

ALTERNATIVE INVESTMENT MARKET FACT SHEET

What is the Alternative Investment Market?

The Alternative Investment Market (AIM) was introduced on 19th June 1995 to replace the Unlisted Securities Market. It enables smaller companies to raise finance without the need to satisfy the more onerous requirements and regulations of the official list. The index began in 1995 with 10 companies and grew beyond 1655 during 2008. However, the current financial crisis has led to many company failures and reduced numbers of new floatations, with the index now comprising of 1450 companies in November 2011.

AIM is specially tailored to suit growing companies and their investors. AIM allows companies to gain access to the benefits of a public listing without such requirements as a minimum market capitalisation, a minimum public shareholding or a prior trading record.

Majestic Wine, ASOS and Begbies Traynor are some of the more famous names trading on the market.

What sort of stocks will I find on AIM?

The companies are generally smaller than those on the official list, since there is no minimum market capitalisation. AIM shares tend to be higher risk than those traded on the main market but the constituents of AIM span an equally wide range of commercial activities. Generally there is less trading in AIM stocks meaning less liquidity and hence shares may be more difficult to buy and sell. In 2002, a fast track admission program for foreign firms was introduced to enable a listing on AIM if the company passes checks on its domestic bourse.

AIM stocks and Tax

Under the current Inland Revenue regulations AIM listed stocks are not eligible to be included within ISAs unless they have a dual listing i.e a listing on a recognised exchange anywhere else in the world. However, AIM shares are eligible to be held within a Self Invested Personal Pension (SIPP).

For Inheritance Tax purposes, they initially form part of the Estate, but, if they meet certain requirements, may carry the right to 100% relief from IHT, if held for two years or longer. Tax treatment depends on the specific circumstances of each individual and may be subject to change in the future.

Risk Profile

Markets in AIM stocks are generally tight so small volumes of business can have a disproportionate effect on price, and as a result AIM stocks tend to be generally volatile.

Generally embryonic, smaller stocks, such as AIM stocks must be considered a high-risk investment. Despite the increased risk, AIM investments also offer a greater potential return.

Risk Warning: Investments and income can go down in value.