



Media Release

RAM Ratings affirms AAA(s) sukuk ratings of Khazanah's funding conduits

RAM Ratings has affirmed the ratings of Islamic securities issued by the funding conduits of Khazanah Nasional Berhad (Khazanah or the Company) – the investment arm of the Government of Malaysia – as listed below:

Issuer	Facility	Rating/ Outlook
Rantau Abang Capital Berhad	RM7.0 bil Islamic Medium-Term Notes (MTN) Sukuk Musyarakah Programme (2006/2041)	AAA(s)/Stable
Danga Capital Berhad	RM10.0 bil Islamic Securities Programme (2009/2044)	AAA(s)/Stable
Ihsan Sukuk Berhad	RM1.0 bil Islamic MTN Sukuk Ihsan Programme (2015/2040)	AAA(s)/Stable
Danum Capital Berhad	RM20.0 bil Islamic MTN Sukuk Danum Programme (2019/2069)	AAA(s)/Stable

The suffix (s) indicates that the issue ratings have been enhanced beyond their standalone credit strength, based on Khazanah's contractual obligation to cover any shortfall faced by the conduits in meeting expected income distributions and capital returns on the sukuk at maturity or upon the occurrence of a dissolution event.

The rating affirmations reflect Khazanah's integral role in supporting the government through the management of strategic assets and promotion of new economic growth areas with a significant socio-economic impact. Our view that Khazanah's credit strength aligns with the government's is anchored on its vital link to the latter and the anticipated extraordinary and timely support it will receive, if in distress. The Company's recent initiatives, including the acquisition of Malaysia Venture Capital Management Berhad and Penjana Kapital under the Dana Impak programme, and the establishment of the National Funds of Funds, are in keeping with the nation's goal to strengthen the venture capital ecosystem. Khazanah is also entrusted with spearheading the establishment of a green investment platform in support of the country's decarbonisation agenda and the coordination of resources and efforts among government-linked investment companies identified under the Ministry of Finance's GEAR-uP programme to stimulate investment inflows.

Financially, Khazanah's overall performance was stable, with its five-year time-weighted rate of return (TWRR) on the net asset value of Khazanah's investment portfolio of 2.9%, primarily driven by its improved performance in global public markets in 2023. This was balanced by lower income to interest coverage ratio of 2.5 times in FY2023 (FY2022: 2.8 times). The Company's investment portfolio remains diversified across more than 10 sectors, with the share of realisable asset value (RAV) concentrated in the top three sectors reducing to 40.7% as of end-June 2024 from 41.9% a year ago. While the proportion of foreign investments stayed at around 37%, the Company intends to further diversify its portfolio for better resilience.

As a quasi-sovereign entity, Khazanah demonstrates superior financial flexibility and has good access to financial markets, as evidenced by its frequent debt issuances in both domestic and global capital markets. Its liquidity profile remained stable, with its RAV debt coverage at 2.7 times as at end-December 2023 as total extended company debts stood at RM50.2 bil. With the planned privatisation of Malaysia Airports Holdings Berhad, anticipated lower dividend income and lower yields generated by committed national initiatives in the immediate term, we anticipate that further funding may be required, requiring the Company to remain vigilant in its portfolio and financial management.

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