

**LISTED COMPANY: Kinetic Growth Fund Limited (KGF)**



**SPSE Acting CEO  
Ms Krishika Narayan**

### **Greetings from SPSE!**

As part of our investor awareness articles, this week we catch up with the **Chairperson** for **Kinetic Growth Fund Limited (KGF)**, **Professor Erik Larson**.

We will focus on the key financial highlights for the company in 2016, how the company plans to maximize shareholder value, challenges faced and provide a snapshot on the future outlook for the company.



**Professor Erik Larson,  
Chairperson,  
Kinetic Growth Fund Limited**

### **Company Profile & Background**

KGF provides investors capital growth opportunities by investing in a diverse selection of companies. Many of KGF's investments are otherwise not available as investments to the public. KGF's investment portfolio includes early stage companies, small/medium enterprises, unlisted public companies, and listed equities. For each investment, KGF's manager Kontiki Capital Limited (KCL) seeks companies that have attractive prospects for future growth. By having a portfolio of investments, KGF allows investors to gain diversification through a single investment in KGF.

### **Key Investor Information**

Current Share Price:	\$0.45
Current Market Cap:	\$1.65million
Total Shares on Issue:	3,656,907
Sector Represented:	Investment
Date Listed:	16 <sup>th</sup> Dec 2004

### **Directors & Senior Management**

- ▶ Professor Erik Larson (Chairman)
- ▶ Mr Jack Lowenstein (Director)
- ▶ Mr Carl Philipp Thomas (Director)
- ▶ Mr Griffon Emose (Company Secretary)

### **Top 5 Shareholders**

- ▶ FNPF Investments Ltd – 27.94%
- ▶ Aequi-Libria Associates Insurance Brokers Ltd – 12.12%
- ▶ BSP Life (Fiji) Ltd – 7.71%
- ▶ FHL Media Ltd – 5.47%
- ▶ Hari Punja & Sons Ltd – 5.31%

### **Upcoming Annual General Meeting (AGM)**

If you are a shareholder in KGF, you have a **RIGHT TO ATTEND** this upcoming meeting. The AGM is conducted once a year and is the occasion where the Directors share insights with the shareholders about the past year's business performance, strategies and the outlook going forward. Shareholders also vote on resolutions about the company. If any shareholders are unable to attend, they may appoint a proxy to represent them at the AGM.

Central Share Registry Ltd (CSRL), a subsidiary of SPSE, manages the Share Registry for KGF and provides all shareholder related services for the shareholders. The Registry Officer from CSRL will be available at the AGM and you can use this opportunity to update your shareholding details or register for the [Online Shareholder Portal](#). Details of the upcoming AGM are as follows:

- ▶ Date: Tuesday, 20<sup>th</sup> June 2017
- ▶ Time: 10.30am
- ▶ Venue: Fiii Club. 1 Selbourne Street. SUVA

## Key Financial Highlights

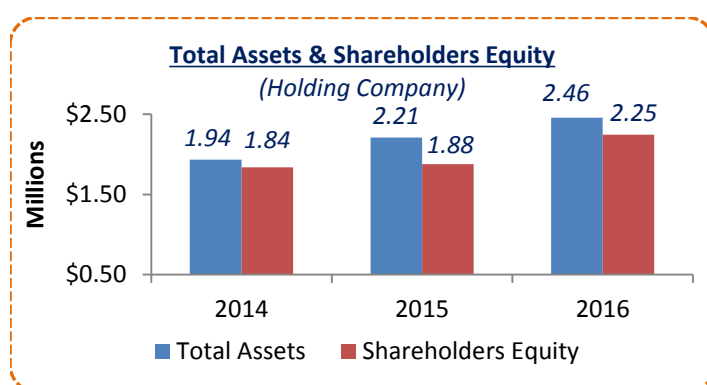
**SPSE:** KGF's financial performance in terms of revenue and profitability showed an improvement in the 2016 period. A positive movement is also being reported in total assets and shareholders' equity. In your view, what are the key financial highlights that are ensuring this favourable trend?

**KGF:** Overall, we had a 19.5% increase in shareholders' equity in 2016. This result came mainly from substantial gains in the value of KGF's investments. We also benefited from having no impairment in any investments during the year. In many respects, 2016 showed that our long-term convictions in our investments were correct. A few years ago, the board and management of KGF developed a strategic focus that set the company on the path to improved performance. Management's successful implementation of that strategy created the conditions for a positive year, such as 2016.

Our approach acknowledges that some of our investments—particularly smaller or less established companies—will have uneven growth from year-to-year. Sometimes, these companies might need to adapt to change. In those years, there may be a pause in growth or even a step backward. But we have been working with these companies to take the necessary steps that will lead to stronger growth in the future. KGF also benefitted from having a stronger cash flow position that enabled the Manager to make strategic additions to our investment portfolio.

Some key financial statistics displaying a three year trend is illustrated below:

Financial Highlights for the Holding Company			
Particulars	2014	2015	2016
Total Revenue	\$205,046	\$254,299	\$347,553
Net Profit after Tax	\$143,153	\$38,904	\$309,014
Earnings per Share	\$0.04	\$0.01	\$0.08



## Future Outlook

**SPSE:** What would be your outlook for the 2017 financial year and what are the plans in place by the company to further improve shareholder value?

**KGF:** As we have previously announced, we have had a good start to 2017 with positive developments in two of our investee companies, as mentioned below. Our monthly reporting of our Net Asset Value (NAV) has showed that we have continued to see good growth in 2017 to date.

In addition, we are hearing positive indications from other investee companies. We hope to have more concrete news to share with shareholders and the market about these companies in the coming months. Shareholders and members of the public who are interested should monitor our market announcements through the SPSE's website.

At our AGM, we will be discussing an initiative that we see as having great potential to improve shareholder value: buying back our own shares on the market when they are trading at a significant discount to NAV. The proposed 'share buy-back' was flagged in our AGM notice that was released to the market recently.

In previous AGMs, a significant number of our shareholders have indicated that payment of small dividends is not a high priority for them, because they would rather see long-term capital growth, particularly when we have good opportunities available. Buying back our own shares at a discount actually benefits all of our shareholders, because it further increases the NAV per share. As a result, it might also support a higher market price for KGF shares.

## Share Price compared to Net Asset Value (NAV)

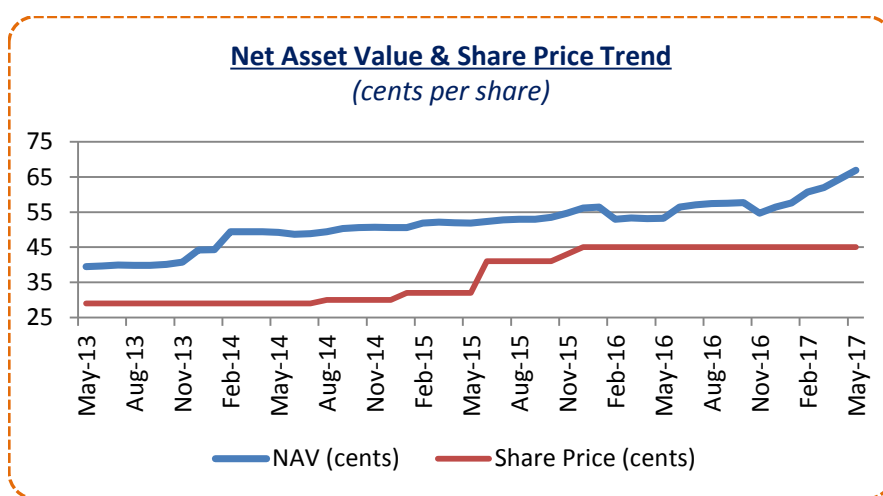
**SPSE:** KGF has continued to trade at a share price below the NAV. Can you explain what NAV measures and what the current trend in share price compared to the NAV means for investors?

**KGF:** KGF measures its performance by the growth in its Net Asset Value (NAV), which shows how much the entire portfolio of investments is worth on a per share basis after subtracting any liabilities that KGF owes. KGF shares have been trading at a market price that is significantly lower than the NAV per share, meaning that investors are currently able to buy a portfolio of securities worth more than 65 cents per share for under 50 cents per share.

In the past four years, the NAV of KGF's portfolio has increased by 69.6% (a compound annual rate of 14.1%). During this time, KGF has taken a conservative approach to valuing its investments whilst also being proactive in working with its investee companies and partners to increase the value of its investments. Recent examples, as highlighted in previous market announcements, include:

- Realizing the value in its stake in i-Pac Communications Ltd (trading as Unwired) for a gain of over 75% of its carrying value; and
- Receiving over 35% cash flow return on the carrying value of its investment in Oceanic Communications Ltd over the previous twelve months.

Presented below is an illustration of the share price and NAV trend since May 2013.



If you wish to invest your savings in shares of any of the SPSE listed companies, please contact any one of the licensed stockbrokers listed below. Your stockbroker will guide you through the investment process.

### Licensed Stockbroking Firms:

#### ▶ FHL Stockbrokers Ltd (FHS)

Phone: 3307 025 Email: [fhls@fijianholdings.com.fj](mailto:fhls@fijianholdings.com.fj)

#### ▶ FijiStock Brokers Ltd (FSB)

Phone: 3304 675 Email: [mail@fijistockbrokers.com.fj](mailto:mail@fijistockbrokers.com.fj)

#### ▶ Kontiki Stockbroking Ltd (KSB)

Phone: 3307 284 Email: [broking@kontiki.com.fj](mailto:broking@kontiki.com.fj)

### Disclaimer

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