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## Cagamas open to international bond return this year

The National Mortgage Corporation of Malaysia (Cagamas) could be set for a return to the international bond market as it looks to fund MR6bn (\$1.66bn) of asset purchases this year.

By Rev Hui 26 Feb 2015

A consistent issuer in the domestic ringgit market, Cagamas only made its debut in the international arena last year.

The A3 rated borrower first went to the offshore renminbi (CNH) market in September 2014 (<http://www.globalcapital.com/article/n409jkqzc793/cagamas-global-debut-cnh-facilities-local-malaysian-investors>), when it raised Rmb1.5bn (\$244m) from a 3.7% 2017. It returned three months later, this time tapping the dollar market with a \$500m 2.745% 2019 (<http://www.globalcapital.com/article/p8brqd6jlgz2/sovereign-links-help-cagamas-to-shines-in-dollar-debut>).

A chronic lack of supply from Malaysian issuers in the international market meant investors were more than happy to participate in the two Cagamas bonds, with order books of Rmb4.6bn and \$2.2bn for the dim sum and dollar trade, respectively.

"Evidently, we were priced based on our scarcity value for the CNH issuance, because we realised that 80% of CNH issuances were from China and Hong Kong," said Chung Chee Leong, president and CEO of Cagamas in written replies to questions.

But despite the success of those two deals, Chung said there was still plenty of room for improvement in terms of investor diversification as well as funding costs.

In a bid to do just that, the company has been conducting non-deal roadshows and one-on-one meetings with investors ever since those two transactions, although there are no firm plans regarding potential new issues.

That is because the company adheres to a strict funding policy where bonds are only issued to fund asset purchases of similar sizes and tenors. Consequently, Cagamas raises funds often concurrent to the time of acquisitions, which means it can be tough to estimate when exactly it will be tapping the market again.

What is certain, however, is that Cagamas has huge funding needs for asset purchases, projected to be around MR6bn (\$1.66bn) for 2015.

While most Malaysian companies prefer to stick to the domestic market to satisfy their funding needs, Chung said that there were plenty of benefits to issuing in the offshore market, apart from the usual diversification of the investor base.

"Tapping offshore liquidity can help mitigate over-dependency on a single benchmark and price distortion from competing issuers whose need for liquidity far outreaches their concerns over funding costs," Chung said. "The wider coverage of our credit profile

overseas could also increase demand for our onshore bonds among foreign investors.”

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