

NSCI

UK Small- and Mid-Caps outperform in 2015

Thursday 14 January 2016: The Numis Smaller Companies Index (“NSCI”) Annual Review 2016 is published today by Numis Corporation. The authors, London Business School emeritus professors Elroy Dimson and Paul Marsh, report that the NSCI ended 2015 with a return that was a long way ahead of the FTSE All-Share and the FTSE 100 which gave returns close to or below zero.

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

- During 2015 the NSCI XIC had a total return of +10.6%, as compared to 1.0% for the FTSE All Share.
- Over the last 4 years, the NSCI XIC has given an annualised return of 17.9%, more than double the FTSE All-Share return of 8.5%.
- Since 1955, the NSCI XIC has achieved a 15.4% compound return, 3.6% p.a. above the FTSE All-Share.
- Launched at 1000 in 1987, the returns index reached an all-time high on 3 June 2015 of 17857.
- During 2000–15, smaller companies outperformed larger ones in 90% of worldwide markets.

Alongside the NSCI, Numis has launched a new Mid Cap index that targets the bottom 20% by value of UK equities, excluding the smallest 5%. Highlights on the Numis Mid Cap are as follows:

- During 2015 the Numis Mid Cap, ex-investment companies (XIC), returned 13.3%, far ahead of the FTSE All-Share which returned 1.0% (including dividends).
- Since 1955, the Numis Mid Cap XIC has achieved a 14.0% compound return, 2.3% p.a. above the FTSE All-Share.
- In additional analysis covering six separate decades, whenever smaller companies did better than large ones (which was in five of the six decades), the Mid Cap achieved a return that was between small and big companies.

Oliver Hemsley, Chief Executive of Numis, said:

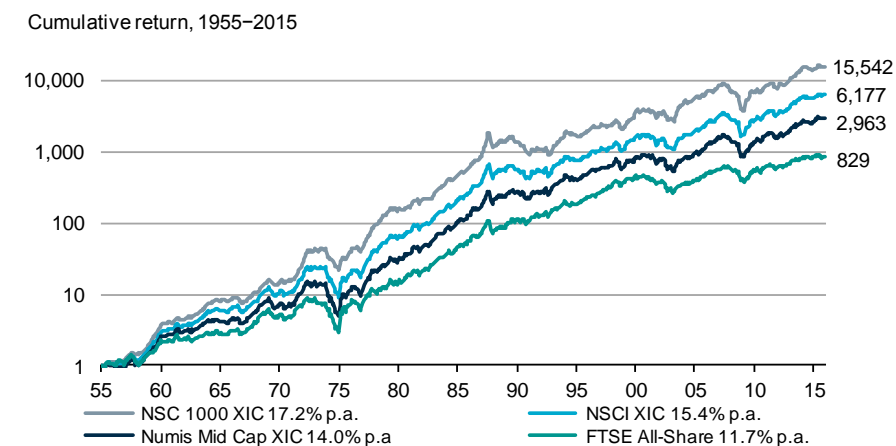
“The NSCI is the definitive benchmark for monitoring the performance of smaller- and mid-sized companies in the United Kingdom. During 2015 we were very pleased to assist Professors Dimson and Marsh with the launch of the Numis Mid Cap index, adding a further element to the long term perspective provided by the Numis index series.”

London Business School professors Elroy Dimson and Paul Marsh, the authors of the report, said:

“We knew that exposure to smaller companies has had a big impact on long-term returns. But the most exciting finding from this year’s research is the profound influence of other factors within the small-cap segment of the market. Value, momentum, low-volatility and other investment styles can be critical for investment success.”

The chart below is from the 2016 NSCI Annual Review. It reports the extraordinary long-term returns from investing in minnows on the London Stock Exchange (represented by the NSC 1000 XIC), high returns from UK smaller companies (NSCI XIC), and superior returns from mid-sized companies (Numis Mid Cap). The Numis indices all performed far better than the large-company oriented FTSE All-Share.

Long-term returns from size-ranked indices, 1955–2015



The highlights of the 2016 Annual Review also include:

- Since 2005, Numis Mid Cap index (XIC) has performed almost as well as the NSCI (XIC), both beating the market leaders.
- Within smaller companies, style premia have a pronounced impact.
- During 2015, tilts toward sectors, growth stocks, momentum and low volatility greatly enhanced performance.
- Among smaller companies, the biggest impact is from the superior returns of past winners, compared to past losers.
- Historically, during periods when the Bank of England was raising interest rates, small-caps performed relatively poorly. This may sound a cautionary note for the future

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 2016 are attached to this release.

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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 2016, the NSCI contained 708 companies, the average market capitalisation of its constituents was £322 million, and the index's largest constituent (Caledonia Investments) had a value of £1,324 million.

The Numis index family also includes other indices, such as versions that exclude investment companies and versions that incorporate AIM stocks. The latest Numis product is the Mid Cap index, which targets the smallest 20% by value of the main market, excluding the bottom 5%. The 2016 Annual Review analyses the 61-year back-history for the Mid Cap.

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.