

Covid-19 and Thorntons AIM IHT portfolio

Markets Update: 19th June 2020

Many Happy Returns



Matt Strachan
Chief Investment
Officer

A couple of weeks ago I mentioned that there would be something to celebrate and given everything that is going on it would be easy to overlook. This week is the 25th anniversary of the Alternative Investment Market (AIM). So, I thought it appropriate to indulge a little in its history and success.

I remember its launch well, as I had been responsible for a couple of investments on one of its forebears, the Unlisted Securities Market (USM). Back in 1995 it started with 10 companies with a total market capitalisation of £82m. Today there are 840 companies on AIM with a total capitalisation of about £90bn and at peak it was over £100bn. It has been a very vibrant market with 3,900 new issues over 25 years and a peak membership of 1,350 companies.

Statistics are one thing, but AIM's evolution, significance in the UK economy and of course its companies, provide a much richer story. Early on it became a home for young tech companies (remember the TMT bubble?) and that success was quickly copied by others, like the Nouveau Marché in France and the Neuer Markt in Germany. Of course, the collapse of the tech bubble led to difficult times and most of these peers did not survive, but AIM did and has thrived to be the most successful market for smaller growth companies in the world.

Although subject to the same accounting rules as companies listed on the main market, AIM has been given a reputation of being a bit more of a racy market, with occasional scandals such as Patisserie Valerie and Conviviality garnering all the headlines. I think this is rather unfair and overshadows the considerable achievements behind the headlines; but maybe that is just the British psyche.

Many household names such as Domino's Pizza and Dobbies grew up on AIM before moving on, whilst some, such as Fever-Tree, have become household names and have been quite happy to remain on London Stock Exchange's 'junior' market.

Boohoo, the online fashion group, is the largest company on AIM with a market capitalisation of nearly £5bn. This 15-year-old company exemplifies the speed and success AIM companies can have and it is now worth more than Marks & Spencer, Morrisons or J Sainsbury.

With a deep pool of capital centred around London, AIM has provided the platform to raise £118bn of capital, most of that in secondary issues, as the long-term finance for aspiring and innovative companies. Technology companies on AIM have recorded a revenue growth rate of nearly 19% over the last five years, significantly higher than privately owned peers.

A positive impact

All this has a positive impact on the UK economy in turn. A Grant Thornton report five years ago showed that companies with a turnover of less than £5m grew by 200% and increased employment by 100% in the first year after admission on AIM. Currently AIM companies are estimated to make a direct contribution to UK GDP of £33.5bn and employ close to 430,000. Once supply chains and ancillary spending is taken into account, this impact doubles.

With the onset of the Covid-19 crisis, many companies have been quickly able to raise fresh capital to ensure their survival and have the financial strength to take advantage of opportunities as we come out of the pandemic. What is really crucial though, is that AIM is enabling the next generation of companies that will support the economy in the years ahead.

Arguably there has never been a more important time for this to flourish.

So, there is much to celebrate and undoubtedly much to look forward to.

Coincidentally, Thorntons Investments was formed 25 years ago. Celebrations are, of course, currently not what they used to be, but we raise a glass to all those at AIM (possibly via Houseparty!) and wish them all the best for the future.

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**Chief Investment Officer
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