



29th June 2017

CHAIRMAN'S ADDRESS

ANNUAL GENERAL MEETING

The company performed strongly delivering an investment return of 14.7% and a Net Profit of K6.15 million exceeding the result of the previous year.

The 2016 result was particularly outstanding given the backdrop for investment markets, of sluggish conditions for the global economy and a generally weak Papua New Guinea economy. In spite of these challenges, we were able to deliver a double digit return to you, our shareholders, and grow KAML's net assets from K52.6 million to K57.5 million, a remarkable achievement.

KAML's performance was a direct result of growth in its key investment positions. Of our domestic investments, gains were mainly driven by our top performers BSP which added K3.3 million in value, and Oil Search which added K692,000 to the value of the portfolio. Of our ASX investments, notable gains were provided by ANZ Bank with a gain of K454,000 and Mirvac Group with a gain of K414,000. In total, gains from domestic assets totalled K4.0 million and gains on offshore investments amounted to K3.0 million over the year.

During 2016 the transaction activity of the portfolio was minimal as the settings we established during 2015 continued to reflect our view that markets remained uncertain with potential for periods of volatility. We also remained concerned over the domestic economy's performance and the potential for certain sectors to be negatively impacted as a result.

Accordingly the following changes to our strategy were implemented over the course of 2016:

- KAML further increased its Cash allocation from 16.1% at the end of 2015 to 18.6% in 2016, with an ongoing focus on capital preservation.
- We retained our view that the PGK would further depreciate and therefore held most of the cash position overseas. Of the total cash we held, the overseas component represented 16.6% of the portfolio. We also continued to hold a high proportion of the total portfolio overseas in equities. The total overseas exposure totalled 57.5% of the fund at the end of 2016, and this position has benefitted the portfolio.

- We reviewed our position in BSP shares and kept the portfolio weighting at over 20.0% based on the company's strong profitability and dividend yield. We continue to view BSP as a sound and strongly performing investment for KAML. BSP was the overall top performer amongst investment assets with a return of 31% in 2016 outperforming the Kina Securities Home Index by 20.3%

The KAML share price increased strongly over the course of 2016, rising by 14.0%.

Despite this the share price, in our view, does not reflect the underlying value of the asset base of the company, nor the consistent track record of performance that has been established over the last 9 years.

Factors such as a lack of liquidity in the shares has been a contributing factor to this persistent discount in the share price to Net Tangible Assets.

The board will continue to investigate available options to increase liquidity in the shares of KAML and also to broaden the spread of investors in the company. Whilst neither of these are easy tasks and there are no over-night solutions, shareholders can take comfort from the years of strong performance that have delivered consistent growth in the value of the company's assets and consistent dividend payments. In fact since listing 9 years ago the company has paid in total 26 toea of dividends on a K1 investment.

As a result of our 2016 performance, we were pleased to recently declare a dividend of 4 toea for the 2016 financial year. This represents an increase of 33.3% over the 2015 dividend and reflects KAML's commitment to provide shareholders with income through regular dividends, despite the challenging circumstances. The payment of the dividend is a reflection of the company's strong performance, good cash position and an investment portfolio that remains focused on high yield investments to underpin a sustainable income for shareholders. KAML will continue to hold steadfast to its objectives as a Listed Investment Company to provide a positive rate of return to shareholders through a combination of capital growth and income, providing shareholders with regular dividends and preserving the capital of the company.

2017 has to date delivered ongoing good equity market performance with the company achieving an investment gain of K3.4 million for the five months to 31 May 2017, representing a 5.9% return. The Net Tangible Assets of the company has also risen from K1.19 at the end of December 2016 to K1.27 at the end of May 2017, reflecting the strong performance achieved in the year to date.

In terms of future performance we remain cautious with some of the previous drivers of equity markets changing. In particular global interest rates are firmly on course to rise over the medium term. In addition we expect politics both locally and internationally to be at the fore over most of 2017 with national elections in PNG and the Trump administration in the United States being a source of volatility for global markets from time to time. Against these expectations we will continue with our disciplined and conservative approach to investment that will remain focused on capital preservation through value investing and income generation.

Summary

In summary we remain optimistic that despite the many ongoing challenges KAML will continue to deliver positive results to its shareholders over the long-term. The company's investment portfolio is conservatively positioned to take advantage of market volatility that may arise from time to time.

In closing, I and my fellow directors would like to thank you, our valued shareholders, for your continued confidence in and unwavering support to the Board and management of the company.

And lastly we would also like to thank the management team for another successful year and assure you that we will maintain a proactive approach to deliver another great result in 2017 and provide sustainable growth to your investment in KAML for the foreseeable future.

Sir Rabbie Namaliu GCL, CSM, KCMG
Chairman

End

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