

NSCI

NSCI celebrates 60 years of outperformance

Thursday 15 January 2015: The Numis Smaller Companies Index (“NSCI”) Annual Review 2015 is published today by Numis Corporation. The authors, Professors Elroy Dimson and Paul Marsh, report that the NSCI ended 2014 with a small positive return (0.8%), finishing the year close to the all-time high that it reached at the end of 2013. The return on the NSCI was almost exactly the same as the return on the FTSE 100 (0.7%).

The highlights for the NSCI, ex-investment companies (XIC), the main benchmark used by institutional investors, are as follows:

- During 2014 the NSCI XIC had a total return of –1.9%, as compared to 1.2% for the FTSE All Share. This followed two years of outstanding performance in 2012 and 2013.
- Since 1955, the index has achieved a 15.3% compound return, 3.4% p.a. above the FTSE All-Share.
- Launched at 1000 in 1987, the returns index reached an all-time high on 6 March 2014 of 16910.
- During 2000–14, smaller companies outperformed larger ones in 85% of worldwide markets.

Oliver Hemsley, Chief Executive of Numis, said:

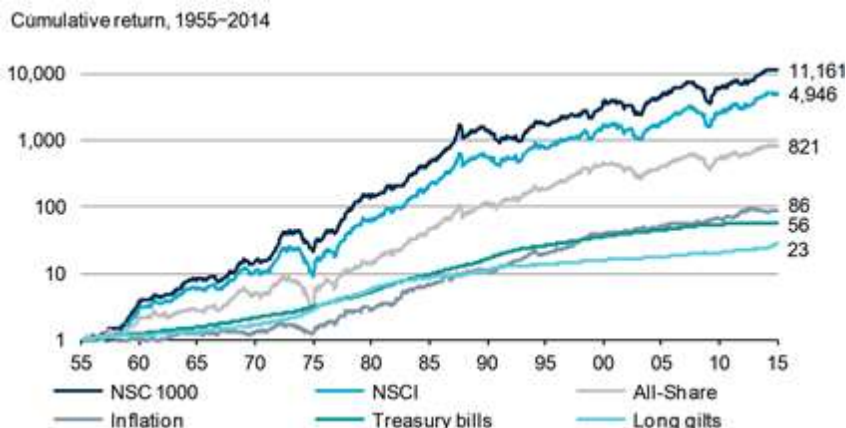
“With a history that goes back 60 years, since the first published index value, the NSCI provides a unique opportunity to examine current issues and trends in a truly long-term context. The NSCI is the definitive benchmark for monitoring UK small- and mid-cap companies and forms part of the extensive research that Numis provides to its clients. The smaller companies sector is central to Numis’s business, and we are delighted to be able to provide this vital service to investors.”

Professors Elroy Dimson and Paul Marsh, the authors of the report, said:

“The start of 2015 marks the diamond jubilee of the NSCI, since the index back-history starts in 1955. Over the last 60 years, UK smaller companies have delivered truly astonishing returns to investors.”

The chart below is from the 2015 NSCI Annual Review. It reports strikingly high historical returns from UK smaller companies (represented by the NSCI) and even bigger returns from investing in minnows on the London Stock Exchange (as represented by the NSC 1000 index). Both Numis indices performed far better than the FTSE All-Share.

Long-run performance of the Numis indices, 1955–2014



The highlights of the 2015 Annual Review also include:

- Within smaller companies, style premia have a pronounced impact. During 2014, tilts toward value, small size and income reduced performance; over 2000–14, they enhanced performance.
- Among smaller companies, the momentum style premium has had the biggest impact: the outperformance of past winners, compared to past losers, has been extremely large.
- The Review highlights the recovery in the market for initial public offerings (IPOs). In an analysis of 3507 IPOs, the authors show that the long-term average first day return of +8% has been offset by disappointing relative performance over the subsequent two years.
- Since 1980, seasoned small-caps performed well. The return on stocks floated >20 years ago was high. Stocks floated 8–20 years ago were next. Floats from 4–7 or from <4 years ago were worst.
- Formed 20 years ago, AIM will this year celebrate its China Anniversary. The authors review AIM’s achievements and compliment the market on its success in raising capital for growing businesses
- The authors present six explanations for AIM’s low investment returns that have some validity, and two proposed explanations that are inconsistent with the evidence.
- In a study of small-caps around the world, the authors report that, since 2000, 85% of countries have had a small-cap sector whose shares beat large-caps.

A brief description of the NSCI may be viewed at the Numis indices tab at www.numiscorp.com.

A summary and the highlights of NSCI Annual Review 2015 are attached with this release.

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Contacts

Oliver Hemsley, Chief Executive	020 7260 1000
Lorna Tilbian, Executive Director	020 7260 1000
Will Wallis, Head of Research	020 7260 1000

Brunswick

Gill Ackers	020 7404 5959
Simone Selzer	020 7404 5959

Notes to Editors

About the Numis Smaller Companies Index

The NSCI covers the bottom tenth by value of the main UK equity market. It is unique in having been calculated on a consistent basis from 1955 to date. At the start of 2015, the NSCI contained 714 companies, the average market capitalisation of its constituents was £318 million, and the index's largest constituent (NB Global Floating Rate Income Fund) had a value of £1,266 million. The Numis index family also includes other indices, such as versions that exclude investment companies and versions that incorporate AIM stocks.

About Numis

Numis is a leading independent investment banking and stockbroking group offering a full range of research, execution, corporate broking and corporate finance services to companies quoted in the UK and their investors.