in addition to capitalizing on the favourable currency movements.

Our performance for the year surpassed our benchmarks, with our domestic equities returning 5.60% while the local equities market fell 1.90% through 2013. We achieving this through our long standing strategy of perpetually monitoring and re-evaluating each position as well as holding domestic equities that we felt had attractive prospective returns.

We increased our strategic overweight position in Bank of South Pacific to benefit from what we felt were very attractive yields. We also decreased our exposure to Credit Corporation which was



historically a large exposure within the portfolio to take advantage of the 13.40% gain and the available liquidity through the year.

In our international equities portfolio, our preference for banking and financial assets, as opposed to the mining and energy sectors saw the Australian equities return 16.90% in line with the ASX/S&P 50 benchmark which returned 16.80% before exchange rate effect.

In other global equities, our major contributor to performance was our significant holdings in Vanguard International Shares Index Fund which returned 57.20% before exchange rate effect, beating its respective benchmark by 9% through the year. Our Ishare Asia ex Japan performed slightly below its respective bench mark, returning 1% before exchange rate effect, whilst the MSCI All Country Asia ex Japan benchmark returned 2.80%.

Through our effective implementation of our rebalancing strategy we were able to benefit not only from capital appreciation of our investments, but also recognize gains from remitting funds back to PGK at very accommodative exchange rates as we saw the PGK depreciate 18.0% and 2.9% against the USD and AUD respectively.

It was pleasing to note that more than a million KAML shares were traded over the year in review. It shows the growing strength and interest in POMSoX and the companies listed on that exchange by domestic investors.

Being domestically based, our advisory team has a daily focus on the domestic and international market, which is made available to the investment community on a daily and weekly basis. We are very proud to be part of this network, because it adds to the local economic knowledge base and provides real time information for all investor levels.

I believe as investors in PNG and its future, this year marks a very important milestone for KAML and its investment program. We are pleased to be able to demonstrate growth in the share price and again announce a dividend of 4 toea per share and the opportunity to participate in a Dividend Reinvestment Plan.

We are committed to the fundamental promise made to investors to provide the opportunity for Papua New Guineans to share in the diversity of investment opportunities by owning shares in the nation's first listed investment company.

Q1 2014 and recent Developments

Moving now to our performance year to date, we are pleased to announce that in the first quarter of 2014, KAML had built on its record profit for 2013 with an investment income of K5.1 million representing a return of 10.3%. KAML's portfolio had risen to K55.1 million.



We are also pleased to announce that during the first quarter your company has initiated the process of changing our share registry from the Australian based Computershare, to the domestic PNG Registries Limited in order to better service the needs of our shareholders.

In the month of May, your company was pleased to announce a Net Tangible Asset (NTA) per share of K1.23.

Finally, I would like to touch on the recent move by the Central Bank of Papua New Guinea to introduced new Exchange Rate Trading Bands in PNG's Foreign Exchange Market. The material impact to the performance could be potentially adverse on the June 2014 NTA, following the instructions issued by the Bank of Papua New Guinea. Month to date, the negative impact on the NTA has been a fall of approximately 12%.

It is foreseeable that the move by the BPNG will also materially affect our larger holdings in BSP, CCP and the investments held offshore. The full year earnings impact is yet to be determined as the market is still adjusting to the new regime. We will advise in fuller detail of these developments in KAML's half-year announcements but will continue to disclose your Company's holdings and NTA on a monthly basis on our website.

In closing, I would like to say that, I believe KAML has again demonstrated that it is a professionally managed company, with a very committed investment team which understands PNG and its opportunities.

I thank you for your support of your company and look forward to further investment success going forward.

Sir Rabbie Namaliu GCL, CSM, KCMG
Chairman

End



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