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OPINION

Why should investors care about Aim?

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Aim UK

London's junior stock market celebrates its 30th birthday with listings at a two-decade low — now might be the right time to buy

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I cannot recall a great deal about my 30th birthday. It could be that my presents were a disappointment, but I hesitate to pursue that possibility in print — my nearest and dearest might exact revenge when I next come to blow out the candles.

I wonder if the 30th anniversary on June 19 of Aim — formerly the Alternative Investment Market — will prove more memorable. More significantly, I wonder if it will prove memorable for the right reasons.

Since many people might be unfamiliar with this corner of the investment universe, a brief history lesson may be in order. This requires us to wind back to 1995, when the London Stock Exchange (LSE) launched the UK's new junior market.

Back then, Aim consisted of just 10 businesses, each of which was small, primed for growth and in need of capital. The general idea was that this novel, lightly regulated investment arena could be home to "the next big thing".

That turned out to be a popular notion, and by 2007 Aim hosted nearly 1,700 stocks from around the world. However, fast-forward to the present day and we find listings at a two-decade low of fewer than 700, most of them UK-based smaller companies. Their average market capitalisation is only just over £100mn.

Aim might therefore be seen as a casualty of the LSE's diminishing popularity as a place to list. Fewer than 20 companies listed in the UK capital last year — the lowest number since the 2009 financial crash.

Given this apparent decline, why might investors care to spare Aim more than a passing thought as it approaches the big three-O? Maybe the simplest explanation is that, despite everything, the founding principle of this market still applies.

The fundamental goal today, just as it was 30 years ago, is to provide promising smaller companies with access to capital and ongoing finance. For all its travails, Aim remains a powerful engine of growth, one that has helped more than 4,000 businesses raise about £135bn since 1995, according to a report by Grant Thornton. It is also an acknowledged hotbed of innovation.

As such, this is a market that is still ripe with opportunities and vital to the health of the UK economy. In 2023 alone, according to the Grant Thornton report, it contributed £68bn in gross added value.

Alas, not everyone is suitably moved. Last year's Autumn Budget saw the halving of long-standing tax exemptions on Aim shares, and Angela Rayner, the deputy prime minister, is reportedly pressing the Chancellor to put those same reliefs back in the crosshairs.

Yet many influential figures fully recognise Aim's continued worth. They include Emma Reynolds, the City minister, and Alistair King, Lord Mayor of the City of London. They understand that the government should be promoting this market rather than gradually eroding its attractions — whether unwittingly or otherwise.

Crucially, they also understand the merits of diversification. Particularly in the Trump 2.0 era, the case for holding only a handful of household-name stocks — most obviously the so-called "Magnificent Seven" US tech titans — is decidedly shaky. It can pay to dig deeper and look further afield.

Many investors will never have heard of the majority of Aim companies. Take Brickability, the UK's leading brick supplier, or Filtronic, which manufactures radio frequency components for telecommunications systems, or Cerillion, which specialises in the latest generation of billing systems for mobile network operators.

Why are these excellent businesses practically unknown to the wider investment community? It is not because they are unsuccessful or dull — quite the contrary. It is usually because they are consistently under-researched and so fail to register on most investors' radars.

That said, there are some that might just ring a bell — not least budget travel company Jet2.com, which was a founding member of Aim and is still listed today. An investment of £1,000 in Jet2.com on the first day of trading three decades ago would have been worth more than £70,000 at the start of 2025, which is a decent birthday gift by anyone's standards.

Of course, smaller, high-growth companies can be volatile. By way of illustration, Aim's market capitalisation fell by 3.1 per cent in March this year, was relatively flat in April and then delivered a gain of 8.23 per cent in May — the sharpest rise since December 2020.

Do such fluctuations mean this is not a market for the faint-hearted? Although that might be an exaggeration, it is fair to say a long-term outlook can be useful. There have been numerous peaks and troughs during the past 30 years.

In the final reckoning, though, history clearly shows that smaller companies tend to outperform their larger counterparts over time. Ultimately, this is what Aim is all about: the prospect of growth over an extended period. Whatever happens on or after June 19, that much is well worth remembering.

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