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**Investors predict 'mixed and volatile' outlook for 2016
Small and mid-caps expected to weather the storm better than larger caps**

Investors predict the outlook for small and mid-cap companies will be 'mixed and volatile' in 2016, but companies could do more to improve corporate governance and transparency if they want to attract investment, according to a report.

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 fund managers on their predictions for the market, as well as their tips for businesses looking for investment in 2016.

The fund managers agree that over the coming year they will increasingly look to invest in companies that are open in their communications with investors and clearly able to deliver on their strategy. Companies that fail to make annual reports and presentations available on their websites come in for criticism, with some suggesting that this would indicate a company takes corporate governance insufficiently seriously. They also express concern about the information included in annual reports, particularly those that fail to show how profits turn into cash.

Reflecting on the past year during which mergers and acquisitions activity in the market increased, the fund managers express some disappointment that initial public offerings in 2015 were of mixed quality and performance, with some being over-valued and of limited interest. A number of the fund managers expect there to be periods of volatility in

the market over the coming year, while many expect small and mid-cap quoted companies to outperform the larger cap companies.

More broadly, most of the fund managers surveyed believe that the economic and political risks around possible UK exit from the EU, the economic slowdown in China and potential interest rate rises are already factored in prices, while acknowledging that other unknown risks could emerge during the year.

Many respondents express concern that the increasing amount of regulation for equity markets could have a chilling effect on market liquidity. In particular, they raise specific concerns about various aspects of MiFID II, including a proposed ban on the use of dealing commissions to pay for investment research, and the recent changes to the Venture Capital Schemes in the UK.

Diane Gwilliam, RSM's head of capital markets, said: 'Being open, and transparent and delivering on your strategy are key to attracting interest and retaining the confidence of the investor community. Investors have told us that they would often trade faster growth for a smoother ride which protects them from the volatility currently being experienced in other parts of the market. Small and mid-cap companies would be wise to take note.'

Tim Ward, Chief Executive of the Quoted Companies Alliance said: 'Last year, we saw a recovery in the small and mid-cap market. Investors took advantage of the relative strength of the UK economy in stocks perceived to be relatively sheltered from global and economic events. Even if this continues, and investors are optimistic, companies have got to deliver consistent performance and communicate this effectively. Investors continue to want to invest in growing small and mid-cap quoted companies that have a great story.'

The Small and Mid-Cap Investors Survey 2016 – Insights for companies seeking equity investment is available on the RSM website <http://www.rsmuk.com/news/investors-predict-mixed-and-volatile-outlook-for-2016>

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NOTES TO EDITORS:

- The Fund Manager survey was carried out by YouGov in October and November 2015. Respondents were recruited from a pre-selected database of the UK's leading small and mid-cap institutional fund managers comprising 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 Limited, Adam McConkey from Henderson Global Investors, Katie Potts from Herald Investment Trust, Ken Wotton from Livingbridge, Rod Oscroft from Legal and General Investment Management, Gervais Williams from Miton Group, Andrew Buchanan from Octopus Investments, James Thorne from Columbia Threadneedle Investments, Richard Power from Octopus Investments, Jim Maun from Fidelity Investments, Daniel Nickols from Old Mutual Global Investors and Andy Brough from Schroders.
- 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 more than 120 countries, 760 offices and more than 38,000 people. The network's total fee income is \$4.64bn.
- 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.