



Weekly Investment Update

Prices as at POM Close on Friday	22-Nov-13	% change for the:			
		Week	Month	YTD	
Domestic					
KSI Index	3,832.27	0.0%	-1.7%	-15.8%	
KSI Home Index	8,229.93	0.1%	0.5%	-1.2%	
<i>POMS</i> shares (K/share) Arbitrage <i>POMS</i>					
Bank South Pacific	8.01	0.3%	-0.1%	-0.6%	
Credit Corporation	2.60	0.0%	4.0%	18.2%	
City Pharmacy	1.95	0.0%	2.6%	25.8%	
Kina Asset Management Limited	1.10	0.0%	6.8%	22.2%	
New Britain Palm Oil	19.45	15.00	0.0%	0.0%	-11.8%
Oil Search Limited	20.03	17.02	0.0%	6.0%	26.8%
Highlands Pacific Limited	0.16	0.20	0.0%	-4.8%	-48.7%
Marengo Mining Limited	0.04	0.19	5.6%	-5.0%	-47.2%
Newcrest Mining Limited	20.17	30.00	0.0%	-9.1%	-40.0%
Australia					
S&P/ASX 200	5,335.90	-1.2%	-0.9%	14.8%	
S&P/ASX 50	5,517.80	-1.2%	-0.9%	16.6%	
USA*					
DJIA	16,010.00	0.3%	2.8%	22.2%	
S&P 500	1,795.85	-0.1%	2.1%	25.9%	
NASDAQ	3,969.16	-0.4%	0.7%	31.5%	
Europe*					
FTSE	6,681.33	-0.2%	-0.6%	13.3%	
DAX	9,196.08	0.3%	2.3%	20.8%	
CAC 40	4,253.90	-0.9%	-0.4%	16.8%	
Asia*					
Nikkei	15,381.72	1.4%	9.2%	49.0%	
Hang Seng	23,689.05	2.9%	4.4%	4.6%	
Shanghai	2,205.77	5.0%	3.4%	-2.8%	
Commodities*					
Light Crude (WTI)	95.13	1.4%	-2.8%	3.6%	
Brent Crude	109.92	1.3%	2.8%	-1.1%	
Gold	1,242.90	-3.5%	-8.1%	-25.8%	
Currencies*					
PGK/USD	0.3870	-0.1%	2.5%	-19.9%	
PGK/AUD	0.4214	2.0%	7.0%	-9.4%	
AUD/USD	0.9181	-2.1%	-4.2%	-11.7%	
USD/JPY	101.025	0.8%	3.5%	16.4%	
EUR/USD	1.3475	-0.1%	-2.4%	2.1%	
GBP/USD	1.6197	0.5%	0.2%	-0.3%	
Ten year Government Bond yields*					
United States	2.78%	0.08%	0.27%	1.02%	
Australia	4.36%	0.17%	0.37%	1.08%	
Japan	0.64%	0.00%	0.02%	-0.15%	
PNG	9.16%	0.30%	0.30%	1.18%	

* Reported as at POM close Friday; Hence North American and European markets Thursday night close.



LOCAL:

- The Kina Securities Index (KSI) remained unchanged to 3,832.27 while the KSI Home Index increased by 0.1% to 8,229.93 for the week.
- On Wednesday 20 November, Treasury Minister Don Polye unveiled the 2014 National Budget flagged by the theme "Consolidate Gains for Sustained Growth Through Prudent Investments".
 - 2014 budget appears to be substantially deficit (compared to 2013 budget) supplemented by concessional funding and grants build on the platform of macroeconomic reforms and investment incentives in key growth sector from the 2013 National Budget. That is, the 2014 budget will continue to address implementation issues while maintaining the focus on health education and other development sectors and maintaining PNG's macroeconomic stability. The Government, nevertheless, acknowledged that there are underlying issues that impinge on public sector service delivery and private sector led market development.
 - Major tax reforms will be subject to Tax Review Committee recommendations expected to be published by March 2015.
 - The economic overview of the budget;
 - The National budget projects total revenue and grants of K12.7 billion (K2.2 billion or 21% higher compared to revised estimates for 2013).
 - Total expenditure will be K15.3 billion showing a deficit of K2.6 billion or 5.9% of the GDP (compared to K2.5 billion planned for 2013).
 - The 2014 budget focuses on 7 key priorities stipulated in the PNG Medium Term Development Strategies (MTDS) 2015.
 - Government is expected to borrow an additional K2.6 billion by 2014 to fund the deficit.
 - Domestic debt is expected to increase by 19% to K10.5 billion at the end of 2014 (compared to K8.751 billion in 2013). Inscribed stock and Treasury bills are the major forms of domestic debt undertaken by the government. Treasury bills are expected to provide some 46% of domestic debt in 2014.
 - Airlines PNG will soon expand its domestic schedule to other New Guinea Island provinces. According to the Managing Director Muralee, the Airline remains firmly committed to developing business links throughout PNG and such move is a direct response to customer demand.
 - Autonomous Bougainville Government (ABG) has passed a law on inward investment to balance economic development with the needs of the locals. Small Business Association Development Corporation Director Tuia Namani commented the tailoring of such and similar policy which captures a mutual understanding between the resource owners, developers and investors. Namani stressed the need for foreign investors however, on the provision that proper legislation has to be in place to safeguard the need of the resource owners (land owners).

INTERNATIONAL

- Reserve Bank of Australia Chairman said in his speech to a forum of market economist yesterday (Thursday 22, November) that while central bank remains unconvinced about the effectiveness of trying to drive down the Aussie, he remain open minded about currency intervention. The speech suggests markets should probably give further consideration to the set of conditions that might push the RBA to reach deeper into its toolbox.
- West Texas Intermediate (WTI) crude traded (in the week) nears the highest price after application for unemployment benefits declined, signalling an economic recovery in the world's biggest oil consumer. (see graph)
- European share slipped lower as a gauge of China manufacturing dropped more than forecast and minutes from the Federal Reserve's last meeting signalled the U.S. may reduce stimulus in coming months. The Stoxx Europe 600 Index lost 0.2% to 322.42 at the close of trading.
- Gold prices dropped marginally by 3.5% to \$1,242.90.
- Oil closed high for the week at USD\$95.13 per barrel while Brent increased 1.3% over the week to close at USD\$109.92 per barrel.
- The Kina appreciated against the AUD and depreciated against the USD during the week. The PGK finished the week at PGKUSD0.3870 and PGKAUD 0.4214.

Sources: FT, Economist, Bloomberg, Reuters, Post Courier, The National, Sydney Morning Herald, BPNG Quarterly Economic Bulletin, WSJ, The Age.

IMPORTANT NOTICE—PLEASE READ

Kina Funds Management Limited (KFM) and/or Kina Group of Companies (Kina Group) seeks to do business with Companies mentioned in research reports. Accordingly, KFM and/or Kina Group employees and/or directors may have a conflict of interest. Investors should be aware of this potential for conflicts of interest, and should consider KFM and/or Kina Group research reports as just one aspect of their investment decisions.

Please also read General Disclosure & Conflicts Disclosure.



Level 9 Deloitte Tower Douglas Street
Po Box 1141 Port Moresby 121 NCD
Papua New Guinea
T + 675 3083888 F + 675 308/3899
Email: fund s@kina.com.pg
Website: www.kina.com.pg

KINA FUNDS MANAGEMENT LIMITED TEAM

Investment Fund Manager

Dominic Beange dominic.beange@kina.com.pg

Administration

Dagu Hebore dagu.hebore@kina.com.pg
Kamate Rapilla kamate.rapilla@kina.com.pg

Risk Management Team

Noelyne Togs noelyne.togs@kina.com.pg
Tangaloa Kema tangaloa.kema@kina.com.pg
Lolita Meauri lolita.meauri@kina.com.pg

Investment Analysis and Research Team

Equities Analysis

Josh Mua josh.mua@kina.com.pg
Roy Harry Mumu roy.mumu@kina.com.pg
Michael Pokau michael.pokau@kina.com.pg
Gabriel Norombu gabriel.norombu@kina.com.pg
Charles Wama charles.wama@kina.com.pg

Properties Analysis

Herman Malir herman.malir@kina.com.pg
Lawrence Moses Kote lawrence.kote@kina.com.pg

Portfolio Management Team

Team Leader Portfolio Management

Raicie Guillermo raicie.guillermo@kina.com.pg

Portfolio Administration

Sermomo Tungapik sermomo.tungapik@kina.com.pg
Philip Naru philip.naru@kina.com.pg
Mary Tamarua mary.tamarua@kina.com.pg
Mareta Moang mareta.moang@kina.com.pg
Glen Liu glen.liu@kina.com.pg
Mago Vele mago.vele@kina.com.pg
Eric Simelolo eric.simelolo@kina.com.pg

Disclaimer

General Disclosure

This report is for our clients only. All information contained herein is obtained by Kina Funds Management Limited (KFM) and/or Kina Group of Companies (Kina Group) from sources believed to be accurate and reliable. Whilst every care has been taken in the compilation of this Report and all information is believed to be accurate, no liability is accepted by KFM and/or Kina Group or its subsidiaries, or any of their officers, employees or agents for any errors or omissions in this Report. All information is provided "as is" without warranty of any kind and KFM and/or Kina Group, in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, or fitness for any particular purpose of any such information. Opinions and recommendations are subject to change without notice and cannot be relied on without independent confirmation. This Report is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this Report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of investments referred to in this research and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange rates could have adverse effects on the value or price of, or income derived from, certain investments. Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors.

This document is confidential and intended only for authorised clients of KFM and/or Kina Group.

Conflict Disclosure

KFM and/or Kina Group, its Directors, officers, employees or agents may own shares in the Company stated in this Report, but under no circumstances shall KFM and/or Kina Group have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstances or contingency within or outside the control of KFM and/or Kina Group or any of its Directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication, or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory, or incidental damages whatsoever (including without limitation, lost profits), even if KFM and/or Kina Group is advised in advance of the possibility of such damages, resulting from the use of or inability to use any such information. Past performance of Companies reviewed herein are not, and should not be held as indicators of the of the entities future performance. The information contained herein is, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities.

KFM and/or Kina Group seeks to do business with companies mentioned in research reports. Accordingly, KFM and/or Kina Group employees and/or Directors may have a conflict of interest. Investors should be aware of this potential for conflicts of interest, and should consider KFM and/or Kina Group research reports as just one aspect of their investment decisions.