

**QUOTED
COMPANIES
ALLIANCE**

Banking on Britain

**How to catalyse more investment
for UK growth companies**



Our call to action

We are calling on the British Business Bank to allocate

£1bn

to the UK's quoted company sector, with a particular focus on those companies valued at less than £100mn.

By building a portfolio of quoted investments, the Bank will directly bridge the funding gap that many promising growth companies are facing on AIM and Aquis - and indirectly drive valuations higher for many more.

We calculate this funding could further catalyse **at least £1bn of additional institutional investment** for quoted companies.

By securing this growth capital, they are far more likely to scale up and stay in the UK, creating jobs, IP and wealth.

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Foreword

The decision in last summer's Spending Review to increase the British Business Bank's total financial capacity to £25.6bn was a vote of confidence in the state institution's efficacy during its first decade – and a signal that its second act could be even more consequential for innovative, growing companies.

A two-thirds increase in investments to around £2.5bn each year directly correlates with the Chancellor's belief in an active and strategic state that provides public investment, helps to derisk new opportunities, shapes markets and crowds in private investment.

The expansion means more support for angel syndicates, university spinouts and venture capitalists. And yet the nation's economic development bank, on a mission to encourage smaller businesses to start, scale and stay in the UK, is absent in one very visible and valuable portion of the British economy: small, stock-market quoted companies.

The Quoted Companies Alliance, which represents many of these companies' interests with government, regulators and in the media, believes this is an oversight that must be addressed. In fact, given the government's continued focus on reforming the UK capital markets, including moves to channel in capital from pensions and retail investors, it feels like a glaring omission.

Here is a cohort of companies, many regionally based and part of the eight growth-driving sectors of the Industrial Strategy, from agricultural nutrition in

Carlisle and laboratory equipment in Cambridge. Many are not large; more than half of the companies whose shares trade in London have a market value of less than £100mn. And they are fit to grow. On AIM, companies are 50% more productive than the national average. Yet too often they suffer from a precipitous funding gap, where start-up reliefs tail off before institutional interest takes up the baton.

This is a crisis of missed opportunity. It is hard to picture the products that weren't developed, the markets that weren't sold into, the staff that weren't recruited and trained and the ambition extinguished but for better valuations, greater liquidity, more abundant growth capital.

We spoke to numerous member companies for this study. All vigorously agreed with our premise but, apart from one exception, felt unable to comment on the record about their plight for fear it would impact market perception.

Similar gaps have been bridged by the British Business Bank elsewhere. Yet too often policymakers regard "growth" as something that takes place off-market and companies head onto the market via an initial public offering (IPO) only when they have "grown".

Actually, life on the market, on AIM and Aquis in particular, is designed to be the ideal place to scale, transparently, assuming the regulatory regime is appropriate and liquidity adequate. Taking a share quote is also a proven anchor to the UK, ensuring jobs and intellectual property are more likely to remain on these shores, alongside world-

leading investor community and professional advisers. These are still scale-ups, they have just chosen a different path.

The British Business Bank has entered a new phase by making big ticket investments in the likes of Kraken and Wayve, high-tech British companies that have attracted high excitement.

These transactions signal that the UK government is open for business, supporting homegrown winners in the sort of deliberate way that some have been calling for decades. Therefore these transactions are to be applauded, even though these companies suffer from no obvious funding gap.

Many smallcaps do, however. A sustained intervention by the British Business Bank by investing directly in some of these stocks would jumpstart growth and catalyse further investment. It would have an even greater positive impact than the Business Growth Fund's portfolio of quoted investments, assembled under the aegis of Stephen Welton, who, now as British Business Bank chairman, has declared he is open to extending the institution's remit in this way.

Broadening market liquidity and improving price discovery for smaller companies would boost confidence, energise the IPO pipeline and cause institutional investors to look again at this cohort. That could include the 17 signatories to the Mansion House Accord whose pledge to invest more domestically has so far had negligible impact on AIM and Aquis-traded companies that are part of the initiative's remit.

It could also take effect immediately, far quicker than ongoing pension reform, which is welcome but whose outputs are nevertheless unclear. We fail these companies if the best we can do is vaguely hope for some investment from capital initiatives to trickle down. Better to spin the orthodoxy on its head, apply capital to high-potential small caps and watch them bubble up into the FTSE 100.

The QCA is calling for the British Business Bank to commit £1bn to establish a quoted portfolio of investments. These investments should be made directly or indirectly in companies that are already trading their shares in London and should focus primarily on those with a starting value of less than £100mn.

The sum of £1bn is a big one, big enough to catch the eye and capture the attention and therefore a meaningful commitment. But it is less than 4% of the Bank's capacity – a small proportion contributed towards companies and the capital markets infrastructure that operates at the heart of the UK economy.

The British Business Bank is growing up. In doing so, it should gravitate to where many growth companies go – the public markets. It would be a natural extension of its activities that have already adapted several times in the last decade and, for the nation, very likely a profitable one.

James Ashton
James Ashton
Chief Executive
Quoted Companies Alliance



Introducing the research

1.1 Expanding the role of the British Business Bank

The government has identified the UK's capital markets as key to the future success of the UK economy and has committed to "defending and boosting the competitiveness of the UK's capital markets over the next decade."¹ As this report highlights, a key segment of the UK's capital markets infrastructure – its quoted companies sector – faces challenges in accessing growth finance which is stymying its growth potential. This has implications for the effective functioning of the UK's capital markets infrastructure, and the UK's competitiveness as a listing destination, particularly for smaller companies. The consequences of this are lower economic growth, tax take and employment.

To address these investment challenges, the report makes the case for the British Business Bank to play an active role in supporting this key element of the UK's growth escalator, in the same way it does private companies.

As the UK's economic development bank, the British Business Bank's role is to support growth, improve access to finance and mobilise capital. Its stated mission is to "drive economic growth by helping smaller businesses get the finance they need to start, scale and stay in the UK."²

The Department for Business and Trade and the Treasury set out a new five-year strategic mandate for the Bank in October 2025. Effective from April 2026, it sets out four key priorities for the Bank to:

- Support the UK's most promising businesses in the Industrial Strategy priority sectors to scale and stay here
- Ensure finance markets work better for smaller businesses
- Unlock the potential in people and places
- Mobilise institutional "capital at scale"³

In addition, the Bank's investment mandate states that:

"...through our Investment business, we invest in funds and directly in companies, crowding in private capital to the venture and growth markets that fuel innovative companies' growth. This helps the globally competitive businesses of the future to access the scale-up capital they need to grow in the UK."⁴

Since the Bank's creation, it has allocated £5.2bn of capital through fund managers and £300mn into companies directly, catalysing an additional £17.9bn of capital.⁵

The British Business Bank makes clear the purpose for its investment in later-stage companies:

"A lack of access to patient capital, however, continues to hold back some businesses from scaling up and fulfilling their potential here in the UK, with the risk that they instead commercialise overseas, closer to sources of later-stage capital. Through our Investment business, we want to increase the level of funding to those companies so we are more likely to retain them in the UK, meaning we see the economic benefits of their growth and success."⁶

A key example of this is the Bank's British Patient Capital funds which invests in venture and growth equity. Overall, this investment arm has invested £1bn into UK venture and growth equity over the past 10 years.⁷

Reaching quoted companies with growth capital would represent a natural extension of the Bank's investment arm. A portion of quoted companies are already recognised by the government as part of the UK's venture capital environment as they are eligible for VCT and EIS investment (provided they meet the criteria).⁸

Moreover, while private equity and venture capital businesses are at a different phase of the growth cycle compared to quoted companies, they share commonalities in their need for long-term, patient capital.

The Business Growth Fund (BGF) undertook a similar expansion in 2014 by incorporating a quoted portfolio alongside its private equity investments. BGF provides patient minority capital to SMEs and invests around £500mn annually in early-stage, growth and smaller quoted companies. Its mandate, set out by shareholders, functions in order "to help meet the growth capital funding gap that exists for growth businesses".⁹

1.2 A summary of the report

In **Section 2**, we provide an overview of quoted companies and their contribution to the UK economy. In the following section, we outline the current investment challenges that these companies face and

the impact this has on valuations, liquidity levels and IPOs.

We also highlight the funding 'cliff edge' that exists for the majority of AIM companies who, no longer VCT/EIS qualifying and sub-£100mn market cap companies, find themselves considered too small to attract institutional investment.

In **Section 4** we set out how the British Business Bank, by expanding its mandate to include a quoted portfolio, can meet its current strategic objectives. This can be done by providing growth capital to quoted companies looking to scale-up their businesses on the UK's public growth markets: AIM and Aquis, while ensuring they stay in the UK.

The in-direct investment model we propose in **Section 4** follows similar lines to the British Business Bank's Patient Capital funds which include investments made directly into venture growth funds. Such a model could be replicated at the quoted company level, with investments made directly into specialist UK-focused smaller cap funds. It is also based on the model adopted recently in Singapore to boost the performance of its public markets, and in particular, channel investment into small and mid-cap companies.

In **Section 5**, we lay-out the investment case for smaller companies in terms of their historic performance and their performance as measured against other asset classes across a range of metrics.

UK quoted companies



2.1 The UK's growth markets and their companies

There are just over 600 companies on AIM¹⁰. AIM companies operate across a range of sectors, including all eight of the Industrial Strategy sectors. Most AIM companies are small-cap with high growth potential. The typical AIM business is around £25mn market cap, and 75% of AIM companies are sub-£100mn market cap.¹¹

Since its inception in 1995, £142bn of capital has been raised on AIM¹² thereby supporting the growth of the UK's small and mid-cap sector, a vital stage of the UK's growth escalator. One-third of listed UK companies with a market value of more than £2bn in 2024 were once a smaller company in the past 20 years and subsequently have more than doubled in value in real terms.¹³

AIM remains Europe's preeminent growth market, with data from 2026 showing that, for the last 10 years combined, AIM has been responsible for 51% of all capital raised on European growth markets.¹⁴

Aquis Stock Exchange is smaller than AIM, containing 82 companies as of April 2026. Aquis companies are similarly sized, with only one Aquis company with a market cap above £100mn, the majority of stocks below £50mn market cap, and only 10 having a market cap over £25mn.¹⁵

2.2 UK-wide economic contribution of AIM companies

In 2023, as a whole AIM companies contributed an equivalent of £68bn in Gross Value added (GVA) to UK GDP¹⁶ and over 778,000 jobs. AIM companies made a significant corporation tax contribution of £5.4bn to the Exchequer¹⁷. Moreover, AIM companies are 50% more productive than the national average¹⁸.

Companies quoted on AIM drive sustained growth across a number of metrics after initial public offering (IPO), including 12.7% employee growth and 40.8% operating profit growth.¹⁹

They also support UK regional growth. Data from 2024 shows that Herefordshire is the only county in England without a smaller listed company headquarters.²⁰



2.3 The company perspective

Case Study

Built Cybernetics

Sector: Property Tech

Market Cap: £6mn

Built Cybernetics integrates smart building technology with architectural design and construction and has been an AIM company since 2006.

Built Cybernetics is a London-headquartered property technology group whose Smart Core "operating system for buildings" is installed in landmark properties in 16 countries.

Collating data from across a building's systems – from electricity meters and ventilation systems to occupancy sensors and room booking software – sharing it appropriately between landlord and tenants and applying AI can make spaces more efficient and greener to operate and more enjoyable to use.

The group employs 180 UK staff, including software developers in Birmingham and engineers in Manchester, and has recently acquired a Belfast mapping business.

"We have ambitious expansion plans and almost no debt - but almost no cash either," said Built Cybernetics' chief executive, Nick Clark, who set up one of the group's divisions with the aid of DTI SMART and EIS while still at university.

He can no longer take advantage of similar start-up schemes and is barred from tapping regional British Business Bank funds that other Manchester or Birmingham firms could because his group is AIM-quoted.

The £6mn-market cap company has ambitious expansion plans to take Smart Core from running 2.9mn sq ft of building floorspace to 50mn sq ft by 2030. But to do so it needs to raise at least £2mn in debt or equity to adapt its software so it can be sold internationally by third party system integrators instead of solely via one of its in-house divisions.

"BBB-backed funds are arbitrarily barred from investing due to our quote; and without access to the Venture Capital Schemes investors will only supply limited amounts of equity at a sizeable discount to a valuation that, given the market's awareness of these challenges, is already a fraction of equivalent unquoted businesses," added Clark.

Nick Clark

Chief Executive
Built Cybernetics



The challenge accessing growth capital

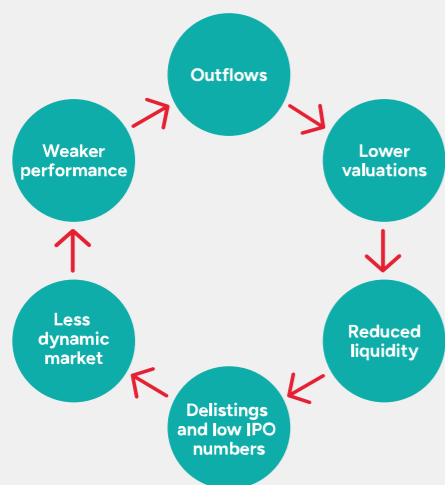


The UK's quoted markets are experiencing a well-recognised negative feedback loop²¹ which impacts companies' ability to raise growth finance. The figure below demonstrates the mechanics of this process, and the proceeding sub-sections explain the components in more detail.

This situation is self-reinforcing, but it is by no means inevitable as Section 5 details: smaller companies have strong growth prospects and returns profile. Moreover, reforms at each stage of the loop can have a transformational impact on the others.

As we explain in more detail in Section 4, British Business Bank funding can help kick-start a positive reversal of this loop, by increasing demand in AIM and catalysing private investment, leading to higher valuations, better performance, more IPOs, increased demand, higher valuations and so on.

Figure 1
Picturing the negative feedback loop

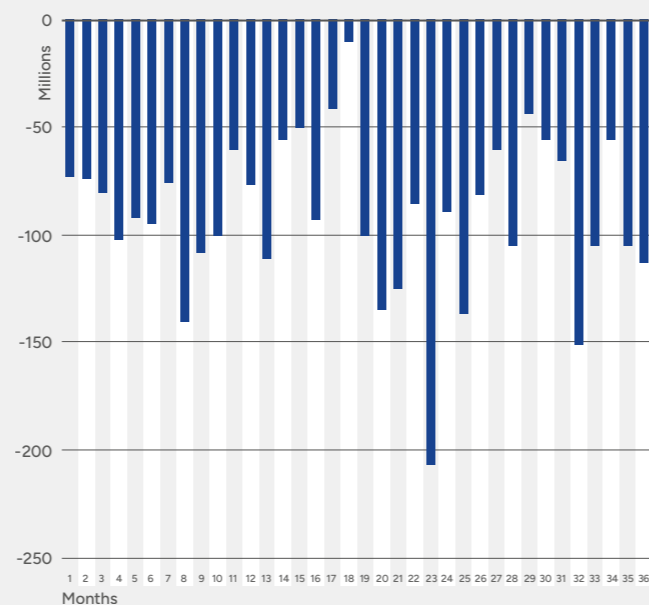


3.1 Outflows and the volume of capital that has left the market

Consistent outflows from UK equity funds demonstrate issues quoted companies face in accessing finance. For example, if we look at the Investment Association's smaller cap fund data, there have been an average of £91mn of monthly outflows over the last three years.²²

Figure 2
Investment Association data

UK Smaller Companies Fund Flows over previous 36 months*



* March 2023 - February 2026

Broader trends in domestic pension funds allocation have also contributed to capital flight from UK equities in general, and smaller companies in particular. For example, recent data shows that over a 25-year period UK pension funds have



decreased their allocation to domestic equities from 53% in 1997 to just 4.1%.²³

The government has sought to address this issue through consolidation of the UK's pension landscape alongside the Mansion House Accord. However, evidence that either of these initiatives are redirecting capital flows towards the UK's quoted companies is limited.

For example, data from the ABI that tracks progress of Mansion House Compact signatories towards the stated goal of allocating 5% of default fund into unlisted equities by 2030, shows that only 0.6% is currently being allocated to this asset class. There is no available evidence on the amount of that figure that has been allotted to quoted companies which are included under the terms of the agreement as 'unlisted equities' alongside private equity.²⁴

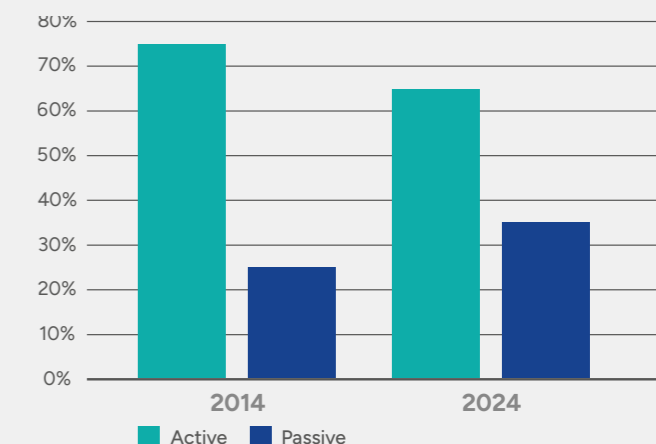
Recent changes to Inheritance Tax IHT Business Property Relief BPR have also had a negative impact on investment flows towards the UK's quoted company sector. Around £1bn is estimated to have left AIM IHT funds since the changes to the relief were announced in the 2024 Autumn Budget.²⁵

The rise of passive investment strategies

Another significant area of development impacting smaller public companies' access to finance is the rise of passive investing. From 2014 to 2024 there has been a 10% increase in UK assets under management held passively with 35% of assets now held in passive funds.²⁶

Figure 3
Investment Association data

Active vs. Passive Assets Under Management (AUM) – 2014 - 2024



While it could be argued that outflows from UK equity funds are offset by the rise of passive strategies, this has little to no impact on the UK's smaller growth companies as these companies have market capitalisations that are too small to enter into the main UK focused indices that track the funds, leaving smaller companies excluded from a vital source of potential funding. For example, there is no tracker fund for AIM.

A funding cliff-edge for smaller quoted companies

Investment in smaller companies was dealt a significant blow in the wake of the collapse of the Woodford Equity Income Fund in 2019. The FCA response in the form of increased expectations around liquidity management led to a set of unintended consequences that drove asset managers away from smaller, less liquid stocks.



This is due to investor concerns around holding a stake of above 5-10% of a company's shares, resulting in them moving up the market capitalisation bands. As New Financial research shows, "if a fund has £1bn in assets, for a holding to represent just 1% of the fund it would need to be at least £10mn, which translates into 5% of a £200mn company or 10% of £100mn company."²⁷ The impact for smaller quoted companies has been a move "up-market" by investors to £100mn+ companies as they look to 'de-risk' their portfolio in light of liquidity management concerns.

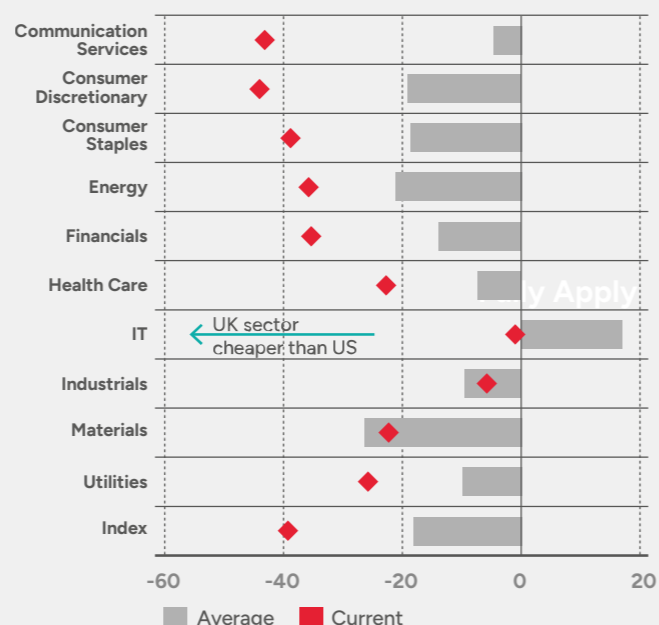
This has created a funding gap for quoted companies between those that are still small or young enough to receive EIS and VCT funding – of which conservative estimates place this figure at around 85²⁸ – and those that are large enough to attract institutional investment.

This represents a significant barrier for a substantial cohort of quoted businesses to access the investment they need to scale-up. Given that just over three quarters of AIM companies are sub-£100mn, there are around 365 AIM companies that fall into this funding gap. VCT-qualifying companies face a funding cliff-edge as they mature beyond this support.

3.2 Valuations of UK equities at a discount to international comparables

Figure 4
JP Morgan data: Guide to the Market January 2026

MSCI UK relative valuation vs. the US
% relative discount/premium based on 12-month forward P/E ratios



UK equities are trading at a significant discount compared to international markets, specifically the EU and the US. For example, Figure 4 shows that, compared to US stocks, UK equities are trading at a significant discount in all sectors bar IT.

Low valuations in relation to international comparators mean that UK companies have a higher cost of capital than those in other markets.

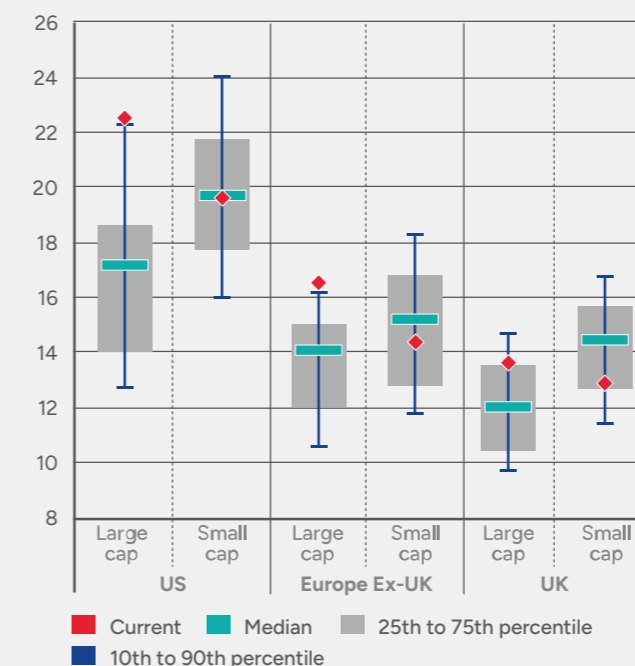
If we look at Figure 5²⁹, we can see that the lower forward price-to-earnings P/E ratio



indicates that UK small-caps are trading at a discount compared to both their US and EU counterparts.³⁰ Importantly, UK small-caps are also trading considerably lower their historic average multiples (current vs. median), demonstrating diminished investor interest in UK smaller cap stocks.

Figure 5
JP Morgan data: Guide to the Market January 2026

Regional large and small cap forward P/E ratios x, multiple, percentiles and median since 2008



This data is supported by the views of business leaders across the FTSE 100, 250 and AIM as detailed in Figure 6.

90% of AIM companies consider that the UK equity markets are undervaluing companies compared to other global markets, with 40% of AIM companies placing this

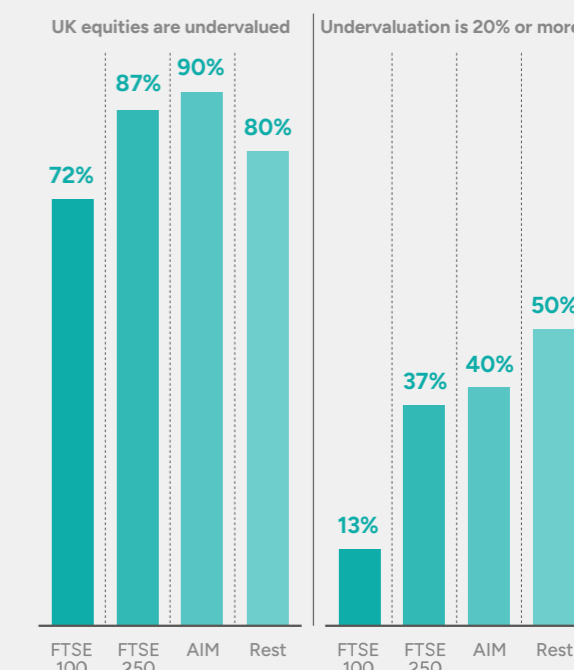
undervaluation at 20% or more. This is significantly higher than the FTSE 100 where 72% of companies consider UK equities to be undervalued, and only 13% put this undervaluation at 20% or more.³¹

In the same Deutsche Numis survey, "access to funding" was named as one of the top three obstacles to growth cited among business leaders across all market segments for the second consecutive year.

Low valuations and therefore the cost of raising capital has implications for growing a business on the public markets.

Figure 6
Deutsche Numis

Do you believe that the UK equity markets are currently undervaluing listed issuers relative to other global markets and, if so, on average by how much?





If companies consider their shares to be significantly undervalued, this can act as a deterrent for raising equity capital from shareholders thereby restricting their access to finance. This can be detrimental at the company-level as it negatively impacts its ability to grow, expand its workforce and invest in innovation, research or new technologies. In turn, this has broader consequences for the growth of the domestic economy.

3.3. Liquidity on listed markets in decline

Low levels of liquidity for smaller company stocks is another barrier to growth on the UK's capital markets. Liquidity is an essential feature of a well-functioning market as it aids price discovery and valuations, and reduces the cost of raising capital for companies.

Declining levels of liquidity indicates diminished access to capital and investor interest in a public market. As you can see in the table below, there has been a marked decline in liquidity levels on AIM over the last five years. 2021 represented a peak of trading activity on AIM, where the average value of daily trading reached £395mn. Although there has been a slight increase in the average value of daily trading between 2024 and 2025, there has been an overall decrease of 53% to £187mn between 2021 - 2025.³²

Figure 7
Deutsche Numis

Average value of daily trading on AIM



Data from 2024³³ shows that low levels of liquidity are particularly pronounced for smaller companies. For example, around half of trading on AIM is focused on the top 20 stocks with almost 75% of AIM stocks trading less than £100,000 a day.³⁴

3.4. Lack of IPOs and shrinking of the market

Access to capital and low levels of liquidity are reflected in the recent dearth of IPO activity and the numbers of delistings on AIM. For example, there has been a 35% drop in the average number of companies on AIM over the last three years compared to

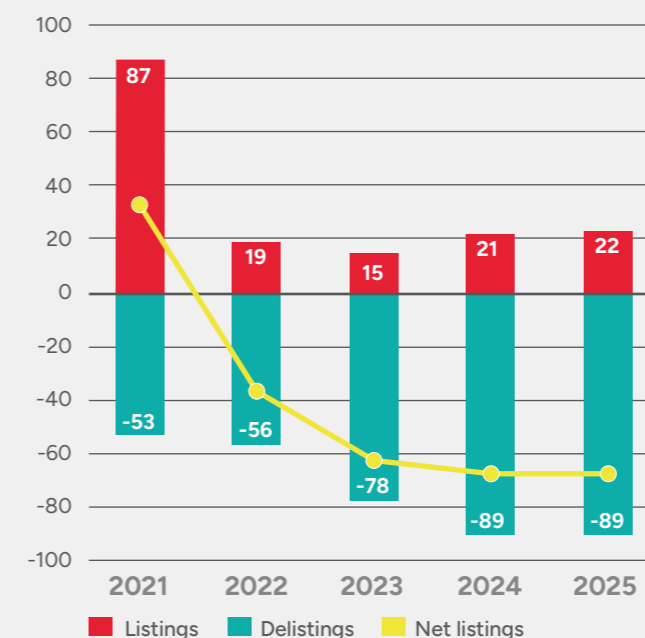


the 20-year average, and a reduction in IPO activity - where companies typically raise money to pursue growth opportunities - with an 80% decrease in the average number of IPOs on AIM over the last three years compared to the average over 20 years.³⁵

Most recently, in 2025 AIM suffered a net loss of 67 companies, with 89 delistings compared to 22 listings, 14 of which were IPOs.³⁶

Figure 8

AIM Listings vs. Delistings



What can the British Business Bank do?

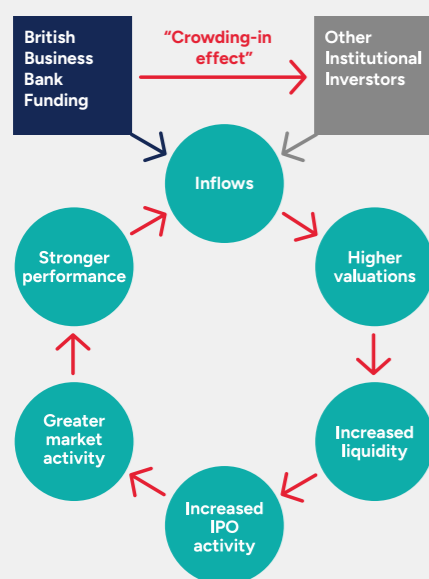


4.1. Creating a 'positive flywheel'

As we saw in the previous section, there is declining investor interest in the UK's public growth markets preventing AIM and Aquis companies from accessing the capital they need to grow their businesses. The British Business Bank, by injecting fresh investment in the market, can help reverse this negative loop and support the creation of a positive flywheel, as demonstrated in the image below.

Figure 9

Positive Flywheel



4.2. The amount of funding

A commitment from the British Business Bank to invest in quoted companies would represent a significant step towards revitalising this segment of the UK's capital

markets. The size of any commitment will determine its short and longer-term impact across a range of measures including investment flows, catalysing private capital and liquidity levels.

The Bank has a total budget of £25.6bn, while its investment arm was recently strengthened to around £2bn a year on average in 2025 over the next five years³⁷.

Were the British Business Bank to commit a minimum of £1bn towards quoted companies, this would only represent 4% of its existing financial capacity.

A sufficiently large intervention will be a significant contributory factor in offsetting current levels of outflows as the size of any intervention will determine its 'crowding-in effects' by boosting market confidence.

4.3. How will this crowd-in private investment?

Any modelling exercise to determine an estimated quantum of the future crowding-in effects of an injection of capital would be difficult to predict accurately ex-ante due to a range of uncertainties including geopolitical upheaval, the impact of related government policies and the behaviour of investors in response.

However, we can consider two scenarios:

- 1 Baseline:** if the Bank decides not to invest in quoted companies and current smaller company fund flows over the past 24 months remain stable over the next two years.



If we look at IA smaller cap fund flow data set out in Section 2.1, we can see that an average of £91mn a month left the smaller cap sector over the last 24 months. If these levels remain the same as they are over the next 24 months, we would expect to see at least £2.1bn of investment drain away from UK smaller companies.

- 2 British Business Bank Intervention:** £1bn of additional capital is injected into the UK's quoted companies sector by the Bank and crowds-in private investment. Assuming the Bank's investment has a multiplier effect of >1.0, this funding could release an additional £1bn of private capital or more through its crowding-in effects.

This funding need not be distributed all at once and could be spread out over a number of years. A minimum contribution of £1bn could have the following impact:

- 1 Signal** long-term commitment to the market from a key institutional investor
- 2 Improve** sentiment and expectations of future liquidity
- 3 Re-engage** buyers who have stepped back due to uncertainty or relative valuation concerns
- 4 Accelerate** the positive flywheel in the same way the negative one has been self-reinforcing

A key factor that will impact the amount of private capital that is catalysed as a result of any potential funding from the British Business Bank are its sentiment effects:

the ability of British Business Bank funding to generate a positive narrative around UK smaller companies and provide confidence to other investors that a significant institutional investor is backing this asset class.

Recent investor sentiment analysis from March 2026 provides evidence that a positive narrative around UK equities is already developing.³⁸ For example, 77% of global and pan-European mandated investors who stated they would adjust their portfolio, plan to increase their exposure to UK equities. The figure is 79% for UK-based investors. In addition, 71% of investors stated they have appetite to participate in UK IPOs over the next 12 months.³⁹

While it can be argued that this covers all UK equities and is not necessarily a small-cap specific phenomenon, a buoyant investor sentiment surrounding domestic equities remains a positive. Even if this investor sentiment focuses primarily on larger stocks, smaller companies would still likely benefit from any increase in investment flows eventually shifting towards smaller companies as more buyers enter the domestic market and investors seek better deals.

Furthermore, a commitment from an institutional investor such as the British Business Bank would provide a further signal of confidence and only add to the positive sentiment building around UK equities in general.

Specific to UK smaller companies, market sentiment was lifted as

4

a result of Phoenix Group's announcement in September 2025 that it would provide £140mn to seed a UK small cap mandate to be run by River Global.

While the above two examples offer evidence of strengthening investor sentiment around the UK public markets, there are also some concrete steps⁴⁰ the Bank could take to maximise the crowding-in effects of its funding:

- 1 Fostering inbound investment requests** by improving communications around funding and leveraging the British Business Bank's market presence and brand identity as a significant institutional investor. For example, the Bank's newly launched online portal Venture Link which provides institutional investors information on the Bank's existing investment commitments could be mobilised to include UK smaller company focused funds.
- 2 Developing key partnerships with other organisations:** This would cover extending the Bank's British Growth Partnership (BGP)⁴¹ – which connects Mansion House Accord signatories with private companies and British Business Bank investee companies - to include AIM and Aquis companies.

The Mansion House Accord make explicit the investment needs and benefits of quoted markets as both AIM and Aquis companies are included alongside private companies under the terms of the agreement. This would represent a natural extension of the

BGP, and would increase visibility of quoted companies as Mansion House Accord investment prospects.

- 3 Increasing investment research of smaller company stocks:** The British Business Bank, as a portion of its quoted allocation, could fund grants for firms that produce equity research on smaller companies, using a tiered funding structure incentivising higher levels of investment research production. This could be based on Singapore's Grant for Equity Market Singapore (GEMS)⁴² scheme. This would contribute to solving the issue that Rachel Kent's Investment Research Review sought to address of overturning diminished investment research on smaller public companies.⁴³

British Business Bank backed investment research could also be made freely available to investors, further boosting the visibility of smaller quoted stocks. In-part this would contribute to realising one of the Investment Research Review's core recommendations of establishing an investment research platform.

- 4 Implementing effective project monitoring** to ensure that BBB funding is crowding-in private capital and to what extent, while avoiding crowding-out effects.

If existing market sentiment around UK equities continues to strengthen, and the recommendations outlined above are implemented successfully, then the

4

additional capital that is crowded in could lead to a multiplier factor of >1.0 of the Bank's investment.

Over time, this could amount to upwards of £2bn worth of investment going into UK quoted companies. This would be enough to offset current trends of smaller company outflows over the last 24 months and help kick-start the positive flywheel described in Section 4.1.

4.4. The case for an indirect investment model

The British Business Bank could choose to allocate this funding either directly (on a deal by deal basis) or distribute the funding to established small cap funds (indirect model). Given that the UK already possesses an established eco-system of small cap investment managers, the Bank should adopt an indirect model at first.

Over time, the Bank could consider directly investing in quoted companies after it has built-up experience with investee small cap fund managers' underlying portfolio companies and the broader market. This would be a natural extension of its British Patient Capital programme which allocates funding to companies indirectly through investments in venture capital funds and makes co-investments directly into companies.

Adopting an indirect model at first will likely maximise the immediate impact of the Bank's investment. This is important as the funding's transmission mechanism will influence the

speed of any future liquidity benefit.

If the capital is funnelled through multiple participants, its liquidity impacts will be faster and more widely distributed. This is analogous to throwing many small pebbles into a pond: fast spreading with ripple effects everywhere, versus throwing one large stone into the same pond: the ultimate displacement of water is the same, but slower to distribute.

The Singapore case study provides an international example of how an indirect model can lead to an almost immediate liquidity boost, with trading volumes up by 30% in February 2026, a year since its funding programme and reform package was introduced in February 2025.



International Case Study

Country *Singapore*



The Monetary Authority of Singapore (MAS) announced the introduction of its Equity Market Development Programme (EQDP), alongside broader reforms to its market infrastructure outlined through its Equities Market Review Group.

The **Equities Market Review Group** was set up to address liquidity and listings challenges within the Singapore equities markets. In particular, as a result of international trends and technological developments having meant that “smaller stock exchanges have faced increasing difficulties in attracting high-quality listings amidst lower trading volumes and liquidity,” in addition to Singapore’s smaller and medium-sized companies having often “been overshadowed by larger companies, and have struggled to sustain investor interest post-listing.”⁴⁴

Investment mandate

The objective of the EQDP programme is to “strengthen the local asset management and research ecosystem and increase investor interest in Singapore’s equities market.”⁴⁵

The EQDP invests in strategies managed by Singapore-based asset managers

with a significant focus on Singapore listed equities and those that broaden investor participation beyond large-cap stocks. Through the programme, MAS seeks “to partner asset managers that demonstrate a strong track record and proven investment capabilities”. Eligible fund strategies are those that either invest fully or significantly in Singapore public equities with **“strategies with a higher allocation or tilt towards small and mid-caps are preferred”**.⁴⁶

Investment amount

An initial investment pot of S\$5bn (around £2.9bn) was announced in February 2025. Indicating a show of confidence in the efficacy of the programme, in February 2026 the Singapore government announced a second tranche of funding amounting to S\$1.5bn (around £0.9bn) as part of its 2026 Budget⁴⁷. The Singapore Stock Exchange has a total of 701 companies⁴⁸, and as of March 2026, a total market capitalisation of around £627bn.⁴⁹

Given the relatively recent nature of the reforms, no extensive evaluation of its success has been conducted yet. However, early indicators are promising:

- 2025 was the highest year for IPOs on the Singapore Stock Exchange (SGX) in the last five years.
- There was a 150% increase in new listings on the SGX in 2025 compared to 2024.
- Of the seven IPOs announced so far in 2026, all of them were smaller

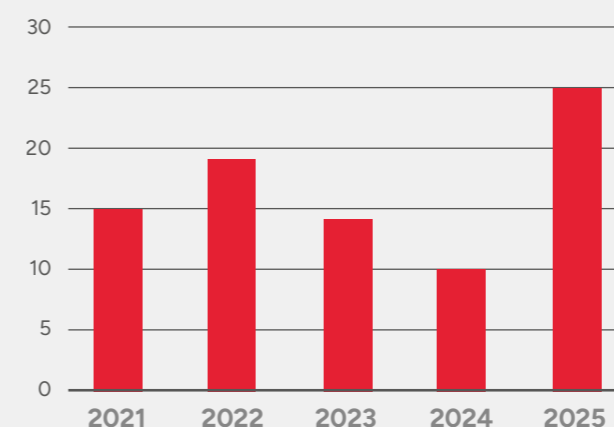


companies with a market cap below £150mn.⁵⁰

- The SGX has beaten its average annual performance since 2020.
- Total turnover (share trading vs. market capitalisation) on the SGX in February 2026 was 30% higher than the previous year.
- Total market capitalisation increased 25% in January 2026 compared to January 2025.
- EQDP fund managers have been reported as having crowded in third party capital, with estimates stating this will double the size of the programme to S\$13bn (roughly £8bn) over time.⁵¹

Figure 10
Singapore Stock Exchange Group data

Singapore Stock Exchange New Listings – 2021-2025



4.5. Alternative funding models

Cornerstoning IPOs

Cornerstoning IPOs would also help to kickstart investment flows on AIM and Aquis and crowd-in private capital. However, as described in the previous section, the timing of the investment and speed of transmission will have implications for its impact.

Targeting the intervention at already existing AIM companies in need of growth capital, as opposed to waiting for a potential pipeline of future IPO candidates to emerge, will ensure the positive impact of British Business Bank funding can be felt across the market immediately. In addition, confidence that the capital will be there to support recent IPOs will also be a contributory factor to creating an IPO pipeline of companies..

A slower distribution mechanism could reduce the funding’s ability to reverse outflows and prevent further capital leakage in the shorter term, which could negatively affect market sentiment and the amount of private investment the Bank could catalyse.

As shown in Figure 6, once capital flows are reactivated into AIM and Aquis, we would expect this to lead to more IPOs as prospective companies see the benefits of entering a more liquid market where valuations are higher. The example of Singapore is instructive: while the Monetary Authority of Singapore (MAS) has not specifically targeted its investment package at IPO stage companies, instead focusing

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capital on existing public companies, IPOs in 2025 were up 150% compared to the previous year.

However, in tandem with the in-direct funding model set out in this paper, we do believe there are reforms the British Business Bank and Treasury could implement to incentivise a more productive pipeline of IPOs on AIM, neither of which would come at any cost to the Exchequer:

1 Introduce an IPO tax holiday for companies

A tax holiday for IPO costs conditional on a defined length of UK listing would encourage more IPOs on the UK's public markets. Estimates put the IPO tax-related costs for smaller businesses at around £5mn when raising between £50mn - £100mn.⁵²

2 Require British Business Bank funded private companies to IPO in the UK

This would recognise the quid-pro-quo nature of funding from the British Business Bank. Receipt of growth capital from the Bank should be conditional on that company listing domestically once it has scaled-up sufficiently to consider an IPO.

QUOTED COMPANIES ALLIANCE

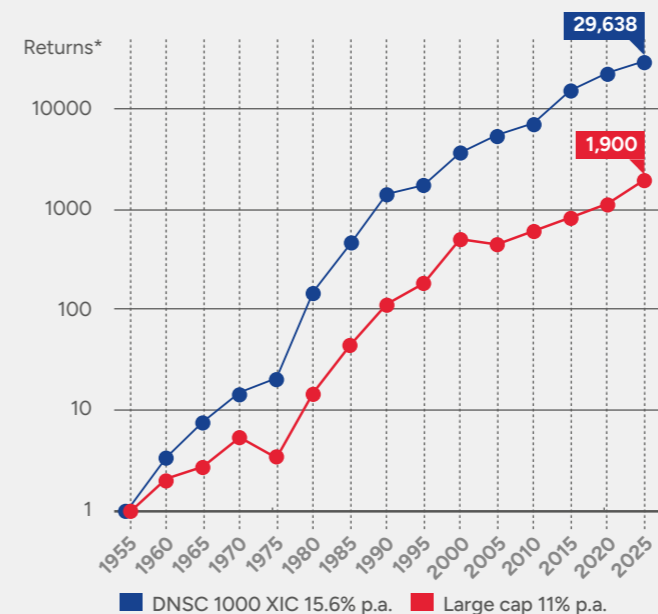
Setting out the investment case

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5.1. Historic performance

Figure 11
Deutsche Numis Indices 2026

Cumulative Return: Performance of smaller companies vs. large caps – 1955-2025



* based on initial investment of £
Despite the range of challenges outlined in Section 2, UK smaller companies have substantially outperformed larger companies over the long-term. If you had invested £1 in the smaller companies' index in 1955, that initial investment would have been worth £29,638 in 2025 versus £1,900 for large cap.

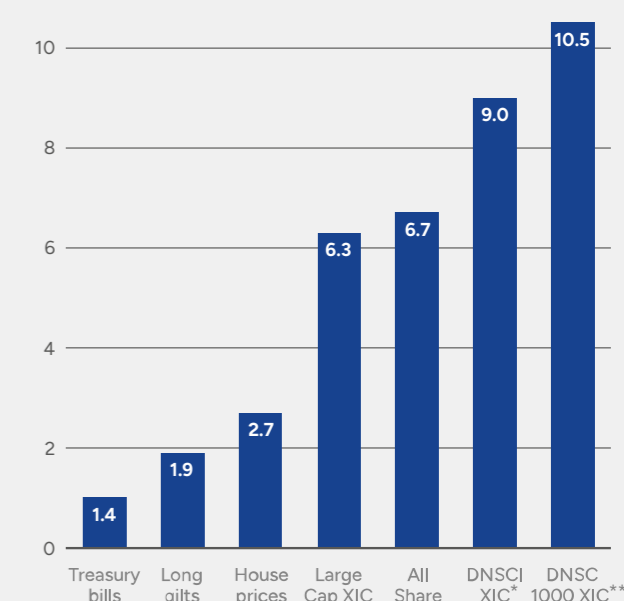
As demonstrated in Figure 11, historic data demonstrates that the Deutsche Numis Smaller Companies 1000 index⁵³ returned superior annualised growth than the large cap index over 71 years from 1955 to 2025: 15.6% vs. 11%.

5.2. Comparison with other asset classes

UK smaller companies also compared favourably to other asset classes including long gilts and US Treasury Bills as Figure 9 shows.

Figure 12
Long-term performance of different asset classes. Deutsche Numis indices 2026

Annualised real return – 1955-2025



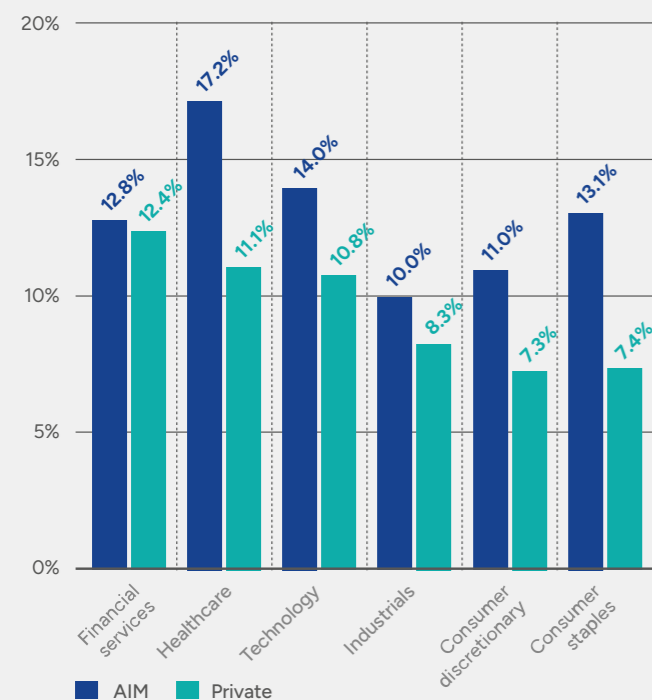
* Deutsche Numis Smaller Companies exc. investment trusts
** Deutsche Numis Smaller Companies 1000 (excluding Investment Companies)



In addition, when assessing compound annual growth rate (CAGR) of revenue, AIM companies consistently outperform private companies across a number of key sectors including healthcare (17.2% vs. 10.8%), technology (14% vs. 10.8%), and industrials (10% vs. 8.3%).⁵⁴

Figure 13
Grant Thornton: Economic Impact of AIM 2024

AIM company v private company revenue CAGR – 2019-2023



5.3. Current valuations

The data presented in Section 3.2 shows that the UK's smaller companies sector that valuations are down against historic averages and against international competitors. However, if we focus on AIM companies specifically, these low valuations belie these business' underlying performance.

Figure 14
Octopus Investments analysis of Factset data January 2026

Market comparison – Forecast growth vs. valuations⁵⁵

	3-year Earnings per Share CAGR to 2027	Prospective EV/EBITDA Valuation Multiple to 2026
Nasdaq Composite Index	22.8%	17.62x
FTSE AIM All Share	19.24%	6.5x
FTSE 250ex IT	12.55%	7.52x
FTSE 100	7.19%	8.61x

For example, despite the FTSE AIM All Share's earnings per share (EPS) CAGR to 2027 forecast just over three percentage points below Nasdaq, it is trading at less than a third of its valuation multiples. Regarding valuations, a similar picture emerges when comparing the FTSE AIM All Share with the FTSE 250 excluding IT and the FTSE 100.

While broader trends relating to lower levels of liquidity, reduced investment



flows and net delistings account in part for why valuations of AIM companies are down against UK larger caps, international comparators and against its historic averages, an important conclusion regarding AIM's investment prospects can be drawn.

These findings suggest that the existing growth potential of AIM companies does not match with current valuations, indicating that investment in AIM stocks represent good value for money given their low valuations; their forecasted high growth prospects compared to other international growth markets such as Nasdaq and private markets; and the historic performance of smaller companies.

About the QCA

The Quoted Companies Alliance champions the UK's community of 1000+ small and mid-sized publicly traded businesses and the firms that support them: nomads, brokers, accountants, lawyers, registrars, consultants and investors.

We believe the public markets can be the best place for companies to source the funds to grow, operate transparently and distribute wealth, fairly.

The QCA seeks to influence policy in dialogue with regulators and government, showcase the latest thinking on leadership, investment, technology and governance through our events and research, and provide a forum to share good practice among our members, whose market capitalisations range from £1mn to more than £1bn and are quoted on the Main Market, AIM and the Aquis Stock Exchange.

Informed by our seven Expert Groups drawn from the membership, we campaign to ensure that regulation is proportionate, while maintaining the necessary protections for investors. Our QCA Corporate Governance Code is followed by the majority of AIM companies.

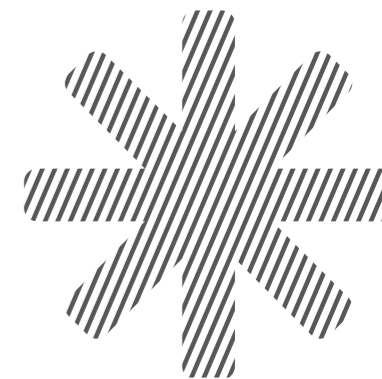
Small and midcap companies represent 91% of the quoted sector. They employ around 2.1mn people and contribute more than £25bn in annual taxation.

Our goal is to create an environment where their potential is fulfilled, helping to ensure a healthy and resilient UK economy.

Why join the QCA? Read more [here](#).



Notes



¹ HM Treasury. The UK's Modern Industrial Strategy: Financial Services – Growth and Competitiveness Strategy. (2025). p. 37.

² British Business Bank. Who are we. Source: <https://www.british-business-bank.co.uk/about/who-we-are> (date accessed: 23/03/2026).

³ DBT and HM Treasury. Statement of Priorities to the British Business Bank. (2025).

⁴ British Business Bank. Five-year Strategic Plan. (2025). p.5.

⁵ Ibid. p.11.

⁶ British Business Bank. Annual Report and Accounts 2024-2025. (2025). p. 30.

⁷ British Business Bank. British Patient Capital (BPC) Core Programme Request for Proposals. (2025). p.3.

⁸ Conservative estimates of the number of EIS/VCT eligible AIM companies stands at around 85. Source: Cavendish research.

⁹ BGF. Response to the Treasury Committee: SME Finance. (2023). p.1.

¹⁰ 609 as of April 2026. London Stock Exchange. Issuer Lists. Primary Markets: AIM April 2026.

¹¹ Based on figures from February 2025 which is the last LSE AIM issuer list that included market capitalisation statistics.

¹² London Stock Exchange. Issuer Lists. Primary Markets: AIM March 2026.

¹³ 'Smaller company' is defined here as a market capitalisation of less than £1bn. Source: New Financial. The Future of Smaller Company Capital Markets in the UK. (2024). p. 3.

¹⁴ London Stock Exchange. London Markets Update – 3rd Edition 2026. (2026).

¹⁵ Aquis. Issuer List. April 2026.

¹⁶ This includes direct, indirect and induced effects.

¹⁷ Grant Thornton. Economic Impact of AIM. (2024). p.6

¹⁸ Ibid. p.7

¹⁹ Ibid. p.10.

²⁰ New Financial. The Future of Smaller Company Capital Markets in the UK. (2024). p.19.

²¹ New Financial. The Future of Smaller Company Capital Markets in the UK. (2024). p.28

²² Investment Association. UK Smaller Companies Fund Flows March 2023 – February 2026

²³ New Financial. How to boost investment in UK equities by UK pensions. (2025). p.12.

²⁴ The Association of British Issuers (ABI). Mansion House Compact: Progress Update. (2025).

²⁵ MiCap data. (2026).

²⁶ Investment Association. Investment Management in the UK 2024 – 2025. (2025). p.46.

²⁷ New Financial. The Future of Smaller Company Capital Markets in the UK. (2024). p. 26.

²⁸ Cavendish research. (2026).

²⁹ JP Morgan. Guide to the Market January 2026. (2026).

³⁰ The p/e multiple is one of the most frequently used measures of stock market value. It is the share price divided by the estimated future earnings per share. In effect, this demonstrates to investors how high a company's shares are priced compared to its profits.

³¹ Deutsche Numis. Raised in London. (2025). p.9. Source: https://dbnumis.com/files/documents/Ril-2025-A4-Digital.pdf?language_id=1

³² London Stock Exchange. Primary Markets Factsheet: AIM. (January 2026)

³³ Since 2024, the London Stock Exchange's issuer lists for AIM companies are not accompanied by market capitalisation.

³⁴ New Financial. The Future of Smaller Company Capital Markets in the UK. (2024). p.23.

³⁵ London Stock Exchange. Issuer Lists: AIM Primary Markets. Source: <https://www.londonstockexchange.com/reports?tab=aim>

³⁶ Ibid. (December 2025).

³⁷ British Business Bank. Five-year Strategic Plan: Fuelling Ambition, Driving Growth. (2025).

³⁸ Berenberg. Investor Barometer: A measure of investor sentiment towards UK plc. (2026).

³⁹ Some of the reasons for this given by investors were the relative political stability of the UK, and for US investors in particular, diversification concerns after years of market concentration and overweighting US equities alongside worries around domestic political instability. Source: Berenberg. Investor Barometer: A measure of investor sentiment towards UK plc. (2026).

⁴⁰ These are in line with recommendations made in the National Wealth Fund Taskforce's 2024 final report National Wealth Fund Taskforce. Report: Prepared for the Labour Party. (2024). p. 28.

⁴¹ "Leveraging this position, the British Business Bank will create a new investment vehicle, the British Growth Partnership, for which we will seek to raise hundreds of millions of pounds from UK pension funds and other institutional investors to invest into UK venture capital." Source: British Business Bank. British Growth Partnership. Article accessed on: 30/03/2026: <https://www.british-business-bank.co.uk/finance-options/british-growth-partnership>

⁴² For example, in Singapore, applicants can claim S\$1000 per report for the first 39 pieces of research produced. Beyond 40, they can claim S\$5000 per research report up to a total of 80 reports. Source: Monetary Authority of Singapore. Grant for Equity Market Singapore Scheme. <https://www.mas.gov.sg/schemes-and-initiatives/grant-for-equity-market-singapore-scheme>

⁴³ HM Treasury. Investment Research Review: Final Report. (2023).

⁴⁴ Monetary Authority Singapore (MAS). Equities Market Review Group. Final Report: Measures to Strengthen the Competitiveness of Singapore's Equities Market. (2025). p.4. Source: <https://www.mas.gov.sg/-/media/mas/news/media-releases/2025/annex-a---final-report.pdf>

⁴⁵ Monetary Authority Singapore (MAS). Equity Market Development Programme. (2025). Source: <https://www.mas.gov.sg/development/asset-management/equity-market-development-programme>

⁴⁶ Ibid.

⁴⁷ Monetary Authority of Singapore (MAS). MAS Announces Expansion of Equity Market Development Programme. (2026). Source: <https://www.mas.gov.sg/news/media-releases/2026/mas-announces-expansion-of-equity-market-development-programme>

⁴⁸ Singapore Stock Exchange Group. Corporate Information. (2026). Source: <https://www.sgx.com/securities/corporate-information>

⁴⁹ CEIC. Singapore Market Capitalisation March 2026. Source: <https://www.ceicdata.com/en/indicator/singapore/market-capitalization>

⁵⁰ Singapore Stock Exchange Group. IPO performance. (2026). Source: <https://www.sgx.com/securities/ipo-performance>

⁵¹ Asia Asset Management. In Singapore, a scheme to boost equity market seems to be bearing fruit. (March 2026). Source: <https://www.asiaasset.com/equities/in-singapore-a-scheme-to-boost-equity-market-seems-to-be-bearing-fruit/>

⁵² Financial Times. UK set to exempt newly-listed company shares from stamp duty. Source: (date visited: 22/04/2026) <https://www.ft.com/content/3204e0a0-212f-482f-b9e9-24dc2899b57f>

⁵³ The Deutsche Numis Smaller Companies 1000 index covers the bottom 2% of the UK's Main Market by value.

⁵⁴ Grant Thornton. Economic Impact of AIM. (2024). p.11.

⁵⁵ IFA Magazine. Octopus Investments: Why AIM still matters. (2026). Website article. Date accessed (24/04/2026).

Source: <https://ifamagazine.com/octopus-investments-why-aim-still-matters/>

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