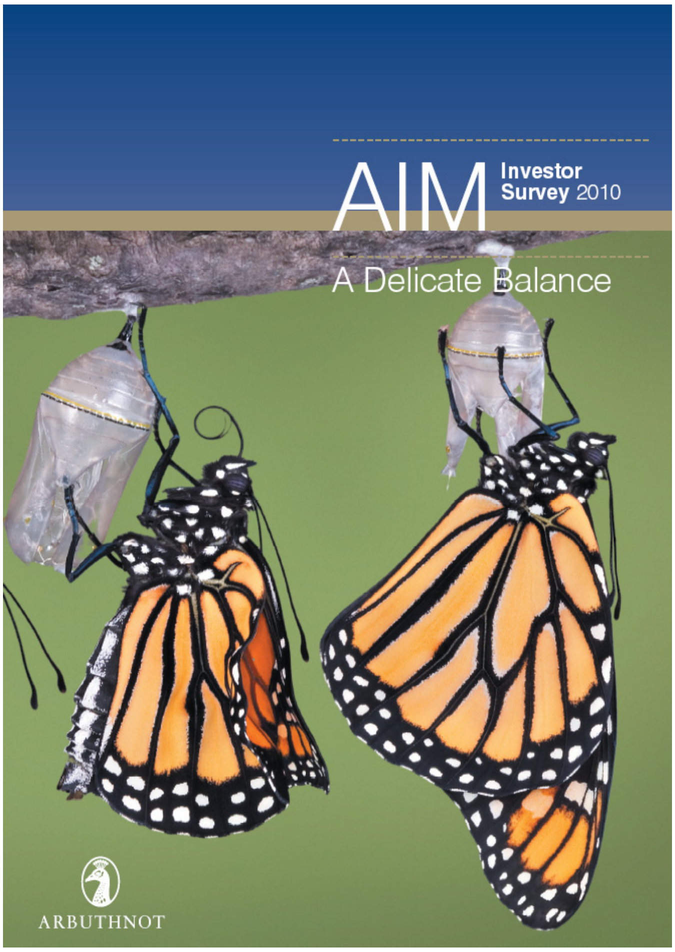

Arbuthnot Securities' AIM Investor Survey is now in its sixth year and identifies the attitudes and perceptions on AIM.

Historically the survey focused on the views of professional investors in AIM-quoted companies. For the first time the opinions of CEOs and FDs of AIM-quoted companies and institutional traders have been canvassed as well professional investors.

The respondents from AIM-quoted companies represent a wide range of sectors, with market capitalisations ranging from under £1m to over £250m. 66% of respondents are not currently Arbuthnot Securities' corporate clients.

Arbuthnot Securities' AIM Investor Survey 2010 - Executive Summary

The broader statistics for AIM make interesting reading. Total monies raised on AIM peaked in 2007 at £16bn. By 2009, the equivalent figure had declined by 65% to £5.5bn. On an annualised basis in 2010, the total will be around £5bn. The value of shares traded on AIM between January 2007 and May 2010 declined by 60%. No published statistics exist on the split between institutional and retail volumes in the market but LSE statistics indicate that the average bargain size is now £8,000, back to levels last seen in 2001.
Despite this, and coincidentally as we publish, the FTSE AIM All-share Index is up c.12% since 1 September 2010. Last year's optimism for AIM (Arbuthnot Securities' AIM Investor Survey 2009) has proved to be well founded: from 1 January 2010 until 31 August 2010 both the AIM All-Share Index and the AIM 100 Index produced gains of c.6% and c.8%, respectively vs. the FTSE All-Share Index which fell 2% over the same period. However, 135 companies have left AIM so far this year continuing a trend that we first observed in the 2008 Investor Survey. Hopefully this process has improved the quality of companies quoted on AIM.
Our sixth annual AIM Survey captures a response from an audience three times as big as last year. For 2010 we have surveyed fund managers (again) and for the first time, AIM-quoted companies and institutional dealers.

Tactically, this is a deliberate attempt to better understand how more of the users and participants within AIM feel. For some time now we have sensed behavioural change amongst both fund managers and companies. For the brokers, understanding how the pools of money behave is crucial to winning, servicing and retaining high quality companies. It's also the key to servicing fund managers properly and retaining high quality access to money.

The results of our survey this year reflect change. Fund managers' behaviour is changing. They deal less on a day to day basis and hold their stocks for longer. Over the last three years, 56% of fund managers surveyed maintained or increased the proportion of their funds devoted to AIM, while 62% of those surveyed, dealt less over the last 3 years. Practical experience on a day to day basis suggests that it's very hard to persuade fund managers to start new holdings, let alone convert fund managers meeting companies into buyers. 78% of fund managers increased their contact with the boards of the companies in which they invest. While 86% of companies think that AIM has been a positive for them, the major frustrations are ratings, illiquidity and the lack of secondary activity. Difficulty finding new buyers was cited by 75% of respondents as a further frustration. Interestingly, 62% of companies feel that meeting with retail investors is also a key part of their IR strategy. For brokers operating on AIM, the implications of this are clear: engage proactively with ambitious growth-orientated companies and the market will listen. Preserve and grow access to all the relevant pools of money and your ability to both raise money and control the secondary market will be enhanced.

In every case where the option was offered, the fund managers responded that their considerations were stock-specific in nature, rather than sectoral or geographical. This may not be a surprise or represent a change but it should be real grounds for optimism. LSE statistics indicate that the top ten owners of AIM haven't changed materially over the last few years. This may be so, but our own experience is that quality companies can raise money to fulfil their ambitions.

The reality is that several ingredients are required to fulfil a fund manager's checklist. Deliver (meeting forecasts has been top of the fund managers' delivery list for four years) and you're on your way; fail and you may well join the ranks of the forgotten companies quoted on AIM.

If you would like to receive a copy of the full report in PDF format, please visit:
http://www.arbuthnotsecurities.co.uk/AimSurvey