KINA
ASSET MANAGEMENT
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KAML MEDIA RELEASE

KAML REPORT FORECASTS POSITIVE GROWTH

Significant investment opportunities have emerged in recent times in both local and the Asian regions as a result of the recovery of dynamic economies, according to the Kina Asset Management Ltd.

" KAML is well positioned to benefit from the regional bounce back of current investments and the implementation of new investment opportunities which continue to emerge, " chairman Sir Rabbie Namaliu said

The third quarter review by Kina Asset Management Ltd released by chairman Sir Rabbie Namaliu today notes that the PNG economy is performing broadly in line with the forecasts outlined in the March 2010 Monetary Policy Statement .

Sir Rabbie said that while real GDP growth has been revised downwards to 7.5 percent from 8.5 percent in 2010, this mainly reflects the delay in the commencement of production from the Ramu Nickel/Cobalt project.

"The construction of the LNG Project infrastructure, now well underway, will underpin growth in the period ahead. The sales revenue generated will represent a significant inflow into the domestic economy and also the region.

Sir Rabbie said that after weakness early in the quarter, KAML has benefited from the pick up in stock markets late in the September quarter, a trend that has continued into November.

"The year to date performance of all asset classes has exceeded their respective benchmarks, "Sir Rabbie said.

Sir Rabbie said that as PNG is currently among the emerging market countries that are experiencing recovery and growth faster to their more advanced counterparts, it was important to relate the market overview to the implications for the KAML Fund.

Sir Rabbie announced that draft amendments have been made to the investment strategy to take the opportunities available offshore and volatility provided by domestic and international markets and will be assessed by the Board at its upcoming meeting.

Currently KAML has a 44.3% fund exposure in domestic shares and 55.7% in international equities.

"As the Fund is matured with all its cash invested the strategy going forward will be to monitor and realign the portfolio when necessary and the fund management will trade on opportunities that are available in the domestic and international equities, with cash only being held for operations and in transit when seeking investment opportunities, "Sir Rabbie said.

In this latest review, Sir Rabbie said that whilst PNG's immediate neighbours in the region have continued to enjoy stable growth and recovery, globally, the immediate implication of the currency woes of more developed economies, and specifically the US will affect performance of the global economy.

He said that global recovery post GFC continues to be fraught with many hurdles and the major developed global economies have remained at the forefront of the sluggish growth as high unemployment and low domestic demand continue to trouble any growth.

Conversely many emerging economies are experiencing strong growth after the GFC because of their relatively insular financial markets.

Sir Rabbie said that the way forward for sustained global recovery of the developed market as put forward by the IMF World Economic Outlook rests on a concerted global rebalancing where internal rebalancing within the more developed nations and their economies will focus on a strengthening of private demand allowing for fiscal consolidation and external rebalancing with an increase in net exports in deficit countries such as the United States and a decrease in net exports in surplus countries.

The economies of South East Asia have recovered from the economic and financial crisis largely through the strength of China and the small downside affect of the GFC in the region

Importantly for the Pacific Islands, there is a need for deeper integration with their nearest developed markets including Australia, New Zealand and Asia.

In the report Sir Rabbie warns that as the global recovery continues tentatively across the developed economies the pace of recovery is expected to be in faster in economies that had strong fundamentals before the GFC and smaller output losses during the crisis.

These economies are able to grow faster links with trading partners and as a result Asia Pacific, the Middle East and North African regions averaged a projected real GDP growth during 2010-11 at or above 5% with larger proportions of South America and Europe following.

This is in contrast to North America, Australia and parts of Eastern Europe with the average projected real GDP growth is seen at between 2% to 5% and a large majority of European nations following with a 0% to 2%.

As Australia's stable economy continues to experience growth and moves closer to parity with the USD the Kina could see a slight weakening against the AUD.

He said the Sovereign Wealth Fund (SWF) proposed by the PNG government will offer tighter controls on the PGK exchange rate and will also offer a means to regulate inflation that we believe will be associated with the growth injection into the economy.

"As a major investment company, KAML is well positioned with its domestic and international portfolio to benefit from the local and regional economic growth now well underway, he said.

Sir Rabbie Namaliu, GCL, CSM, KCMG
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