news release

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Looking for funding in 2015?

UK's top fund managers reveal their top tips for business investment

UK businesses had cause for celebration last month when the latest ONS figures showed that the UK economy had grown by 2.6% over the last year – the fastest pace since 2007 and up from 1.7% in 2013. But in a report published today, some of the UK's top investors have warned that 2015 could be a difficult year, and that business owners need to be honest and realistic when looking for investment over the course of the year.

The Quoted Companies Alliance (QCA) and Baker Tilly Small and Mid-Cap Investors Survey 2015 interviewed some of the UK's leading small and mid-cap institutional fund managers. The report provides a unique insight into how these investors view the market, and provides some useful tips for existing and aspiring quoted companies.

Fund managers warned that equity markets could continue to be volatile throughout the coming year, due predominantly to economic circumstances and political events, such as the UK's General Election in May. With the environment looking unsettled, fund managers suggest that small and mid-cap quoted companies need to be realistic with their forecasts and manage their investors and other stakeholders' expectations.

The investors also warned of some mistakes that companies can make that could seriously damage relationships with the investment community, and gave the following tips to business owners:

1. Don't overpromise and then fail to deliver

Unwarranted optimism could mean the value of your company will be diminished (particularly if it is just after an IPO) and any trust between the company and its investors will be broken. After a company has listed, the tone and frequency of all announcements needs to be well thought out, with no over-promising on timescales or future performance. This will ensure that future expectations are clearly managed.

2. Don't overprice

Fund managers generally felt that some of the IPOs in the early part of 2014 were valued excessively, especially considering the quality of companies brought to the market. By pricing a company too highly, it is difficult for future investors to see where growth in value will come from.

3. Raise the right amount of money

Companies need to ensure they raise an appropriate amount of equity to build their business, rather than raising less and hoping they can raise the rest when the market recovers. If the market doesn't go the right way, the company may not have enough cash to achieve its stated aims – which will inevitably disappoint investors.

4. Choose the right advisers

Many of the fund managers surveyed said that even seeing that certain types of advisers were involved in an IPO would put them off. Most criticised the approach of the bulge-bracket banks in the IPO boom of early 2014, implying that they fuelled over-valuation, hard-selling companies to institutions and not looking to establish long-term working relationships. So, companies should focus on finding advisers who will listen and work for their benefit.

5. Give straight answers

Don't avoid difficult questions when speaking to potential investors, as no investor will want to make a commitment without being clear about what they are getting involved with.

6. Don't gloss over the problems

Fund managers know that no company is perfect, and so highlighting the challenges a company faces will build trust with investors more quickly.

Chilton Taylor, Baker Tilly's Head of Capital Markets, said: 'The current macroeconomic and political uncertainty will mean that 2015 will continue to be a difficult climate for many UK businesses. Getting investment over the coming year won't be easy, but the good news is that investors are actively looking for companies that have a sustainable business model with reasonable growth rate. Businesses that focus on being realistic about their expectations and valuation and delivering what they promise will be the ones that get the support from investors in 2015.'

Tim Ward, Chief Executive of the Quoted Companies Alliance, said: 'There seems to be an aura of uncertainty in the market and small and mid-cap quoted companies will need to take this into consideration. Nonetheless, fund managers still think that those businesses which can generate value and provide returns will continue to attract investment. Small and mid-cap quoted companies will have to ensure that they are communicating their plans and building strong relationships with investors so that they can continue to be the UK's engines of growth throughout 2015.'

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NOTES TO EDITORS:

- The full version of the Small and Mid-Cap Investors Survey is available here: www.theqca.com/investorssurvey2015
- Latest GDP figures are available on the ONS website here.
- Research for the report was carried out by YouGov, and included in-depth interviews with the following senior fund managers:

  David Stevenson – Amati Global Investors
  Mark Niznik – Artemis Investment Management
  Judith Mackenzie – Downing LLP
  Catherine Stanley – F&C Investments
  Jim Maun – Fidelity Investments
  Guy Feld – Hargreave Hale
  Adam McConkey – Henderson Global Investors
  Katie Potts – Herald Investment Trust
  Robin West – Invesco Perpetual
  Ken Wotton – ISIS Equity Partners
  Richard Penny – Legal & General
  Daniel Nickols – Old Mutual Global Investors
  Gervais Williams – Miton Group
  Andrew Buchanan – Octopus Investments
  Richard Power – Octopus Investments
  James Thorne – Threadneedle Investment

- The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies. We campaign, we inform and we interact to help our members keep their businesses ahead. Through our activities, we ensure that our influence always creates impact for our members. For more information, please visit www.theqca.com.
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