

## Is a multinational AIM good for investors?

In 1986 the London Stock Exchange (LSE) relaxed its legislation that saw an influx of international competition in the late 1980s and kick-started London's bid to become the financial centre of Europe.

More than two decades later and the City has seen an ever increasing number of overseas IPOs on AIM and this internationalisation within the LSE's growth company market is now a real threat to Wall Street's position as the global financial capital.

So what is attracting foreign companies to AIM? Will it continue and what does all this mean for investors?

### AIM's international attractions

The implementation of the Sarbanes Oxley Act in 2002 designed to prevent events such as Enron's 2001 collapse destabilising US markets has made it very difficult and costly for US technology start-up companies to get a listing on the American exchanges. These changes in the US regulatory environment are causing many US companies that would previously have listed at home on NASDAQ to head to London for a simpler and cheaper IPO on AIM.

AIM also offers high quality corporate advisers in London, which give companies easy access to the markets. This far outstrips the financial expertise found anywhere else in Europe and for many companies the simple fact that the best of these professionals are based in London makes AIM the natural choice for IPO, regardless of their nationality.

### What does an international AIM mean for investors?

With the influx of foreign companies coming to AIM comes a number of attractions for British investors as it gives them easy access to rapidly growing overseas markets and the opportunity to build greater diversity within their portfolio. Currently Chinese, Indian, Middle-Eastern and Eastern European markets all offer well-documented growth opportunities. As more and more companies from these territories list on AIM, British investors are able to enjoy cost-efficient exposure to these overseas markets through their usual UK stockbroker.

However there may sometimes be greater risks associated with investing in foreign companies on AIM. It can be more difficult to find accurate information on overseas companies; as British investors embroiled in the Regal Petroleum, Langbar International and other scandals have found to their cost.

These examples serve as a reminder that investors should be aware of the different risks involved in investing in overseas companies on AIM.

### Will AIM's increasing internationalisation continue?

In many ways the continued attractions of AIM to foreign companies depends on how the market stands up to the benefits offered by its peers. At present AIM is fast becoming recognised as the world's most successful growth market, but this is mainly due to comparisons with NASDAQ and Euronext's smaller market Alternext. NASDAQ has made various comments, suggesting that the LSE should increase regulations on AIM although this is unlikely to quell the smaller London market's appeal for overseas companies, even though AIM's regulations have recently been tightened up.

However, this does not automatically mean New York will win back the lion's share of global IPOs. In the future, PLUS Markets may have great potential because of its lower regulation in comparison to a hypothetically less-flexible AIM.

It is also possible that the tax benefits originally put in place to attract AIM private investors may be reduced in the future. If this happens it could prove to be a stumbling block, causing companies from home and abroad to look to private equity solutions or PLUS Markets instead.

The current takeover and private equity activity involving much larger companies, whose shares are listed on the main market, has led to a perception that such shares are cheap and, for the time being at least, this may make it more of a challenge for smaller companies to raise significant sums on AIM, particularly those which are overseas start up situations.

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