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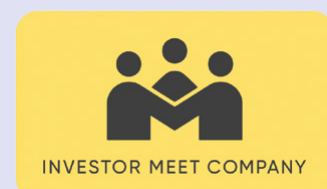
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What the world thinks



Research Report

Retail Investment in Small and Mid-Sized Quoted Companies

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Tim Ward
Chief Executive, QCA



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Introduction

The ultimate goal for companies on public markets is to optimise liquidity. From this flows better price formation, better confidence in a company's state of affairs and a more trusting relationship between a company and its investors. We have seen the benefit of public markets in the first half of 2020 with a very active market in secondary fundraisings: public equity proving its worth (yet again) in times of crisis.

One of the key ingredients of liquidity is to have many investors with different time horizons looking to invest their savings in attractive companies. Until the last few years, the forgotten source of capital has been the retail investor. The Office for National Statistics says that retail investors account for 13.5% of beneficial share ownership in the UK, a figure that has been increasing year-on-year¹. For this reason, we thought it was time to raise the profile of retail investors within our small and mid-cap ecosystem.

This report presents the results of a survey of 505 UK retail investors. We asked *YouGov* to investigate the investment habits of retail investors, particularly towards small and mid-size quoted companies. We asked first about investment traits in the time of COVID-19 and then turned attention towards longer-term investment characteristics.

The results are encouraging in the light of increasing retail participation in UK equity markets. We found that retail investors:

- Research companies before investing;
- Invest for the long-term rather than trade for the short-term;
- Invest in SMEs and UK companies;
- Monitor their portfolios regularly;
- Are sanguine about volatility and aren't blown off course by, for example, the COVID-19 crisis or the Woodford debacle;
- Encourage good governance and see a correlation between this and long-term performance; and
- Invest ethically and are motivated to put their money in companies that make positive contributions both environmentally and socially.

¹ Office of National Statistics, 2020, Ownership of UK quoted shares: 2018, <https://bit.ly/2Et18dP>

Most invest through the platforms in products with tax wrappers. They value highly the ability to shelter dividends from income tax. They are likely to respond with significantly increased investment in UK quoted shares in response to new tax breaks, particularly around dividends or income tax offsets.

We trust this report will help improve the connection between companies and a wider shareholder base to help optimise liquidity and improve the price formation process.

There are practical questions from this report that companies can ask to encourage retail investment in their stocks. For example:

- How can we increase our company's profile with all investors?
- How can we ensure governance is clearly and transparently communicated to all investors?
- How can we involve retail investors in IPOs and secondary fundraisings?

The retail investor community is an important source of finance. In the same way as companies profile their institutional shareholders, so they should understand the type of retail investor that wants to share in the future success of the UK's growth companies.

To ignore this source is to turn off a major reservoir of liquidity.



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Chief Executive, QCA



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**The retail investor community
is an important source of finance.**

**To ignore this source is to turn off
a major reservoir of liquidity.**



Marc Downes
CEO, Investor Meet Company

“It is time to reset the broken model of shareholder engagement and deliver investor engagement with outcomes that benefit both companies and investors alike.”

The *Investor Meet Company* view

Accessing and engaging the retail investor is full of complexities. Unlike the institutional investor, the retail investor is hard to access and often invisible, hidden behind the nominee accounts of the growing number of online share dealing platforms and wealth managers. Engaging therefore becomes time consuming, inefficient and problematic, which, as a consequence, drives the corporate focus of engagement onto the larger funds and institutions.

With over 4.5m execution only retail investors in the UK who traded nearly 19 million times, overlooking the retail investor is a mistake. 82% of AIM listed companies have an average trade size of under £10,000 and the trading pattern of retail investors can disproportionately impact and set a company's share price. This can be felt further when poor liquidity persists and restricts potential new institutional investment.

So, if an undervalued share price and poor liquidity is not enough of a reason to take the retail investor seriously then companies should take a look at some of the regulatory reasons they should be engaging with them.

Section 172 of The UK Companies Act 2006 requires a director of a company to promote the success of the company for the shareholders as a whole and to do so fairly. The current model allows for institutional investors to directly engage with the companies they are invested in and they can gain clarity after announcements through face-to-face presentations and Q&As with management. The retail investor is not provided this same opportunity, with companies often citing that the AGM is the main forum for engagement although these are typically not well attended (as confirmed in this survey).

In separate research, across all market capitalisations, *Investor Meet Company* found that 84% of Corporate Governance Code Statements directly stated that they treated their retail investors differently to their institutional investors when it came to engaging around company announcements. Companies want to, and need to, engage with their retail investors on the same basis they do with their institutional investors, it's a requirement of being listed. Both the QCA and UK Corporate Governance Codes require UK quoted companies to maintain dialogue and understand the views of all investors and not just the biggest.

It is time, therefore, to reset the broken model of shareholder engagement and deliver investor engagement with outcomes that benefit both companies and investors alike.

The *Investor Meet Company* digital platform was purpose built to remove the barriers for UK listed companies of engaging with the retail investor and regional investment manager, enabling them direct engagement at scale from any location. Through simple to use technology, companies can now seamlessly and effortlessly engage with all constituent parts of their shareholder base and do so efficiently as part of their existing investor roadshow.



1: Key Findings

The view of the markets

- Retail investors in the UK are typically resilient and in it for the long-term. Even though the majority are shifting strategies in response to how the pandemic has affected the markets, they are taking a measured approach. This might contrast with the view, held by some, that retail investors are reactive “day traders” with a short-term focus. This is not to say that trading volumes do not reflect the amount of business that short-term investors generate, but this should not mask the fact that most shares are being held for the longer-term.
- The open-ended answers show how retail investors are driven to invest in companies that are making a positive contribution socially and environmentally. The COVID-19 crisis is accelerating the ESG (Environmental, Social and Corporate Governance) trend that was already in motion.

Investment research

- Retail investors tend to get their market information from sources they can access digitally, such as news and company websites.
- Email updates from companies would be the most welcome source of retail investor-specific activity.

Investment decisions

- Retail investors will avoid investing in smaller companies if they have not previously heard of them in the public realm, suggesting that profile-raising activities are important for companies looking to increase private investment.
- Good corporate governance is viewed by retail investors as having a positive influence on company management and resulting performance.
- Retail investors want to be able to take part in IPOs and placings alongside institutional investors.

Tax incentives

- Existing tax wrappers are well utilised by retail investors and regarded as an important stimulus for their investing.
- Tax breaks to encourage retail investment into UK quoted companies could stimulate substantial additional capital and improve liquidity in the markets.

The Woodford collapse

- A significant proportion of retail investors were invested in Woodford funds before they were closed.
- Most blame Neil Woodford himself for the situation, but some believe that the relevant investment platforms let investors down.
- Many investors have seen reduced liquidity in the markets as a result of the collapse.

Annual General Meetings

- There is little appetite from retail investors to attend AGMs as they are seen as not worth the time commitment for what they get in return.
- There is a desire to be able to vote on resolutions, whether by proxy or online. Some platforms cater for this, but not all.

Practical conclusions for small and mid-sized quoted companies

Taking this survey as a whole, there are three practical points that companies can take away to form part of a strategy to increase retail investor engagement:

- Increase company profile to retail investors.
- Ensure governance is clearly and transparently communicated.
- Involve retail investors in IPOs and placings.



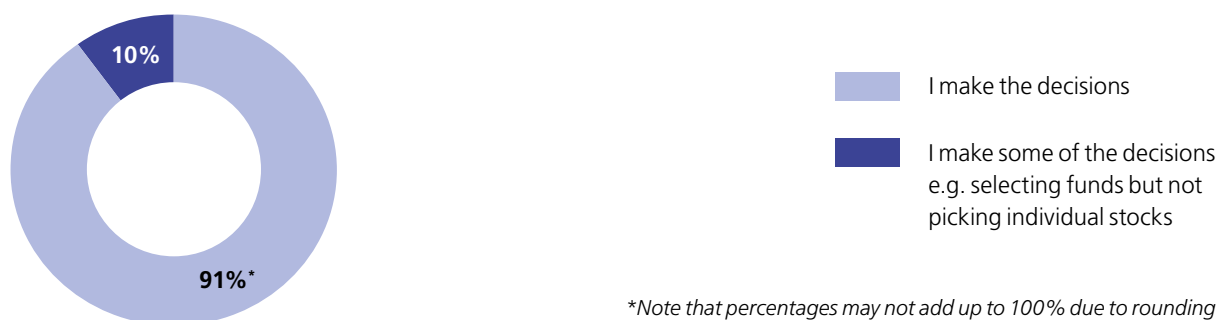
About the survey

YouGov surveyed 505 retail investors in May 2020 (see p36 for full methodology).

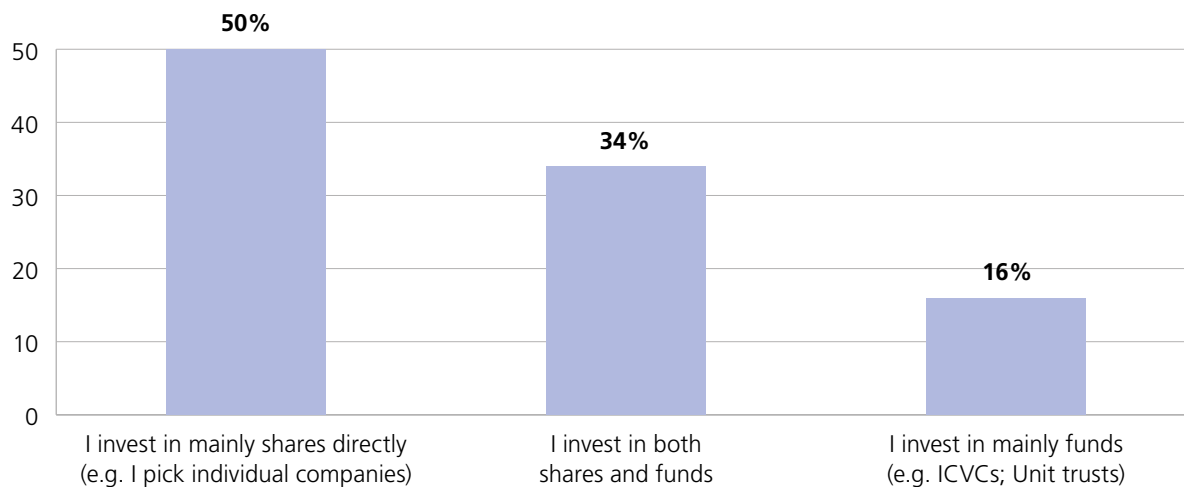
We found that the median respondent:

- Makes the decisions on where to invest personally
- Invests mainly in individual shares, rather than funds
- Has most investments in UK equities
- Invests in small and mid-sized companies
- Uses a platform to invest

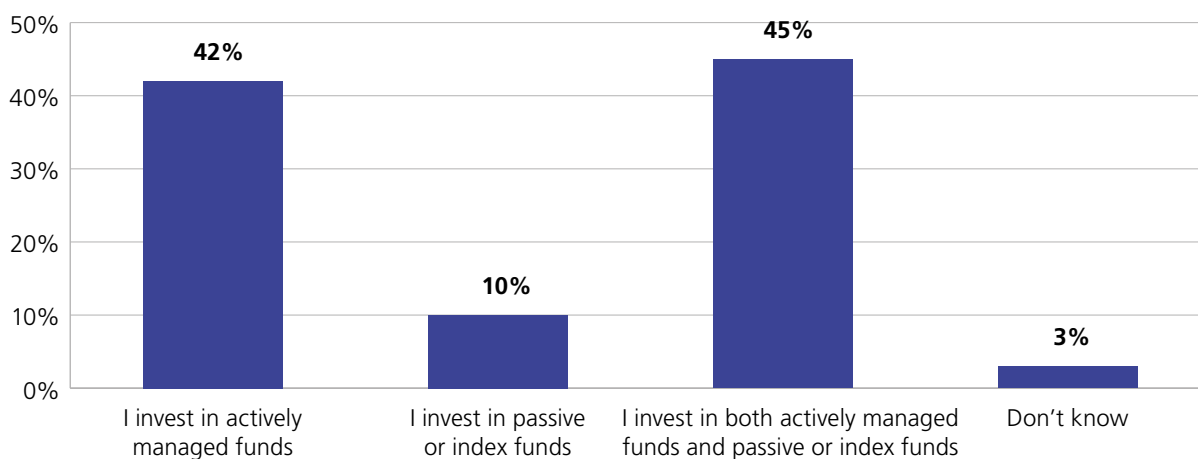
Do you make the decisions about your investments or is this done by someone else (e.g. IFA, stockbroker, pension fund trustee)?



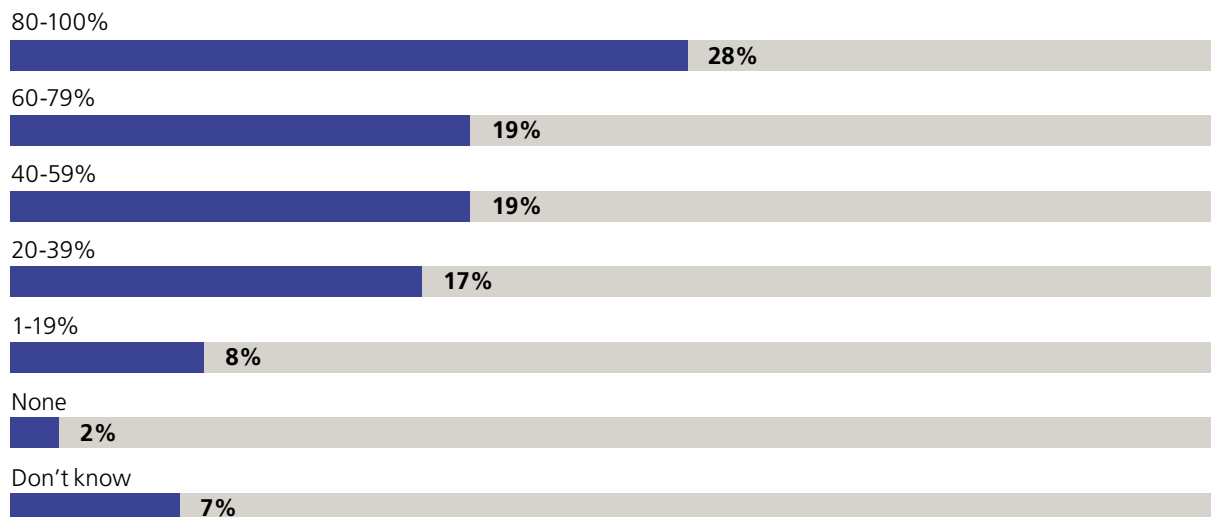
Which of the following best describes what you invest in?



Which of the following best describes the funds you invest in?



What proportion of your investments are in UK equities (either companies listed in the UK or funds which invest mainly in the UK)?

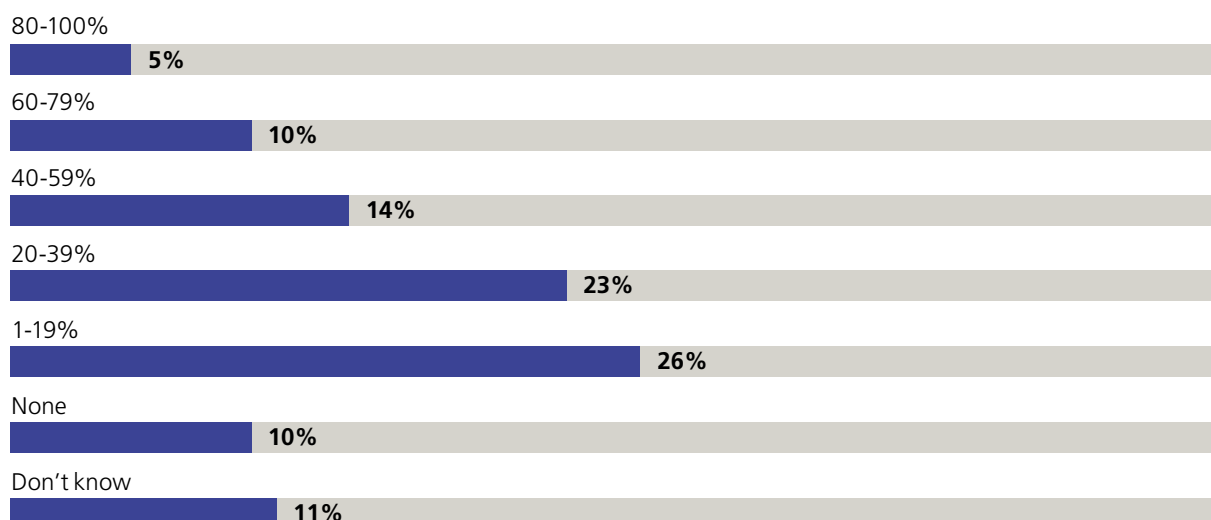


This shows that retail investors are more likely to make investments in equities and UK quoted companies than institutional pension fund managers².

Do you invest in small and mid-sized quoted companies?



Looking at your investments in UK equities, what proportion are in UK small and mid-sized quoted companies (market capitalisation below £1bn) or in funds investing mainly in UK small and mid-sized quoted companies?



² The estimated overall asset allocation for UK pension schemes sponsored by FTSE100 companies was less than 20% in total equities in 2019 (let alone UK equities) (Lane Clark & Peacock LLP, 2020, *New Beginnings?*).

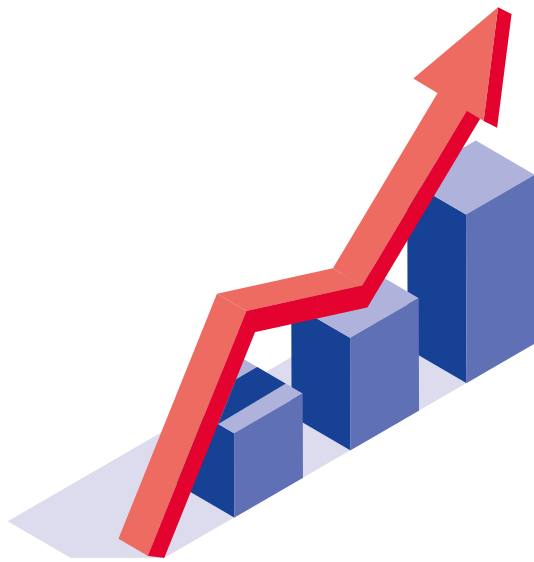
With a substantial proportion of retail investors total UK equity exposure made up of holdings in small and mid-sized companies, it is clear that they are much more supportive of that part of the market than institutional investors.

Do you invest in shares through a platform (e.g. *AJ Bell, Hargreaves Lansdown*)?



The majority of retail investor buy company shares via nominee accounts on platforms like *AJ Bell* and *Hargreaves Lansdown*.





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2: How do retail investors view the markets?

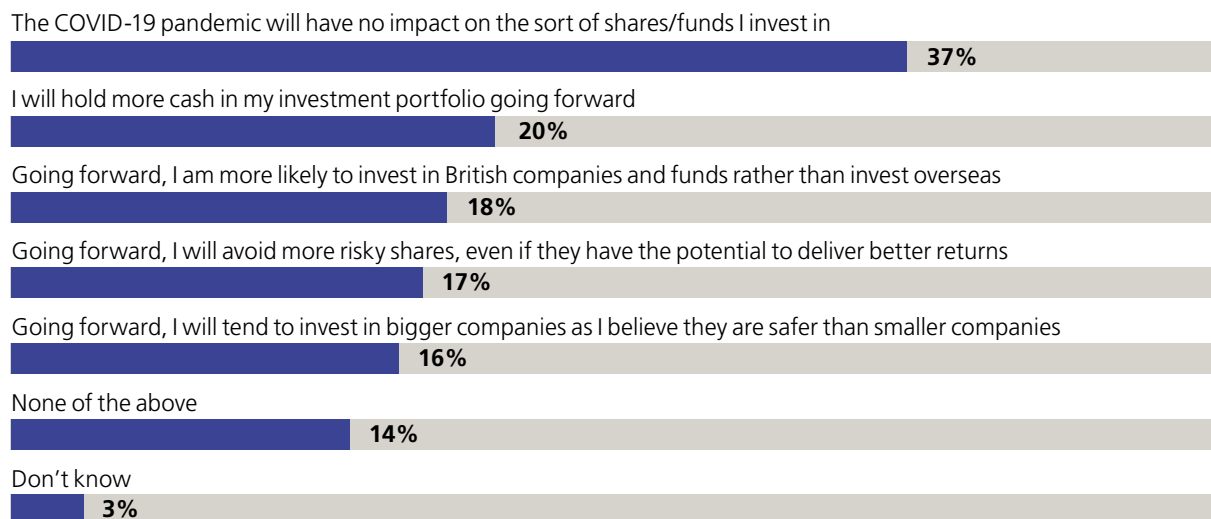
Key findings

- Retail investors in the UK are typically resilient and in it for the long-term. Even though the majority are shifting strategies in response to how the pandemic has affected the markets, they are taking a measured approach. This might contrast with the view, held by some, that retail investors are reactive “day traders” with a short-term focus. This is not to say that trading volumes do not reflect the amount of business that short-term investors generate, but this should not mask the fact that most shares are being held for the longer-term.
- The open-ended answers show how retail investors are driven to invest in companies that are making a positive contribution socially and environmentally. The COVID-19 crisis is accelerating the ESG (Environmental, Social and Corporate Governance) trend that was already in motion

This survey was conducted in May 2020, during the COVID-19 pandemic and following one of the largest stock market crashes in history. Most of the questions in this survey asked respondents to look beyond this but we wanted to investigate how these circumstances might have affected retail investor thinking and behaviour in that moment.

Roughly two-thirds will alter their future strategies because of the pandemic and its economic and financial impact, whilst about one-third are unmoved:

Which, if any, of the following statements do you agree with?



When we examine this, we find that investor strategies generally fall into one of three patterns:

1. Some see an opportunity where the fall has meant that equities are now cheaper and so are investing more.

"It hasn't altered my attitude to investing. I felt that the market was due for a correction just before the pandemic, so I was prepared for a different reason. I see this as a buying opportunity."

"There is a need to identify those companies that may never recover and those that will thrive. Those companies with low debt are worth looking at."

2. Some will de-risk by holding larger, less risky equities or more cash.

"I have tilted toward investing in larger companies due to their financial strength and global reach and have started to invest more money into companies that are likely to recover."

"I have moved some money into commodity shares like gold and also those that will benefit from the global infrastructure spending."

3. Around a third said they are unmoved by the crisis and will not alter their investment strategy as they are in it for the long-term:

"The financial crisis of 2009 taught me before COVID did to be careful. Never invest more than you can afford. It's a long-term investment but if it's for a pension make sure to move to cash or extremely safe investments in the last 5 years."

"My investment portfolio value fell by £90k late Feb/early March but has regained all that fall by mid-May and now stands £8k above the mid-Feb value. I made no changes to my portfolio in that period and I stand by the soundness of all my investments which are long-term."

"The basic rules for investing over the long-term remain, including the need for diversification."

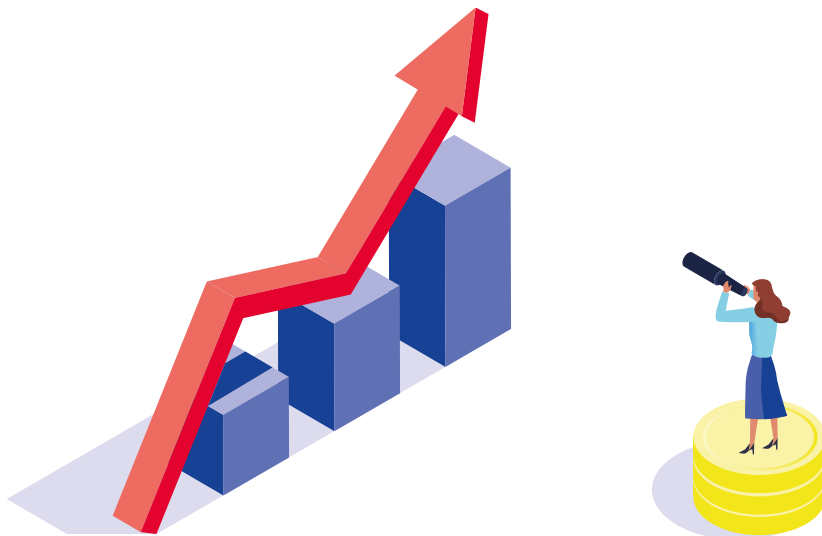
Environmental, Social and Corporate Governance

There was also evidence that a fair proportion of retail investors will be shifting to invest more in companies with strong environmental, social and ethical credentials. This is motivated by both the possibility of using their capital to support things they believe in and because they believe it will result in better long-term returns. They believe the pandemic has expedited a shift towards companies that contribute positively to the world, a shift that was already occurring:

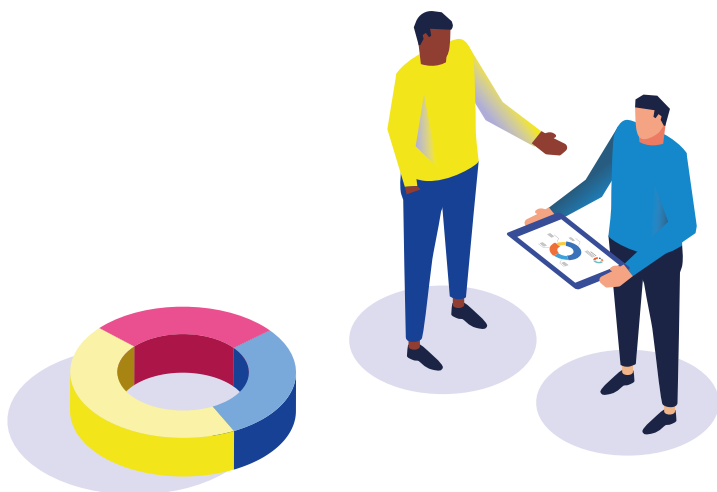
"I would like to focus on greener/carbon neutral companies, not just for the environmental benefits but I believe they have a better long-term future."

"I'm disinvesting in big oil, coal, airlines, carbon-extraction companies and am hoping for a greener future worldwide, as climate change is a much greater threat to humanity and investments."

"Covid-19 has accelerated trends that were already apparent, everything has speeded up. Green issues are going to ride up the agenda quickly."



"Covid-19 has accelerated trends that were already apparent, everything has speeded up. Green issues are going to ride up the agenda quickly."



3: How do retail investors get their information on companies?

Key findings

- Retail investors tend to get their market information from sources they can access digitally, such as news and company websites.
- Email updates from companies would be the most welcome source of retail investor-specific activity.

Researching companies to invest in

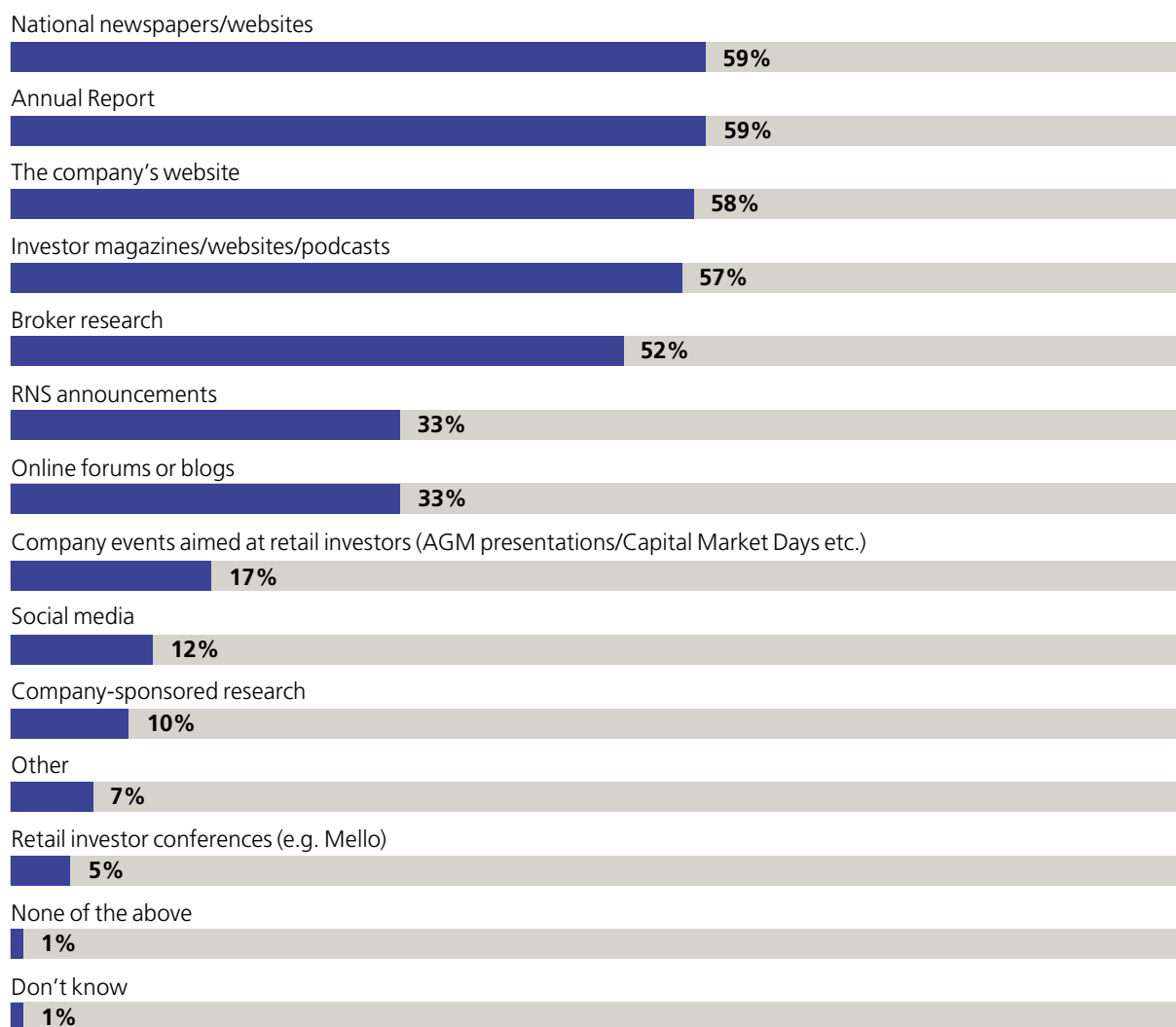
The most popular sources of information for retail investors researching companies are:

- National newspapers and their websites
- Annual reports
- Corporate websites
- Investor magazines, websites and podcasts

There are some useful indicators here for companies about which channels of communication to focus on with the intention of reaching a retail audience.

Email updates from companies would be the most welcome source of retail investor-specific activity

Which information sources, if any, do you use when researching a company?



Only 4% regard retail investor conferences as useful information sources, although this rises to 17% of those in the highest income bracket.

Similarly, 28% of investors in this higher bracket are likely to follow companies' retail investor events, as opposed to 17% overall. For most other information sources, there is little difference in habits between the highest and lowest earners.

We also found that younger investors (18-34) are more likely to use social media and annual reports as sources of information. Whilst older investors (65+) are more likely to use company websites, national newspapers/websites and investor magazines/websites/podcasts.

Other sources of information cited by respondents included:

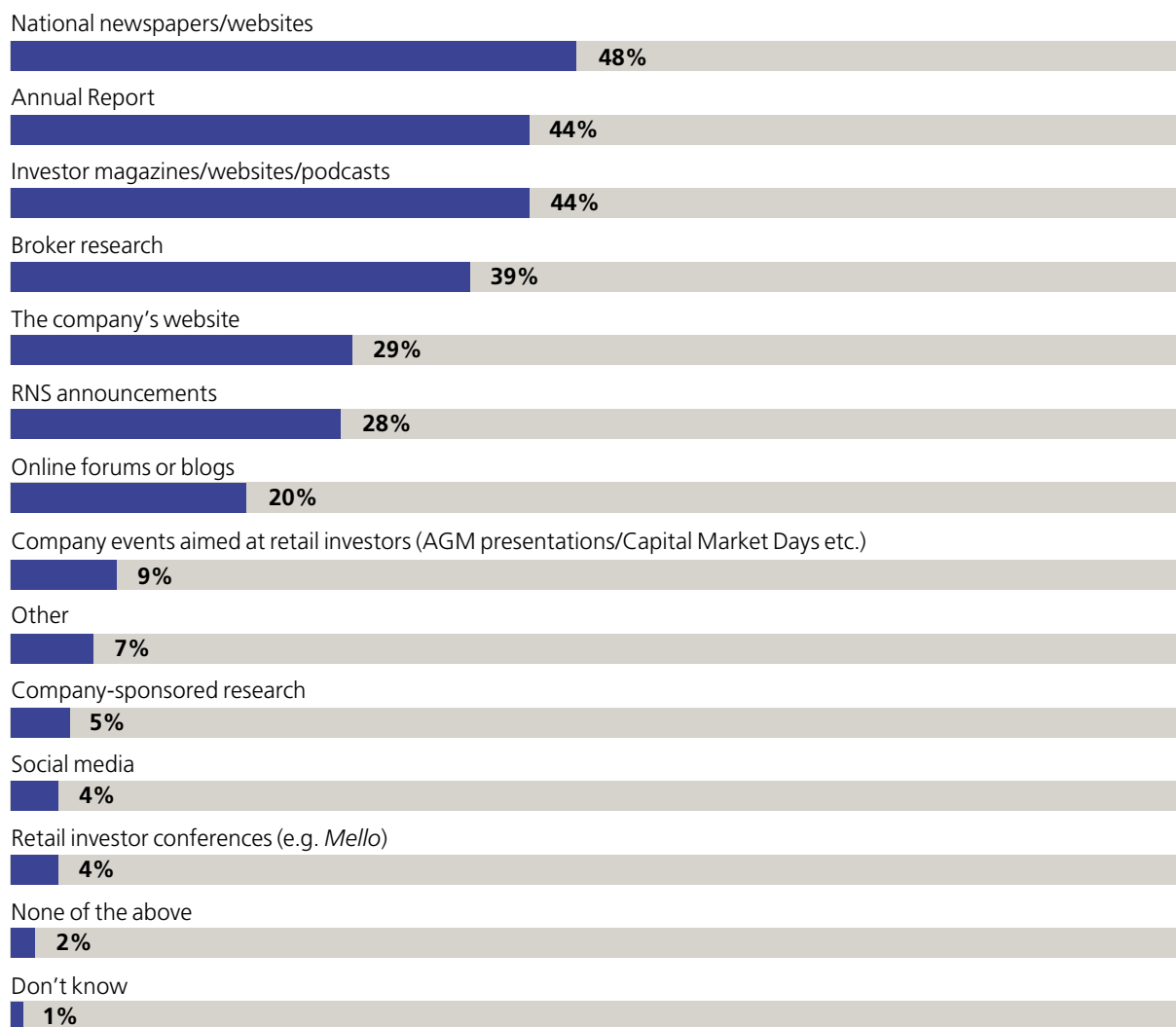
- Conducting research into the background of the CEO and Board members
- Conducting Companies House searches
- Reviewing ratings agencies
- Talking to friends and other informal contacts
- Reviewing information provided by investment platforms
- Taking broker advice

Monitoring shares held

When a retail investor monitors the shares of a company they already hold, the patterns are similar, although the company's own website becomes a less popular source.

As above, those in the higher income group are more likely to follow company events or retail investor conferences. Younger investors are more likely to use social media and online forums as sources of information.

When monitoring shares you hold, which of the following, if any, are the most important sources of information?

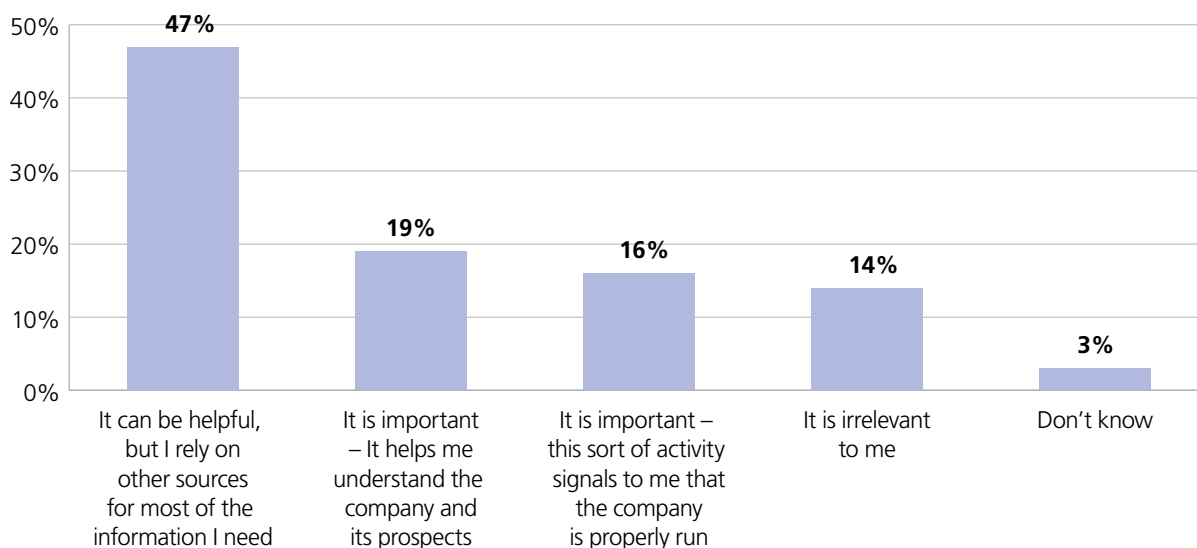


Retail investor relations activities

Many companies conduct specific retail investor activities – this could include CEO interviews in the press, releasing non-price sensitive news via Twitter, running capital markets days.

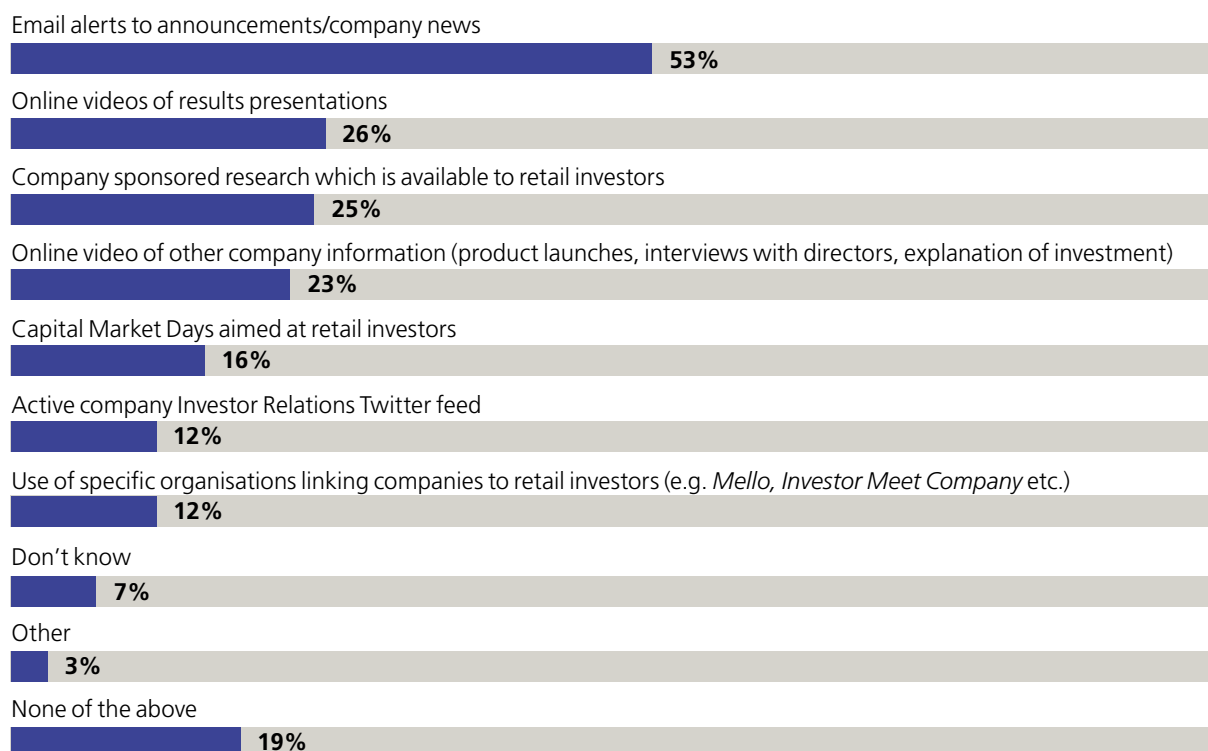
For the most part these activities are viewed as helpful by retail investors, but they do rely on other sources of information primarily to provide them with what they need.

How important is specific retail investor relations activity when monitoring investments you hold in small and mid-sized quoted companies?



The most valued retail investor relations activities by far are company email alerts. Online videos of results presentations and other company information are also well regarded.

Which of the following retail activities would you find useful?



Respondents also suggested that information that would be useful to them includes:

- Regular and transparent company statements
- One-to-one interviews
- More frequent interim reports, e.g. quarterly

Annual Reports

As noted above, 44% regard the annual report as a valuable source of information for monitoring companies they are invested in. But we found that under half (45%) of retail investors are forwarded the annual reports of companies in which they are invested.

Are you forwarded communications from companies (e.g. annual reports)?



Of those that do not receive it, about a third believe this is an issue for them.

Is it an issue for you that you aren't forwarded communications from companies, e.g. annual reports?



Under 45%

of retail investors are forwarded the annual reports of companies in which they are invested

4



4: How do retail investors make their investment decisions?

Key findings

- Retail investors will avoid investing in smaller companies if they have not previously heard of them in the public realm, suggesting that profile-raising activities are important for companies looking to increase private investment.
- Good corporate governance is viewed by retail investors as having a positive influence on company management and resulting performance.
- Retail investors want to be able to take part in IPOs and placings alongside institutional investors.



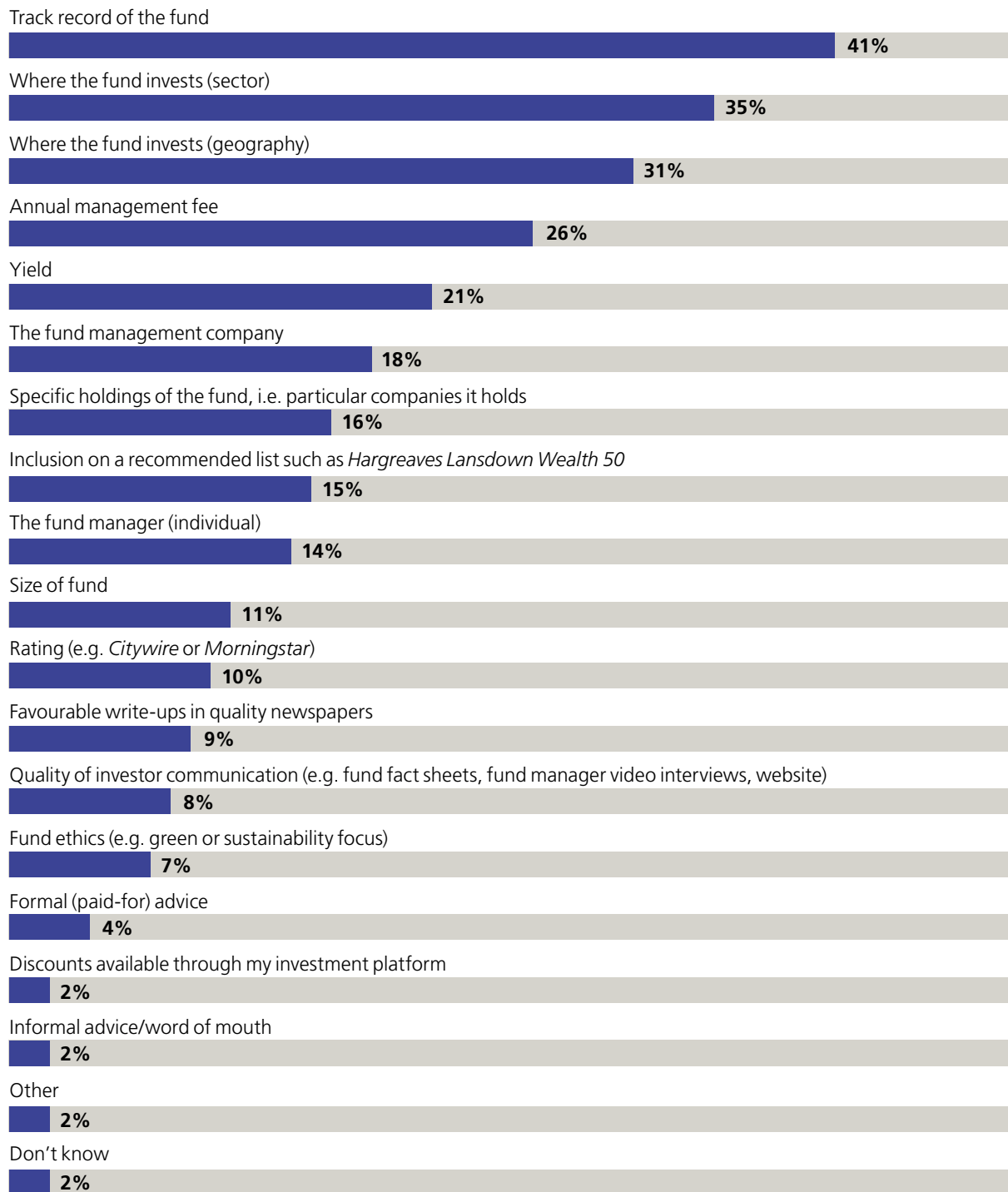
81%

of retail investor respondents invest in small and mid-sized quoted companies

Choosing funds

The biggest factor in choosing which fund to invest in is its track record, followed by which sectors and geography the fund invests in:

When choosing a fund which are the most important factors in your decision?

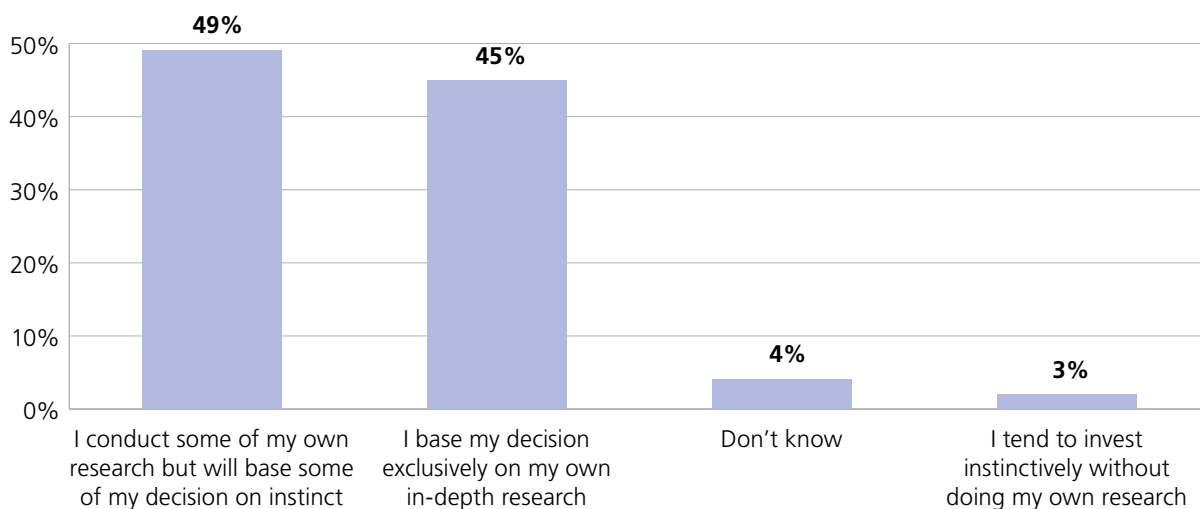


Investing in small and mid-sized companies

As noted earlier, 81% of retail investor respondents invest in small and mid-sized quoted companies.

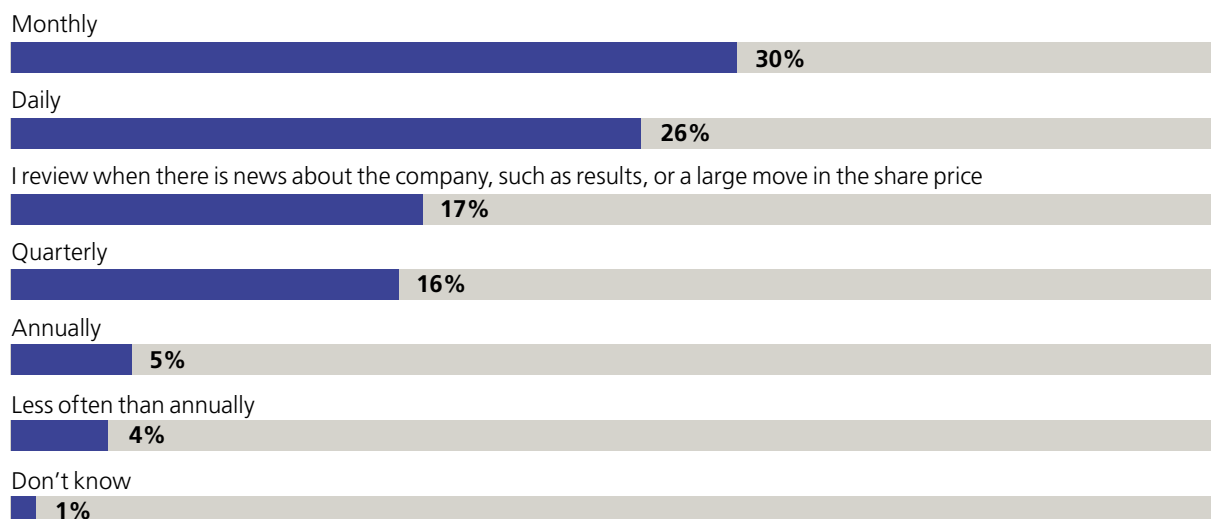
Of these, there is a fairly close split between those who base their decision on a combination of research and instinct (49%), and those that conduct in-depth research (45%):

When you decide whether to buy, or not to buy, a specific AIM or small or mid-sized quoted company, which one of the following most strongly influences your decision?



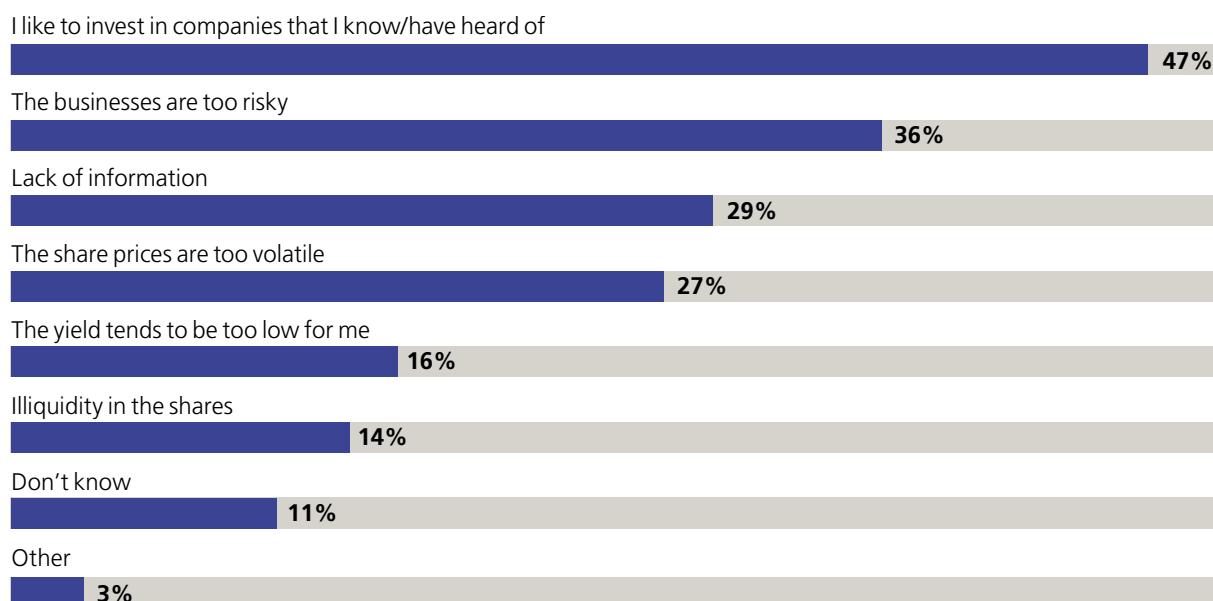
It is most common that these investors will review the status of their shares monthly, although over a quarter do this daily.

Thinking about shares that you own, how often do you review whether to continue to hold, to add or to sell?



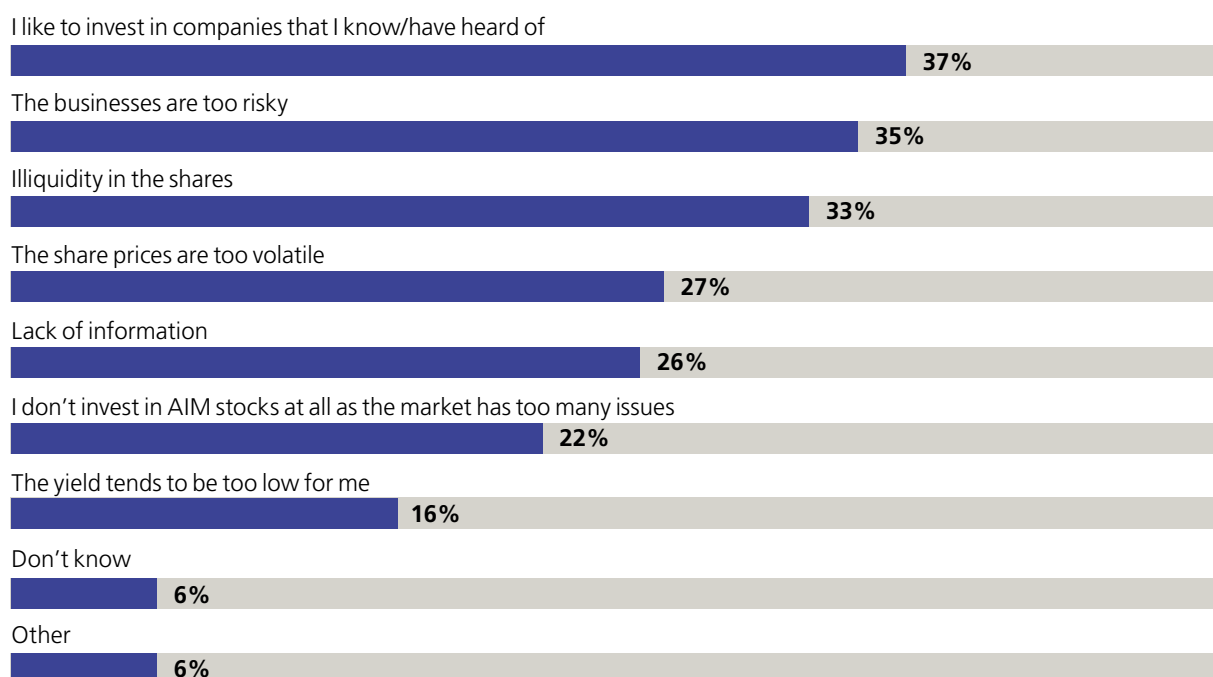
When asked why they might avoid investing in small and mid-sized quoted companies, the most likely answer is that they prefer to invest in companies they have heard of, suggesting that raising the public profile of a company should be a good way of attracting retail investors.

Which of the following factors, if any, inform your decision to avoid small and mid-sized quoted companies' shares?



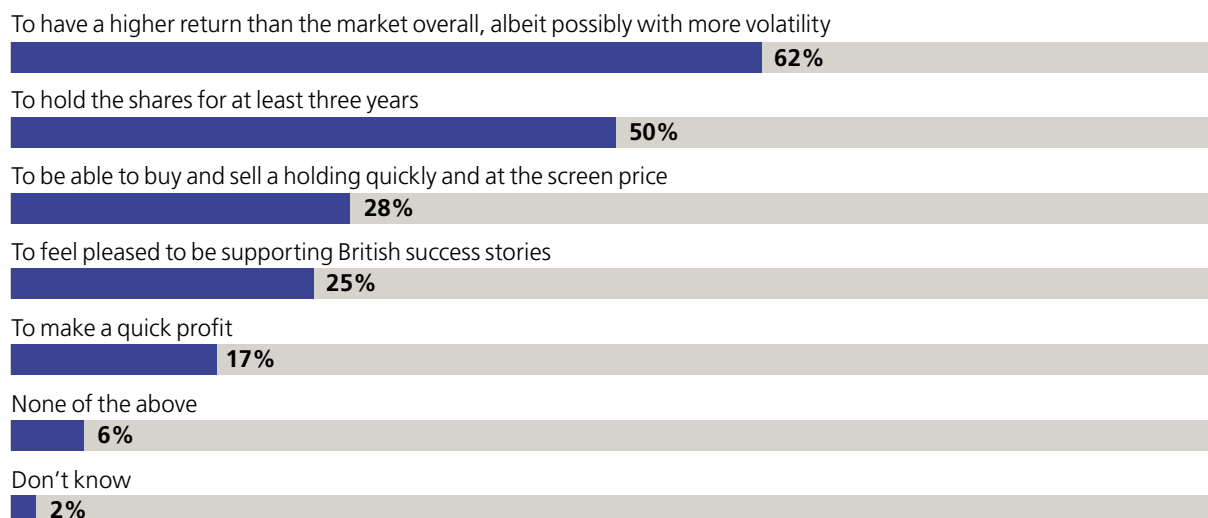
Specifically with companies quoted on the AIM market, there are similar reasons why a retail investor might choose not to invest in any one company, with lack of awareness and information high up. But there is also an increased perception of a lack of liquidity in shares on AIM, with 33% citing this as a factor in not wanting to invest in a company on that market.

Which of the following factors, if any, inform your decision to avoid AIM-listed shares?



When investing in small and mid-caps, three-fifths of retail investors expect higher returns, and are prepared for higher volatility along the way. Half of investors expect to hold shares for at least three years.

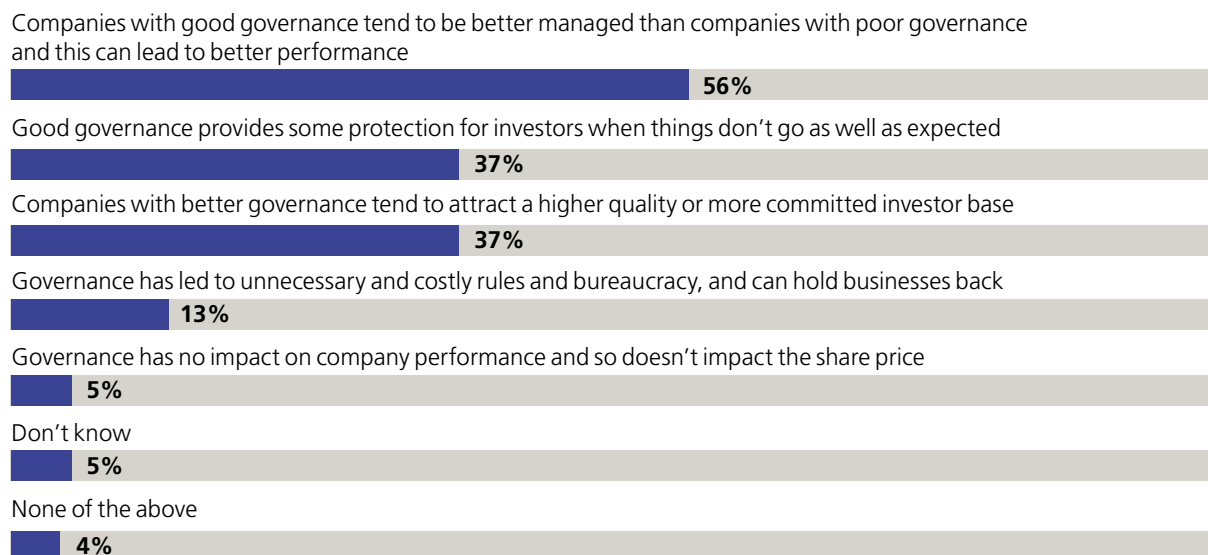
When you buy shares in an AIM-listed or small or mid-sized quoted companies, which of the following do you expect to happen?



How important is corporate governance?

Retail investors tend to have a positive view of how corporate governance can lead to improved company performance and increased investor protection. Only 5% think governance has no impact on share price.

Which of the following statements, if any, match your view on governance at small and mid-sized quoted companies?



IPOs and placings

It is currently difficult for individuals to invest in new shares issued by companies on their IPO or where the company raises additional capital unless that is by way of a rights issue.

We found that, most commonly, retail investors would like to be able to participate in IPOs if the process was easy enough, and some would be enthusiastic even if there was a more laborious process to go through.

IPOs: Which of the following most closely matches your view?

I would like to be able to take part in IPOs if it was as easy as trading shares in the secondary (normal) way through my platform



I like to see how a company performs on market before considering making an investment, so I do not mind not participating in IPOs



I would like to be able to take part in IPOs, even if the process was much more difficult than a normal trade



None of the above



Don't know



Turning to placings, market practice is that new shares of up to 10% of the existing share capital can be sold to investors at a discount of up to 10%, without those shares being offered to existing investors. Retail investors would also like to be able to take part in placings.

Placings: Which of the following matches your view?

If I am an investor in the company, I would like to be able to take part



I would like to be able to take part in such placings if it was as easy as trading shares in the secondary (normal) way through my platform



I would like to be able to take part in these placings, even if the process was much more difficult than a normal trade



The rules around the number of shares (under 10%) and price (less than 10% discount), offer me enough protection if I am a shareholder, and enable the company to raise money quickly and cheaply



None of the above



Don't know



This topic elicited some impassioned responses:

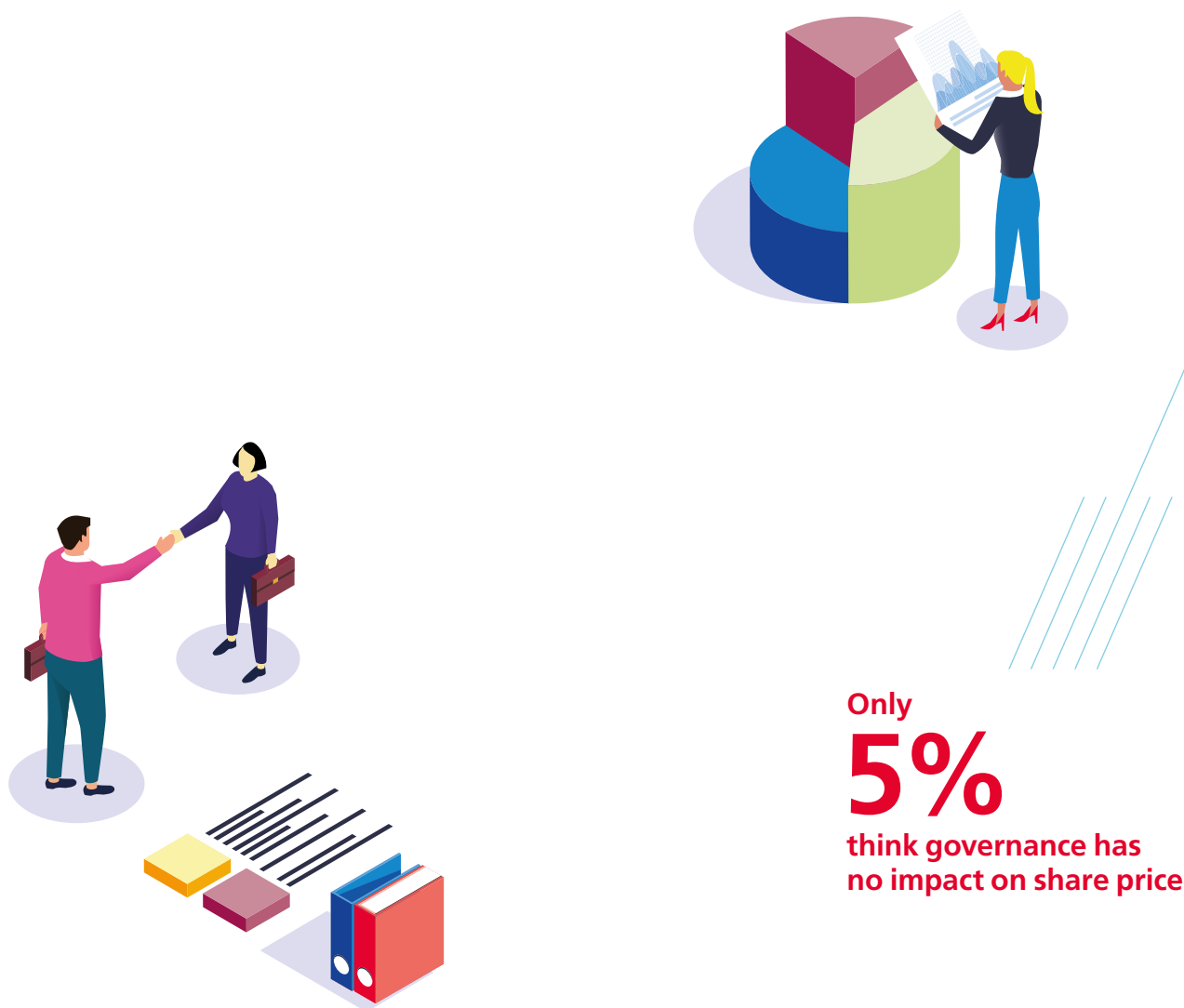
“Modern technology should make it easy for existing investors to participate in rights issues. The world has changed but the city has not on that issue.”

“Too many companies, especially on AIM, seem to look at private investors as ‘cannon fodder’ and treat them with contempt. The more long-standing the private investor, the greater the dilution from placings, so it is only fair and equal that they should be able to participate. Also, it may well negate the obvious price manipulation that occurs prior to a placing, merely for the benefit of those participating.”

“I believe if a company wishes to raise additional capital it should firstly make shares available to existing shareholders at discount before being allowed to offer to new investors.”

“I believe it is totally wrong that the smaller investor is not able to take part in placings. It is discrimination.”

“Retail investors haven’t been allowed to buy shares recently when companies needed to raise cash to get through the Coronavirus time. Why was I not allowed to as a retail investor?”





5: Are tax incentives important for encouraging retail investment?

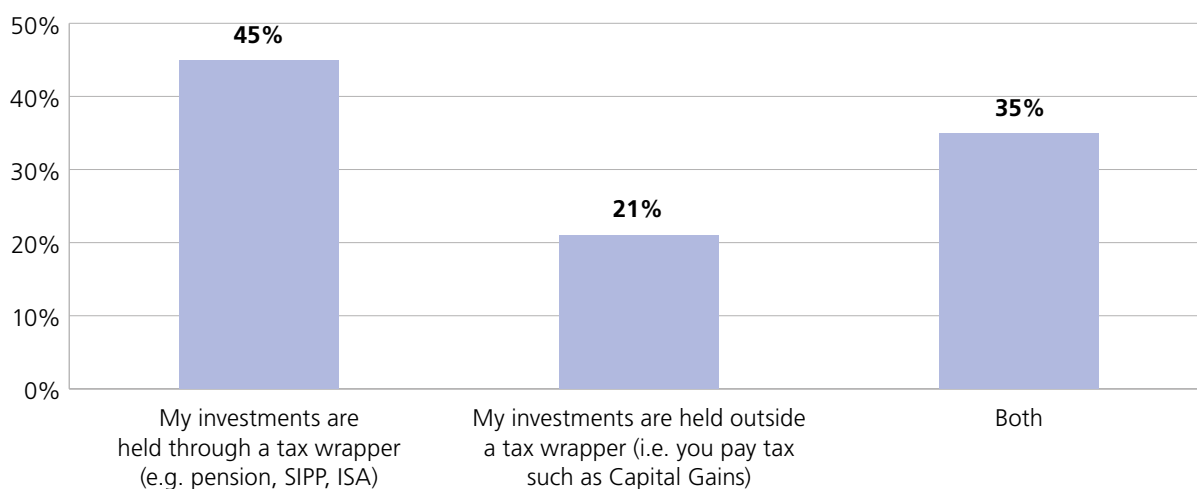
Key findings

- Existing tax wrappers are well utilised by retail investors and regarded as an important stimulus for their investing.
- Tax breaks to encourage retail investment into UK quoted companies could stimulate substantial additional capital and improve liquidity in the markets.

Tax incentive schemes

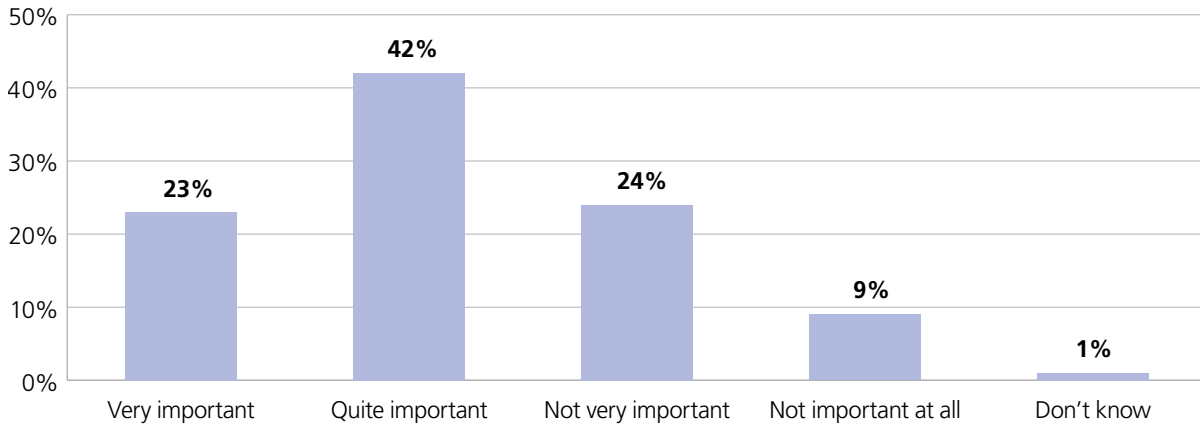
80% of retail investors use a tax wrapper of some kind (for example, an ISA or SIPP) for at least some of their investing activities.

How are your investments held?



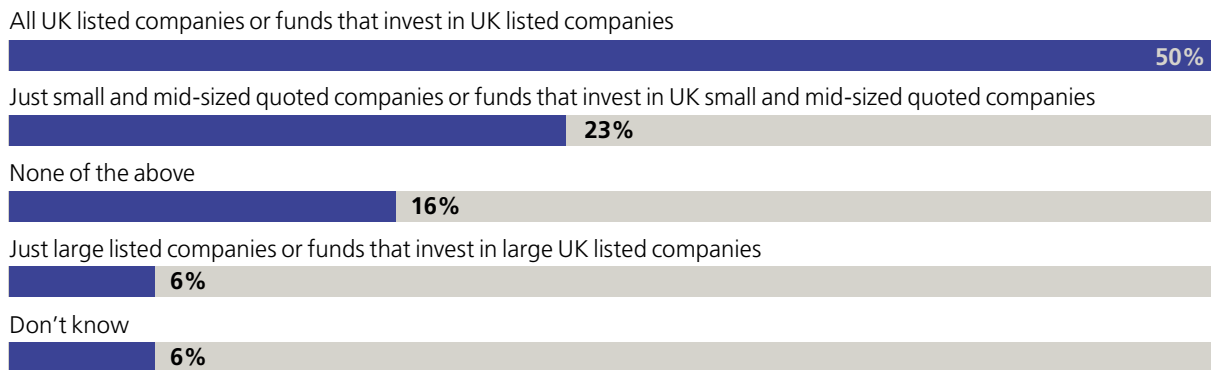
Two-thirds (66%) of those utilising tax schemes regard them as important:

How important are tax advantages to your investing in small and mid-sized quoted companies?

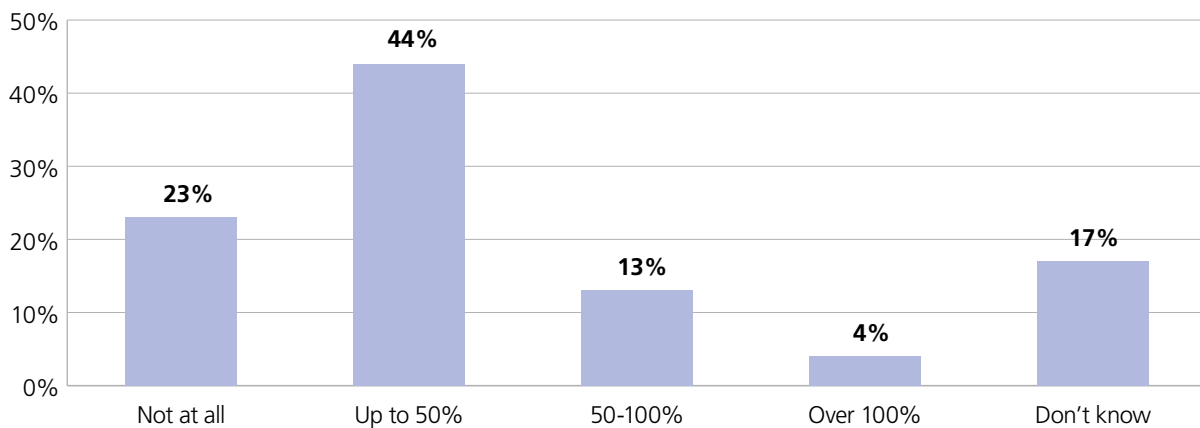


Half of retail investors think that the UK Government should offer tax incentives to encourage investing in UK companies. They estimate that this would result in significant increases in the amount invested.

Which of the following, if any, do you think that the government should use the tax system to encourage investment in?

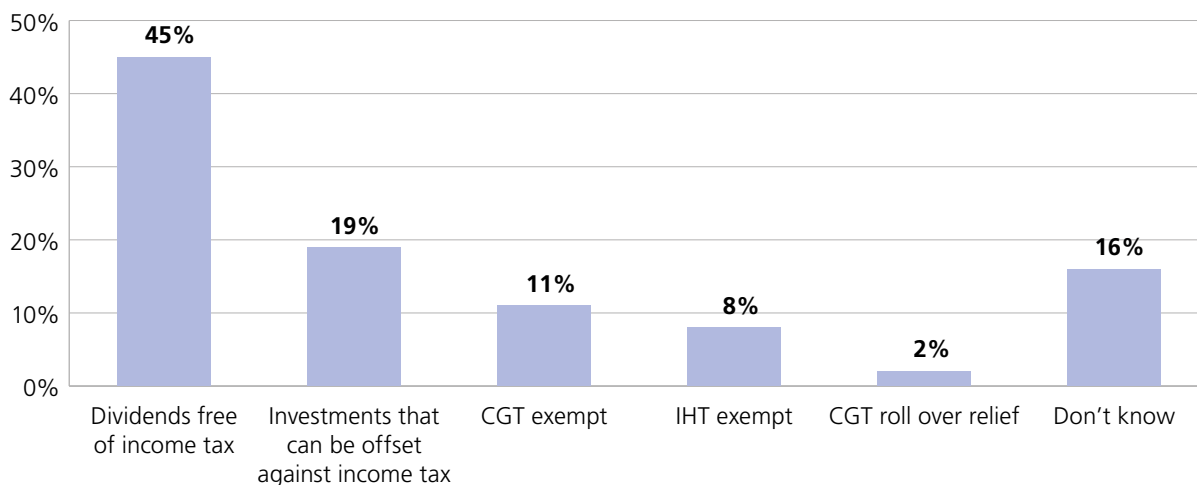


How much, if at all, would tax breaks encourage you to increase your investment in UK small and mid-sized quoted companies by?



Dividends free of income tax would be the most attractive tax break amongst retail investors.

Which would be the most attractive tax break to you? ³



Half of retail investors think that the UK Government should offer tax incentives to encourage investing in UK companies

³ These percentages refer to those respondents ranking these options first.



6: Has the Woodford collapse deterred retail investment?

Key findings

- A significant proportion of retail investors were invested in Woodford funds before they were closed.
- Most blame Neil Woodford himself for the situation, but some believe that the relevant investment platforms let investors down.
- Many investors have seen reduced liquidity in the markets as a result of the collapse.

In 2019, the *Woodford Investment Management* firm closed its funds that were headed up by one of the then best known fund managers in the UK, Neil Woodford. This was after substantial falls in value in funds which had sizeable exposure to investments with low liquidity.

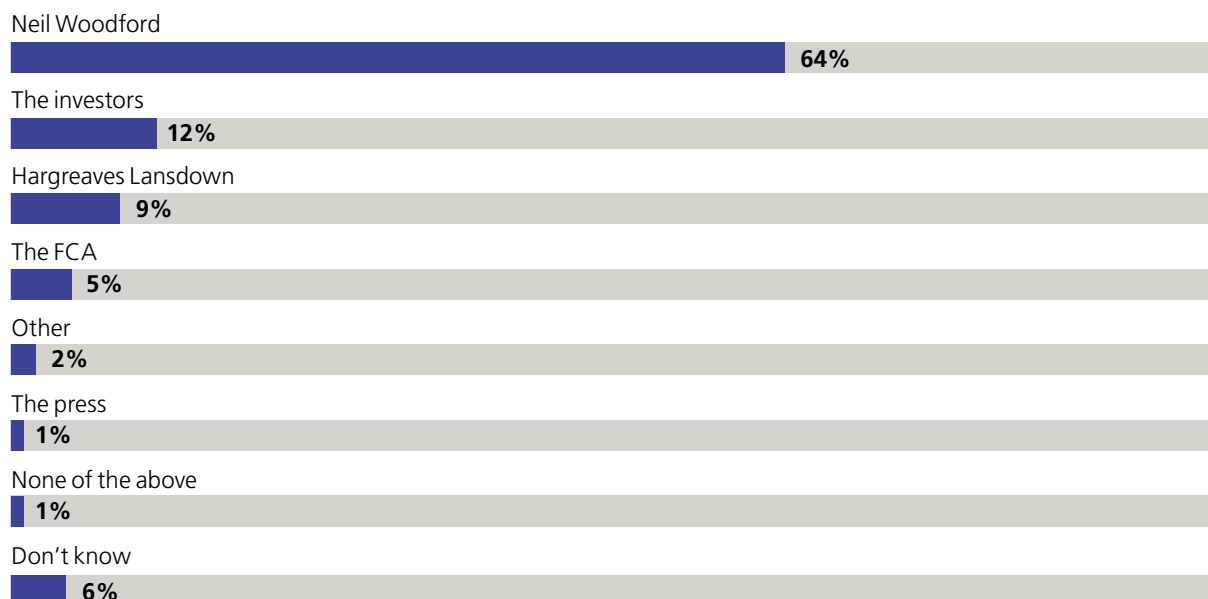
Around a quarter of retail investor respondents had invested in Woodford funds.

Which of the following best describes your relationship with *Woodford Investment Management*?



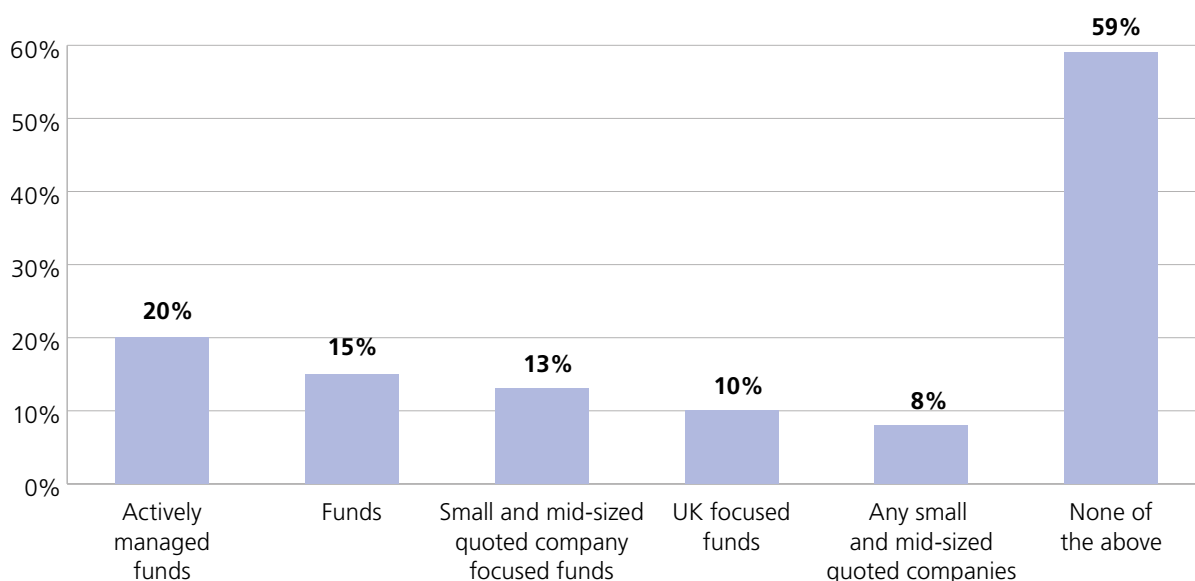
Neil Woodford himself is largely regarded by respondents to be responsible for the failures. However, responsibility is also apportioned towards investors (albeit at a much lower level) suggesting that retail investors recognise the concept of *caveat emptor*.

Most investors in *Woodford Investment Management* funds will have lost money – who do you think is most responsible for those losses?



The collapse appears to have had a fairly significant impact on the strategies of retail investors, with one in five saying it would make them less likely to invest in actively managed funds, and a smaller proportion saying it has put them off investing in smaller companies. Although for the majority (59%) it has not reduced their appetite to invest in any of these funds.

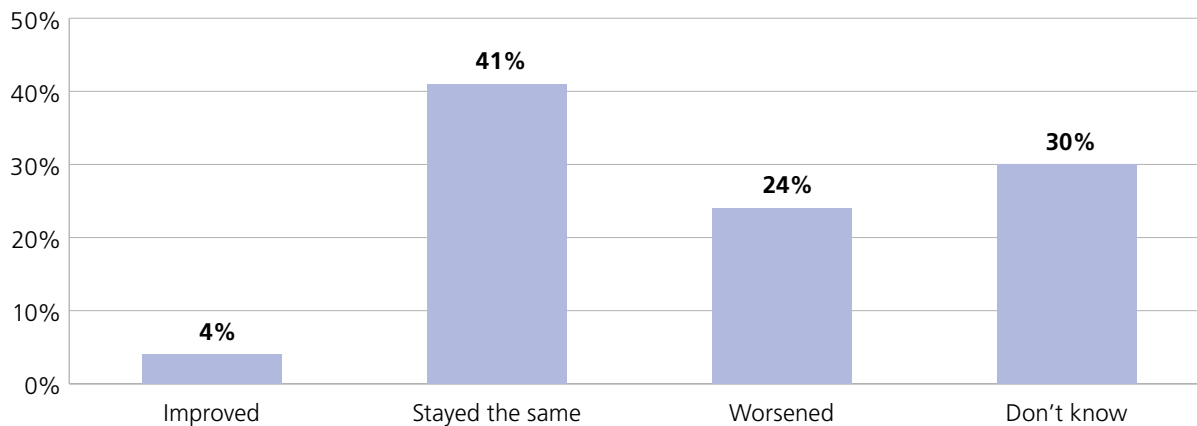
Has the collapse of *Woodford Investment Management* made you less likely to invest in any of the following?⁴



⁴ 7% "Don't know"

Significantly, around a quarter of retail investors have seen a decrease in liquidity in smaller company stocks since the failure of the Woodford funds. This is likely the result of other funds reducing their exposure to less liquid, smaller company stocks.

Since the failure of *Woodford Investment Management*, how has liquidity in UK small and mid-sized quoted companies changed, if at all, in your opinion?



25%

of retail investors have seen a decrease in liquidity in smaller company stocks since the failure of the Woodford funds



7: How do retail investors view Annual General Meetings?

Key findings

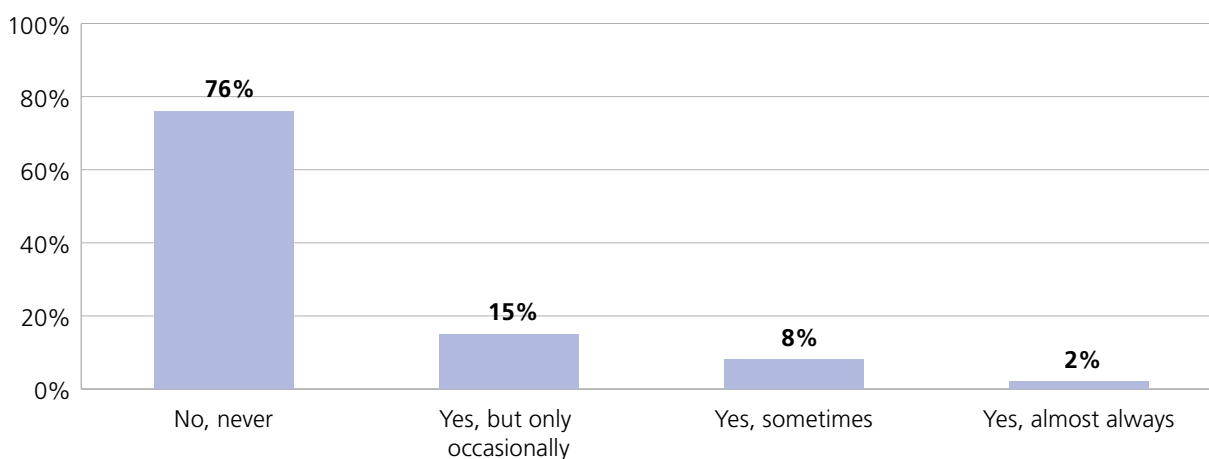
- There is little appetite from retail investors to attend AGMs as they are seen as not worth the time commitment for what they get in return.
- There is a desire to be able to vote on resolutions, whether by proxy or online. Some platforms cater for this, but not all.

Retail investors and AGMs

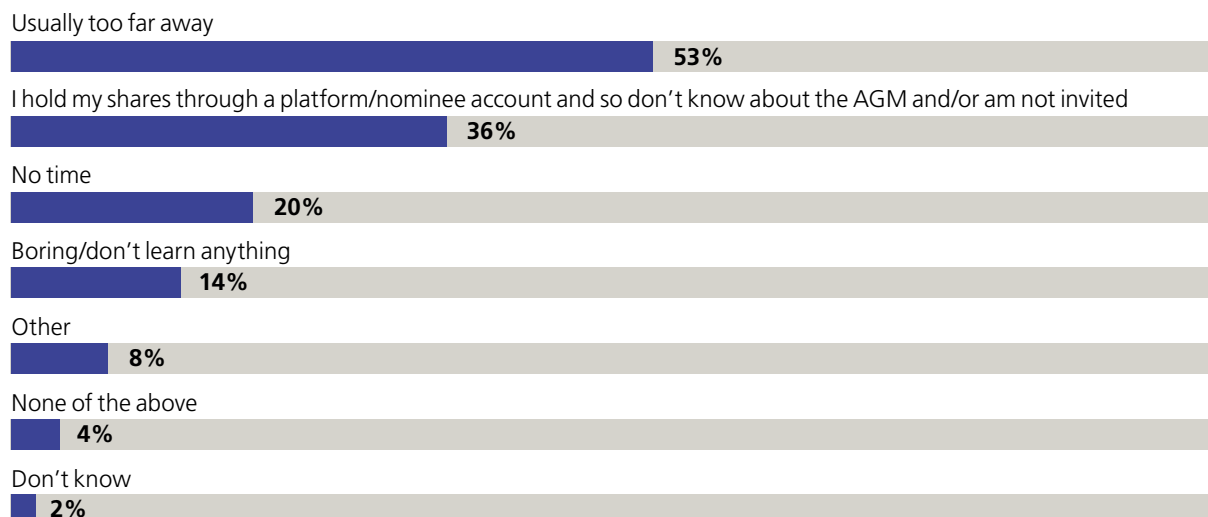
The vast majority of retail investors choose not to attend Annual General Meetings (AGMs). The main reasons for this are either logistical - relating to travel and time required – or that they are not invited due to holding shares through a platform.

A fair minority (23%) said they would attend AGMs if invited, but holding it online seems to make little difference to the proportion that would join.

Do you attend AGMs?



What are your main reasons for not attending AGMs?



Respondents elaborated by saying that they felt that they didn't think they would get much from attending:

"Too stage managed"

"I usually get information immediately following the AGM as people who have attended post any relevant information on the Bulletin Boards."

"Unlikely to learn anything important."

"Don't feel that, as a rule, my presence makes the slightest difference."

"I can vote without attending."

Or that they are too far away and it would be too time-consuming to attend:

"Often too far away. There may not be any crushing issues and time may be better spent elsewhere."

"Inconvenient time or place."

"They always seem to be held in London."

Perhaps surprisingly, only 21% would be interested in attending online AGMs:

Would you attend the AGM if you were able to 'attend' online?



In terms of ability to exercise their vote, it is evenly split between retail investors that can and cannot vote at AGMs.

Are you able to vote at AGMs?



For the majority that cannot vote this is not an issue, but for one-third it is.

Is it an issue for you that you aren't able to vote at AGMs?



Resolutions at AGMs cover such areas as reappointments of directors, adoption of the remuneration report and the ability of the company to issue new shares.

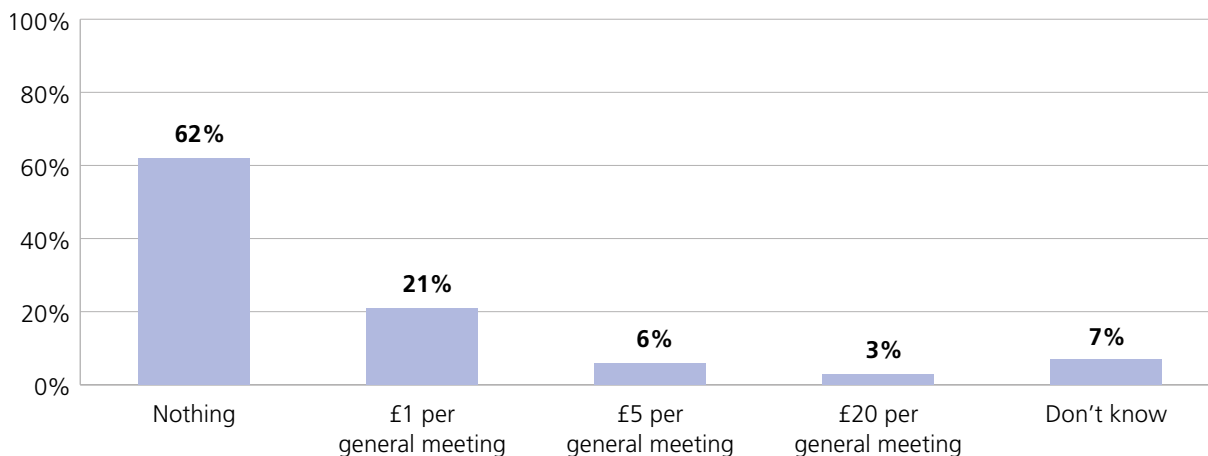
The majority of retail investors would like to be able to vote on these via the platforms that they use for investing. Currently, some platforms allow for this, but others do not.

Would you like to be able to instruct your platform which way to vote your shares at General Meetings?

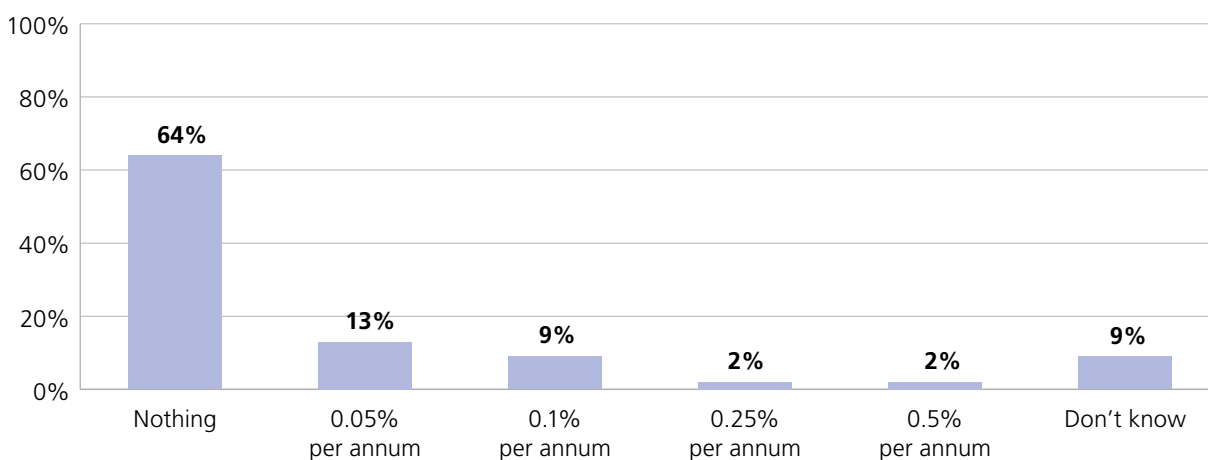


Just under a third of investors would be willing to pay their platforms an additional fee to be able to vote at AGMs:

How much would you be willing to pay in order to vote at AGMs if it was per meeting?



How much would you be willing to pay in order to vote at AGMs if it was included as part of the platform fee?



“In this day and age of technology, it is not that difficult for platforms to allow voting in AGMs, and certainly there’s no requirement for an increase in costs, they charge enough as it is, quarterly fees and trading fees etc.”

“Allowing retail investors to vote should not be a nice to have it should be made mandatory. It is unacceptable that some owners are not able to vote. That would also help to hold companies to account more. There is very little cost in enabling this as it’s simple online voting.”

For the majority, being able to vote on AGM resolutions for investment trusts is equally important as for individual companies:

Would you view this voting participation as equally important for investment trusts as for individually listed businesses?





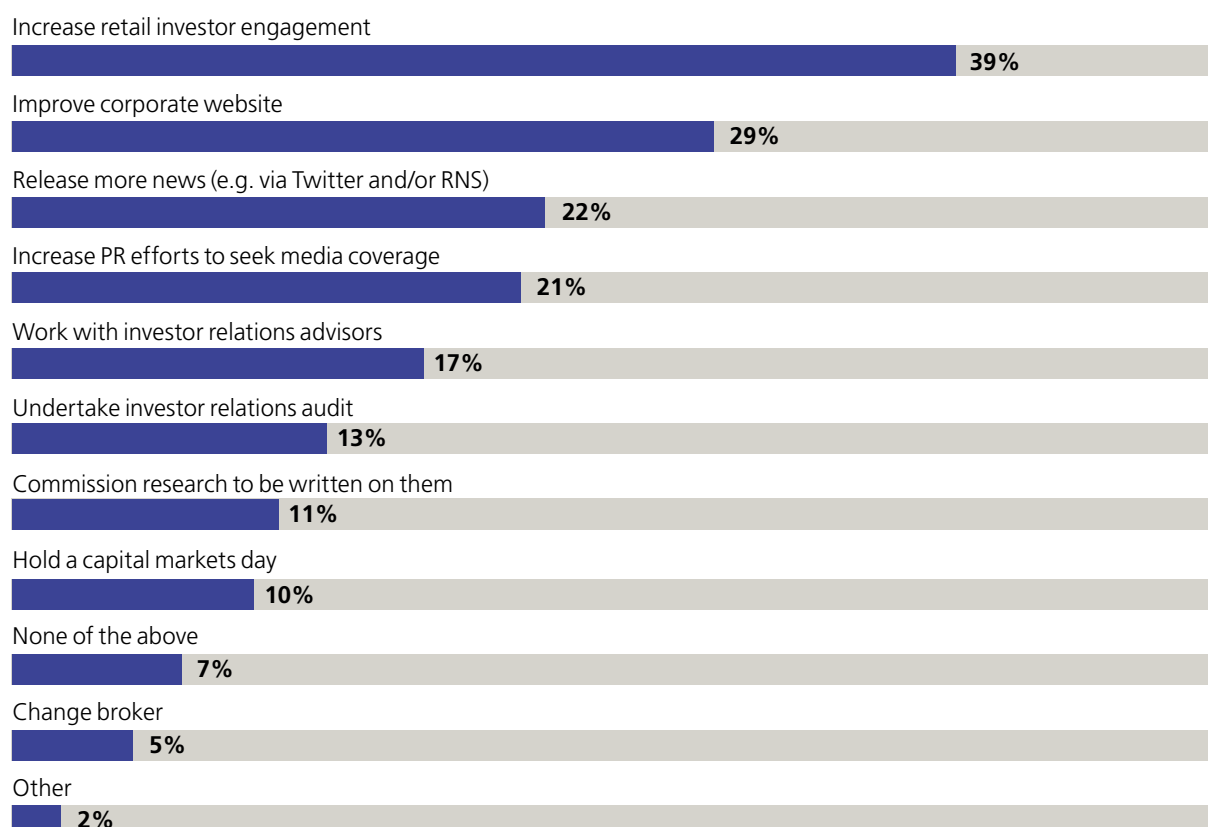
8: Practical conclusions for small and mid-sized quoted companies

Retail investors believe that the best ways for companies to increase visibility to them are to:

- Increase retail investor-specific engagement
- Improve the corporate website
- Release more news publicly through various channels

All of these activities increase the profile of the company to retail investors, which echoes what was found earlier that retail investors avoid investing in companies that they have not heard of.

Which of the following, if any, do you think would most help companies increase their visibility with retail investors?



Taking this survey as a whole, there are three practical points that companies can take away to form part of a strategy to increase retail investor engagement:

1. Increase company profile to retail investors

Some companies might be able to find easy wins through such things as:

- Sending email alerts to shareholders and interested individuals with company announcements and updates – this was ranked as the most valued activity by respondents to this survey;
- Reviewing and improving what is on the corporate website for investors;
- Presenting company updates via video;
- Releasing more information through channels like RNS or Twitter; and
- Conducting PR activities to increase coverage in the media.

2. Ensure governance is clearly and transparently communicated

It is clear from this survey that retail investors see a correlation between companies with good corporate governance and good prospects for investment.

The QCA publishes the *QCA Corporate Governance Code* which is followed by the majority of companies on AIM. In a separate survey, we found that 39% of companies said that adopting the QCA Code has helped their business by, amongst other things, making it easier for investors to assess them.⁵

Companies should ensure that they communicate how they run their businesses effectively to shareholders and other stakeholders.

3. Involve retail investors in IPOs and placings

This survey demonstrates the appetite of investors to take part in IPOs and placings. Companies can potentially benefit from accessing this additional investor pool and from a potential resulting increase in liquidity.



It is clear from this survey that retail investors see a correlation between companies with good corporate governance and good prospects for investment

⁵ QCA, 2019, Corporate Governance on AIM



9: About the survey

Methodology

YouGov conducted 505 online interviews over 18-29 May 2020. These were with retail investors, defined as those who make decisions on investments such as stocks, shares or funds that they hold on their own behalf, or that they have invested in on behalf of someone else such as a friend or family member.

Note percentages may not add up to 100% due to rounding. The data is not weighted. Our thanks go to Andy Crossley, Chair of the QCA's Primary Markets Expert Group, who assisted in developing the questions for this survey.

Respondent profile

The median respondent was:

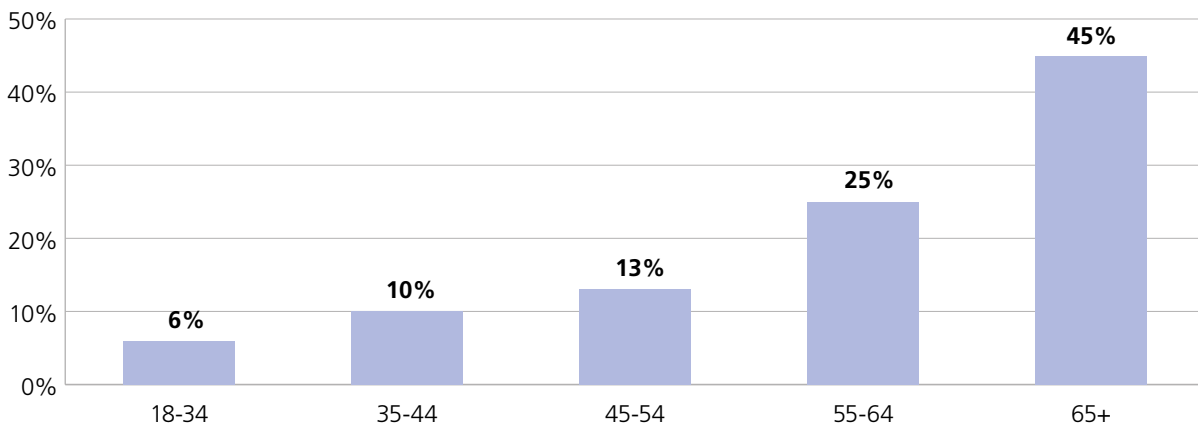
- Male
- Over 65 years of age
- Retired
- With a household income between £30,000 and £50,000 per year



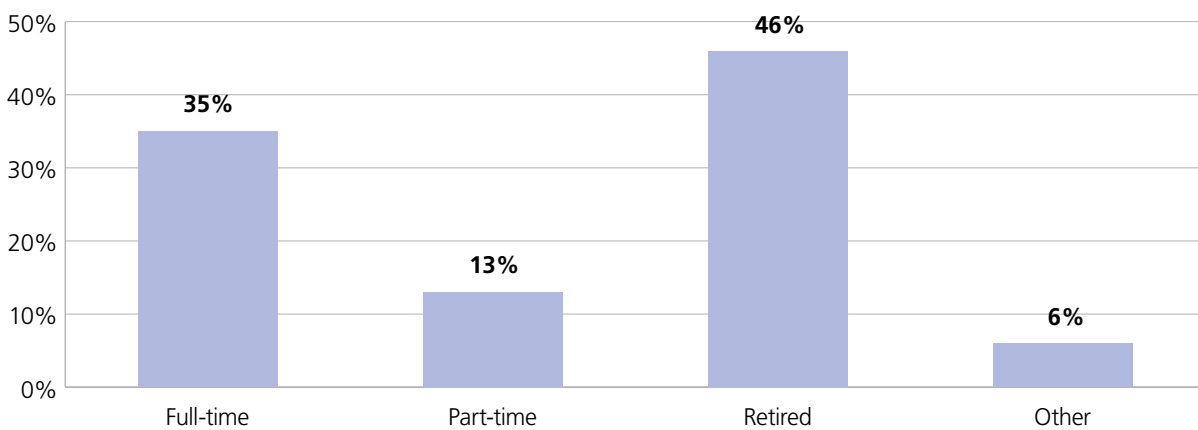
Gender



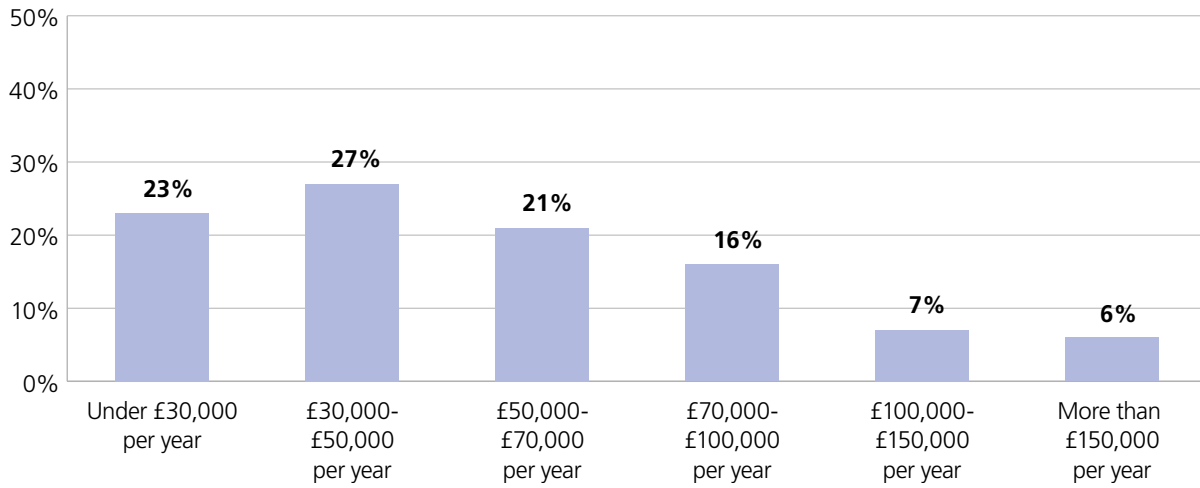
Age



Work status



Household income



About *Investor Meet Company*

Investor Meet Company is a digital platform, that provides individual investors free direct access to UK Listed companies for live, interactive management presentations, making them part of the investor roadshow, regardless of the number of shares they own or where they live.

About the QCA

We are the Quoted Companies Alliance, the independent membership organisation that champions the interests of small to mid-size quoted companies.

The value of our members to the UK economy is vast – as is their potential. There are around 1,250 small and mid-size quoted companies in the UK, representing 93% of all quoted companies. They employ approximately 3 million people, representing 11% of private sector employment in the UK, and contribute over £26bn in annual taxes.

Our goal is to create an environment where that potential is fulfilled. We identify the issues that matter to our members. We keep them informed. And we interact to build the understanding and connections that help our members stay ahead. The influence we have, the influence we use, and the influence we grow ensures that our members always benefit from the impact of our initiatives.

theqca.com

QUOTED COMPANIES ALLIANCE



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