CGS International's new focus on asset management and corporate finance to boost revenue

BY **CHERYL POO**

Fresh from a demerger from CIMB Group Holdings Bhd (KL:CIMB) late last year, CGS International Securities Malaysia Sdn Bhd will now focus on its fledgling asset management and corporate finance arms amid an exercise to rebrand itself as CGS International and establish itself as a standalone name in Malaysia.

CGS International has four main business segments in the country, including equities, which contribute about 60% to the group's revenue, and futures, which account for 15% to 20%. Making up the balance are asset management and corporate finance advisory.

"Securities will remain our main pillar, followed by the asset management arm — which released its first product towards the end of last year — and the corporate finance division. We have obtained all the necessary licences for these additional businesses, which we hope will add to CGS International's revenue in the future," its CEO Azizah Mohd Yatim tells *The Edge* in an interview at its headquarters in Kuala Lumpur.

Last December, CGS International Holdings Ltd acquired CIMB Group Sdn Bhd's remaining 25.01% stake in CGS-CIMB Securities International Pte Ltd as well as CIMB Group Holdings' 25% stake in CGS-CIMB Holdings Sdn Bhd.

CGS International is a subsidiary of China Galaxy Securities Co Ltd (CGS), the fourth-largest securities firm in China and wholly owned by China Investment Corporation (CIC), the largest sovereign wealth fund in the world by assets under management.

Azizah, who was previously head of new clients and business development at Maybank Investment Bank Bhd and executive director at KAF Equities Sdn Bhd, came on board in February 2023 prior to the demerger. Now that the administrative parts of the acquisition such as licensing and restructuring of its departments are done, Azizah is focusing on maintaining CGS International's ranking as the top broker on Bursa Malaysia and growing its new businesses.

PATRICK GOH/THE EDGE

Data from Bursa shows that for the month of April, CGS International's trading volume of 16.42 billion units valued at RM13.5 billion puts the organisation ahead of Affin Hwang Investment Bank Bhd and Kenanga Investment Bank Bhd (KL:KENANGA).

"We facilitate the highest volume and value in terms of trading on the exchange. Ultimately, this is about being the go-to in equity trading for our clients, both retail and institutional, which impacts our bottom line," says Azizah.

"Over time, the equities division's contribution to the group will reduce as we anticipate that both new pillars, [being] asset management and corporate finance, will contribute more — up to 10% of revenue each. These new pillars are incremental sources of income for the company to grow our share of wallet through [these] different and higher margin products," says Azizah, adding that the company has a revenue growth target of about 15% to 20% for this year.

> CGS also intends to grow in the Islamic market via shariah trading. With all these different sources of income, it shows that we are no longer a traditional stockbroking house." — Azizah

"Although CGS International is less recognised by the [retail] market given that we were known simply as 'CIMB' by virtue of our former partnership, [the reputation of] CGS International is still quite strong with its institutional clients. For example, in our collaborations with stockbroking houses, whenever institutional distribution is needed, we can bridge the connection. So, we still get these sorts of deals."

On the retail side, CGS International has 300 remisiers.

Azizah says CGS International already has "a number of corporate finance deals in the pipeline, which would hopefully be finalised before the year ends", without disclosing further details.

That said, she is cognizant that the group will need to temper its expectations where growth of the new asset management arm is concerned, given the short time that it has been in the market.

"People will want to know what they are going to get in return for their investment, which may make the product challenging for our people to promote since it is new. As for the corporate finance division, getting merger and acquisition deals in won't be an issue. Our performance and track record within these disciplines may take some time [to grow] but we have to start somewhere," says Azizah.

Moving forward, CGS International will leverage its CIC and CGS parentage in China and other counterparts in Singapore, Indonesia and Thailand. CGS also collaborates with US-based global financial services group Raymond James Financial Inc and European firm Labrum.

"We have taken our clients for site visits, such as [at] Johnson & Johnson and even the New York Stock Exchange, to give our [Malaysian] clients exposure to what they could invest in overseas. We can connect investors who need our connection with institutions," Azizah explains.

Bridging Malaysia and China investments

During the KL20 Summit 2024 last month, Kuala Lumpur City Hall signed a "start-up city connect" collaboration with the Hangzhou Municipal People's Government. Prime Minister Datuk Seri Anwar Ibrahim said the move is intended to position Malaysia as an "an axis for leaders in semiconductors, clean energy, agro-tech and Islamic fintech (financial technology)".

"CGS arranged that tie-up between the [Chinese and Malaysian] governments. The Bank of Hangzhou Co Ltd was here to connect with Maybank (KL:MAYBANK), for instance. We've also made the connections between China and our government agencies, Khazanah Nasional Bhd [and other organisations]," says Azizah.

"The Chinese like the Asean region as they believe it to be an avenue to improve their investments. CGS International will be a bridge for them because they need our contacts.

"Chinese investors have been looking for tech-related stocks such as semiconductor manufacturing. These are very much in demand," she adds.

When asked for her outlook on the local market, Azizah says she believes local institutional funds will focus a "good portion of investments locally" in line with what the prime minister said in January. Anwar reportedly said that he had instructed government-linked corporations (GLC) and government-linked investment companies (GLIC), which manage almost RM2 trillion in assets, to scale back foreign ventures that were not showing profits and invest locally instead to support the ringgit and domestic economy.

"Although each institution will have its own investment strategy, note also that Bursa showed a lot of foreign outflow [in April]. But I'm certain of interest in the [Malaysian stock market] coming back," she continues.

Optimism for a US Federal Reserve rate cut has been fuelling a broad rally in sectors ranging from technology to utilities on Bursa.

The top 30 companies — including most of the constituents of the benchmark FBM KLCI — gained as much as RM118.2 billion in market capitalisation up until last Tuesday, according to data compiled by *The Edge*. Shares of the next 70 companies had racked up RM57.13 billion in value.

"The adage to 'sell in May and go away' is probably not going to happen this year," says Azizah, who views utility counters as "good stocks to buy".

Meanwhile, with the advent of online trading platforms such as Rakuten Trade and Moomoo, Azizah admits that their popularity is indeed a threat to Malaysian stockbrokers. Note that CGS International also has the CGS iTrade (MY) mobile app, which allows users to trade stocks and futures.

For instance, Singapore-based Moomoo, whose parent company Futu Holdings Ltd is listed on Nasdaq, announced last month that it had surpassed 100,000 registered users within six weeks of its launch in Malaysia.

"What I have realised is that some of these platforms target retail investors to encourage trading in the US market. We view this as healthy market competition. To CGS International, as long as we have a healthy range of product offerings as a financial services group — so that we are not just competing on the same products — [competition] is a good thing. In any case, CGS remisiers do not [have to] depend on one single stream of income. They can cross-sell other CGS offerings and receive a cut as an introduction fee," says Azizah.

"CGS also intends to grow in the Islamic market via shariah trading. With all these different sources of income, it shows that we are no longer a traditional stockbroking house," she adds.