

MIFID II

THE SEARCH FOR RESEARCH

QCA/Peel Hunt
Mid and Small-Cap Investor Survey

February 2019



PEEL HUNT



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Introduction from Peel Hunt

We enter 2019 with UK equities as the most underweight of all global asset classes and with the All-Share and FTSE 100, finishing 2018 down in excess of 13%. We have a Q1 to look forward to, not with tidings of comfort and joy, but with Brexit, political instability and uncertainty.

On top of this recipe for inaction, the financial services industry had its debut year of MiFID II. Some of you may remember we published two brochures, one in November 2014 prior to MiFID II and one in April 2018 after implementation. Both of these were entitled 'Unintended Consequences' and there couldn't have been a more apt moniker. This year we asked YouGov to conduct another survey - one year on post MiFID II – the search for research.

Whilst we recognise the constraints placed on the buy-side by MiFID II, we firmly believe that research is not 'just' about price. We stick to our principle that quality has a value and we fundamentally believe in the word 'fair' as a metric on which to judge and be judged. We are seeing a marked dispersion in the way the buy-side pays for sell-side

services with virtually no conformity across the institutional franchise. The role of sales is changing. Technology is usurping traditional methods, internal procurement teams are ensuring fund managers clearly define where they see value and are ruthlessly enforcing the price they will pay. All of this affects the sell-side. We see this as just the beginning. Specialists will become generalists, generalists will cover too many stocks and their product knowledge will dilute, quality will decline, gaps will appear in the market and many smaller companies will de-rate. Holding periods will get longer, liquidity will dry up and 'take-privates' will increase.

If you believe that corporates and the buy-side have no need for research and that active fund management has had its day, then this survey is not for you. We believe that research remains at the heart of the investment process, and we are delighted to have been ranked #1 by Extel in three of the last four years.

Steven Fine
Chief Executive
Peel Hunt

The QCA view – an unintended upside?

It is quite clear to see that there are some serious concerns about the impact that MiFID II is having on the market for small and mid-cap stocks.

Both the broking community and investment houses are going through a period of substantial change. Some of this is down to MiFID II, much of this was happening before; perhaps MiFID II is the accelerant that causes a fundamental shift in market dynamics. Whatever the cause, we are seeing a decline in the availability of research with a consequent perceived impact on liquidity. Small-caps have always experienced a hard life in the secondary market; mid-caps are now learning to experience the same.

But potentially there is some good news. The focus by the broking and investment community on MiFID II may be causing companies to take the initiative to work with their advisors and to be more active in their engagement with investors, both current and potential. This may, counterintuitively, lead to a better understanding between companies and investors, leading to more information in

the marketplace and better liquidity in the medium-term (and a stronger fee-base for enlightened brokers and other advisors).

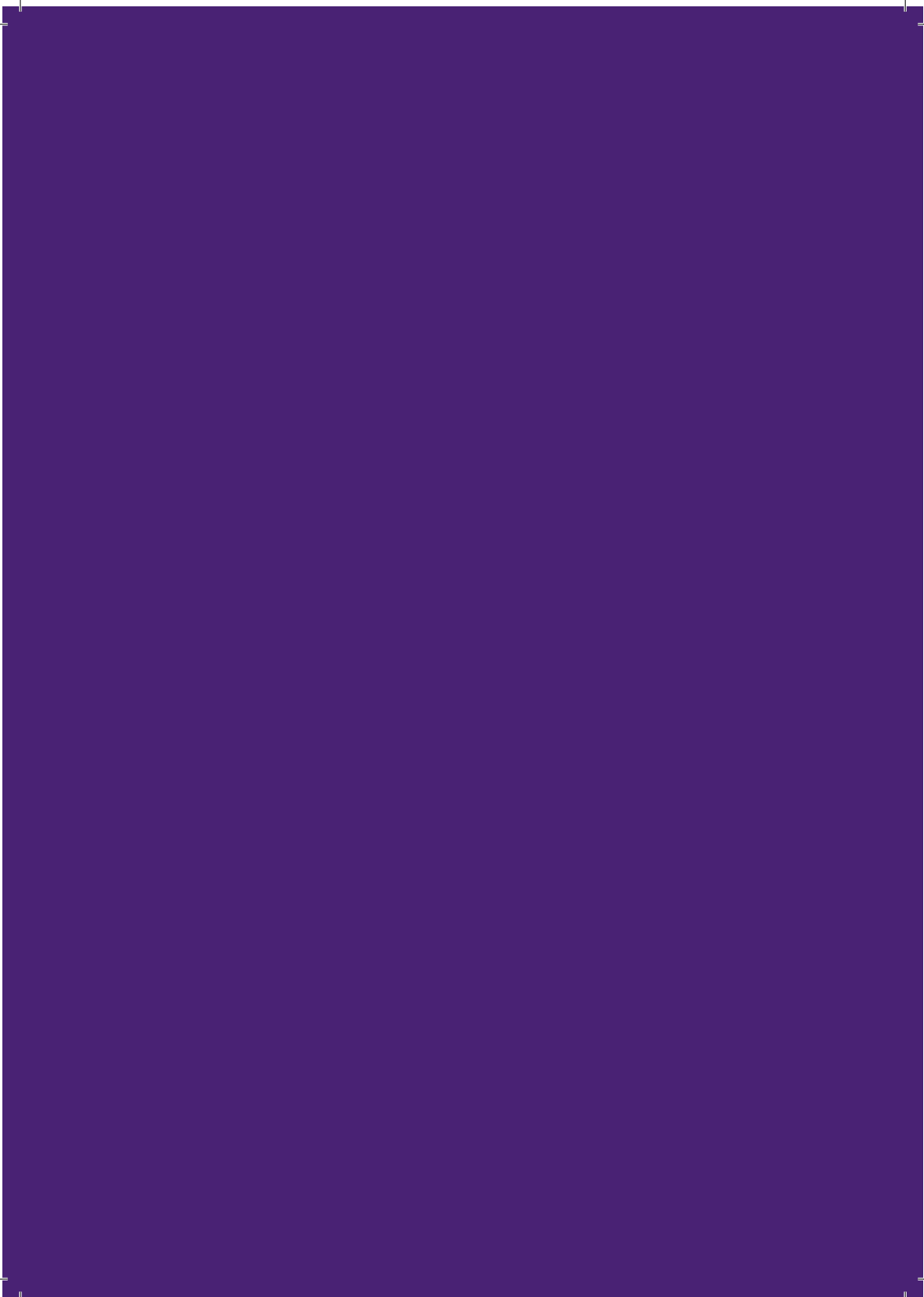
This survey shows the depth of concern about MiFID II. Investors have offered their advice to companies about what actions they can take to mitigate the impact. Our survey of companies tells us what they are doing and what they intend to do. There is an imbalance between the actions desired by investors and those actions offered by companies. Directors should consider carefully where they are focussing their investor activities to ensure that they are doing those things that their investors are expecting and not spending time and money on needless work.

The world is changing fast and companies should be testing their investors and advisors to ensure that they remain a relevant investment now and in the future. Maintaining a strong connection, directly and through advisors, is more important than ever.

Tim Ward

Chief Executive

Quoted Companies Alliance (QCA)



EXECUTIVE SUMMARY

This paper is based on a survey of 102 UK-based fund managers and 105 small and mid-sized quoted companies that was undertaken between October to December 2018 (for the full methodology see P52). A previous QCA/Peel Hunt mid and small-cap investor survey was undertaken one year prior, which enables comparisons to be made throughout this paper.

MiFID II: It's getting worse

Generally, feelings about the impact of MiFID II appear to have worsened since last year. The majority of the investor community have seen their list of research providers decrease over the past 12 months, and only expect further reductions in the future.

Fund managers also expect this to lead to a decrease in the number of broking houses in both the short and the long-run. Indeed, access to research providers has decreased for many investors, as has contact with brokers, analysts and sales representatives. In the previous survey, around half of respondents noticed a drop in the volume of research on mid and small-caps being provided; this year nearly two-thirds said the same.

The first annual reviews of broker research quality and performance following MiFID II's implementation will lead to many difficult discussions between the providers and recipients.

The message seems to be that brokers and investors need to be very clear about what value they are offering and receiving. It is very important that the corporate clients feel confident that their story is being imparted effectively by their broker

and heard by the key investors. The impact of MiFID II is causing everyone to consider how they play their role.

The expected fall in the number of broking houses suggests an expectation that some will fulfil their role better than others. Ultimately, corporate clients will vote with their feet and investors will vote with their research budgets.

Key findings

62% of investors report that there is less research being produced on small and mid-caps since MiFID II came into effect.

86% of investors expect there to be fewer broking houses in the next 12 months as a result of MiFID II.

Companies are taking action – 90% say they either have, or plan to, develop their corporate website to improve visibility to investors. Investors say that holding a capital markets day is the best way to improve visibility.

AIM – into adulthood?

Perceptions of AIM appear to be relatively neutral at the moment, but a majority of fund managers are reluctant to label it an attractive market for companies looking to float.

Looking back at last year’s report, over half of investors said that the AIM market’s credibility had improved over the past 12 months; this year about a third continue to say the same. Reputationally, we are seeing fewer instances of media criticism of the market itself when there is corporate failure, suggesting that the market has matured significantly over the last 10 years or so.

We are told that the quality of the research has declined in the past year. While many worry that the reduced quantity and quality of research may lead to mis-valuation of companies, there are

those who see it as an opportunity to “beat the market”. However, a sizable majority see the effect of MiFID II on the liquidity of mid and small-cap stocks to be negative.

We are told by many investors (46%) that the change in AIM Rule 26 (to require companies to adopt a recognised corporate governance code) will have a positive effect on the companies, and by extension the credibility of the market. However, half of investor respondents seem to be taking a wait and see attitude.

The final judges in this will be the investors who can spot boilerplate wording and box-ticking a mile off. As with MiFID II the more active companies will gain more attention from their brokers and will be a more compelling investment proposition for investors.

What investors said companies should be doing post MiFID II

Questions investors say companies should be asking their brokers:



102

Investors responded

How widely does my broker distribute research?

How credible are my broker's analysts?

How much research is now being written on my firm?

Increase your company's visibility with investors by...



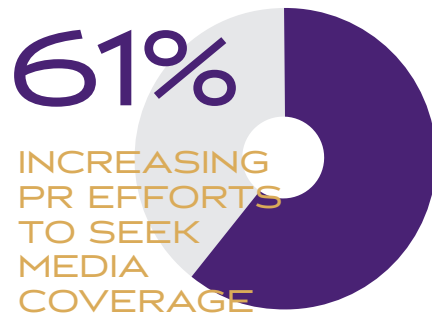
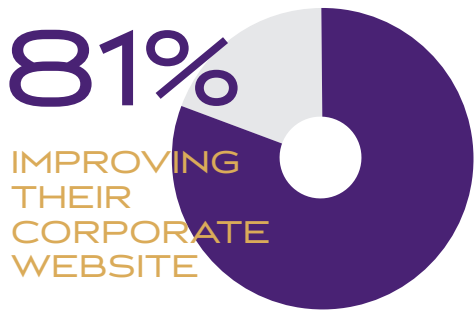
What companies are already doing post MiFID II

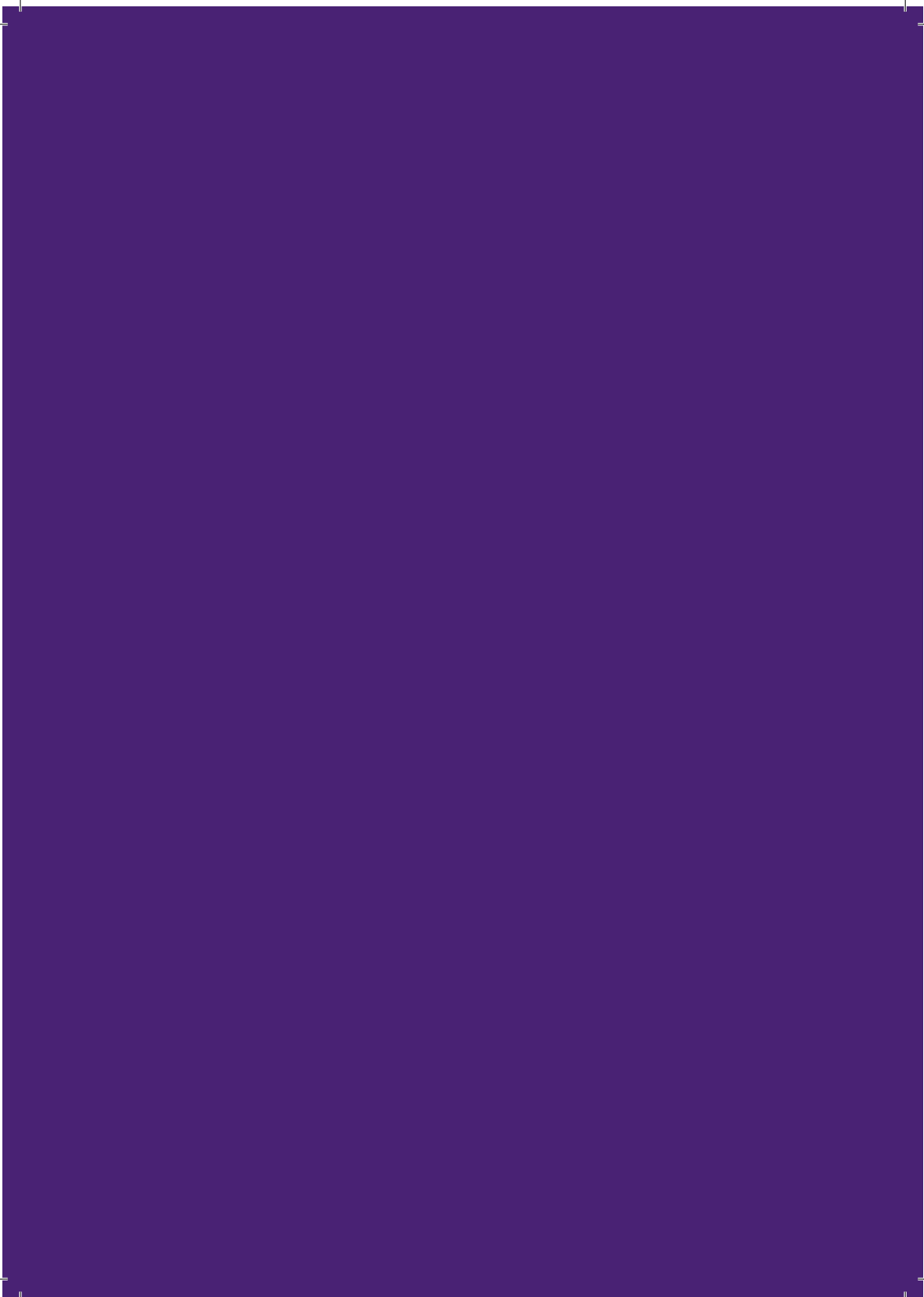
Companies are taking steps to increase their visibility to advisors by...



105

Companies responded





1. FUND MANAGERS' VIEWS ON MIFID II

RESULTS OF SURVEY OF 102
UK-BASED FUND MANAGERS

Broadly, the overall assessment of MiFID II's impact so far is seen to be negative, particularly on brokers and asset managers

What is your overall assessment of the impact that MiFID II has had on each of the following so far?

■ Don't know ■ Very negative ■ Quite negative ■ No strong feelings ■ Quite positive ■ Very positive

Asset Managers



Brokers



Investors



UK Listed Companies

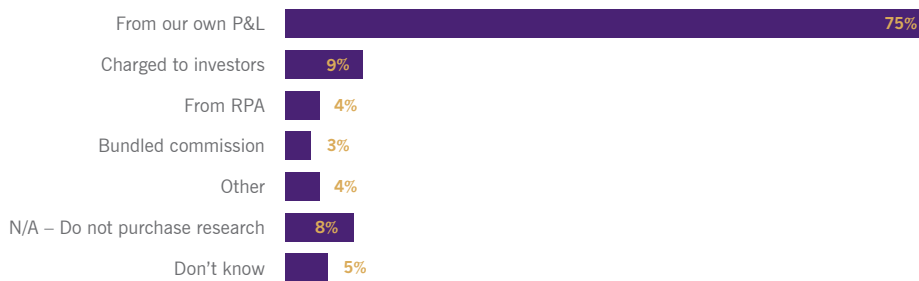


Companies were also asked this question:

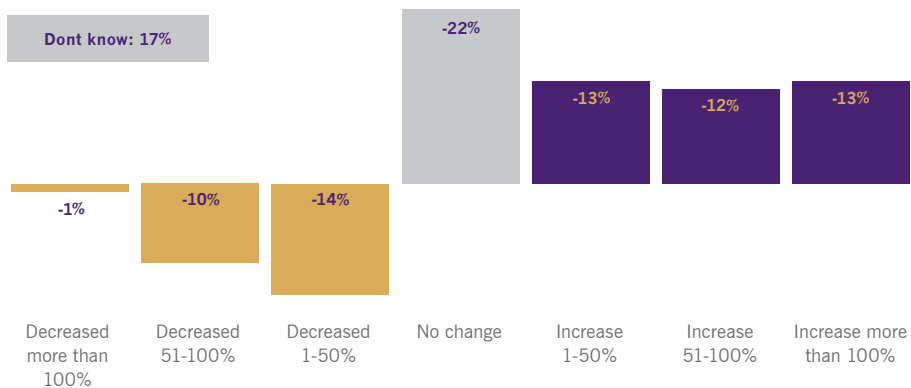
25% of companies feel MiFID II has had a negative impact on them, with 47% saying it has had a negative impact on UK listed companies in general. (see page 31)

Most investors fund their research from their own P&L and a quarter say the amount they pay for research has increased more than 50%

How does your organisation currently fund research it uses?



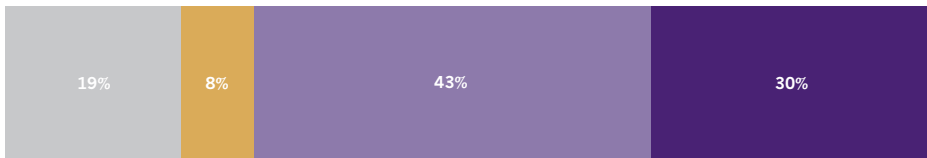
By what percentage has the amount you pay for research changed over the last 12 months as a result of MiFID II?



Just under a third feel current prices charged by brokers are too high with two-thirds saying it is unsustainable

Do you feel that the current prices charged by brokers are... ?

■ Don't know ■ Too low ■ Right level ■ Too high



You said that current prices charged by brokers are **too high**. Do you think this is... ?

■ Don't know ■ Unsustainable ■ Sustainable



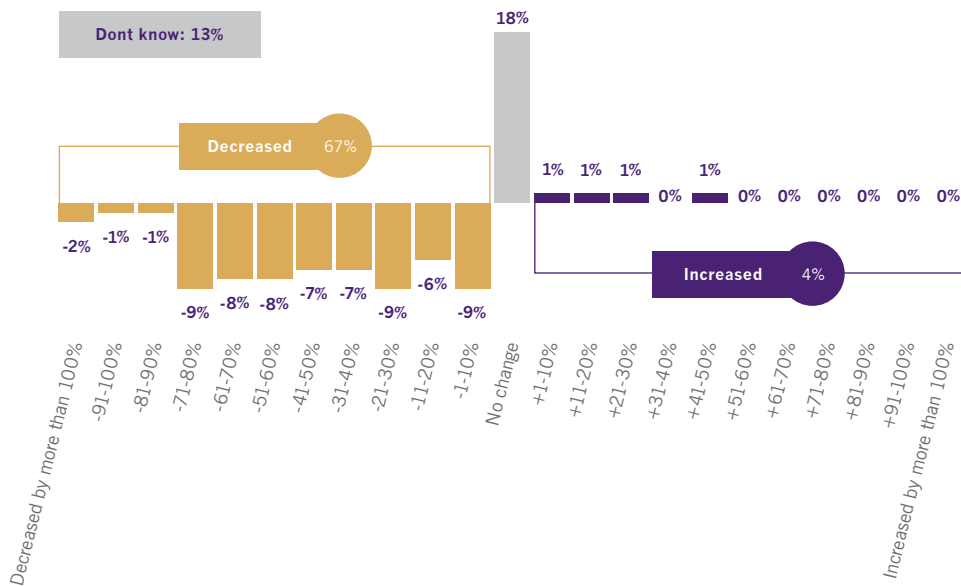
You said that current prices charged by brokers are **too low**. Do you think this is... ?

■ Don't know ■ Unsustainable ■ Sustainable



The majority of fund managers have seen their list of research providers decrease over the last year

By what percentage did your list of research providers change as a result of MiFID II?

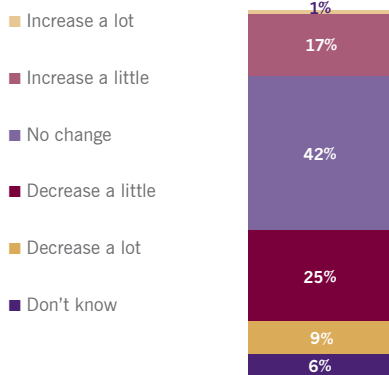


“*MiFID II is riddled with obvious unintended consequences for brokers, companies and asset managers. Hard to reverse though.*” Comment from respondent investor

A third expect their research list to decrease further, while the majority rely on between 3 to 10 providers to provide for their needs. Almost three-quarters of firms spend at least 60% of their research budget on Top 10 research providers

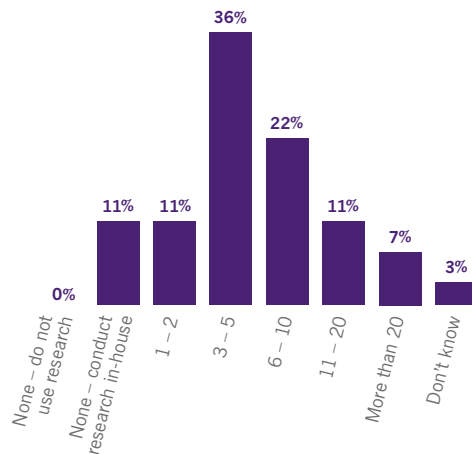
Provider expectations

From today do you expect your firm's research provider list to... ?



Number of researchers

How many research providers provide the bulk of your firm's research needs today?



% spent on providers

What percentage of your firm's research spend goes to your Top 10 research providers?

Legend: Don't know (18%), 0-20% (3%), 21-40% (3%), 41-60% (5%), 61-80% (7%), 81-100% (65%)



A large majority of investors expect the number of broking houses to decrease in the future

What impact do you think MiFID II will have on the number of broking houses in the next...?

■ Don't know
 ■ Many fewer broking houses
 ■ Slightly fewer broking houses
■ Slightly more broking houses
 ■ Many more broking houses

... 12 months

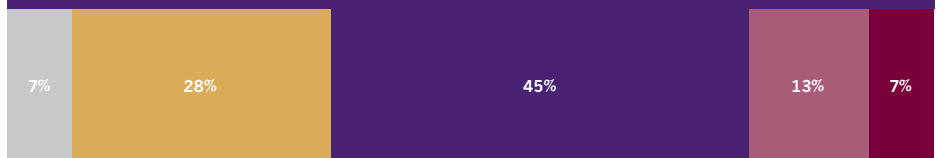


... 3 years



N.B. Question asked in 2017 (timeframe not specified)

What impact do you think MiFID II will have on the number of broking houses? There will be...

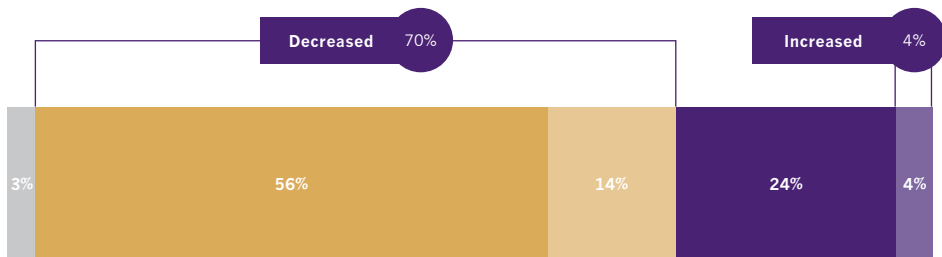


72% of companies stated that there would be fewer broking houses in the next 12 months. (see page 35)

Seven in ten investors say their access to research providers has decreased as a result of MiFID II; over half are worse off for it

How has the access you have to research providers changed as a result of MiFID II?

■ Don't know ■ Reduced and worse off ■ Reduced and no worse off ■ No change
■ Increased and no better off ■ Increased and better off



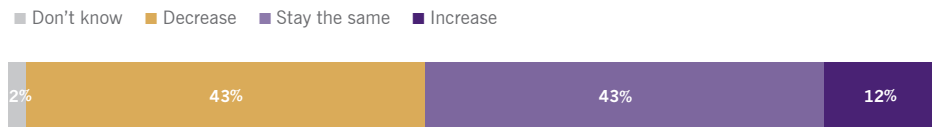
“*MiFID II is clearly playing into the hands of the large asset managers. This will stifle competition and lead to a worse service for the ultimate investor. The intention is correct but reality needs refining fast.*”

Comment from respondent investor

Two in five expect their personal contact with brokers to decrease over the next year. Generally, contact with analysts and sales people is more likely to have decreased as a result of MiFID II

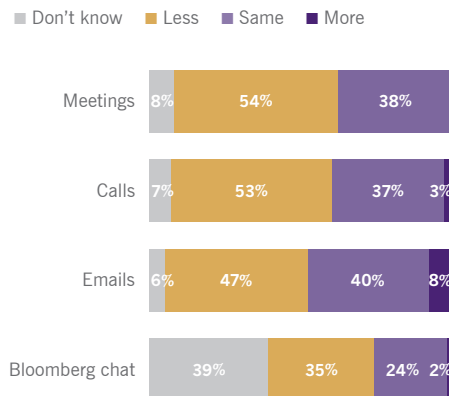
Broker contact

Thinking of you as an individual, over the next 12 months do you think the number of brokers you have contact with will... ?



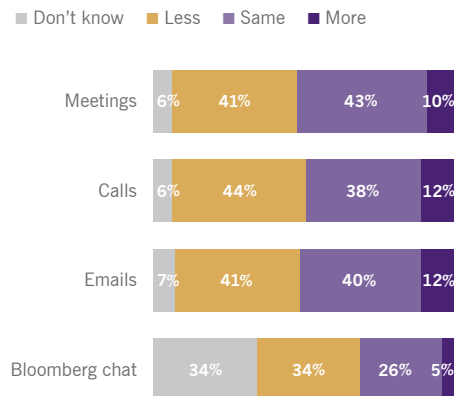
Analyst interaction

How, if at all, have the following interactions with analysts at your chosen research providers been affected by MiFID II?



Sales interaction

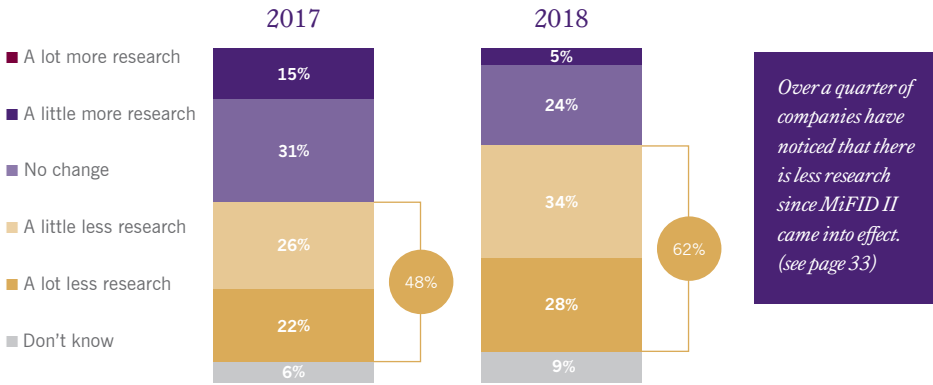
How, if at all, have the following interactions with sales people at your chosen research providers been affected by MiFID II?



Almost two thirds have noticed that there is less research being produced this year since MiFID II came into effect; more than last year. Respondents generally expect further decreases over the next year

Research now

Since MiFID II came into effect, have you started to notice a change in the **amount of research** that is being produced on mid and small-cap companies? There has been...



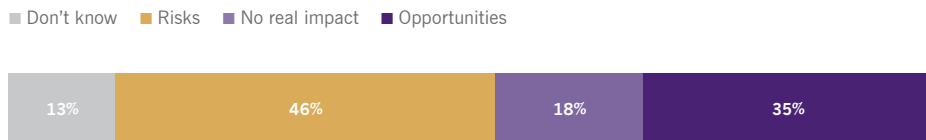
Research in the future

In the next **12 months**, how do you think the volume of research on mid and small-cap quoted companies will change, if at all?



There is a discernible split between those who think less research provides opportunities to those who think it will result in more risks

If there is less research on mid and small-cap companies in the market as a result of MiFID II changes, do you think this predominantly provides more opportunities or more risks in the market for you?



You said that if there is less research in the market as a result of MiFID II there would be more risks/opportunities in the market for you. Please explain what these risks/opportunities are

Example responses:

Opportunities

Less research means less companies being discovered, which means more opportunities to whom researches companies on its own by its own and does not depend on third party sell side analysis"

Opportunities

"If small-caps are less covered, that may lead to more inefficiency in market valuations, and more scope for us to beat the market"

Risks

"MiFID II has significantly reduced the amount of research brokers produce, the number of companies they cover and brokers' ability to interact with fund managers. Many brokers have become execution-only or only cover a small number of high-liquidity securities. Fund managers are left with only their in-house views rather than having their analysis challenged by several external parties. The effect is to concentrate investment in fewer large caps as research cannot be obtained on a more diverse group of companies. And more mistakes are made in investing as fund managers have few relationships left that can challenge their views. MiFID II has created huge compliance and expense burdens while contributing nothing to transparency. It is a net negative for all involved in the industry"

Over a third feel the quality of research on mid and small-caps has declined in the last 12 months; a similar proportion believe the quality over the next 12 months will be lower still

Quality

Thinking about the general quality of mid and small-cap research over the last 12 months, do you feel this has...

■ Don't know ■ Declined significantly ■ Declined slightly ■ Stayed the same
■ Improved slightly ■ Improved significantly



Future quality

Looking ahead to the next 12 months, do you expect a change in the quality of research that is available on mid and small-cap companies?

■ Don't know ■ Lower quality ■ No change ■ Higher quality

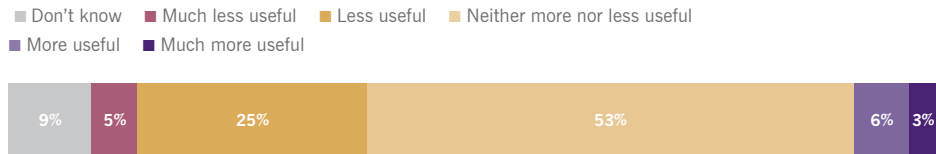


1/3 of companies also felt that in the next 12 months that the quality of research will decline. (see page 34)

A third feel that research written by a house broker is less useful than from an independent source versus 9% who think it more useful

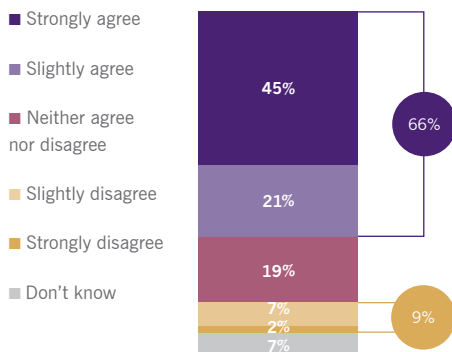
Broker research

Compared to research from an independent source, how useful do you find research on a corporate written by its house broker?



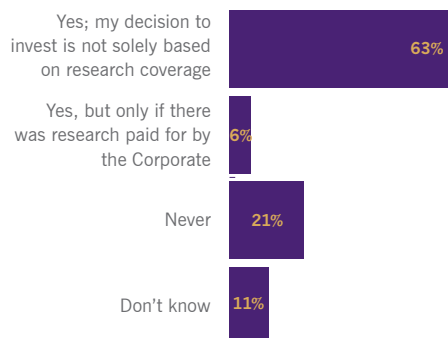
Free distribution

To what extent, if it all, do you agree with the statement that "research on corporate stocks from the house broker should be distributed for free?"



Companies without research

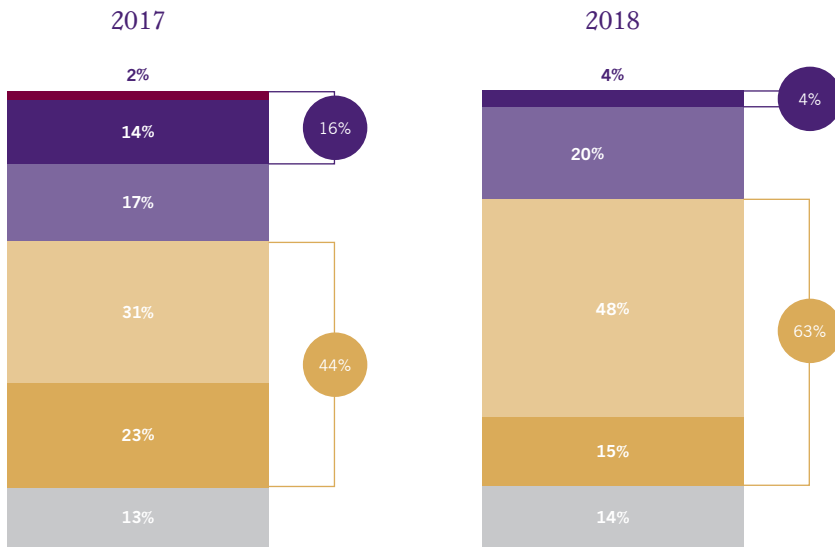
Would you invest in a company which has no research coverage?



Just under two-thirds think MiFID II has had a negative impact on the liquidity of UK mid and small-cap stocks; an increase of twenty percentage points saying the same last year

What impact, if any, do you think MiFID II will have on the liquidity in UK mid and small-cap stocks?

■ Very positive impact
 ■ Quite positive impact
 ■ No impact
■ Quite negative impact
 ■ Very negative impact
 ■ Don't know

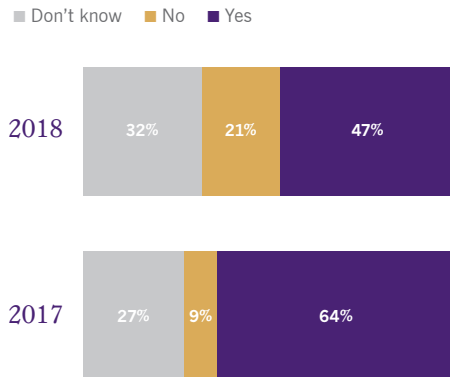


Just under half of companies feel that MiFID II has had a negative impact on the liquidity of UK mid and small-cap stocks. (see page 37)

Fewer fund managers than last year are willing to disclose to companies whether their incumbent house broker is able to send them research, however they are marginally more likely to recommend companies change to brokers whose research is more widely distributed than in 2017

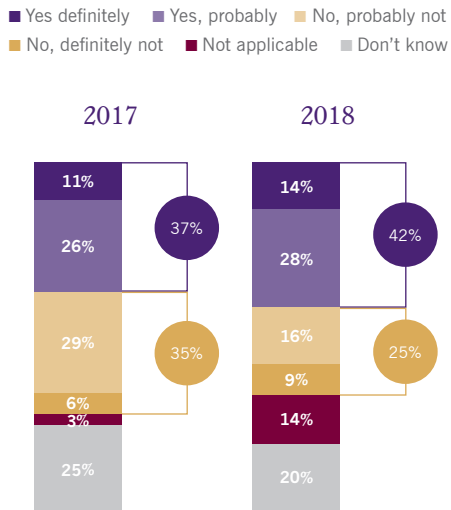
Disclosing research

Will you disclose to companies whether their incumbent house broker is able to send research to you?



Recommending change

Are you likely to recommend companies change to brokers whose research is more widely distributed?

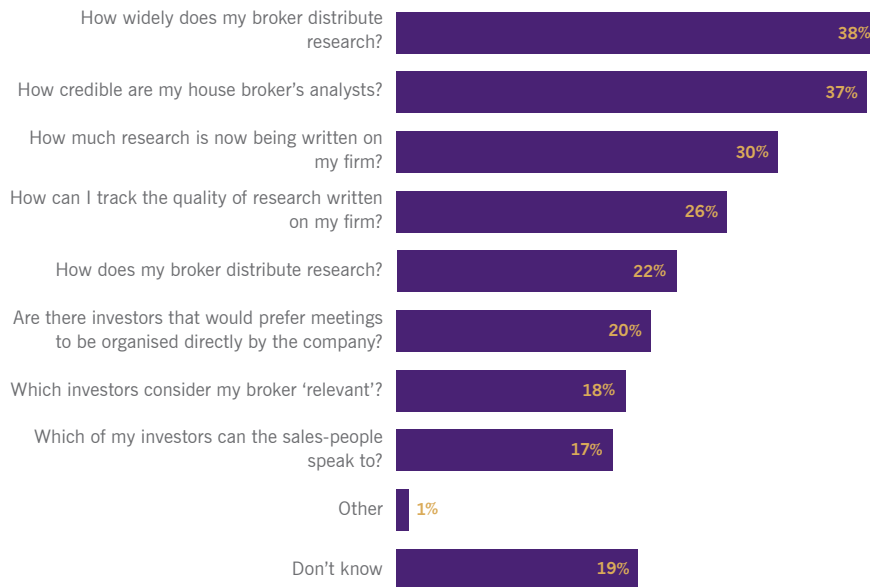


“ MiFID II has placed an unnecessary burden on both asset managers and brokers, and is particularly harmful for smaller firms as the cost of implementation has not been proportionate. This only serves to reduce market liquidity and drive the market into the hands of a small number of large buy side and sell side firms. How exactly does that increase competition for the investor?”

Comment from respondent investor

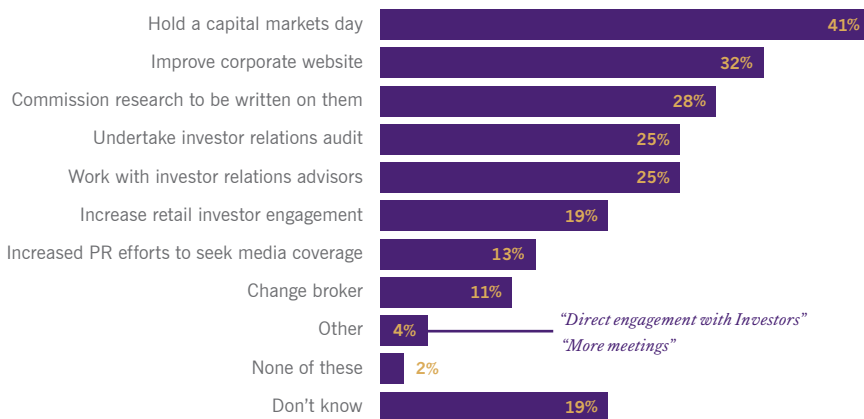
Reach, credibility and volume of research are the most important questions mid and small-cap companies should be asking of their brokers or investors in relation to MiFID II

What are the three most important questions mid and small-cap companies should be asking their broker or investors in relation to MiFID II?



Capital markets days, improved corporate websites and the commissioning of research on themselves are deemed the best ways to increase a company's visibility with investors

Which of the following, if any, do you think would most help companies to increase their visibility with investors? Please select your three most important.



What specific themes and questions are you asking of your investee companies at the moment?

"Just those that could render them attractive as an investment (FCF, debt, quality of management, corporate governance...)"

"Debt levels; ESG topics. Encouraging direct relationship between fund managers and companies - corporate access should not be captured by brokers in a way that hinders fund managers from meeting with investee companies. This is a problem mainly among US and UK brokers, many of which seem to corral their companies into meeting only with the brokers' highest paying accounts"

"Brexit preparations, revenue and margin projections"

"Direction of net debt, are there costs in the exceptionals that shouldn't be (costs that crop up every year), progressive dividend, FCF cover of dividend, relevance of non-execs backgrounds to the business"

"Explain industry and growth dynamics. How has the value chain changed over time and why. Explain how you compete and what your edge is versus peers"

2. COMPANIES' VIEWS ON MIFID II

RESULTS OF SURVEY OF
105 UK MID AND SMALL-SIZED
QUOTED COMPANIES

Over half of companies have not seen an impact from MiFID II on themselves but believe a negative impact has been seen by UK listed companies

What is your overall assessment of the impact that MiFID II has had so far on... ?

Your company



UK listed companies in general



■ Very positive ■ Quite positive ■ Neutral ■ Quite negative ■ Very negative ■ Don't know

Just under half of investors believe that a negative impact has been seen to UK listed companies since MiFID II has come in. (see page 14)

Two thirds of respondents feel that research paid by the companies is read by the institutions but over a third of companies themselves felt that this isn't valued

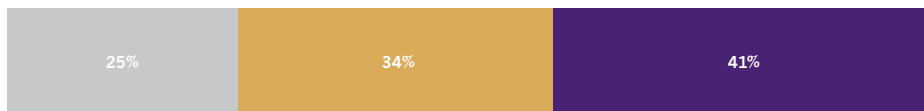
Do you believe that "research paid for by the Corporate" model is... ?

■ Don't know ■ No ■ Yes

Read by investment institutions



Valued by investment institutions



The majority of companies have not noticed a change in the amount of research produced on them, perhaps reflecting a poor situation even before MiFID II

Research now

Since MiFID II came into effect, have you started to notice a change in the amount of research that is being produced on your company?



■ A lot more research ■ A little more research ■ No change
■ A little less research ■ A lot less research ■ Don't know

Almost two thirds of investors have noticed there is less research being produced since MiFID II came into effect. (see page 22)

Research in future

In the next 12 months do you think that the volume of research will... ?



■ Increase a lot ■ Increase a little ■ No change ■ Decrease a little ■ Decrease a lot ■ Don't know

Investors generally expect further decreases over the next year. (see page 22)

Although respondents believe the number of analysts will decrease – over half feel that the quality of the research will increase or not change at all

Looking ahead to the next 12 months, do you expect a change in the quality of research that is available on mid and small-cap companies?

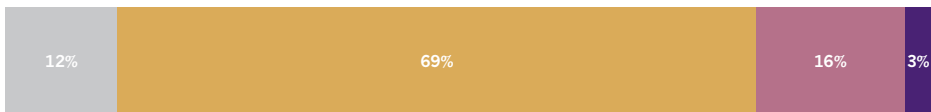
■ Don't know ■ Lower quality ■ No change ■ Higher quality



A large majority of all respondents expect the number of analyst and broking houses to decrease in the future

Over the next 12 months, do you believe the number of analysts publishing on the average mid and small-cap firm will increase, decrease or stay the same as a result of MiFID II?

■ Don't know ■ Decrease ■ No change ■ Increase



What impact do you think MiFID II will have on the number of broking houses in the next 12 months?

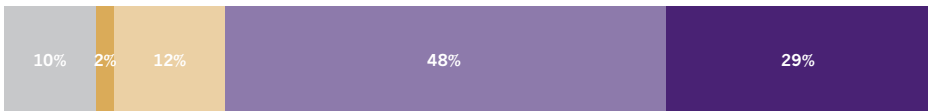
■ Don't know ■ Many fewer broking houses ■ Slightly fewer broking houses
■ No impact ■ Slightly more broking houses ■ Many more broking houses



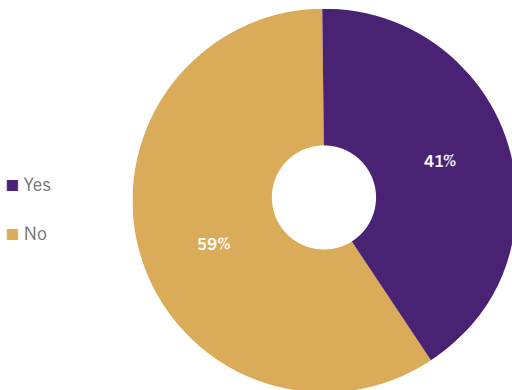
Over half of companies feel their brokers are MiFID II relevant, however over half have not asked their brokers how many key investors receive their research

How confident are you that your current brokers are MiFID II relevant?

■ Don't know ■ Not at all confident ■ Not very confident ■ Reasonably confident ■ Very confident



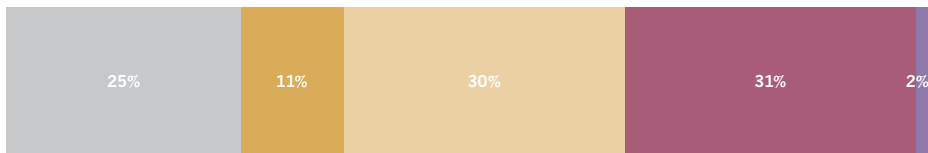
Have you asked your broker how many of your key investors are able to receive research on your company since MiFID II came into effect?



Whilst about a third of companies have seen no impact on liquidity, 42% have experienced a negative impact

What impact, if any, do you think MiFID II has had on the liquidity of UK mid and small-cap stocks?

■ Don't know ■ Very negative impact ■ Quite negative impact
■ No impact ■ Quite positive impact ■ Very positive impact



Companies feel that interest from brokers has remained the same, but nearly a third think sell-side coverage has decreased

Since MiFID II came into effect, would you say the following have increased, stayed the same or decreased?

■ Don't know ■ Decreased ■ Stayed the same ■ Increased

Sell-side coverage (i.e. Number of analysts writing, frequency of notes for your company etc)

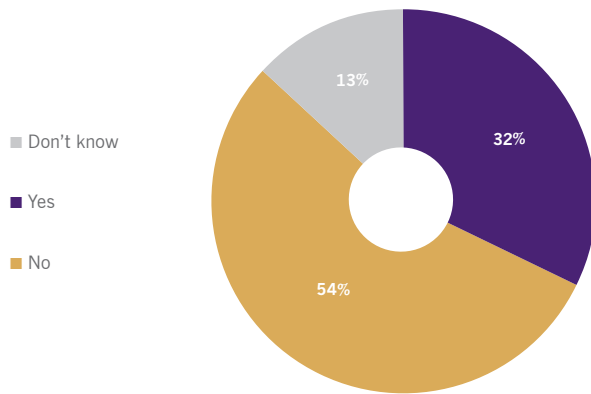


Interest in your company from your brokers



There seems to be sporadic discussions between investors and companies on the impact of MiFID II

Have your institutional shareholders shared their thoughts with you on the impact of MiFID II?

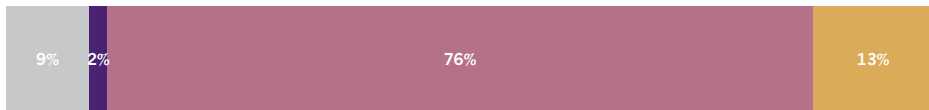


Companies say that access to investors and capital markets has largely stayed the same

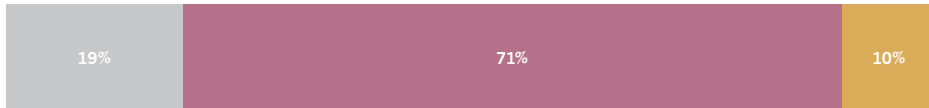
Thinking about the following, have they become more difficult, easier or stayed the same since the implementation of MiFID II?

■ Don't know ■ Easier ■ Stayed the same ■ Difficult

Access to investors (via roadshows, etc)

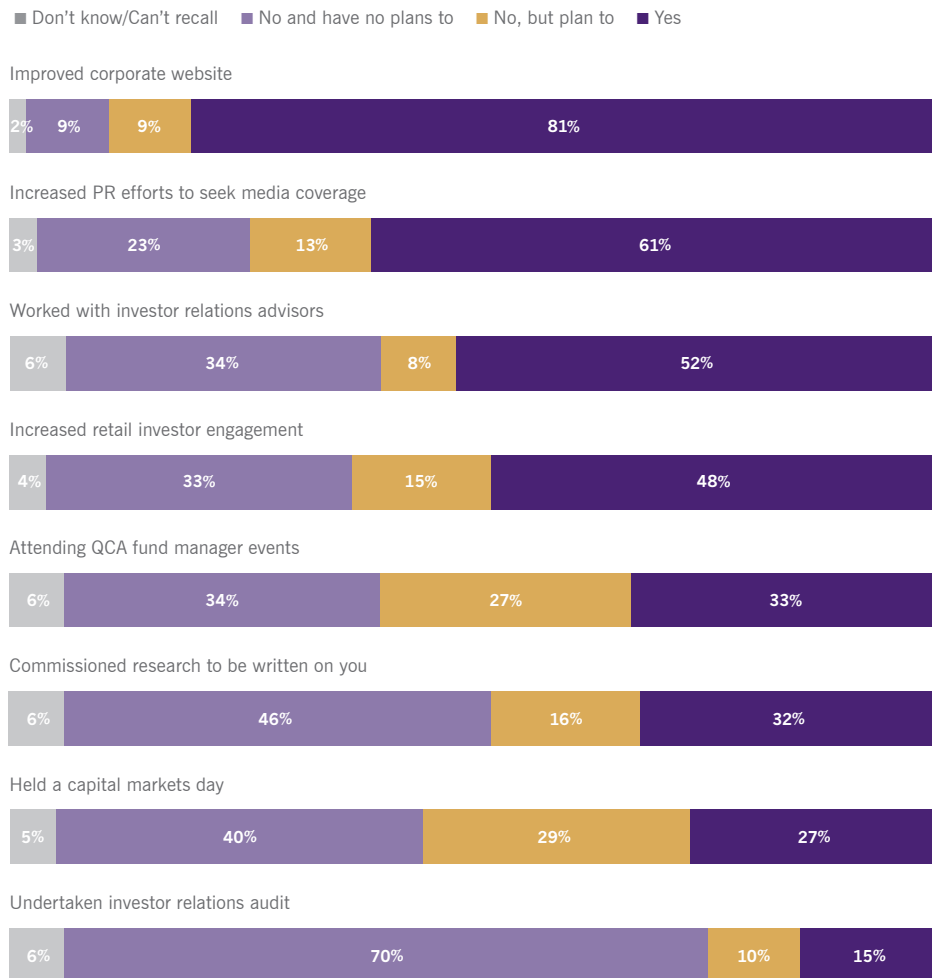


Access to capital markets



90% of companies have either improved, or plan to improve, their corporate website as a result of MiFID II

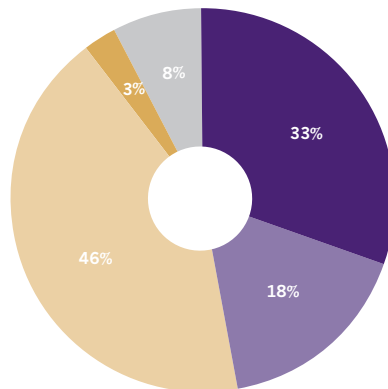
Have you taken any of these steps to increase visibility with investors?



One in five companies are considering changing brokers as a result of MiFID II, although three-quarters have no plans to change. Many companies are organising meetings without the help of their broker

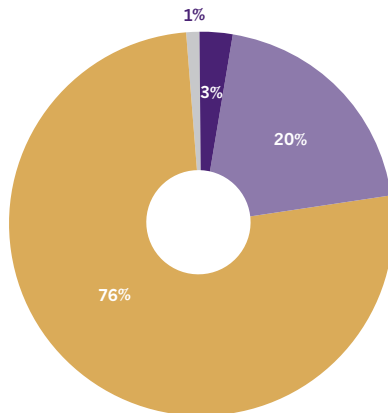
Are you organising meetings with investors without the help of your broker, either directly or using another organisation such as an investor relations adviser?

- Yes, directly
- Yes, using another organisation
- No, still through our broker
- Other
- Don't know

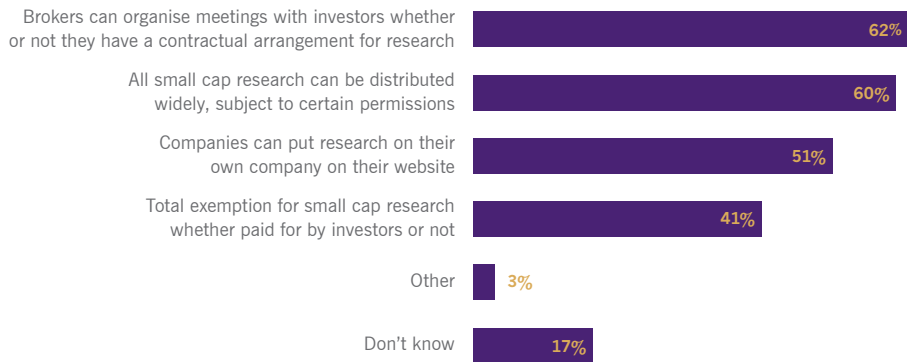


Has your company changed brokers as a result of the impact of MiFID II on the relationship between broker and investors?

- Yes
- No, but are considering doing so
- No, and have no plans to do so
- Don't know



What changes would you like to see to the MiFID II regime to assist coverage on your company?

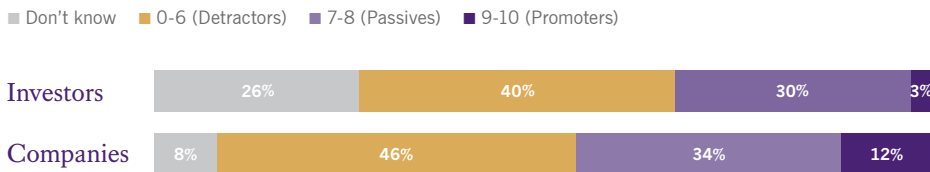


3. MARKET REVIEW

THE VIEWS OF BOTH INVESTORS AND
COMPANIES ON THE AIM MARKET

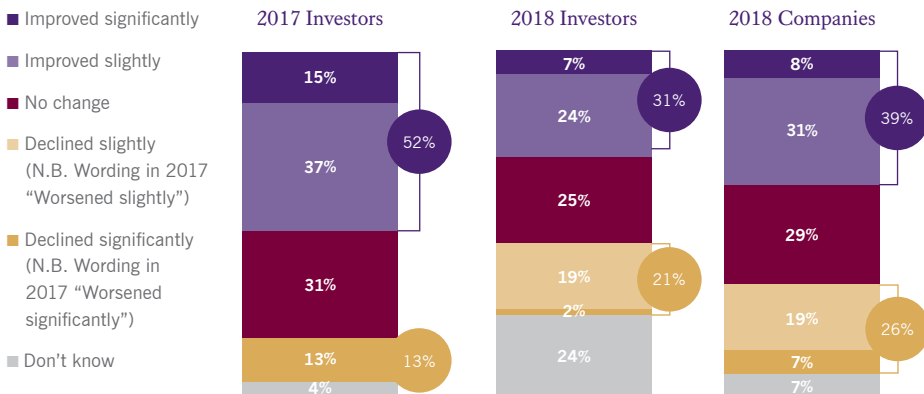
AIM is not thought to be especially attractive, however it is not thought to be especially unattractive either. Fewer people however feel its credibility has improved over the past two years than in 2017

Currently, how would you rate the attractiveness of AIM for companies thinking of floating?



1/2 of companies agreed with investors that AIM is not very attractive

Over the last two years do you think the credibility of AIM has improved or worsened?



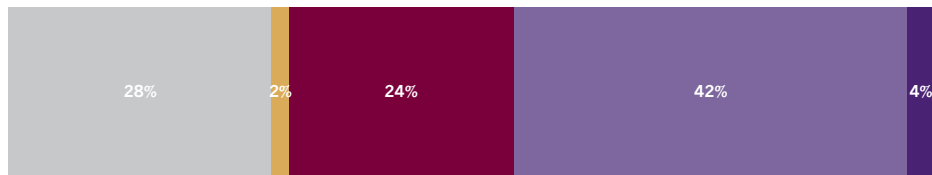
39% of companies respectively feel AIM's credibility has improved in 2018.

Nearly half of investors think AIM Rule 26 will improve the integrity of AIM, while only 2% think it will have a detrimental impact

AIM Rule 26 impact on integrity of AIM

The new AIM Rule 26 requires all AIM companies to adopt a recognised corporate governance code from September 2018. Do you think this will improve the integrity of AIM? (Investor views)

- Don't know
- Greatly deteriorate the integrity of AIM
- Somewhat deteriorate the integrity of AIM
- Will have no impact on the integrity of AIM
- Somewhat improve the integrity of AIM
- Greatly improve the integrity of AIM



Impact on behaviour

How do you think this rule change will impact the behaviour of companies on AIM?

Example response from investor respondents

"Better corporate governance, better run companies, more profitable."

"It will just be another document that will have little impact on behaviour."

"Corporate governance codes make no difference; shareholder involvement and a strong rule enforcement framework are more important."

"It will have minor impact on the already 'Good citizens' within AIM representing the majority of the value. Overall, it should have a positive effect and improve the credibility of the AIM market as long as it is properly implemented and not cynically just become another box ticking exercise."

"Not much - main issue on Aim is valuation and IHT investment being subject to regulatory change. BPR was not designed for private investors to avoid tax."

"I am really not sure. Often it takes a punishment of non-compliers to regulation to really alter the behaviour of the market as a whole."

"May do – but if nothing else it should make them look closely at areas of non compliance."

Impact on listings

What impact will this rule change have on companies considering an IPO on AIM?

Example response from investor respondents

"If this rule gives more visibility on corporate governance, it would render them somewhat more attractive."

"I believe that the market is not particularly attractive to list on at the moment. The market will not know the correct valuation of your company, if research on your company is limited. Often the best people to value your business are your competitors, and once you're listed they will know exactly when the opportunity is right to attempt opportunistic corporate action."

"Create awareness about the subject if that wasn't already present."

"May put off some potential IPOs but this would be to the benefit of investors as it should not be easy nor considered a home for loose requirements/lack of transparency."

"It will have a minor impact and carry some extra costs for a nascent and small businesses."

APPENDICES

PEEL HUNT

Peel Hunt are the specialist for UK investment banking with a focus on UK mid and small-cap companies. Our joined-up approach allows us to consistently deliver value to UK corporates, global institutions and trading counterparties. We take a long-term view to building our business – for the benefit of our clients, our people and our partners.

Post MiFID II, we have 890+ research relationships which is +112% increase before MiFID II. We have expertise across a broad range of sectors offering high quality advice, ideas-led and highly rated research and flawless execution within a team-based and collegiate environment. Peel Hunt benefits from a powerful distribution platform that makes markets in c3,500 equity and fixed income products.

Since 2015 we have raised more than £11bn of equity raised for our clients including 34 IPOs). We have 139 retained corporate clients with 37 analysts covering over 350 companies.

Peel Hunt ranked 1st in the 2018 Thomson Reuters Extel Survey of UK Small and Mid Cap Brokerage Firms with UK institutions, Wealth Managers and Continental European Institutions. Peel Hunt was also named top research house in its category, after achieving more top three ranked sector teams than any other broker.

www.peelhunt.com



The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies. We campaign, inform and interact to help our members keep their businesses ahead. Through our activities, we ensure that our influence always creates impact for our members.

The value of our members to the UK economy is vast – as is their potential. There are nearly 2,000 small and mid-size quoted companies in the UK, representing 85% of all quoted companies. They employ approximately 1.4 million people, representing 5.5% of private sector employment in the UK. So the QCA's goal is to create an environment where that potential can be fulfilled.

www.theqca.com



YouGov plc is a global market research and data company built on a simple idea: The more people participate in the decisions made by the institutions that serve them, the better those decisions will be. YouGov completes thousands of interviews every year with senior politicians, business people, members of the media and other stakeholders, providing guidance for clients in how best to optimise their activities and communications.

The company was founded in 2000 and is now publicly listed on the London Stock Exchange's AIM market. It has over 800 employees in over 30 offices globally including several in the US but is headquartered in the UK. It is a member of the British Polling Council and is also registered with the UK Information Commissioner's Office.

www.yougov.co.uk

Study Methodology

You Gov conducted quantitative surveys with both the investment community and companies which enables a clear picture of sentiment on the views of MiFID II. Both surveys were completed on YouGov's online platform. All data was collected confidentially.

Investor Survey

Between the 30th October and 17th December 2018, YouGov conducted an online survey of 102 UK-based fund managers to explore their attitudes towards MiFID II. Respondents were sourced from a combination of contact lists provided by Peel Hunt, the Quoted Companies Alliance and YouGov.

82% of the sample manage equity funds; UK large (62%), mid and small (59%) caps, along with European equities (64%) are their main focus. 60% of the sample manage funds of less than £500m; the remaining 40% manage funds of £500m+. Quotes taken from this sample are visualised in boxes. This survey follows on from a similar study

conducted earlier this year using the same methodology between 1st February and 9th March 2018. Some questions have been repeated, and data from this earlier survey has been used to highlight any changes during the interlude.

Corporate Survey

105 interviews were conducted between 30th October and 13th November 2018 from mid and small-cap UK quoted companies.

This survey has been conducted using an online interview administered to members and associates of the QCA. An email was sent to the QCA database, inviting them to take part in the survey and providing a link to it. A link to the survey was also circulated by the QCA to their contacts.

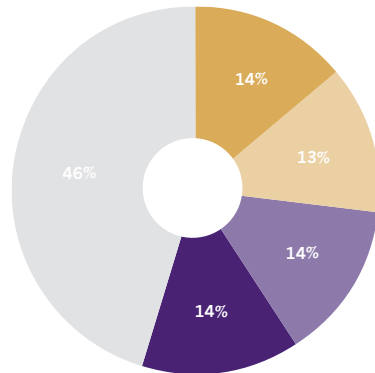
The sample definition is "small and mid-cap UK quoted companies". The responding sample is weighted by industry to be representative of mid and small-cap UK quoted companies, as derived from London Stock Exchange data.

Survey respondent profile: Investors

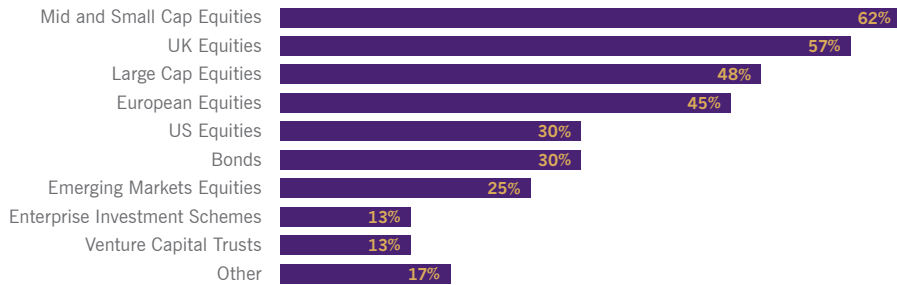
 102
Fund managers

Size of assets under management

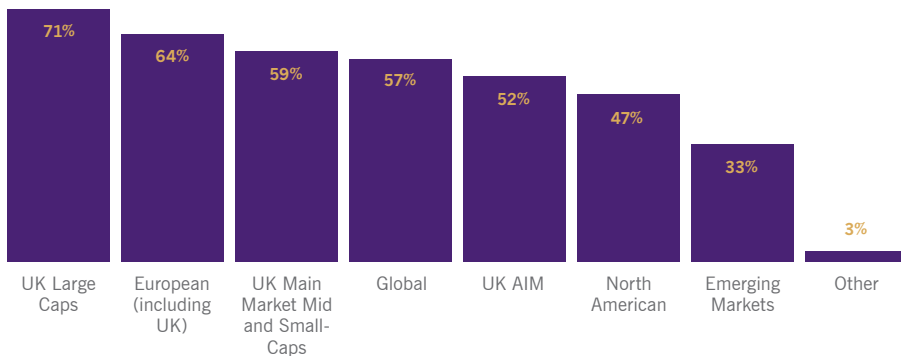
- Less than £200m
- £200m to £499m
- £500m to £999m
- £1bn to £2.5bn
- More than £2.5bn



Type of funds managed



Equity areas Funds invest in (those investing)

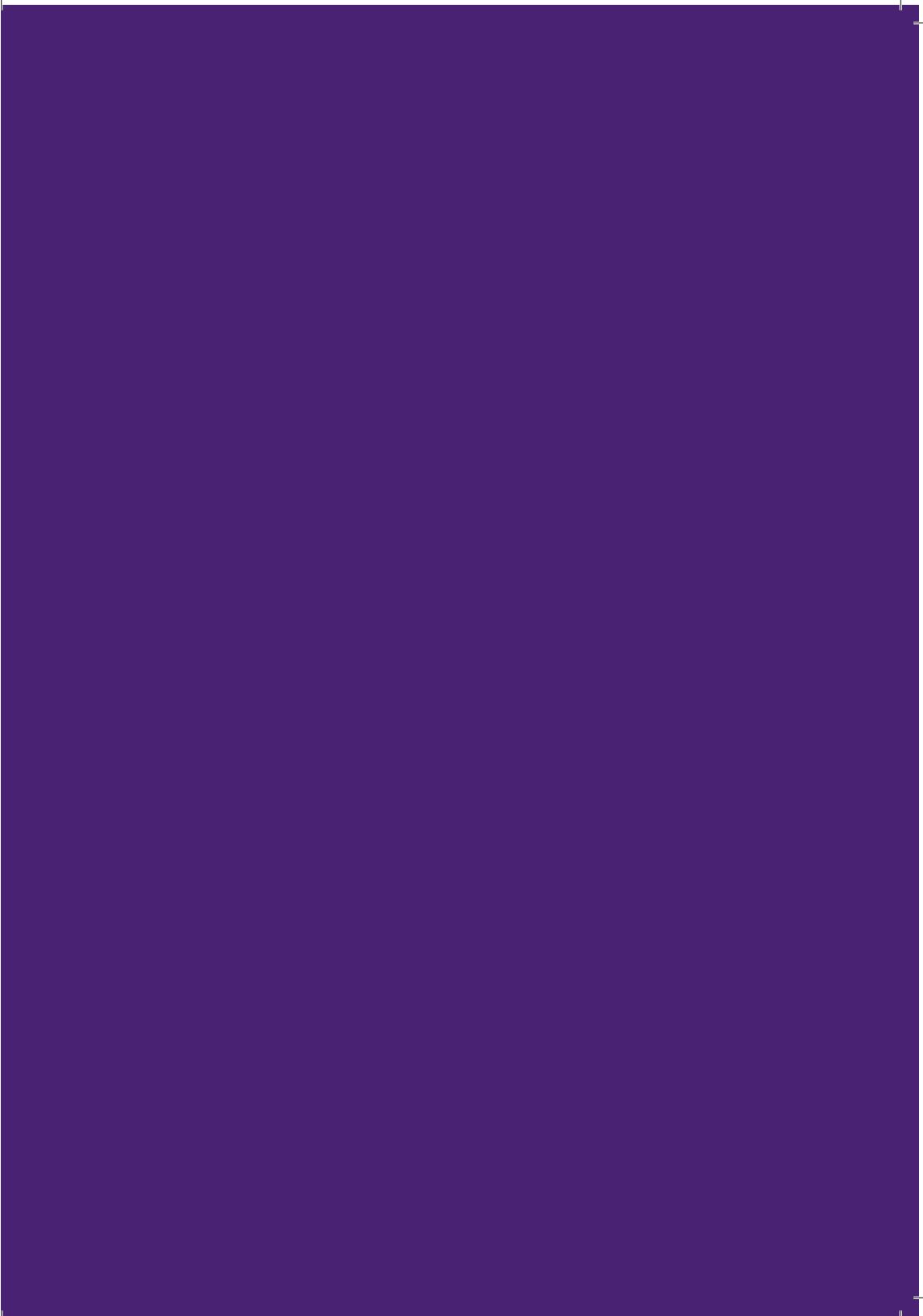


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Peel Hunt LLP

Moor House
120 London Wall
London EC2Y 5ET

t: +44 (0) 20 7418 8900

marketing@peelhunt.com

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Registered in England and Wales No: OC357088. Registered office as shown.

Quoted Companies Alliance

6 Kinghorn Street
London EC1A 7HW

t: +44 (0)20 7600 3745

anthony.robinson@theqca.com

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