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What is BlackRock and how it counts in Malaysia

The Malaysian Reserve, Malaysia



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The firm is the world's largest asset management company with AUM exceeding RM47.2t

by RADZI RAZAK

BLACKROCK Inc, a renowned global asset management company, has become one of the biggest names in the financial industry.

Founded in 1988 by Larry Fink and a group of co-founders, BlackRock quickly grew to become the world's largest asset management company with assets under management (AUM) exceeding US\$10 trillion (RM47.2 trillion) as of 2023.

BlackRock began as a small risk management and asset management company. Fink, who previously worked at First Boston Corp, identified a significant need for better risk management in financial markets, especially after the 1987 stock market crash.

With the goal of filling this gap, Fink and his team formed BlackRock, emphasising a technology and data-driven approach to risk and asset management.

One of the key milestones in BlackRock's growth was the acquisition of Barclays Global Investors in 2009 for US\$13.5 billion, which solidified BlackRock's position as the largest asset management company in the world.

BlackRock actually began expanding into Malaysia earlier than that as part of its global expansion strategy in the late 1990s after the 1998 financial crisis which affected the country badly.

In 2011, BlackRock officially opened its office in Kuala Lumpur (KL).

The KL office not only caters for the country who are looking to bounce back after 1998, but also serves as a hub for market research activities, asset management, and client services in the South-East Asian region.

According to publicly available data, as of May 2024, BlackRock has investments in equities in 100 listed companies across various industrial sectors in Malaysia, including three major banking institutions.

The firm has played a significant role in bringing innovation in asset management and providing a range of investment products such as exchange-traded funds, mutual funds and wealth management services to local investors.

BlackRock also collaborated with local financial institutions to offer investment solutions tailored to the needs of the Malaysian market.

One of the first significant investments by BlackRock in Malaysia was in Tenaga Nasional Bhd (TNB), Malaysia's largest electricity utility company, which makes a strong entry by the firm.

Additionally, BlackRock's largest investment in Malaysia to date has been in Petrolina Nasional Bhd (Petronas), the national oil and gas company. Petronas, with annual revenues exceeding US\$50 billion, is one of the largest corporations in Malaysia and a significant player in the global energy market.

The firm's total market value of investments in Malaysia is US\$4.3 billion, with equity investments in listed companies amounting to RM18.7 billion and bonds worth RM7.9 billion. BlackRock's investments include stakes in major Malaysian banks such as Public Bank Bhd (RM2.34 billion), Malayan Banking Bhd (RM2.16 billion) and CIMB Group Holdings Bhd (RM1.42 billion). TNB ranks fourth with an investment of



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RM660 million, followed by Press Metal Aluminium Holdings Bhd (RM620 million) and CelcomDigi Bhd (RM520 million).

The combined market value of BlackRock's top 30 investments in Malaysia stands at RM15.5 billion, while its equity holdings in the country total RM18.7 billion. In the bond market, BlackRock's significant investments include RM2.53 billion in Malaysian government bonds and RM2.52 billion in Petronas Capital bonds.

Israeli Links

A particularly sensitive issue for many Malaysians is BlackRock's significant investments in Israel. Malaysia has no diplomatic relations with Israel and has long supported the Palestinian cause.

This has led to criticism from those who view any economic ties with Israel as contrary to Malaysia's political stance and solidarity with Palestine.

The ongoing genocide in Palestine also said to benefit BlackRock as Israel deals with US weapons manufacturers. To highlight how much money BlackRock has invested in weapons manufacturers, they have US\$5.7 billion invested in Boeing Co, US\$2 billion in General Dynamics Corp, US\$4.6 billion in Lockheed Martin Corp, US\$2.6 billion in Northrop Grumman Corp and US\$6 billion in Raytheon Co — the top five military contractors in the US.

The involvement of BlackRock in Israel, therefore, adds a layer of geopolitical tension to the already existing economic and ethical concerns.

Notable investments include Teva Pharmaceutical Industries Ltd, a global leader in generic pharmaceuticals, Check Point Software Technologies Ltd, a pioneer in cybersecurity solutions, NICE Ltd, which focuses on customer interaction and data analytics, Bank Leumi, one of Israel's largest banks, as well as Elbit Systems Ltd, a defence electronics company.

In June 21, a group of United Nations (UN) experts has named BlackRock among dozens of entities, weapon manufacturers and financial institutions in a joint statement warning them not to engage in arms transfers to Israel as they would be complicit in war crimes and genocide.

They named the arms manufacturers supplying Israel — BAE Systems plc, Boeing, Caterpillar Inc, General Dynamics, Lockheed Martin, Northrop Grumman, Oshkosh Corp, Rheinmetall AG, Rolls-Royce Power Systems, RTX Corp and ThyssenKrupp AG — and called on them to stop deliveries, even if they are made under existing export licences.

"These companies, by sending weapons, parts, components and ammunition to Israeli forces, risk being complicit in serious violations of international human rights and international humanitarian laws," reads a by more than 30 experts and special rapporteurs led by Robert McCorquodale, a member of the UN Working Group on Business and Human Rights.

The statement also warns financial institutions investing in the arms companies involved in supplying weapons to Israel.

Among the investors named were Bank of America Corp, Capital Group, Causeway Capital Management LLC, Citigroup Inc, Fidelity Management and Research Co, JPMorgan Chase & Co, Harris Associates LP, Morgan Stanley and The Vanguard Group Inc.

Backlash in Malaysia

BlackRock's significant presence in the Malaysian financial markets has led to debates about foreign influence and control.

Some analysts and policymakers are concerned that the substantial foreign ownership of major Malaysian companies, facilitated by firms like BlackRock, might undermine local economic sovereignty and decision-making.

One notable controversy involved BlackRock's role in the proposed privatisation of Malaysia Airports Holdings Bhd (MAHB). BlackRock, through its affiliate Global Infrastructure Partners (GIP), was linked to the privatisation plan, which sparked concerns among stakeholders about the potential impact on Malaysia's national interests and control over its key infrastructure.

Bachok MP Wan Ahmad Fayhsal Wan Ahmad Kamal, who highlighted the deal in Parliament in January, is still maintaining his call for the government to cancel the sale.

He said his stance remained as he felt that the corporate exercise did not have any merit to be pursued further, especially since there had not been any clear details of the rationale behind having GIP as MAHB shareholders.

"Our contention is specifically on the selling of MAHB's strategic stakes amounting to 30% to GIP-BlackRock," he told reporters in Parliament last week, saying the matter is not just of morality but of economic considerations as well.

An equity analyst from an investment bank said the participation of BlackRock's affiliate GIP in the proposed privatisation of MAHB is not an issue.

"This is because based on MAHB's shareholder data, BlackRock previously had a 2.1% worth of RM3.5 million in the airport operator company," the analyst said.

Former minister Khairi Jamaluddin Abu Bakar also came out to criticise the notion that BlackRock's investment across various Malaysian companies

should justify allowing an affiliated company to participate in MAHB privatisation, saying that BlackRock is not "everywhere in Malaysia".

In the latest episode of his highly popular podcast show, the former Umno Youth chief said, "This argument lacks substance and it's not an apple-to-apple comparison."

"They said BlackRock is everywhere. I want to say that its shareholding in those companies is small, around 1% to 2% and acquired in the open market, and they have no say in the management and they are not on the board of directors," he said.

The Future of US Investments Malaysia

Several economists have highlighted that BlackRock and other US firms' presence and operations in Malaysia are crucial for several reasons. Its investments in major Malaysian companies does contribute significantly to the country's economic stability and growth.

Despite the GIP-MAHB controversy, Prime Minister Datuk Seri Anwar Ibrahim said Malaysia still welcomes investment from the US.

Addressing the American Malaysian Chamber of Commerce on June 25, Anwar said the US is still the largest investor in Malaysia but some issues are sensitive in nature.

"I used the forum in Parliament to present the facts and to show that our country has greatly benefited from impact investments from overseas. Investments are also coming from Europe, especially Germany and the Netherlands, as well as China," he said.

Anwar, who is also the finance minister, spent the morning of the same day in Parliament explaining that the GIP-MAHB share deal is actually to increase the local ownership stakes of Khazanah Nasional Bhd and the Employees Provident Fund (EPF) from 41% to 70%.

He highlighted that the stringent criteria for the MAHB privatisation require majority shareholders and the CEO to be Malaysian, a key reason for selecting GIP over other companies that sought management rights, including chairman and CEO positions.

He also responded to political criticism related to BlackRock's association with GIP, urging unity over the Gaza conflict and stressing that BlackRock's involvement would not influence GIP's management.

GIP confirmed that BlackRock's acquisition, expected to complete in the third quarter of 2024, would not affect GIP's strategic direction and operations, which will remain under its current leadership.



Source: Media Mail