

# NSCI

## UK small-caps hit all-time highs in 2016

**Monday 16 January 2017:** The Numis Smaller Companies Index (“NSCI”) Annual Review 2017 is published today by Numis Corporation. The authors from London Business School, emeritus professors Elroy Dimson and Paul Marsh, and this year joined by Scott Evans, provide an in-depth analysis of the performance of UK smaller companies. They report that the NSCI, and the NSCI excluding investment trusts (XIC) ended the year on all-time highs. Over its 62-year history since 1955, the NSCI has beaten the FTSE All-Share by an annualised rate of 3.4% pa.

During an extraordinary year for global finance and politics, the Numis smaller companies indices experienced a high level of volatility. In the immediate aftermath of the Brexit vote, the NSCI fell sharply as smaller companies bore the brunt of the re-pricing as investors placed a higher value on stocks with greater overseas exposure, to the detriment of UK domestics. In the second half of the year, the NSCI staged a very strong recovery, up 24% from its low-point in June, ending the year on an all-time high. Despite the recovery, smaller companies could not quite regain the ground they had lost relative to large-caps in the post Brexit sell-down and ended the year 3.9% behind the FTSE All-Share.

### Main highlights:

- The NSCI and NSCI XIC produced total returns of 12.8% and 11.1% respectively over the year. This compares to 16.8% for the FTSE All-Share.
- The very small companies of the NSCI 1000 proved more resilient returning 16.1% over the year.
- Over the last 5 years, the NSCI and NSCI XIC have produced an annualised return of 15.4% and 16.5% respectively, compared to 10.1% for the FTSE All-Share.
- Since 1955, the NSCI has achieved a compound return of 15.1%, 3.4% p.a. above the FTSE All-Share.
- A £1 investment in the NSCI made at its starting point in 1955 would be worth £6,067 by the end of 2016. This compares to £968 if invested in the FTSE All-Share over the same period.

Will Wallis, Head of Research at Numis, said;

*“The NSCI is the definitive benchmark for monitoring the performance of smaller- and mid-sized companies in the United Kingdom. The 2017 Annual Review provides real insight into the history of the indices and the drivers behind the performance of smaller companies. It is an invaluable source of information for small-cap and large-cap investors alike.”*

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

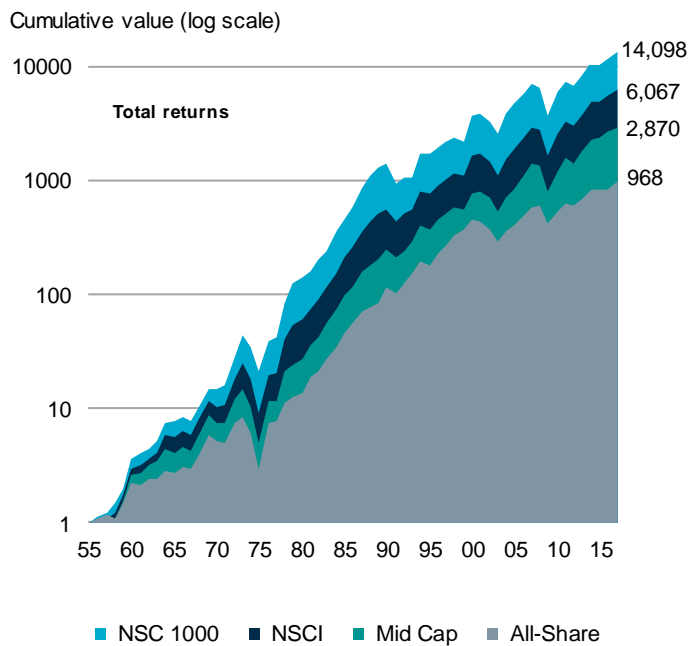
*“Analysing the long-run history of the NSCI provides interesting insights into what drives small-cap returns. The work we undertook this year on overseas sales exposure and currency sensitivity of UK smaller companies proved to be very informative in terms of explaining the impact that Brexit has had on relative returns.”*

The chart below is from the 2017 NSCI Annual Review. It reports the extraordinary long-term returns from investing in very small companies on the London Stock Exchange (represented by the NSC 1000), high returns from UK smaller companies (NSCI) and superior returns from mid-sized companies (Numis Mid Cap).

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**Long-term returns from size-ranked indices, 1955–2016**


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**Additional highlights:**

In addition to an in-depth analysis of the performance of the Numis family of indices over 2016 and the entire 62-year history, the report provides insight into a number of important aspects related to investing in UK small- and mid-cap companies. This includes:

- The impact that Brexit has had on the performance of the NSCI both at the index and sector level
- An analysis of overseas sales exposure of the NSCI and the impact on index performance
- Currency sensitivity and the effect that previous devaluations have had on NSCI performance
- A comparison of investment style premia within the NSCI over the short and long-term
- A review of smaller company returns around the world both in 2016 and since 2000.

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A brief description of the NSCI may be viewed at the Numis indices tab at [www.numiscorp.com](http://www.numiscorp.com).

A summary and the highlights of NSCI Annual Review 2017 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 2017, the NSCI contained 701 companies, the average market capitalisation of its constituents was £351 million, and the index's largest constituent (Caledonia Investments) had a value of £1,435 million.

The Numis index family also includes other indices, such as versions that exclude investment companies and versions that incorporate AIM stocks. The most recently introduced Numis index is the Numis Mid Cap index, which targets the smallest 20% by value of the main market, excluding the bottom 5%.

### About Numis

Numis is a leading UK institutional stockbroker and corporate advisor offering a full range of research, execution, corporate broking and corporate finance services to companies quoted in the UK and their investors.