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Other Aim-listed companies to consider

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Aim-listed firms are currently a playground for stockpickers

Philip Salter

ON THE difference between buying small as opposed to large company stocks, investment guru Jim Slater notably remarked: “Elephants don’t gallop.” While true, the worry for many investors is that instead of lasting 70 years, many Aim-listed companies have a life expectancy closer to that of the mayfly. However, not all Aim companies are born equal and following the fall across the index, opportunities for stock pickers are emerging.

Richard Gill of t1ps Investment Management thinks this makes Aim a stock pickers’ paradise, as indiscriminate selling leaves a number of excellent buying opportunities. Ross Jones, also of t1ps Investment Management, advises: “Indiscriminately buying the index is in our view a poor strategy when looking to gain exposure to smaller companies.” Instead, he suggests bottom up fundamental analysis.

UNDER THE RADAR

He says: “A core advantage when investing in Aim is that invariably the companies are flying well below the radar of large funds and professional analysts, so astute investors who do their own homework have the opportunity to find gems before the rest of the market realises.”

Director at Smith & Williamson Investment Management David Amphlett-Lewis advises that when it comes to picking Aim stocks, “relative size in market capitalisation terms, positive cash flow, dividend paying, and net cash on the balance sheet often demonstrate that a business has progressed through its initial growth phase and having established itself it is more likely to be a survivor.” Although you will need to keep your wits about you. He warns “history has proven this is not always enough.”

SKYWEST LOOKS UP

Jones likes the Australian regional airline Skywest, which has recently signed a deal with Virgin Australia. He also recommends film producer Intandem, which he says has announced a series of good news.

ONE FOR THE GOLDBUGS

Gold’s trend has been the friend of many investors since the aftermath of the financial crash. As many gold mining companies have taken a hit along with everything else in the equities downturn, savvy investors could pick up some good deals. Gill says one company that stands out as a cracking bargain is Aureus Mining. He asserts “the firm has a decent sized gold resource at the New Liberty project in Liberia, which could be dramatically increased via an

ongoing drilling programme.” Gill believes when investors recognise that the rise in the gold price will significantly improve the project’s economics the shares could double, maybe even treble, over the next year.

Although many think buyers of Aim stocks are playing Russian roulette with their finances, this view is too broad-brush. It is possible to put together – whether independently or through a fund – a balanced portfolio of liquid and well-managed Aim companies, and in the wake of recent sell-offs, now might just be the time to get these risky beasts in your sights.