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AIM JOURNAL

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM Awards 20th anniversary

The shortlist for the AIM Awards has been announced, with pharma services provider Clinigen, vets practices consolidator CVS, aviation and distribution services provider Dart and floorcoverings supplier James Halstead in contention for the company of the year award for 2015. The AIM awards are being held in London on 8 October. This is two days before the eighth anniversary of CVS joining AIM. There are also plans to mark the 20th anniversary with an award for the best performer over 20 years (<http://www.aim-awards.co.uk/shortlist/>).

Dart and James Halstead were both previously fully listed before joining AIM, although they moved to the junior market in 2005 and 2002 respectively. Clinigen is newest of the four, having been quoted for three

years. It won the best newcomer award in 2013. Clinigen is also the only one of the four involved in other awards – AIM transaction of the year and Clinigen chief executive Peter George as entrepreneur of the year.

The international company of the year shortlist includes Indian power generator OPG Power Ventures and construction equipment supplier Somero Enterprises, which were both included last year, and they have been joined by big-data software developer Fusionex and Hutchison China Medtech, which was on the shortlist in 2011.

The best newcomer title is between financial adviser Curtis Banks, mixer drinks supplier Fevertree Drinks, Camden market owner Market Tech Holdings and motor dealer Marshall Motor.

X Studio looks to London

Australia-based live-streaming social broadcast business The X Studio is considering floating on AIM. Australian social media entrepreneur Ron Creevey, who founded social network YuuZoo, has plans to expand the business, including opening a venue in London. He believes that there is a greater appetite for technology companies in the London market than there is in Australia. There are more technology companies on the London markets, and particularly on AIM, than on the ASX.

The business was launched in Sydney's Kings Cross area nearly one year ago and it

has secured partnership deals with Amazon, Spotify and Twitter. The X Studio is also used as a live music venue. A social broadcasting app called X Cast will soon be launched. There are also plans to open similar sites in Bali and Singapore.

Creevey was involved with Magna Data, one of the first internet service providers in Australia, and after a failed catering venture, he became involved in YuuZoo, which floated on the Singapore stock market last year. YuuZoo creates groupings of individuals interested in particular subjects and then sells access to them to companies.

In this issue

02 GENERAL NEWS
GVC snaps up
bwin.party

03 ADVISERS
Micro trust
performance

04 NEWS
Fishing growth

06 NEWS
Churchill fired up

07 DIVIDENDS
Frenkel Topping
advice

08 EXPERT VIEWS
Front line views
on AIM

09 FEATURE
Post-ISA liquidity

11 STATISTICS
Market indices and
statistics

general news

GVC gains bwin.party recommendation

Online gaming firm GVC Holdings appears to have won the battle for rival firm bwin.party digital, following the withdrawal of 888 Holdings from the bid battle. GVC's cash and shares offer values bwin.party at £1.16bn. If the acquisition is agreed by shareholders, GVC will move to a standard listing.

GVC has formally launched its previously proposed bid of 0.231 of its own shares and 25p in cash for each bwin.party share. This values each share at 129.64p and would give bwin.party shareholders two-thirds of the shares in the enlarged GVC. The cash portion will be financed by a €400m two-year secured loan facility from Cerberus.

bwin.party had originally recommended a rival cash and shares bid from 888 that valued the company at £898m and there were expected cost savings of at least \$70m. That bid was 0.404 of

an 888 share and 39.45p in cash for each bwin.party share. There was a revised proposal of 39.45p in cash and 0.465 of an 888 share for each bwin.party share – equivalent to 114.8p a share – but there were preconditions, including an increase in the break fee. 888 is entitled to a break fee of £5.71m following the withdrawal of the bwin.party recommendation for its original bid.

GVC has already successfully integrated the Sportingbet acquisition and reduced costs from that combination. The latest merger is expected to lead to at least a €125m a year cost reduction by the end of 2017. The one-off costs of these savings would be €60m, most of which would fall in 2016. The downside for GVC investors is that they are unlikely to receive any dividends in 2016 but dividends should resume in 2017.

Pension buyout cost fears

Defined benefit pension schemes can be a burden to companies even if they are closed to new entrants. However, companies seeking to transfer their defined benefit pension liabilities to insurers could have to pay up to 10% more next year because of new regulatory requirements for insurers, according to PwC. The accountant says that the Solvency II regulations will require insurers to have more capital to support buyouts written from January 2016 in order to reflect the level of risk. Pension schemes with members who have yet to retire will be hit hardest. Many companies are keen to remove these unpredictable pension liabilities from their balance sheets. There could also be a knock-on effect on equity markets if the pension funds reduce their exposure to shares in favour of lower-risk investments.

GLI Finance targets 8% yield for trust

Small business finance provider GLI Finance is selling a portfolio of loans via alternative lending platforms to a new investment trust, which will be managed by its Guernsey-licensed GLI Asset Management subsidiary. GLI Alternative Finance wants to raise at least £45m at 100p a share via a placing and offer and a share swap for the purchase of the portfolio for £39.94m, although the final value will be set just before trading in the investment trust commences. At this level of investment the issue costs will be £820,000. Additional cash can be raised if there is demand from

investors. The investment trust has the authority to issue up to 200 million C shares up until its first AGM.

GLI Finance has investments in 19 lending platforms and the investment trust will gain exposure to loans via these platforms or directly. The investments will be geographically spread but the UK will account for a significant chunk. Investments could be invoice financing, trade financing and longer-term loans. The equivalent of up to 5% of assets can be loaned directly to platforms. The loans can be for up to 36 months.

GLI Alternative Finance can borrow up to 150% of its NAV in order to make additional investments. Some of this debt will be used to hedge exposure to non-sterling loans.

The management fee will be 0.75% a year up to £100m NAV or market capitalisation, whichever is lower, and 0.5% a year above £100m. There are no performance fees. The plan is to offer investors an annual yield of 8%. The intermediaries offer is set to close on 17 September and the shares will join the Specialist Fund Market (<http://www.glialternativefinance.com/media/files/prospectus.pdf>).


advisers

River & Mercantile micro progress

River & Mercantile UK Micro Cap was launched nine months ago and it had fully invested the £50.6m it raised at 100p a share after six months. After expenses, the initial NAV was 98p a share.

The two largest investments are in software provider Ideagen and oil refinery software and consultancy provider KBC Advanced Technologies, which have both performed strongly since they were bought. Personal injury claims leads generator NAHL Group is another of the investments that has performed strongly. Nationwide Accident Repair Services was one of the trust's early investments and it has been taken over, which provides cash for other investments.

There have been some disappointments. Online commerce company blur Group has performed poorly and the trust is also a shareholder in home improvement products installer entu (UK), which has announced that it is closing its solar installation

business because of the uncertainty surrounding the market due to recent government policy changes. There will be a one-off cost for the closure of the solar business and this will mean entu's 2014-15 profit will be lower than expected which will have a knock-on effect on the dividend payment. The rest of the entu businesses are trading in line with expectations.

The trust's NAV on 4 September, three days after the entu profit warning, was 105.9p a share, down from 108p a share at the end of June, and the share price is trading at a small premium to this.

■ WH Ireland, last year's winner of the Aim Award for best research, is on the shortlist for the 2015 award (<http://www.aim-awards.co.uk/shortlist/>). finnCap, sponsor of the AIM Journal, has also returned to the shortlist. The other two brokers on the list are Investec and N+1 Singer 2013.

This is the first time Investec has

been on the shortlist. N+1 Singer was on the list in 2013, while finnCap was on the shortlist in three out of the past four years and it won the award in 2012.

Other previous winners were Allenby Capital in 2013 and Edison Investment Research in 2011.

■ The Malta Stock Exchange is hosting an event to introduce the benefits of the jurisdiction and the services available. The event is being held at Malta House in Piccadilly, London, on 4 November (<http://www.ctrr.co.uk/emails/30-07-15-MSE/index-2.html>).

The Malta stock market is recognised by the HMRC and offers a Main Market listing that is passportable throughout the EU. There will be an announcement of the details of the Malta Stock Exchange's new product, which it says will facilitate access to the capital market for small and medium-sized companies.

ADVISER CHANGES - AUGUST 2015

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Richland Resources	Shore	RFC Ambrian	RFC Ambrian	RFC Ambrian	03/08/15
Telit Communications	Berenberg/ Canaccord Genuity	Canaccord Genuity	Canaccord Genuity	Canaccord Genuity	03/08/15
Dekeloil	Cantor Fitzgerald/ Beaufort/Optiva	N+1 Singer / Beaufort/Optiva	Cantor Fitzgerald	N+1 Singer	10/08/15
Quindell	Peel Hunt	Cenkos	Peel Hunt	Cenkos	17/08/15
Teathers Financial	Peterhouse	Peterhouse/ Beaumont Cornish	Grant Thornton	Beaumont Cornish	17/08/15
SQS Software Quality Systems	Numis/Westhouse	Canaccord Genuity/ Westhouse	Numis	Canaccord Genuity	18/08/15
Inspirat Energy	Peterhouse/Westhouse	Beaufort/Westhouse	Westhouse	Westhouse	20/08/15
Herencia Resources	Beaufort/RFC Ambrian	RFC Ambrian	WH Ireland	WH Ireland	21/08/15
Venn Life Sciences	Hybridan /Zeus	Zeus	Zeus	Zeus	24/08/15
Empresaria	Arden	Shore	Arden	Shore	27/08/15
Eland Oil & Gas	Canaccord Genuity	First Energy/ Canaccord Genuity	Canaccord Genuity	Canaccord Genuity	28/08/15

September 2015 : 3


 company news

Fishing Republic set to catch and consolidate rival retailers

Fishing equipment retailer

www.fishingrepublic.net

Fishing equipment and consumables retailer **Fishing Republic** wants to be a consolidator in its sector and joining AIM has given it the fire power to do this. Fishing Republic raised £953,000, after expenses, at 15p a share in June.

The angling trade sales market was worth £541.2m in 2011. This is a very fragmented market and Fishing Republic is already one of the larger retailers. Fishing Republic has seven retail sites in northern England and its own online sites. The warehouse in Rotherham has the capacity to cope with up to 30 stores plus additional online business. Fishing Republic is not interested in small high street stores. It operates larger outlets on light industrial estates and is seeking to acquire similar outlets. That means that around 100 of the 2,500 fishing

Fishing Republic is one of the larger fishing equipment retailers

tackle retailers are potential targets. The company could pay net assets or four times post-tax profit.

The interim figures are for a period that is predominantly before the flotation on AIM. In the six months to June 2015, revenues edged up from £1.84m to £1.87m but increased sales of higher-margin consumables and own-brand products enabled pre-tax profit to improve from £108,000 to £149,000. Second-half profit is normally higher because more consumables are sold.

FISHING REPUBLIC (FISH)		18.5p
12 MONTH CHANGE %	N/A	MARKET CAP £m 4.39

Some of the cash paid has gone on additional working capital but there was £684,000 in the bank at the end of June 2015, although there is also a mortgage of £280,000. The cash will help to finance a new store in Birmingham early next year but also provide the choice to pay cash and/or shares for any acquisition.

The 2015 profit should be higher than the £295,000 reported last year but the additional shares in issue will hold back earnings per share which might not beat the 2014 figure of 1.72p. Even so, there is plenty of scope for earnings-enhancing acquisitions.

Oxaco switches focus to 3D printing

Advanced materials

www.oxaco.co.uk

Oxaco is demerging its original Oxford Advanced Surfaces business and changing its strategy by acquiring Cronin 3D, a spinout from Glasgow University. IP Group, ORA and Richard Griffiths are all shareholders in Cronin 3D as well as Oxaco and they will end up with 65% of the enlarged company.

Oxaco is demerging its Onto surface treatments technology because it believes that it would be better to develop the technology away from the glare of the stock market. A capital reorganisation is required to enact the demerger. Existing shares will be split into

OXACO (OXA)		2.5p
12 MONTH CHANGE %	-4.8	MARKET CAP £m 4.94

ordinary and participating deferred shares. Shareholders will receive one share in Oxford Advanced Surfaces Ltd (www.oxfordsurfaces.com) for every 89 participating deferred shares.

This would leave Oxaco without a business but it is planning to acquire Cronin 3D, which is commercialising a technology developed by Professor Cronin's research team at Glasgow University that can be

used to discover and manufacture small molecules and nano materials using 3D printing. The personalised medicine sector is a major focus. Professor Cronin will join the board of the company, which will change its name to Cronin Group.

A placing at 2.5p a share raised £3.3m. This cash will be used to develop the Cronin 3D technology through proof-of-concept collaborations with commercial partners. If successful, they could lead to full development programmes. Cronin 3D had £888,000 in the bank at the end of June 2015.

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OPPORTUNITY 4
MATERIAL
GAINS




 company news

New management still has much to do to improve Phorm

Media

www.phorm.com

Internet personalisation technology developer **Phorm Corporation** has been one of the better performers in share price terms over the past couple of months but the business needs to perform much better in order to warrant its current valuation and the amount of cash that has been ploughed into the business in the past decade or more.

Management changes appear to have been behind the increased interest in Phorm, which has developed technology to focus advertising on specific consumers. Kent Ertugrul who has been running Phorm for more than a decade has stepped down as chairman and chief executive and he has received \$275,000 in cash, equivalent to six months salary, and 10 million shares. Tim Smith has been appointed as chief executive, while former Dow Jones and Bloomberg chief executive Lex Fenwick is non-executive chairman.

Phorm is valued at around one-third of the cash it has raised on AIM

The new management has extended the life of outstanding convertible loan notes to 22 April 2017 – there is £2.38m outstanding including interest. The conversion price is around 5p a share depending on the dollar exchange rate. A further £350,000 loan has been raised, which lasts for six months, has an annual interest charge of 5% and a 15% redemption premium. There is an option to convert this loan at 5p a share, which is the price at which £3.2m was raised in early August.

This is the third equity fundraising this year following £6.25m raised at 10.5p a share and £6m at 8p a share. Phorm has consistently raised cash

PHORM CORP (PHRM)		7p
12 MONTH CHANGE %	-28.2	MARKET CAP £m
		64.6

because it has little in the way of revenues and large losses. In 2014, revenues improved to \$351,000 and the reported loss was \$40.5m, while the cash outflow was similar. Contrast those figures with the \$278.5m, net of expenses, raised by Phorm between 2003 and 2014 and the £15.5m gross raised so far this year. The share prices of these fundraisings have declined over time. For example, £2m was raised at 170p a share in July 2010, although the lowest placing price was 4p a share in 2013.

Even after the share price rise, Phorm is valued at around one-third of the cash it has raised since it joined AIM. Costs are being reduced and revenues are growing but there is a long way to go.

Electric Word still waiting for digital benefit

Publishing

www.electricwordplc.com

Sport and gaming information continues to contribute increasing profits for publisher **Electric Word** but it is having trouble getting good returns from its education and health divisions. If the other two divisions can make a significant contribution, group profit could recover sharply.

In the six months to May 2015, continuing revenues were flat at £5.86m and a pre-amortisation profit of £63,000 was turned into a

ELECTRIC WORD (ELE)		3.75p
12 MONTH CHANGE %	+3.5	MARKET CAP £m
		15.3

loss of £27,000 as central costs rose due to an office move. Sport and gaming improved its revenues from £3.16m to £3.66m, which offset a one-quarter decline in education revenues, while underlying operating profit moved ahead from

£719,000 to £954,000. Education and health have been moving from print to digital and the benefits of this investment are taking time to show through. Bookings for educational conferences are ahead of last year.

House broker Panmure Gordon forecasts a 2014-15 profit of £670,000 and a 2015-16 profit of £1.38m. This puts the shares on a prospective 2015-16 multiple of 15.

September 2015 5


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 OPPORTUNITY 4
MATERIAL
GAINS



 company news

Product investment continues to pay off for Churchill China

Tableware

www.churchill1795.com

Hospitality sales continue to grow at ceramics manufacturer **Churchill China** thanks to the successful launch of a new stonecast range. Stonecast generated £1.7m in revenues in the first half compared with £1m for 2014 – when it was launched. More colours are being added and 2015 revenues could be approaching £4m. This shows how Churchill has managed to grow through new products combined with operating efficiency.

The hospitality division reported an increase in revenues from £16.8m to £17.8m but this growth was held back by currency movement and a large Wetherspoons contract being included in the comparative figures. Pubs are still trying to sell more food and are investing in new plates, etc. Some pub groups have trialled lower-cost Chinese competitor products but have had problems with durability

Churchill has always invested to improve productivity

and delivery. The installed base means that there is a steady flow of replacement demand. Sales to international hotel chains, including Hilton, Radisson and Sheraton, are increasing.

Retail remains a small, and declining, part of the business, but it does help to optimise production capacity. There are no longer low-margin sales to supermarkets and there is a move from licences (Jamie Oliver, Disney etc.) to Churchill-branded sales. This has helped retail to continue to contribute to profit.

Overall interim revenues grew from £20.9m to £21.4m, while pre-tax profit

CHURCHILL CHIINA (CHH)	552.5p
12 MONTH CHANGE %	+20.1
MARKET CAP £m	60.8

improved from £1.41m to £1.58m even though additional money was spent on sales and marketing. The interim dividend has been increased by 10% to 5.6p a share.

Churchill has always invested to improve productivity and increase capacity but there was a lower level of spending in the first half of 2015. Additional pressure cast and biscuit firing capacity will require more investment in 2016 and 2017. Churchill can afford this because of its cash generation and there was cash of £8.67m at the end of June 2015. The full-year profit is expected to improve from £4.2m to £4.8m, which puts the shares on 16 times prospective 2015 earnings.

Portmeirion continues impressive growth

Pottery

www.portmeiriongroup.com

Earthenware and ceramic products supplier **Portmeirion** is dependent on the retail market but it continues to prosper thanks to its strong range of brands that include Spode and Royal Worcester. Investment in production capacity will help it to continue to grow.

In the six months to June 2015, revenues were 14% higher at £27.9m, while pre-tax profit jumped from £1.21m to £1.76m. There is a good spread of revenues geographically and the growth is coming from around the

PORTMEIRION (PMP)	910p
12 MONTH CHANGE %	+1.4
MARKET CAP £m	97.4

world, with South Korea, which had been growing for 15 years, the odd one out with a lower contribution. The interim dividend has been increased from 5.5p a share to 6.1p a share. There was £3.37m in the bank at the end of June 2015 even though investment has started in a £1.5m project for a new kiln. This will help to increase the capacity of the Stoke-

on-Trent factory, which is currently producing 155,000 items a week.

Portmeirion says that EU anti-dumping duty that was imposed in 2012 has reduced its profit on imported products since then by £1.7m. Because of its retail focus the full-year outcome for Portmeirion is dependent on second-half trading. Panmure Gordon forecasts an increase in profit from £7.61m to £8.16m so that can be achieved with a flat second-half profit. The shares are trading on 15 times prospective 2015 earnings.


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 OPPORTUNITY 4
MATERIAL
GAINS


 dividends

Recurring income pays dividends for Frenkel Topping

IFA

www.frenkeltopping.co.uk

Dividend

Specialist IFA **Frenkel Topping** paid its maiden dividend, relating to its 2011 figures, back in 2012. That first dividend was 0.176p a share and the company paid one dividend a year until the 2014 financial year when it paid its first interim dividend. Last year, the total dividend was raised from 0.58p a share to 0.71p a share. A further increase to 0.8p a share is expected in 2015, the interim has already been increased from 0.17p a share to 0.19p a share, and then 0.94p a share in 2016.

The 2014 dividend was covered three times by earnings but the cover is expected to fall to 2.4 times in 2015 before recovering to 2.7 times in 2016.

The business is cash generative and net cash was £1.74m at the end of June 2015 so there are no worries about the affordability of the dividend.

Business

Manchester-based Frenkel Topping has been trading for more than 25 years, specialising in providing financial advice to people involved in personal injury and clinical negligence claims. The company has experience of the Court of Protection and the Office of the Public Guardian. The IFA handles funds awarded by the court and invests them to provide financial security and an income for the client. These awards may be a few thousand pounds or they could be worth millions of pounds. Business tends to come from referrals from solicitors and barristers.

Frenkel Topping had £640m of assets under management at the end of June 2015 and this figure has been steadily increasing. Regional offices have been

FRENKEL TOPPING (FEN)	
Price (p)	44.25
Market cap £m	32.7
Historical yield	1.6%
Prospective yield	1.8%

opened and new consultants taken on in order to achieve the target of £1bn under management.

Growth has been organic in recent years but Frenkel Topping recently acquired FC Fund Managers for £4.425m, which has been funded by the issue of 10 million shares. Jason Granite comes with this acquisition: he has joined the Frenkel Topping board and become chief investment officer. The acquisition provides the group with additional regulatory permissions.

In 2014, pre-tax profit improved from £1.39m to £1.57m but there was a dip in interim profit from £653,000 to £568,000. Recurring revenues account for £2.27m of total group revenues of £2.94m in the first half of 2015. Profit is being held back in 2015 because of the additional fee earners taken on in order to widen the geographic coverage of the personal injury awards management business.

House broker Shore forecasts a 2015 profit of £1.5m, rising to £2m in 2016, although the acquisition could boost profit. The shares are trading on 23 times current earnings per share estimates, falling to 17 in 2016 but the additional shares in issue could affect these figures. What is certain is that Frenkel Topping has strong growth prospects that should lead to significant growth in profit over the next few years.

Dividend news

Offshore pensions and insurance services provider **STM Group** says that it plans to reintroduce dividends. Although house broker finnCap has yet to pencil in any dividends in its forecasts, STM has a strong enough balance sheet to return to dividend payments in the near future. In the six months to June 2015, pre-tax profit improved from £1.03m to £1.37m and STM is on course to increase full-year profit from £1.7m to £2.7m. The main profit improvement is coming from the pensions business. Net cash was £6.82m at the end of June 2015. Even though more than 50% of this is required for regulatory purposes there is still plenty of spare cash for dividends.

Fairpoint is generating the majority of its revenues (on an annualised basis) from legal services for the first time and the decline in profit contribution from the debt management operations is more than made up for by the growth in profit of the legal business. The original business is still highly cash generative and the interim dividend was increased by 7% to 2.45p a share. A full-year dividend of 6.8p a share is forecast, which should be covered at least 2.5 times by earnings – based on a 2015 profit of £10.5m.

Property adviser and valuer **Fletcher King** is paying a special dividend of 8p a share following the sale of a Leadenhall Street property by the Stratton House Investment Property Syndicate (SHIPS 14), where the company is an adviser and investor. The dividend will be paid on 25 September and cost a total of £737,000. This follows the decision by Fletcher King to reduce its dividend from 3p a share to 2.25p a share last year even though there was £2.85m in the bank at the end of April 2015. Fletcher King continues to seek properties for further syndicated investments.

September 2015 : 7


 OMG!


 OPPORTUNITY 4
MATERIAL
GAINS



expert views

Expert view: The broker

Ideas ahead of a cyclical commodities recovery

By **MARTIN POTTS**

The mining sector has been in the negative part of the commodity cycle since 2010 and the London-quoted mid-cap and small-cap companies have fallen by more than 80%. This has been driven by falling mined commodity prices, in spite of massive demand growth, principally in China. However, it is apparent that the sector has, once again, failed to match supply with real underlying demand, and the world appears to be awash with surplus commodities as well as intermediate and finished products.

mineral deposits to replace current mining operations. Furthermore, this economic scenario has to be able to justify the development of these successor mines.

The mineral prices necessary for this to happen are, in general, substantially higher than current spot prices. Therefore, the question is not IF mineral prices will rise but WHEN. We contend that it will take at least a year for current surplus stockpiles of raw materials, intermediate products and finished goods to be absorbed by the market. However, in our view, prices

highly experienced. Central Asia is one of the lowest-cost producers of copper, so even at current copper prices this is a highly cash generative business with surpluses returned as a dividend – the stock currently yields more than 8%.

Aureus Mining

Target price: 44p (123% upside)

Aureus has just started producing at its New Liberty gold mine in Liberia, West Africa, and is in the process of ramping up to full production. The gold resource has an unusually high grade (around twice that of most open-pit gold mines) and so the mine will be highly profitable even at current depressed gold prices. The market does not appear to recognise that first cash flow is imminent. There is also substantial exploration upside from the Ndablama project, which is 40km away from New Liberty.

Firestone Diamonds

Target price: 81p (227% upside)

Firestone's Lihobong diamond project in Lesotho is one of a small number of significant, economically attractive undeveloped kimberlites in the world. The mine should begin production in Q4 2016. Costs have increased in local-currency terms but remain within budget in US dollar terms; the company is still fully funded (including a debt package) to positive cash flow. The company has new and highly experienced management. Firestone offers an exceptional investment opportunity on a two-year basis.

The question is not IF mineral prices will rise but WHEN

Most mining companies have been slow to cut capital programmes and even slower to close unprofitable operations. This is in part because the investing market has been demanding growth, and in part because even unprofitable mines retain option value whilst they are still in operation. Once closed, they usually stay closed.

However, prices of most mined commodities have fallen to the point where mine closures cannot be avoided. This is most clear in the iron-ore and coal subsectors, where whole industries have already effectively been wiped out – coal mining in Western Europe and iron-ore mining in West Africa are obvious examples.

One of the fundamental facts about the mining industry is that mines are based on finite geological resources, and when these resources are depleted, the mines have to close. In order to avoid a literal return to the Stone Age, at some point society has to buy into an economic scenario in which it is economically justifiable to look for

of most mined commodities will have to start rising within the next two to three years.

We are therefore expecting most mined commodities to trade around their current levels for the rest of 2015 and 2016 before rising to levels that justify further capital investment from 2017.

We have selected three AIM stocks which, in our view, offer good value with low inherent risks at current commodity prices. These companies are either profitable (and paying dividends), are just coming into production or are fully funded to positive cashflow. They are listed broadly in order of risk, from lowest to highest.

Central Asia Metals

Target price: 273p (78% upside)

Central Asia is increasing copper production at its Kounrad mine waste dump leach plant in Kazakhstan from 12,000 tonnes this year to 15,000 tonnes next year. Management is



MARTIN POTTS is a finnCap research director specialising in mining

 feature

Retail buyers keep up AIM trades

Weak stock market conditions have held back trading levels on AIM but they are still much higher than they were before AIM shares were allowed into ISAs.

It has been two years since AIM shares were allowed into Individual Savings Accounts (ISAs) and there was an identifiable upturn in trades following the rule change. Trading levels have declined this year in what are generally weak markets but the average value of daily trading and the average number of daily trades remain higher than they were before August 2013.

Retail broker The Share Centre says that 20% of its ISA account holders have bought AIM shares in 2014-15.

The average daily number of trades so far this year is 22,576, down from 26,585 for the whole of 2014. Every month this year has been lower than in 2014 but higher than in 2013 – the average for the first seven months of 2013 was 18,173. The peak month in the past two years was April 2014 when daily trades averaged 31,891, even though stamp duty was not abolished on AIM shares until 28 April, whereas the April 2015 figure was 27,104 which is the highest figure for this year and one of the top ten

OWNERSHIP OF AIM COMPANIES (2014)

	% OWNED
Individuals	30.6
Charities	0.3
Insurance companies	2.3
Pension funds	2.7
Investment trusts	1.5
Unit trusts	10.6
Banks	1.6
Other financial institutions	4.6
Private companies	0.9
Overseas	45

Source: Office of National Statistics

The Share Centre says that 20% of its ISA account holders have bought AIM shares in 2014-15

This is down on the figure of 30% in the first 12 months after the rule change. However, some of the early investors who put AIM shares in their ISAs may have been selling and buying back existing shareholdings so that they could go into their ISA.

Trading statements from market maker Winterfloods say that it has improved its income and average number of daily trades in the past six months, having previously reported "low retail investor risk appetite" in the six months to December 2014.

Trading levels have been much weaker this year, with average daily trade volumes of £124.8m, down from £169.4m in 2014. Only 2013 had lower average traded volumes in the past decade and the figure is well down on the 2012 level.

However, average daily trades are significantly better than two years ago and they are still higher than in 2012.

months of all time.

Figures from the Office of National Statistics (ONS) show that individual shareholdings have increased from 10.1% of the total market value of quoted companies in 2012 to 11.9% in 2014 – the highest level since 2006. The percentage of AIM companies owned by individuals is 30.6%, compared with 9.5% of FTSE 100 companies. There are no comparative figures for AIM in the 2012 survey. The fact that founders and families may have a larger percentage stake in smaller companies accounts for some of this difference, as is the fact that the companies are at the smaller end of the sample.

Sectors

Mining and oil and gas sector market values have fallen but the sector is still popular with investors. The Share

Centre says that the most popular AIM sectors for ISA investors are mining, oil and gas and general financials. This is despite the decline in importance of these resources sectors, which were 29.4% of the market value of AIM in July 2013 but down to 12.5% in July 2015. In terms of number of companies, resources has held up much better, having fallen from 28.5% to 26.6% of the total number of AIM companies.

Five out of the ten largest companies on AIM in July 2013 were in the resources sector. In July 2013, none of the 25 largest AIM companies were resources companies, with Bankers Petroleum the 27th-largest AIM company. Bankers Petroleum was the 17th-largest AIM company in July 2013. Over that period the oil company's market capitalisation has fallen from £480.5m to £392m.

Gulf Keystone Petroleum has moved

feature

to the standard list and Coastal Energy has been taken over. Even so, many of the other large resources companies have slumped in value and done a lot worse than Bankers Petroleum.

In July 2015, only one resources company, Sirius Minerals, is in the top ten of the most traded shares in terms of value. More surprisingly, Sirius is the only resources company in the top ten in terms of number of deals.

That is very different from July 2013, when five out of the top ten traded shares by value and six out of the top ten by number of trades were resources companies.

This suggests that investors' infatuation with resources companies is waning. That is good news because the experience of investors in resources companies in recent years will have been disappointing to say the least.

Yet The Share Centre's list of the top ten AIM companies bought for ISAs in August includes four resources companies, including the top three. This indicates that small investors have not been totally weaned off of the resources sector.

According to Allenby, the median performance so far in 2015 is a 31.1% decline for AIM oil and gas companies and a 22.7% decline for mining

companies. More than two-fifths of the companies where share prices have more than halved are in the resources sector.

There is a danger that the investors will continue to associate AIM with poorly performing shares because they have chosen the most risky investments which have not paid off for them. Some of the more regularly traded non-resources companies are

was an average of more than 4,000 trades per day in ASOS shares during July 2015. That is one-fifth of all the daily trades in AIM shares.

There are some new companies in the top ten traded companies in recent times. Online payments company Optimal Payments, which has recently acquired Skrill and is moving to the Main Market, machine-to-machine technology developer

The Share Centre says that 20% of its ISA account holders have bought AIM shares in 2014-15

also at the riskier end of the scale, with limited revenues and little or nothing in the way of profit.

Liquidity

Online fashion retailer ASOS continues to be the most traded company in value and in terms of number of trades even though its share price performance has been poor. Even so, it remains valued at more than £3bn and it is still the largest company on AIM. Founder Nick Robertson's departure as chief executive has knocked the share price slightly but trading is highly liquid. To put this in perspective, there

Telit Communications and pharma company GW Pharmaceuticals are all in the top ten now, having not been in the top 25 two years ago even though they were quoted on AIM then.

There were 56 trades in Telit shares during July 2013 and this increased to 16,213 during July 2015. The number of trades in GW Pharmaceuticals increased from 473 to 11,425 between the two monthly periods, possibly helped by GW obtaining a Nasdaq listing during the period. This shows that relatively illiquid shares can become regularly traded and highly liquid if they can spark investor interest.

AIM trading volumes

AVERAGE DAILY VALUE OF TRADES £M				
	2012	2013	2014	2015
January	179.6	117.5	210.4	130.5
February	262.4	114.2	213.0	117.5
March	219.5	132.9	220.4	132.7
April	193.7	106.1	238.4	164.2
May	155.6	118.8	166.7	137.2
June	124.1	103.2	191.4	121.9
July	164.5	90.9	135.5	106.3
August	79.6	98.8	114.9	
September	115.4	134.6	141.1	
October	124.2	148.4	137.7	
November	103.6	127.6	150.9	
December	88.1	112.0	120.0	

AVERAGE DAILY NUMBER OF TRADES				
	2012	2013	2014	2015
January	24,660	19,036	26,533	25,547
February	29,736	18,630	26,096	21,844
March	28,794	21,133	29,245	23,335
April	27,350	18,237	31,891	27,104
May	24,837	19,829	26,283	25,644
June	21,132	16,571	29,636	21,772
July	19,587	14,201	24,470	20,041
August	16,078	18,536	21,470	
September	20,392	22,056	25,283	
October	16,945	20,134	26,878	
November	16,109	21,008	28,119	
December	13,996	16,934	23,403	


statistics

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION		
SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Financials	23	18.6
Consumer services	15	11.2
Industrials	14.5	16.8
Healthcare	14	7.7
Technology	9.6	10.7
Consumer goods	7.8	5.8
Oil & gas	6.6	11.5
Basic materials	5.9	15.1
Telecoms	1.9	1.4
Utilities	1.2	1.2

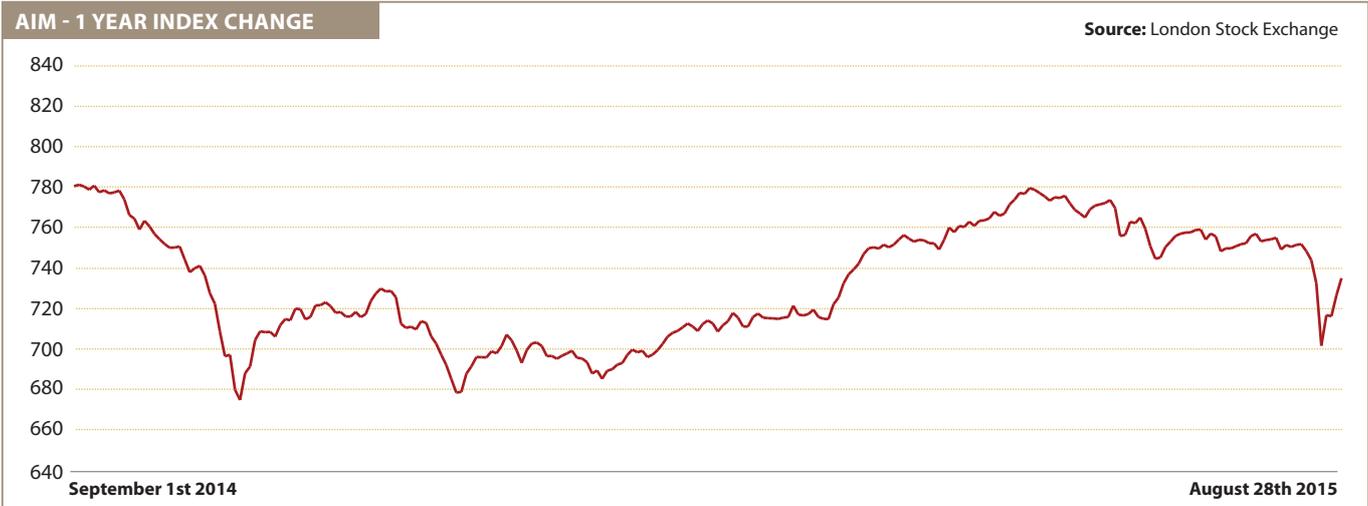
KEY AIM STATISTICS	
Total number of AIM	1066
Number of nominated advisers	36
Number of market makers	51
Total market cap for all AIM	£74.8bn
Total of new money raised	£93.3bn
Total raised by new issues	£39.8bn
Total raised by secondary issues	£53.5bn
Share turnover value (2015)	£18.4bn
Number of bargains (2015)	3.32m
Shares traded (2015)	233.7bn
Transfers to the official list	173

FTSE INDICES		
INDEX	PRICE	ONE-YEAR CHANGES % CHANGE
FTSE AIM All-Share	734.85	-5.7
FTSE AIM 50	3948.45	+3.3
FTSE AIM 100	3362.99	-0.4
FTSE Fledgling	7679.24	+10.9
FTSE Small Cap	4593.37	+2.9
FTSE All-Share	3434.66	-5.5
FTSE 100	6247.94	-8.2

COMPANIES BY MARKET CAP	
MARKET CAP	NO.
Under £5m	230
£5m-£10m	129
£10m-£25m	216
£25m-£50m	161
£50m-£100m	131
£100m-£250m	135
£250m+	64

TOP 5 RISERS OVER 30 DAYS			
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
African Potash		1.88	+526.7
Clean Air Power		0.7	+125.8
Geong International		3.38	+92.9
Beowulf Mining		2.75	+80.3
Phorm Corporation		7	+75

TOP 5 FALLERS OVER 30 DAYS			
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Red Emperor Resources	Oil and gas	1.03	-77.2
Lansdowne Oil & Gas	Oil and gas	2.37	-71.2
Independent Oil & Gas	Oil and gas	5.75	-66.2
Motive Television	Media	0.22	-65.4
Infrastrata	Oil and gas	1.37	-62.1



Data: Hubinvest Please note - All share prices are the closing prices on the 31st August 2015, and we cannot accept responsibility for their accuracy.


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finnCap's mission is to help ambitious companies grow and to be the leading independent broker to ambitious companies, focused on fuelling growth through long term partnerships. We will exceed client expectations through faultless execution, joined-up service and proactive thinking, all tailored to the needs of each individual client.

finnCap, whose chairman is Jon Moulton, is 95% employee-owned and is the top AIM broker by overall client numbers, according

to research compiled by financial website Morningstar. The broker is also the number one adviser in the technology, industrials and healthcare sectors, number three broker in the oil and gas sector and in the top five in the basic materials sector.

In 2013, finnCap commenced market making and launched fAN Club, a new offering aimed at providing specialist support to ambitious small private businesses seeking pre-IPO funding.

finnCap was presented with the

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In the year to April 2015, finnCap's reported revenues were 4% higher at £16.1m, while pre-tax profit was £2.2m. The finnCap 40 Mining index, finnCap 40 E&P index and finnCap 40 Tech index were all launched during 2014.



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