

KAM at a Glance

- **We take a look at the performance of Kina Asset Management Limited (PNGX:KAM)**

- **H1 2024 results were extremely strong**

- **Robust dividends of K0.20 per share declared**

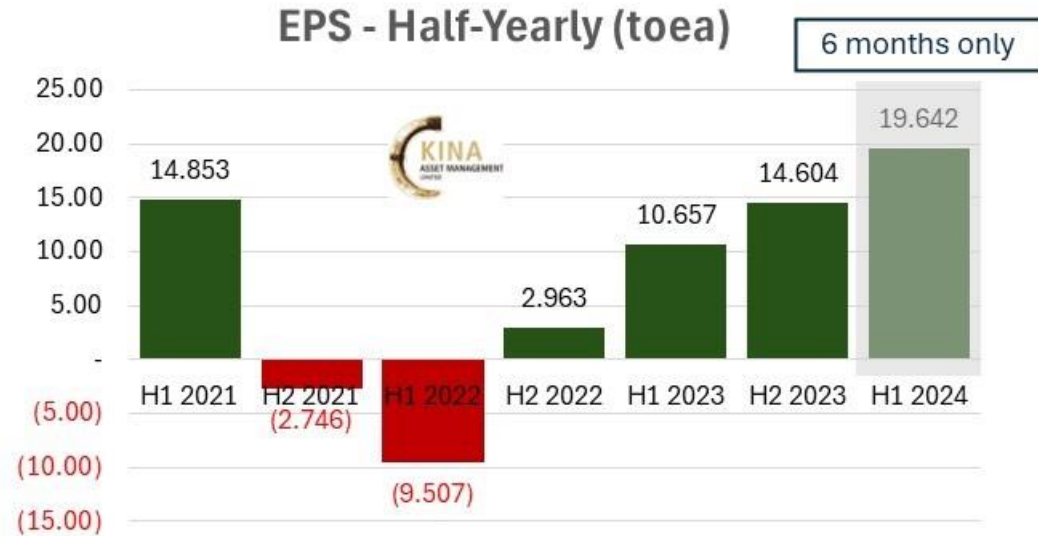
- Acting Chairman, Syd Yates, and his team at Kina Asset Management Limited (PNGX:KAM) have delivered a very strong result for H1 2024.
- NPAT for the 6-months to 30 June 2024 came in at K9.96 million, 86% higher than in the same period last year and amounting to 78% of the entire year's profits from FY2023.
- The strong performance during the first half of the year follows on from a couple of strong recent years and it is fair to say that there is good momentum at KAM at the moment.
- A cracker of an interim dividend of K0.20 per share was issued which amounts to a yield of 15.38% at the K1.30 share price when the stock went ex-dividend.
- Probably even more pleasing to shareholders is that the stock traded ex-div at K1.40 on 30 September 2024, representing a share price gain YTD FY2024 of more than 55.56%.
- Even the infamous NTA Gap in the KAM stock has narrowed considerably in correlation with the improved performance. Factoring in the ex-div trading status as of 24 September 2024 but the fact that dividends have not yet been paid (they will be paid on 24 October 2024), the NTA Gap could be as low as K0.45 per share or 23%. This is very welcome news to KAM's loyal shareholders.

The Diversification Shortcut

KAM is a Listed Investment Company (LIC), trading on PNGX, Papua New Guinea's National Stock Exchange.

Investors in KAM gain exposure to the diversified portfolio of financial assets owned by KAM from time to time.

Returns from the investment in KAM result from a combination of yield income on the assets in the portfolio, as well as increases in the overall market value of the assets owned by KAM.



	6-months to						
	30-Jun-24	31-Dec-23	30-Jun-23	31-Dec-22	30-Jun-22	31-Dec-21	30-Jun-21
Revenue	2,913,329	2,221,441	3,449,592	1,040,115	3,249,595	1,568,494	3,420,374
Changes in fair value of financial assets	7,728,294	5,568,035	2,609,383	1,078,875	(7,053,252)	(2,136,430)	4,809,626
Foreign currency loss	35,479	305,082	(72,688)	93,890	(228,395)	(173,169)	(91,481)
Total (loss) / income	10,677,102	8,094,558	5,986,287	2,212,880	(4,032,052)	(741,105)	8,138,519
Directors' fees	(102,802)	(86,526)	(109,935)	(156,600)	(156,600)	(117,000)	(117,000)
Insurance	(20,244)	(33,988)	(18,335)	(31,089)	(21,019)	16,815	(66,300)
Management fees	(287,057)	(260,493)	(250,952)	(251,394)	(254,633)	(198,131)	(288,708)
Share registry fees	(40,497)	(55,281)	(24,079)	(51,070)	(63,110)	(108,410)	(62,803)
Other operating expenses	(332,434)	(247,534)	(189,892)	(186,481)	(242,629)	(182,167)	(219,525)
(Loss) / Profit before tax	9,894,068	7,410,736	5,393,094	1,536,246	(4,770,043)	(1,329,998)	7,384,183
Income tax benefit / (expense)	63,491	(7,626)	(47,458)	(49,995)	27,116	(40,159)	(41,858)
Net (Loss) / Profit for the period	9,957,559	7,403,110	5,345,636	1,486,251	(4,742,927)	(1,370,157)	7,342,325

Strong Dividend Flows to Investors

KAM has declared a very strong interim dividend of K0.20 (20 toea) per share in respect of the H1 2024 financial performance of the company.

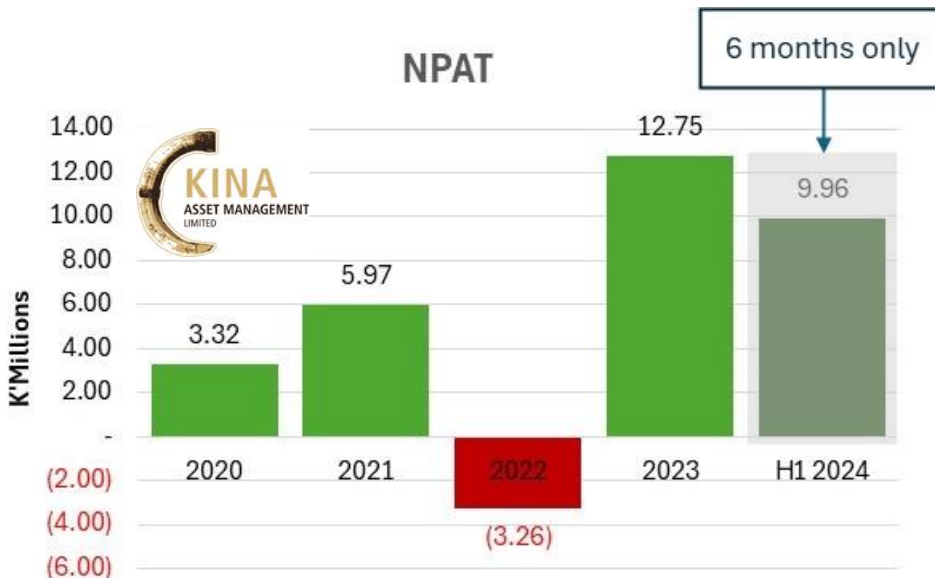
Shares went ex-div on 24 September 2024 and the dividends will be paid on 24 October 2024.

	12-Months to			
	31-Dec-23	31-Dec-22	31-Dec-21	31-Dec-20
Revenue	5,671,033	4,289,710	4,988,868	4,013,847
Changes in fair value of financial assets	8,177,418	(5,974,377)	2,673,196	321,282
Foreign currency loss	232,394	(134,505)	(264,650)	545,087
Total (loss) / income	14,080,845	(1,819,172)	7,397,414	4,880,216
Directors' fees	(196,461)	(313,200)	(234,000)	(234,000)
Insurance	(52,323)	(52,108)	(49,485)	(44,313)
Management fees	(511,445)	(506,027)	(486,839)	(506,685)
Share registry fees	(79,360)	(114,180)	(171,213)	(160,097)
Other operating expenses	(437,426)	(429,110)	(401,692)	(463,036)
(Loss) / Profit before tax	12,803,830	(3,233,797)	6,054,185	3,472,085
Income tax benefit / (expense)	(55,084)	(22,879)	(82,017)	(153,212)
Net (Loss) / Profit for the period	12,748,746	(3,256,676)	5,972,168	3,318,873

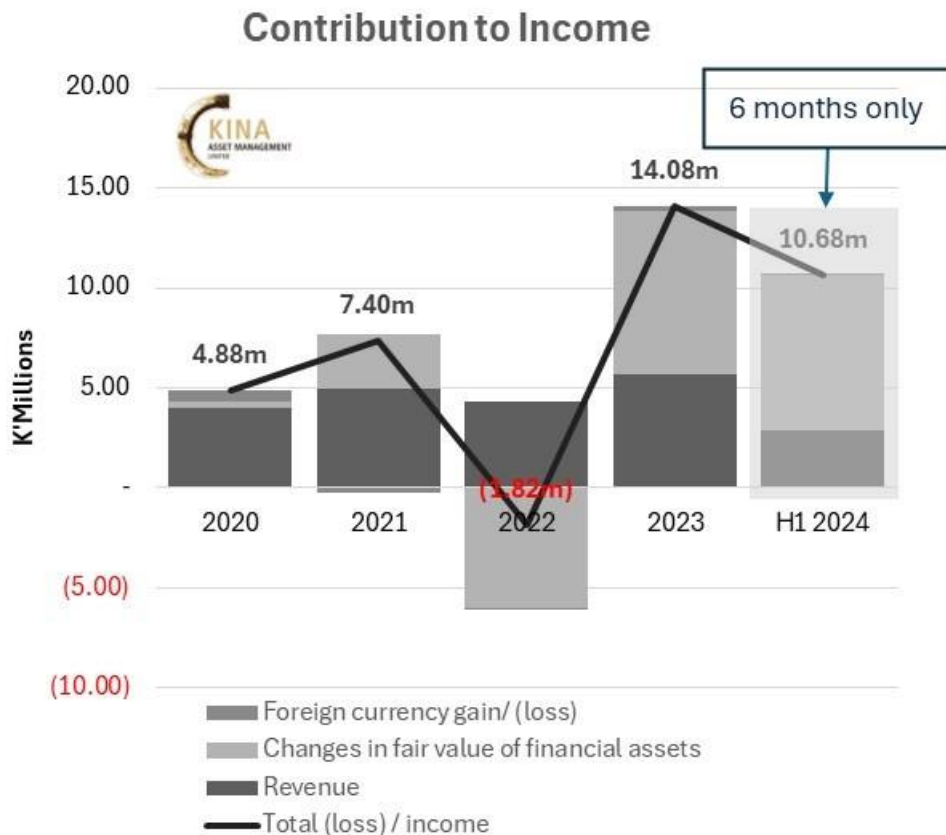
Dividends per share (PGK)



NPAT



'Mark-to-market' drives EPS



Fidelity to its long-term asset allocation strategy and strong performance in international and local markets have resulted in significantly better performance in recent periods.

Cash flows to facilitate dividend payments come from interest income on debt instrument investments such as PNG GIS as well as dividends from the portfolio of equity investments. In addition, dividends may be funded out of asset sales.

Revenue	12-Months to			
	31-Dec-23	31-Dec-22	31-Dec-21	31-Dec-20
Interest income	407,588	305,914	241,193	252,019
Dividend income	4,891,073	4,528,579	4,299,450	3,472,837
(Loss)/Gain on sale of investment securities	372,372	(544,783)	448,225	253,018
Other Income	-	-	-	35,973
Total	5,671,033	4,289,710	4,988,868	4,013,847

Uncomplicated Balance Sheet

KAM's balance sheet consists overwhelmingly of Financial Assets and cash.

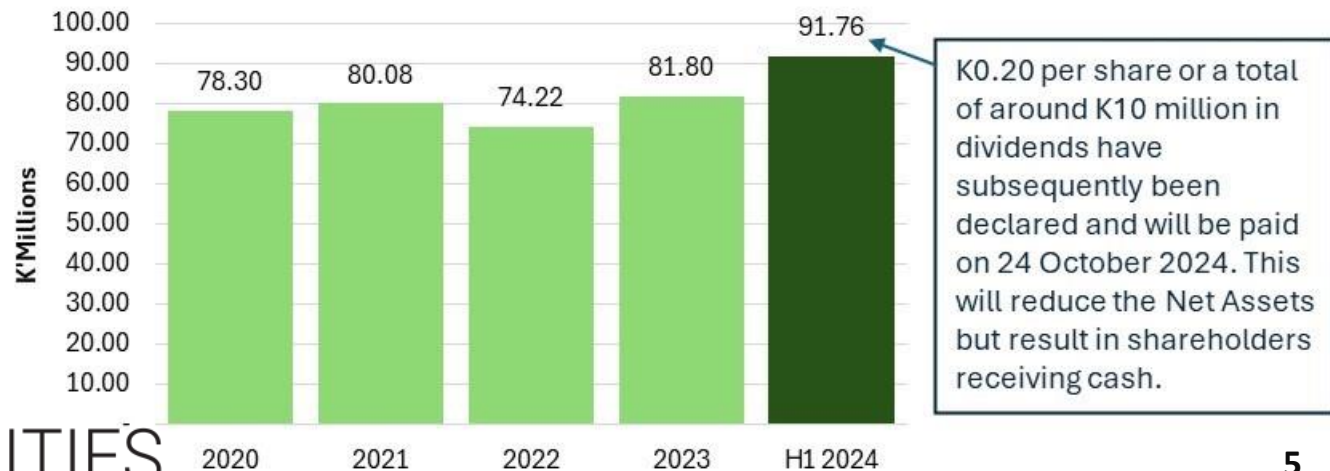
There is no gearing and only very modest working capital related accounts payable.

There is a Dividend Reinvestment Scheme (DRS) under which shareholders can elect to purchase additional shares through the retention by the company of all or parts of the shareholders' dividends from time to time.

Trading on PNGX is currently the only avenue for shareholders who wish to liquidate their KAM position.

	30-Jun-24	31-Dec-23	31-Dec-22	31-Dec-21	31-Dec-20
Assets					
Cash and cash equivalents	7,547,711	5,987,685	7,105,099	5,828,494	7,575,720
Other assets	1,150,578	699,307	648,147	646,973	842,419
Financial assets	83,493,508	75,598,926	66,612,306	73,725,200	70,023,290
Deferred tax assets	83,135	87,429	67,995	35,180	82,304
Total assets	92,274,932	82,373,347	74,433,547	80,235,847	78,523,733
Liabilities					
Other payables	436,344	486,643	197,047	147,630	182,130
Deferred tax liabilities	81,228	87,103	20,756	11,812	43,070
Total liabilities	517,572	573,746	217,803	159,442	225,200
Net assets	91,757,360	81,799,601	74,215,744	80,076,405	78,298,533
Equity					
Fully paid ordinary shares	51,472,058	51,472,058	50,617,749	50,228,256	49,467,860
Accumulated gain	40,285,302	30,327,543	23,597,995	29,848,149	28,830,673
Total equity	91,757,360	81,799,601	74,215,744	80,076,405	78,298,533
<i>Number of shares</i>	<i>50,693,986</i>	<i>50,693,986</i>	<i>50,159,984</i>	<i>49,891,306</i>	<i>49,431,879</i>

Net Assets - PKG



Returns are subject to capital markets

Given the absence of gearing on the KAM balance sheet, it is not surprising that the Return on Assets and Return on Equity is almost identical.

We have extrapolated the ROA and ROE run-rate in the first half of 2024 to allow for meaningful comparison with prior period.

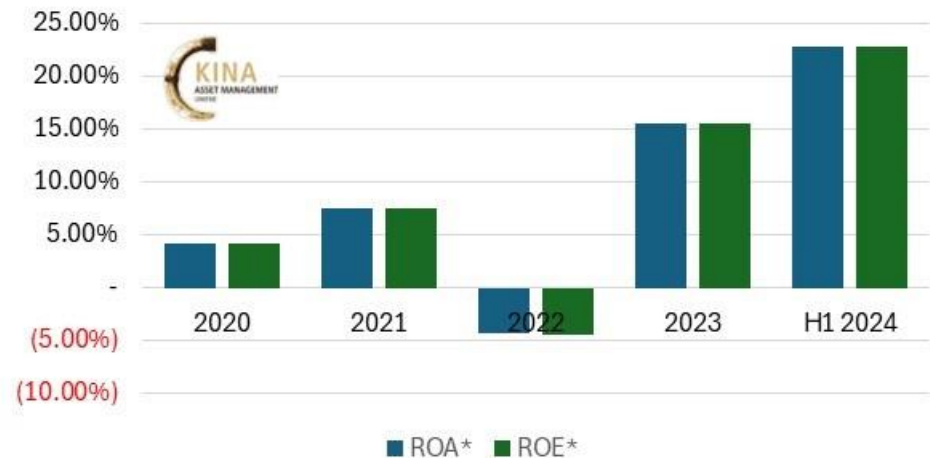
It is important to remember the old investment adage that: ***Past performance is no guarantee of future outcomes.***

KAM's returns are volatile, bouncing around in line with capital markets and the valuation of the assets held in its investment portfolio.

Management is working on ways in which to smooth distributions across the market cycles so as to reduce the overall volatility in returns to shareholders.

	2020	2021	2022	2023	H1 2024
NPAT	3,318,873	5,972,168	(3,256,676)	12,748,746	9,957,559
Total Assets	78,523,733	80,235,847	74,433,547	82,373,347	92,274,932
ROA	4.23%	7.44%	(4.38%)	15.48%	10.79%
ROA Annualised					22.75%
Total Equity	78,298,533	80,076,405	74,215,744	81,799,601	91,757,360
ROE	4.24%	7.46%	(4.39%)	15.59%	10.85%
ROE Annualised					22.88%

Return on Equity and Assets*



* Returns have been annualized for FY2024 based on H1 performance.

So....let's take a look at the Portfolio

Portfolio	2023				2022			2021			2020		
	Market Price	No. of units	Market value		Market Price	No. of units	Market value	Market Price	No. of units	Market value	Market Price	No. of units	Market value
Vanguard International Shares Index	7.79	1,443,513	11,243,748	15.15%	6.19	1,443,513	8,934,217	7.84	1,443,513	11,310,150	6.73	1,443,513	9,715,893
BSP Financial Group Ltd -ASX	13.80	591,891	8,169,211	11.01%	11.69	753,842	8,813,710	10.86	800,000	8,689,901	-	-	-
CSL Limited (CSL) -ASX	729.95	7,750	5,657,086	7.62%	686.61	7,750	5,321,260	739.56	7,750	5,731,570	763.29	7,750	5,915,485
Kina Securities Limited (KSL) - PNGX	2.04	2,507,128	5,107,467	6.88%	1.85	2,000,000	3,698,401	2.18	2,000,000	4,350,038	2.43	2,000,000	4,851,752
Blackrock Wholesale International Indexed Equity Fu	56.31	84,608	4,764,034	6.42%	44.77	84,617	3,788,191	56.88	68,317	3,886,051	48.39	68,317	3,305,600
Credit Corporation (CCP) - PNGX	2.00	2,146,337	4,292,674	5.78%	1.85	2,146,337	3,970,723	1.68	2,146,337	3,605,846	1.70	2,146,337	3,648,773
BSP Financial Group Ltd-PNGX	13.70	310,000	4,247,000	5.72%	12.41	390,000	4,839,900	12.25	390,000	4,777,500.0	12.00	1,250,134	15,001,608
Telstra Corporation Limited (TLS) - ASX	10.08	400,000	4,033,613	5.44%	9.52	375,000	3,570,150	10.63	375,000	3,987,535	8.03	425,000	3,413,747
ANZ Bank Limited (ANZ) - ASX	66.00	50,000	3,300,229	4.45%	56.45	45,000	2,540,444	69.98	45,000	3,149,199	61.19	45,000	2,753,369
Westpac Bank Limited (WBC) -ASX	58.31	56,535	3,296,795	4.44%	55.71	45,000	2,507,158	54.31	45,000	2,444,035	52.21	45,000	2,349,461
Transurban Group (TCL) -ASX	34.91	90,000	3,142,093	4.23%	30.97	95,000	2,942,257	35.16	95,000	3,339,863	36.82	100,000	3,681,941
Suncorp Group Limited (SUN) -ASX	35.27	86,715	3,058,321	4.12%	28.73	75,000	2,154,617	28.16	75,000	2,112,058	26.25	60,000	1,575,202
Mirvac Group (MGR) -ASX	5.32	500,500	2,663,725	3.59%	5.08	500,500	2,543,701	7.40	500,500	3,705,050	7.12	550,500	3,917,305
Santos Limited-ASX	19.35	117,119	2,266,627	3.05%	17.04	117,119	1,995,299	16.05	117,119	1,879,982	-	-	-
Coles Group Ltd (COL)	41.02	50,000	2,051,184	2.76%	-	-	-	-	-	-	-	-	-
Sonic Healthcare (SHL) -ASX	81.69	22,500	1,838,044	2.48%	71.51	17,500	1,251,432	118.62	17,500	2,075,871	86.66	7,500	649,933
ResMed Inc (RMD) -ASX	64.78	27,500	1,781,514	2.40%	73.87	22,500	1,662,133	91.02	22,500	2,047,952	73.39	12,500	917,453
Auckland International Airport Ltd	20.70	80,000	1,656,226	2.23%	17.63	80,000	1,410,642	-	-	-	-	-	-
A2 Milk Company Limited (A2M) -ASX	10.85	100,000	1,084,798	1.46%	16.42	75,000	1,231,210	13.89	75,000	1,041,720	30.86	55,000	1,697,439
City Pharmacy (CPL) - PNGX	0.79	697,691	551,176	0.74%	0.90	697,691	627,922	0.95	697,691	662,806	0.50	697,691	348,846
Oil Search Limited (OSH) - PNGX	-	-	-	-	-	-	-	-	-	-	10.00	186,642	1,866,420
Boral Limited (BLD) -ASX	-	-	-	-	-	-	-	-	-	-	13.34	65,000	867,251
Sydney Airport (SYD) -Asx	-	-	-	-	-	-	-	22.08	90,000	1,987,281	17.28	45,000	777,493
Worley Parsons (WOR) -ASX	-	-	-	-	35.79	40,000	1,431,639	27.04	40,000	1,081,659	30.97	30,000	929,111
			74,205,565	100.00%			65,235,006			71,866,067			68,184,081

The above table orders the investments held by KAM based on a descending order of value as of 31 December 2023. Whilst the company has released H1 2024 financial results, it has not provided the market with full financials yet so we are not able to ascertain the extent to which the portfolio has shifted since the end of the last financial year. In general, KAM typically makes only modest and incremental changes to its portfolio so would not expect radical changes to have taken place during YTD FY2024.

The largest single investment is the combined exposure to BSP/BFL across the PNGX and ASX markets.

Show me again...but differently

Portfolio	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023
	Market Price	Market Price	Market Price	Market Price	No. of units	No. of units	No. of units	No. of units	Market value	Market value	Market value	Market value
Vanguard International Shares Index	6.73	7.84	6.19	7.79	1,443,513	1,443,513	1,443,513	1,443,513	9,715,893	11,310,150	8,934,217	11,243,748
BSP Financial Group Ltd -ASX	-	10.86	11.69	13.80	-	800,000	753,842	591,891	-	8,689,901	8,813,710	8,169,211
CSL Limited (CSL) -ASX	763.29	739.56	686.61	729.95	7,750	7,750	7,750	7,750	5,915,485	5,731,570	5,321,260	5,657,086
Kina Securities Limited (KSL) - PNGX	2.43	2.18	1.85	2.04	2,000,000	2,000,000	2,000,000	2,507,128	4,851,752	4,350,038	3,698,401	5,107,467
Blackrock Wholesale International Indexed Equity Fu	48.39	56.88	44.77	56.31	68,317	68,317	84,617	84,608	3,305,600	3,886,051	3,788,191	4,764,034
Credit Corporation (CCP) - PNGX	1.70	1.68	1.85	2.00	2,146,337	2,146,337	2,146,337	2,146,337	3,648,773	3,605,846	3,970,723	4,292,674
BSP Financial Group Ltd-PNGX	12.00	12.25	12.41	13.70	1,250,134	390,000	390,000	310,000	15,001,608	4,777,500.0	4,839,900	4,247,000
Telstra Corporation Limited (TLS) - ASX	8.03	10.63	9.52	10.08	425,000	375,000	375,000	400,000	3,413,747	3,987,535	3,570,150	4,033,613
ANZ Bank Limited (ANZ) - ASX	61.19	69.98	56.45	66.00	45,000	45,000	45,000	50,000	2,753,369	3,149,199	2,540,444	3,300,229
Westpac Bank Limited (WBC) -ASX	52.21	54.31	55.71	58.31	45,000	45,000	45,000	56,535	2,349,461	2,444,035	2,507,158	3,296,795
Transurban Group (TCL) -ASX	36.82	35.16	30.97	34.91	100,000	95,000	95,000	90,000	3,681,941	3,339,863	2,942,257	3,142,093
Suncorp Group Limited (SUN) -ASX	26.25	28.16	28.73	35.27	60,000	75,000	75,000	86,715	1,575,202	2,112,058	2,154,617	3,058,321
Mirvac Group (MGR) -ASX	7.12	7.40	5.08	5.32	550,500	500,500	500,500	500,500	3,917,305	3,705,050	2,543,701	2,663,725
Santos Limited-ASX	-	16.05	17.04	19.35	-	117,119	117,119	117,119	-	1,879,982	1,995,299	2,266,627
Coles Group Ltd (COL)	-	-	-	41.02	-	-	-	50,000	-	-	-	2,051,184
Sonic Healthcare (SHL) -ASX	86.66	118.62	71.51	81.69	7,500	17,500	17,500	22,500	649,933	2,075,871	1,251,432	1,838,044
ResMed Inc (RMD) -ASX	73.39	91.02	73.87	64.78	12,500	22,500	22,500	27,500	917,453	2,047,952	1,662,133	1,781,514
Auckland International Airport Ltd	-	-	17.63	20.70	-	-	80,000	80,000	-	-	1,410,642	1,656,226
A2 Milk Company Limited (A2M) -ASX	30.86	13.89	16.42	10.85	55,000	75,000	75,000	100,000	1,697,439	1,041,720	1,231,210	1,084,798
City Pharmacy (CPL) - PNGX	0.50	0.95	0.90	0.79	697,691	697,691	697,691	697,691	348,846	662,806	627,922	551,176
Oil Search Limited (OSH) - PNGX	10.00	-	-	-	186,642	-	-	-	1,866,420	-	-	-
Boral Limited (BLD) -ASX	13.34	-	-	-	65,000	-	-	-	867,251	-	-	-
Sydney Airport (SYD) -Asx	17.28	22.08	-	-	45,000	90,000	-	-	777,493	1,987,281	-	-
Worley Parsons (WOR) -ASX	30.97	27.04	35.79	-	30,000	40,000	40,000	-	929,111	1,081,659	1,431,639	-
									68,184,081	71,866,067	65,235,006	74,205,565

The above table shows the same data in relation to the evolving KAM portfolio during the period 202-2023, however the information is parsed to better allow for comparison between periods.

What did KAM buy and sell?

Change in Units Held - Y-on-Y	2021	2022	2023	Change in Market Value - PGK Y-on-Y	2021	2022	2023
	No. of units:				Market value	Market value	Market value
	Acquired/(Disposed)						
Vanguard International Shares Index	-	-	-	Vanguard International Shares Index	1,594,257	(2,375,933)	2,309,531
BSP Financial Group Ltd -ASX	800,000	(46,158)	(161,951)	BSP Financial Group Ltd -ASX	8,689,901	123,809	(644,499)
CSL Limited (CSL) -ASX	-	-	-	CSL Limited (CSL) -ASX	(183,915)	(410,310)	335,826
Kina Securities Limited (KSL) - PNGX	-	-	507,128	Kina Securities Limited (KSL) - PNGX	(501,714)	(651,637)	1,409,066
Blackrock Wholesale International Indexed Equity Fu	-	16,300	(9)	Blackrock Wholesale International Indexed Equity Fu	580,451	(97,860)	975,843
Credit Corporation (CCP) - PNGX	-	-	-	Credit Corporation (CCP) - PNGX	(42,927)	364,877	321,951
BSP Financial Group Ltd -PNGX	(860,134)	-	(80,000)	BSP Financial Group Ltd -PNGX	(10,224,108)	62,400	(592,900)
Telstra Corporation Limited (TLS) - ASX	(50,000)	-	25,000	Telstra Corporation Limited (TLS) - ASX	573,788	(417,385)	463,463
ANZ Bank Limited (ANZ) - ASX	-	-	5,000	ANZ Bank Limited (ANZ) - ASX	395,830	(608,755)	759,785
Westpac Bank Limited (WBC) -ASX	-	-	11,535	Westpac Bank Limited (WBC) -ASX	94,574	63,123	789,637
Transurban Group (TCL) -ASX	(5,000)	-	(5,000)	Transurban Group (TCL) -ASX	(342,078)	(397,606)	199,836
Suncorp Group Limited (SUN) -ASX	15,000	-	11,715	Suncorp Group Limited (SUN) -ASX	536,856	42,559	903,704
Mirvac Group (MGR) -ASX	(50,000)	-	-	Mirvac Group (MGR) -ASX	(212,255)	(1,161,349)	120,024
Santos Limited-ASX	117,119	-	-	Santos Limited-ASX	1,879,982	115,317	271,328
Coles Group Ltd (COL)	-	-	50,000	Coles Group Ltd (COL)	-	-	2,051,184
Sonic Healthcare (SHL) -ASX	10,000	-	5,000	Sonic Healthcare (SHL) -ASX	1,425,938	(824,439)	586,612
ResMed Inc (RMD) -ASX	10,000	-	5,000	ResMed Inc (RMD) -ASX	1,130,499	(385,819)	119,381
Auckland International Airport Ltd	-	80,000	-	Auckland International Airport Ltd	-	1,410,642	245,584
A2 Milk Company Limited (A2M) -ASX	20,000	-	25,000	A2 Milk Company Limited (A2M) -ASX	(655,719)	189,490	(146,412)
City Pharmacy (CPL) - PNGX	-	-	-	City Pharmacy (CPL) - PNGX	313,961	(34,884)	(76,746)
Oil Search Limited (OSH) - PNGX	(186,642)	-	-	Oil Search Limited (OSH) - PNGX	(1,866,420)	-	-
Boral Limited (BLD) -ASX	(65,000)	-	-	Boral Limited (BLD) -ASX	(867,251)	-	-
Sydney Airport (SYD) -Asx	45,000	(90,000)	-	Sydney Airport (SYD) -Asx	1,209,788	(1,987,281)	-
Worley Parsons (WOR) -ASX	10,000	-	(40,000)	Worley Parsons (WOR) -ASX	152,548	349,980	(1,431,639)
					3,681,986	(6,631,061)	8,970,559

The above table illustrates the Year-on-Year change in the security holdings and valuations in the KAM portfolio in recent years. In general, the table is a useful guide as to the securities that KAM has bought and sold during the period from 2020 through 2023. We do not yet have information in relation to the portfolio composition on 30 Jun 2024. A couple of points should be noted: **1) BSP Financial Group (PNGX:BSP, ASX:BFL) listed on the ASX in 2021 and it appears KAM moved a number of shares from PNGX to ASX. This does not represent a net sale or purchase of securities. 2) In late 2021, OSH and STO undertook a scrip for scrip merger. This accounts for the bulk of the reduction in OSH shares and increase in STO shares in 2021.**

Contributors to change in value

Changes in Portfolio Components	2021	2022	2023	2021	2022	2023	2021	2022	2023
	Change in Market Price			Change in No. of units			Change in Market value		
Vanguard International Shares Index	16.49%	(21.05%)	25.85%	-	-	-	16.41%	(21.01%)	25.85%
BSP Financial Group Ltd -ASX	-	7.64%	18.05%	-	(5.77%)	(21.48%)	-	1.42%	(7.31%)
CSL Limited (CSL) -ASX	(3.11%)	(7.16%)	6.31%	-	-	-	(3.11%)	(7.16%)	6.31%
Kina Securities Limited (KSL) - PNGX	(10.29%)	(15.14%)	10.27%	-	-	25.36%	(10.34%)	(14.98%)	38.10%
Blackrock Wholesale International Indexed Equity Fu	17.54%	(21.29%)	25.78%	-	23.86%	(0.01%)	17.56%	(2.52%)	25.76%
Credit Corporation (CCP) - PNGX	(1.18%)	10.12%	8.11%	-	-	-	(1.18%)	10.12%	8.11%
BSP Financial Group Ltd-PNGX	2.08%	1.31%	10.39%	(68.80%)	-	(20.51%)	(68.15%)	1.31%	(12.25%)
Telstra Corporation Limited (TLS) - ASX	32.38%	(10.44%)	5.88%	(11.76%)	-	6.67%	16.81%	(10.47%)	12.98%
ANZ Bank Limited (ANZ) - ASX	14.37%	(19.33%)	16.92%	-	-	11.11%	14.38%	(19.33%)	29.91%
Westpac Bank Limited (WBC) -ASX	4.02%	2.58%	4.67%	-	-	25.63%	4.03%	2.58%	31.50%
Transurban Group (TCL) -ASX	(4.51%)	(11.92%)	12.72%	(5.00%)	-	(5.26%)	(9.29%)	(11.90%)	6.79%
Suncorp Group Limited (SUN) -ASX	7.28%	2.02%	22.76%	25.00%	-	15.62%	34.08%	2.02%	41.94%
Mirvac Group (MGR) -ASX	3.93%	(31.35%)	4.72%	(9.08%)	-	-	(5.42%)	(31.35%)	4.72%
Santos Limited-ASX	-	6.17%	13.56%	-	-	-	-	6.13%	13.60%
Coles Group Ltd (COL)	-	-	-	-	-	-	-	-	-
Sonic Healthcare (SHL) -ASX	36.88%	(39.72%)	14.24%	133.33%	-	28.57%	219.40%	(39.72%)	46.88%
ResMed Inc (RMD) -ASX	24.02%	(18.84%)	(12.31%)	80.00%	-	22.22%	123.22%	(18.84%)	7.18%
Auckland International Airport Ltd	-	-	17.41%	-	-	-	-	-	17.41%
A2 Milk Company Limited (A2M) -ASX	(54.99%)	18.21%	(33.92%)	36.36%	-	33.33%	(38.63%)	18.19%	(11.89%)
City Pharmacy (CPL) - PNGX	90.00%	(5.26%)	(12.22%)	-	-	-	90.00%	(5.26%)	(12.22%)
Oil Search Limited (OSH) - PNGX	N/A	-	-	(100.00%)	-	-	(100.00%)	-	-
Boral Limited (BLD) -ASX	N/A	-	-	(100.00%)	-	-	(100.00%)	-	-
Sydney Airport (SYD) -Asx	27.78%	N/A	-	100.00%	(100.00%)	-	155.60%	(100.00%)	-
Worley Parsons (WOR) -ASX	(12.69%)	32.36%	N/A	33.33%	-	(100.00%)	16.42%	32.36%	(100.00%)
Portfolio							5.40%	(9.23%)	13.75%

You will note from the table above that the decrease in BSP shares held on PNGX is recorded, however there is no percentage increased in the BFL holdings on ASX. This flows from the NIL scrip base in BFL at the start of the period.

Similarly, OSH shares reduce by 100% however there is no corresponding percentage increase in the shareholding in STO shares on account of the NIL opening balance.

But what about the NTA discount?

One of the challenges for investors in KAM in recent years has been the lack of liquidity in the market for the stock. There has been a shortage of buyers in recent years.

This has resulted in a strong and persistent discount in the share price of KAM to the Net Tangible Assets (NTA) of the company.

Whilst the market would expect KAM shares to trade at a modest discount to NTA on the basis that investors can theoretically replicate the KAM portfolio without having to pay the management fees and most of the other overheads associated with running the company – and as it makes no sense for the shares to trade at a price that is higher than the valuation of the marketable assets on its balance sheet and in its portfolio – the observed discount to NTA has been very significant at times.

Reasons for this are manifold and include:

- The small number of shareholders in the company and the tightly held nature of the bulk of the stock;
- The modest pool of investors in the PNG capital markets generally and therefore challenges with the development of a working trading environment;
- The absence of back-stop mechanisms to ensure investors are able to liquidate their positions if needed – for example buy-back arrangements or redemption mechanisms.

Classical capital markets theory suggests that if the discount in the traded share price of a LIC such as KAM becomes too large, select investors – and in particular investors with access to debt markets – will be incentivized to attempt to buy out all other shareholders at a discount to NTA, only to liquidate or privatize the portfolio held by the company. In short, if a shareholder can buy all the shares in KAM for K1.30 and each share is backed by say K1.95 in liquid assets, it makes sense to buy all the shares and sell the portfolio for cash for a near risk free arbitrage profit.

A word about costs.... JMP|SECURITIES

There are certain unavoidable costs associated with the establishment, oversight and management of entities such as KAM.

An important consideration for investors when assessing investment opportunities such as KAM will be the extent to which they are satisfied that this represents an efficient way in which to manage a portfolio of investments. In answering the question of whether to buy KAM shares or some alternative investment proposition offering similar diversification and market access attributes, or indeed taking a DIY approach and building the portfolio directly themselves, investors will examine the skills and experience of the funds manager as well as the costs involved.

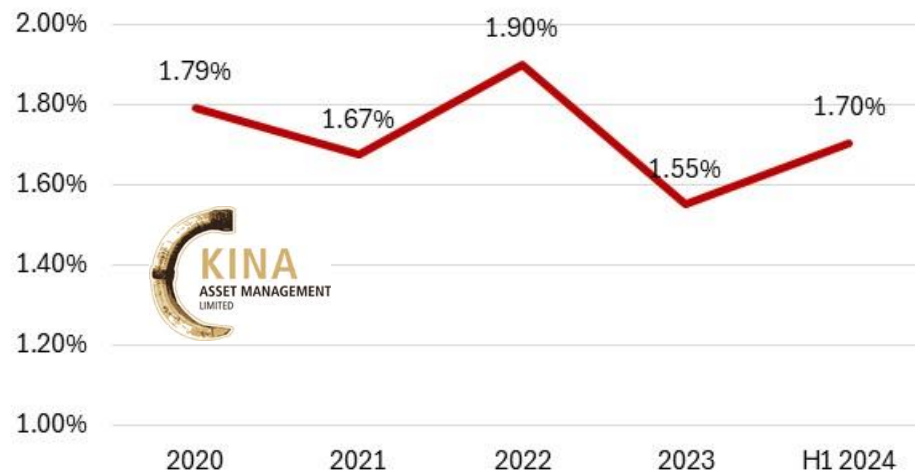
	2020	2021	2022	2023	H1 2024
Total Assets	78,523,733	80,235,847	74,433,547	82,373,347	92,274,932
Total Income	4,880,216	7,397,414	(1,819,172)	14,080,845	10,677,102
Operating Costs	1,408,131	1,343,229	1,414,625	1,277,015	783,034
Cost-to-Income Ratio	28.85%	18.16%	(77.76%)	9.07%	7.33%
Cost-to-Total Assets	1.79%	1.67%	1.90%	1.55%	0.85%
<i>Adjusted for Full Year</i>	1.79%	1.67%	1.90%	1.55%	1.70%

KAM typically incurs total operating costs of between 1.5-1.8% of the Total Assets in the portfolio.

Whilst this may seem high when compared with international benchmarks, this approach is arguably unfair given the small size of the local market and the relatively modest size of the KAM portfolio.

The difficulty in replicating the KAM portfolio for local investors will also act as limiting factor when assessing the impact of the overall costs in investor appetite.

Cost to Total Assets



Improvements in share price

It is pleasing to observe that the traditional discount to NTA experienced by KAM shareholders and investors has started to significantly erode. This is probably as a result of the strong performance of the stock resulting in increased investor demand. The strong dividend flows are likely a valuable contributor to this trend.

The result of these developments is that KAM's discount to NTA has reduced significantly as the share price has been rising faster than NTA during the course of FY2024.

A sizeable discount remains, however it is arguable that, when adjusted for the fact that the most recent NTA figures (being 31 August 2024 at K1.95 per share) includes the K0.20 in dividends which were subsequently declared and the most recent share trading at K1.40 per share (on 30 September 2024) took place after the ex-div date of 24 September 2024. This probably means that the K1.40 share price on that date should be properly compared with the 30 September 2024 NTA figure (which is not yet released to the market) but the best starting point for its assessment is the K1.95 NTA on 31 August 2024 *less* the K0.20 in dividends subsequently declared.

The upshot of the above analysis is that, subject to knowing the actual NTA per share as at 30 September 2024, the discount to NTA may have dropped as low as 20-25%. This is significantly lower than the 44.1% gap shareholders labored under at the start of the current financial years.

What does the reduction in the NTA discount tell us? That the market is starting to more efficiently value the portfolio owned by KAM and that the valuation is to a greater extent reflective of the underlying asset values in the portfolio, without applying an enormous discount for liquidity and other constraining factors.

Too many words...show me a picture!

The table below illustrates the evolution of the share price and NTA for KAM during the course of FY2024:

Date	NTA	NTA Growth PGK	NTA Growth YTD PGK	NTA Growth YTD %	Share Price	Share Price Growth PGK	Share Price Growth YTD PGK	Share Price Growth YTD %	NTA Gap PGK	NTA Gap %	Adj. Gap (ex-Div) PGK	NTA Gap Adj. Ex-Div %
31-Dec-23	1.61				0.90				0.71	44.10%	0.71	44.10%
31-Jan-24	1.64	0.03	0.03	1.86%	0.90	-	-	-	0.74	45.12%	0.74	45.12%
29-Feb-24	1.69	0.05	0.08	4.97%	1.01	0.11	0.11	12.22%	0.68	40.24%	0.68	40.24%
31-Mar-24	1.73	0.04	0.12	7.45%	1.15	0.14	0.25	27.78%	0.58	33.53%	0.58	33.53%
30-Apr-24	1.74	0.01	0.13	8.07%	1.20	0.05	0.30	33.33%	0.54	31.03%	0.54	31.03%
31-May-24	1.78	0.04	0.17	10.56%	1.25	0.05	0.35	38.89%	0.53	29.78%	0.53	29.78%
30-Jun-24	1.81	0.03	0.20	12.42%	1.25	-	0.35	38.89%	0.56	30.94%	0.56	30.94%
31-Jul-24	1.87	0.06	0.26	16.15%	1.25	-	0.35	38.89%	0.62	33.16%	0.62	33.16%
31-Aug-24	1.95	0.08	0.34	21.12%	1.30	0.05	0.40	44.44%	0.65	33.33%	0.65	33.33%
30-Sep-24	???	???	???	???	1.40	0.10	0.50	55.56%	???	???	0.45	23.08%

Now, the extrapolation of the potential 30 September 2024 NTA discount being K0.45 per share of 23.08% is an estimate only. We do not yet know the 30 September 2024 NTA so cannot determine the ratio of the share price on that day to the NTA per share.

However, we do know that the NTA on 31 August 2024 was K1.95 per share. We also know that that figure included K0.20 in dividends per share that were subsequently declared. The shares then traded ex-dividends on 24 September 2024, yet changed hands at K1.40 per share on 30 September 2024.

Our expectation is therefore that the NTA is likely to be around K1.95 less the K0.20 in dividends declared. This suggests the discount will have further narrowed.

What does it all mean?

It means that the KAM share price has been increasing faster than the NTA during much of FY2024.

This, in turn, means that the market is reducing the discount applied to the acquisition of the KAM portfolio through investing in KAM shares, as compared with the value of the same portfolio replicated directly in the hands of individual investors.

This is potentially very good news for PNG investors and the market generally.

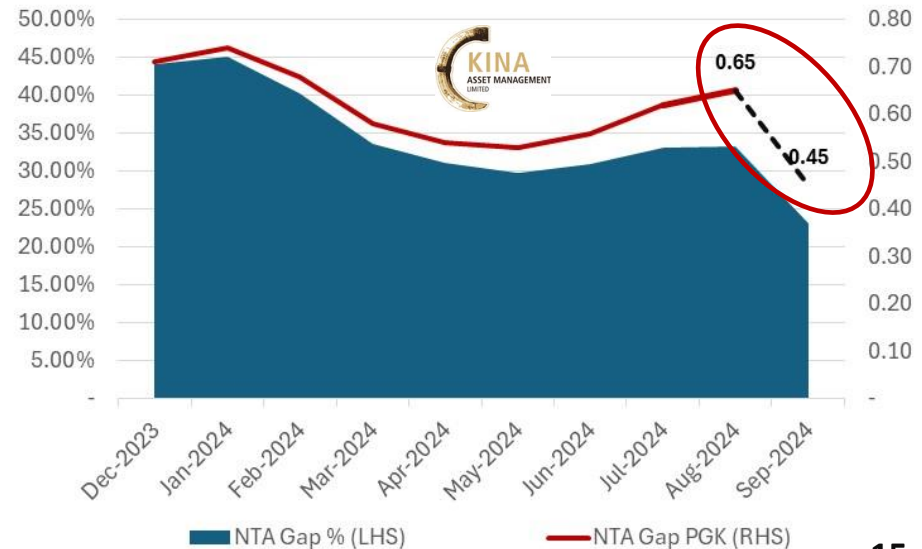
KAM (PNGX) YTD Growth %



KAM (PNGX) NTA and Share Price - 2024



KAM (PNGX) NTA Gap - 2024



JMP Securities can assist you:

Securities like KAM could play a critical role in introducing new investors to the share market in PNG by allowing them to participate in a well-diversified portfolio of investments which will be difficult if not impossible for many investors to replicate on their own. In this way, KAM may become a catalyst for the growth of trading on PNGX and perhaps even the emergence of analogs with slightly differing investment thesis or asset allocation preferences.

- In addition to being a Participating Organisation on PNGX, Papua New Guinea's national stock exchange, JMP Securities is a licensed funds manager and an authorized bidder in Bank of Papua New Guinea's primary fixed interest markets – both T-Bills and GIS.
- Our advisors can assist you in gaining an understanding of local market conditions and assist you in formulating and executing investment strategies in both equities and fixed interest markets.
- All investments involve risk and we encourage all clients develop a detailed understanding of your own personal financial and life circumstances, formulate clear investment objectives and work with your advisors to develop an actionable investment plan that takes each of these factors into account.

Contact us on +675 313 7996 or enquiries@jmpmarkets.com to access PNG financial markets



Benny Takin (benny.takin@jmpmarkets.com)
Equities Trader (+675 7029 9210)

JMP Securities Limited
Level 3, ADF Haus, Musgrave Street
PO Box 2064
Port Moresby NCD
Papua New Guinea