The Quoted
Companies Alliance

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Peter Taylor, *The Daily Telegraph*
AIM Market: Liquidity the focus as Aim deputy takes charge

IT'S difficult to imagine a more turbulent time for Marcus Stuttard to take the reins of London's growth market.

The former deputy head of Aim is stepping into the top job at a time when there has been no shortage of publicity over the significant drop-off in listings.

Mr Stuttard, 39, is also taking on the role following a series of high-profile sagas involving specific Aim-listed company boardrooms that, even if they have operated to the letter of the market's laws, have hardly been beacons of best-practice when it comes to good governance.

Though each case has been unique in its circumstances, they've all had the effect of damaging investor confidence and have frequently given credence to the perception in some quarters that the broader Aim marketplace is lumbered with low levels of liquidity.
Mr Stuttard is all too aware of the issues confronting the market, as well he should be after more than five years working specifically in Aim management and 15 years with the London Stock Exchange.

He is promising a steady hand rather than a transformational approach – a commitment that will be welcomed by the many Aim advisers who believe that the contraction in the number of listed companies is not a result of any fundamental problem with the market but, rather, a "cleaning out" of companies that arguably shouldn't have listed in the first place.

Mr Stuttard rejects the notion that the market, which was home to about 1,700 companies at the end of 2007 compared with 1,455 at the end of last month, "overshot the mark" on the way up.

He argues that the contraction now taking place is a "completely natural process", facilitated by Aim's relaxed regulatory regime.

The companies leaving are, he says, those for whom a listing is no longer appropriate and the high-profile cases – where investors are unable to extract themselves at a price they consider fair – are the exception, not the rule. "We have said very clearly that we are not playing a numbers game, Mr Stuttard says.
"I view in part the reduction in numbers as a valid and timely house-keeping exercise.
"Going forward there is no doubt that we are going to end up with a smaller market in terms of the number of companies, but those companies should have ongoing needs of the public markets and should be a better crop of companies."

He adds: “We continue to review the level of regulation. Our key job is to keep the balance right so that there are good levels of investor protection but also so the cost of being on market, coming to the market and of raising equity capital is reasonable for the companies.

“We have to maintain that balance and I think the balance is about right.”

Though no significant regulatory change is on the agenda, the new Aim chief does have his work cut out, principally in enhancing liquidity in the marketplace – and improving perceptions about liquidity levels – and, to a lesser degree, in protecting Aim’s reputation as the world’s growth market of choice from competition, particularly abroad.

The exchange has worked hard to improve the appeal of investing in Aim, Mr Stuttard says, “so there is the right level of liquidity in the market to make sure valuations are at a realistic and appropriate level”.

Among various measures, it has established the free PSQ Analytics research service and coordinates “road shows” to promote companies to investors. “I think there’s more we can do in terms of road shows both in the UK and internationally,” Mr Stuttard says.

But, arguably, the most significant measure to improve liquidity is out of the hands of the exchange. Its increasingly loud campaign for the Government to relax its restrictive rules on venture capital trust investment in Aim companies has so far gone unrewarded.
Again, Mr Stuttard has his work cut out. He says the dialogue with Government is improving and he’s hopeful of a policy change in the coming years.

He emphasises his belief that Aim’s “fundamentals are really strong” but acknowledges that much of the market’s success hinges upon the fortunes of the broader economy.
In that regards, his own success as head of Aim, at least in the short term, also depends on a wider return to economic health.

While the jury is out on whether the recent rally in global equity markets – and Aim no less – is really a reflection of a pending improvement in the broader economy, the verdict on the exchange’s decision to appoint Mr Stuttard as Head of Aim is in, at least from many in the Aim fraternity.

Donald Stewart, chairman of the Quoted Companies Alliance, says Mr Stuttard “was clearly the most appropriate successor to (former head) Martin Graham”.

“Marcus has always worked hard to promote Aim and issuers quoted on it,” he says. “In the current economic malaise it is important that Aim has a leader of strength and vision and we believe that Marcus has those qualities.”