London’s ‘enfant terrible’ Aim market comes of age as FTSE 100 stutters

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Markets

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London’s junior stock market, the Alternative Investment Market, has bounced back to within a whisker of where it began the year after a storming summer rally for smaller British listed companies.

While the FTSE 100 index of the leading companies remains more than 20 per cent down so far this year, the Aim All-Share, which tracks all of the companies listed on the junior market, is less than 0.5 per cent shy of where it was at the turn of the year.

The Aim All-Share entered the year at 958.26 and peaked at 975.20 a few weeks later before the coronavirus induced stock markets sell-off sent it tumbling to 589.60 by the middle of March. Since then, however, the index has rallied by 62 per cent and it closed yesterday at 954.35. Earlier in September, it had been as high as 973.52.

The junior market is seen by many as London’s enfant terrible because of its lighter regulations and occasional blow-up, such as Quindell, the once hugely popular insurance services stock, and Patisserie Valerie. However, this year there have been spectacular surges in the value of some of its companies, especially those in the biotechnology space that have managed to jump on the coronavirus bandwagon.

Shares in Avacta, which has developed a Covid-19 test, have leapt 816 per cent this year, while shares in Novacyt, one of the first to start work on a test for the virus, have increased by more than 4,000 per cent. Shares in Omega Diagnostics, another company in the testing space, rose by almost 500 per cent.

“There are some companies in the Aim market that have just lucked out large because they happen to have been in the right place at the right time,” Gervais Williams, who manages the Miton UK Small Companies Fund, said.

Aim has also been given a leg-up this year because of the preponderance of technology related companies. The FTSE 100 is dominated by “old economy” stocks, such as the oil supermajors and huge banks, whereas Aim has more similarities with the technology-heavy US markets that have outperformed their peers this year.

Within the Aim All-Share, information technology has the biggest weighting, with healthcare the next largest. Those two sectors have been the stand-out winners this year, while Aim also boasts Asos and Boohoo, the online retailers each valued at about £5 billion. Despite their initial dives, Asos is up by 53 per cent so far in 2020 and Boohoo, even with question marks over its supply chain, has improved by 28 per cent.

Another fillip has been the well-documented rise of the retail investor during lockdown. Trading platforms have added record numbers of customers this year and the junior market often attracts smaller private investors hoping to strike it rich on the “Aim casino”.

“There has been quite a significant recovery in retail activity on Aim — exactly the same has happened in the US,” said Ivan Sedgwick, investment director at LGB & Co, the boutique finance house that helps small companies to raise money. “People who have savings have been at home, they’ve been stuck in front of their screens and they’re trading more.”