



28th May 2012

KAML MEDIA STATEMENT

PNG GROWTH SUPPORTS KAML INVESTMENT IMPROVEMENT

The continued strong growth and confidence in PNG's economic development and its positive performance against the global position has improved the first quarter investment results for Kina Asset Management Ltd (KAML).

KAML first quarter report released today showed portfolio value growth of 5.8% over the final 2011 quarter to a total of K39.6m. KAML generated an investment gain of K2.38 m in the first quarter ending on March 31, representing return of 6.2%.

KAML Chairman Sir Rabbie Namaliu said the continued global economic uncertainty in Europe and the United States continued to impact adversely and suppresses the value of blue chip equities which formed the assets of the company.

KAML's investment strategy has 40% of its investments in domestic equities and 60% of the diverse portfolio in International equities.

"The daily uncertainty in the global marketplace continues to have an adverse impact on investments despite the continuing growth and confidence in the domestic PNG economy which continues to grow strongly with continued investment in major projects in resources development," Sir Rabbie said.

"The report shows that domestic listed equities, international equities and Global Fund ex ASX exceeded the benchmarks although ETF performed slightly below the Fund's benchmark," he said.

"We forecast in the report that in the near term we will see GDP growth continuing being driven by spending by the government financial institutions, superannuation funds, foreign exchange inflows from the high commodity prices and a general increase in wages and investment.

"Whilst the effect of inflationary pressures are being felt throughout the developing world markets, relief for PNG may only come from both PNG's Central bank and its tight control on monetary policies and Treasury's restrictive fiscal policies on government spending continuing following the upcoming election," he said

Sir Rabbie said in a review of the PNG economy during the review period continued strong economic growth with a GDP of 8.9% whilst the Central Bank's measures to reduce inflation through currency exchange rate appreciation saw inflation for 2011 moderate to around 6.9%.

The Central Bank expects real GDP to remain around 8% bolstered by strong domestic demand from PNG LNG projects and various mining and private sector investments coming on line as well as high public spending that occurs during an election year



The review indicates that the increase in demand for primary commodities has led to high international prices.

In the first quarter of 2012 international prices of PNG's major export commodities have increased- gold, copper and oil prices have increased further since December 2011 and the prices of non-mineral commodities also remained high.

This will assist the trade balance while also contributing to a good flow of revenue for the Government's budget.

Commenting on foreign exchange influences, the kina has continued to appreciate against the US dollar during the review period up 4.6% and the appreciation reflected high agricultural and mineral export receipts, combined with inflows related to the construction phase of the PNG LNG project.

KAML recorded a net loss of K9.43 million for the year ended December 2011 caused by volatility in the international markets and the appreciation of the PNG Kina against the major currencies.

Shareholders are advised that KAML will hold its Annual General Meeting on Thursday, June 28 commencing at 10 am at the Ella Beach Hotel, Port Moresby.

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Further Information:

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