



news release

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Investors see positive changes to AIM but companies need to ensure that they stay on top of their game

Small and mid-cap fund managers believe the London Stock Exchange's AIM market has developed to become a genuine alternative to the Main Market, according to a survey published today.

Some large growth companies, typically with a market capitalisation of over £500m, have stayed on AIM to enjoy the cost effective benefits and avoid the extra requirements of the senior Main Market.

This is only possible because professional investors in the small and mid-cap sector now habitually invest in AIM – previously many might wait for firms to graduate to the Main Market.

The Small and Mid-Cap Investors Survey, carried out by YouGov on behalf of RSM and the Quoted Companies Alliance (QCA), surveyed some of the UK's top small and mid-cap fund managers on their views of the stock market as well as their tips for businesses wanting to make the most of their listing in 2017.

Investors consider perceptions as somewhat more respectful about AIM these days and

commentators better understand that it contains a wide range of companies, from start-ups to real growth businesses. Investors also acknowledge AIM plays an important role in the 'eco system of small-cap funding' and it has political support through initiatives such as the removal of stamp duty and changes to ISA legislation.

There were less positive views too, with some fund managers calling AIM "devalued" and "a poor place to be" and that it was clogged by a large amount of "sediment" at the bottom of the market such as micro caps lacking critical mass or the liquidity needed to attract investors. However, these fund managers also agreed AIM can work very well for individual companies with a great offer, though they would like to see a little more control over quality.

Among nominated advisers ('Nomads') and corporate brokers who advise AIM-quoted companies, fund managers prefer to work with those who have gained their trust over time by doing a good job and making them money. Successful advisers conduct proper due diligence and offer a complete service including effective market making.

There is little pressure for firms to move from AIM to the Main Market unless managers restrict their activities to the larger market. Managers acknowledge that some large firms may wish to stay on AIM and are not worried about any outdated associated stigma.

A couple of fund managers felt the quality had improved, with better companies and also better advisers thanks to good work by the London Stock Exchange. It was also felt that there had been fewer failures on the market recently even though they will continue to happen. One view is that the financial crisis has killed the chances of less suitable firms coming to market. Poorer performing businesses that are already listed have struggled for financing, resulting in a flight to quality, driven primarily by risk aversion.

As well as commenting on the overall health of the growth markets, investors gave their views across a wide range of topics, to help companies stay on top of their game. These include how to address Brexit – “Don’t use Brexit as an excuse” – and what makes an effective chair and finance director.

Some chairs were described by investors as “just appalling, a waste of space” because they fail to challenge management by asking the difficult questions. It is clear they are not representing shareholders’ interests. Indeed one investor suggested that there was a strong correlation between the best companies and their tendency to have the best chairs.

Diane Gwilliam, RSM’s head of capital markets, said: ‘Small and mid-cap Investors are telling us that AIM is in the best position that it has ever been. Yes, it has its faults but this is far outweighed by the benefits that accrue to companies and investors. The survey also shows that the investors we spoke to value a highly effective finance director that challenges a CEO if required.

‘There are a number of macro issues impacting the market, and it was clear to see the uncertainty around Brexit was front of mind for the small and mid-cap investors, but they did reveal some useful tips on how to handle Brexit.’

Tim Ward, chief executive of the Quoted Companies Alliance said: ‘It’s good to see that there is more positive sentiment towards AIM. The Government, the Exchange, advisers and investors have devoted much money and resource in creating and developing a market for growth companies that can deliver huge benefits for the UK economy. This, more positive, approach will attract more companies to the market over

time. Our small and mid-cap investors also tell us that these new companies will need to have boards led by proactive and challenging chairs.”

The QCA RSM Small and Mid-Cap Investors Survey 2017 – Insights for companies seeking equity investment is available on the QCA website www.theqca.com/investorssurvey2017

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NOTES TO EDITORS:

The Fund Manager survey was carried out by YouGov in October and November 2016. Respondents were recruited from a pre-selected database of the UK’s leading small and mid-cap institutional fund managers. From the list the following investors agreed to be interviewed: David Stevenson from Amati Global Investors, Mark Niznik from Artemis Investment Management, Robin West from Invesco Asset Management, Judith Mackenzie from Downing LLP, Guy Feld from Hargreave Hale, Adam McConkey from Henderson Global Investors, Katie Potts from Herald Investment Trust, Ken Wotton from Livingbridge, Gervais Williams from Miton Group, James Thorne from Columbia Threadneedle Investments, Richard Power from Octopus Investments, Jim Maun from Fidelity Investments, Daniel Nickols from Old Mutual Global Investors, Andy Brough from Schroders, Richard Penny from Legal & General Investment Management, Siddarth Chand Lall from Hargreave Hale.

- The funds managed include VCTs, EIS funds, growth funds, investment trusts, retail unit trusts and pension funds. All invest in the UK and/or European small and mid-cap quoted companies and most of the funds benchmark against the Numis Smaller Companies Index.
- RSM is the UK’s seventh largest firm of audit, tax and consulting services with revenues of almost £300m a year. The firm has 3,400 partners and staff operating from 35 locations throughout the UK.
- RSM International is the sixth largest network of independent audit, tax and consulting firms, encompassing 120 countries, 800 offices and more than 41,000 people. The network’s total fee income is \$4.87bn.
- 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.