AIM Advisers, Inc.
Maximizing Present & Future Value

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About AIM Advisers
AIM Advisers helps small and medium-sized, growth-oriented U.S. companies complete IPOs on the Alternative Investment Market (AIM) of the London Stock Exchange. AIM Advisers also provides a range of services to the 49 U.S.-based companies that are already listed on AIM.

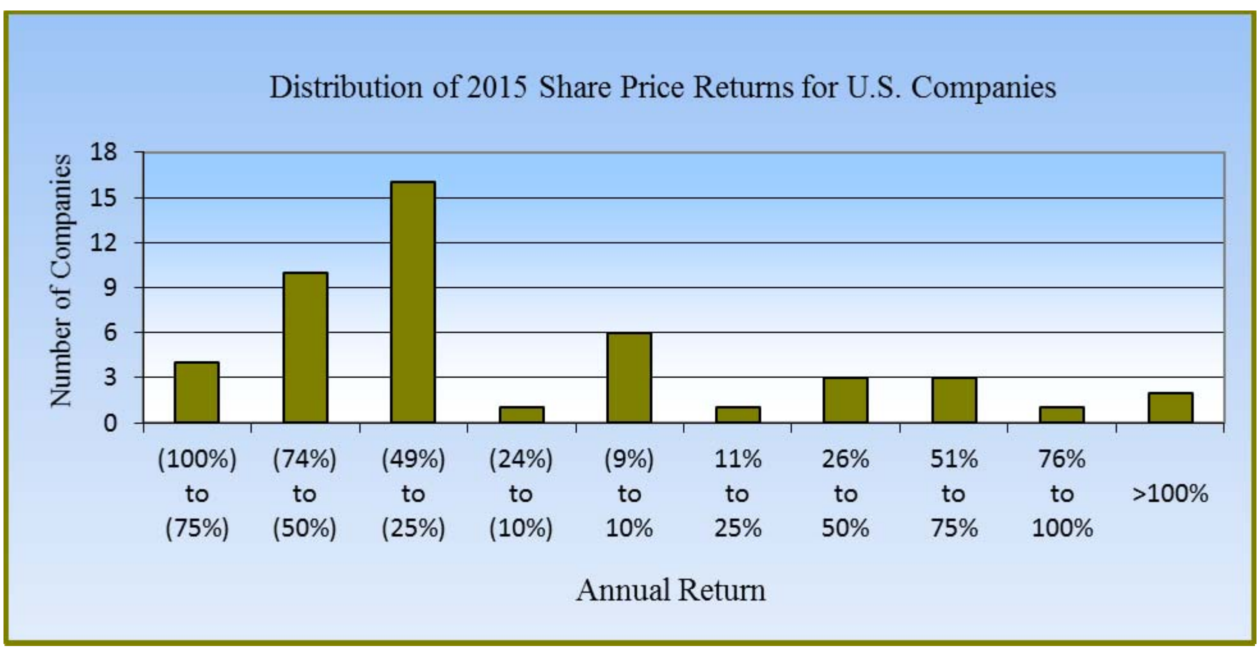
U.S. Company Performance – Share Price and Liquidity – 2015

Highlights

- U.S. domiciled companies achieve a weighted return of 1%
- Foreign domiciled U.S. operating companies achieve a weighted return of 47%
- In aggregate, U.S. companies' weighted return 38% vs. FTSE AIM All-Share Index 5%
- Significant liquidity difference between U.S. and foreign domiciled U.S. companies

While there were 17 U.S. domiciled and 35 foreign domiciled U.S. operating companies listed on AIM at the beginning of 2015, by the end of 2015, there were only 12 of the former but 37 of the latter. During 2015, eight companies delisted from AIM and two joined by way of IPO. Both U.S. company IPOs were in the biopharma space, raising the equivalent of $35 and $100 million. Of the eight companies that left AIM; five lost their AIM Nominated Adviser and three delisted voluntarily, citing the cost/benefit of maintaining their listing given a low market cap and lack of trading liquidity in their shares. All eight businesses effectively failed and had low valuations.

In conjunction with the London Stock Exchange, AIM Advisers performed a detailed evaluation of all 1,044 companies listed on AIM. We found 10 companies that should have been classified as having the U.S. as their main country of operation for quite some time. Conversely, seven companies that AIM Advisers had categorized as U.S. operating companies as of the beginning of 2015 materially changed their operations during 2015, mainly via acquisitions and/or divestitures, and have therefore been taken off the master list of U.S. operating companies.



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All 49 U.S. operating companies listed on AIM, exclusive of the two U.S. company IPOs during 2015, are included in the chart above and the analysis below. The eight U.S. companies that left AIM during 2015 were not included because the majority left during the early part of the year and their market caps were very small, therefore, the effect on the share price return analysis would be immaterial.

AIM has always been a 'stock picker's market' and 2015 provided a stark reminder. Thirty of the 47 U.S. operating companies' share prices dropped by 25% or more during 2015, however, one company surged 833% (from a market cap equivalent to $48.6 million to $453.6 million with no new shares issued), representing the largest gain of any of the 1,044 companies listed on AIM. This extraordinary performance was made possible by a $30 million secondary offering in late 2014 that allowed this Texas-based oil and gas exploration and development company to restructure the joint venture with its operator and drill two new wells that were ultimately successful. This company has located what potentially - and remarkably - could be some of the lowest cost oil and gas reserves open to non-State-owned companies anywhere in the world, with per well capital expenditures and operating expenditures estimated to be below $5 per barrel-of-oil-equivalent.

The weighted returns in the table below were calculated using the average market capitalizations of the companies during the year, similar to how an index fund would calculate returns.

Index	Unweighted	Weighted
U.S. Domiciled Companies	(16%)	1%
Foreign Domiciled Companies	1%	47%
FTSE AIM All-Share Index	N/A	5%

The weighted return contributions for the U.S. domiciled companies were tightly packed at +/-5%, with one exception, where a weighted gain of 7% was recorded (absolute gain of 27%). This Texas-based company completed its AIM IPO in December 2014, raising $15 million with an opening market cap of $118 million, completed a $20 million secondary offering in June 2015 and began executing upon its strategy of acting as a consolidator of the U.S. third-party medical billing market with two acquisitions in September 2015. The company went on to announce another secondary offering in December 2015, this time to raise $45 million, where $30 million will be used for another acquisition. This secondary offering and acquisition was approved by the company's shareholders in January 2016.

The weighted return contributions for the foreign domiciled U.S. operating companies were also tightly packed at +/-5%, however with two exceptions, where weighted gains of 47% and 14% were recorded (absolute gains of 833% and 62%). The facts-and-circumstances surrounding the oil and gas exploration and exploration company that gained 833% are described in detail above. The company that gained 62% is a New York-based financial services company staffed with lawyers that provides litigation financing to other companies, effectively creating a portfolio of investments where they receive a portion of the proceeds from any positively resolved matters. This company grew revenues and profits by ca. 50% during 2015.

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In terms of average monthly liquidity (see the table below), the foreign domiciled U.S. operating companies outperformed the U.S. domiciled companies on both measures and AIM as a whole on one of two measures. One would expect all of the weighted results to exceed all of the unweighted results, reflecting the positive relationship between a company's liquidity and its market capitalization. The unweighted results represent the level of monthly liquidity that the average company can expect to achieve.

The reversal of this relationship for both categories of U.S. companies indicates that relative trading volumes were larger for companies with smaller market capitalizations. This was expected in 2015, as was the case in 2013, since those years represent the coming out of and going in to, respectively, a two year bull market for AIM IPOs. During such times, investors exit smaller companies in which they are no longer comfortable with the risk/reward relationship, which is evidenced by the dramatic underperformance of the unweighted share price returns versus the weighted share price returns for both categories of U.S. companies (see the table on the previous page).

Average Monthly Liquidity	Foreign Domiciled U.S. Operating Companies	U.S. Domiciled Companies	Entire AIM Market
Weighted	3.49%	1.17%	3.53%
Unweighted	5.01%	1.20%	3.29%

The chart at the top of the next page provides the monthly detail of the unweighted liquidity for each of the three categories in the table above. The liquidity pattern is relatively stable, barring the anomaly of one of the foreign domiciled U.S. operating companies that delisted from AIM during 2015. This company had an active retail investor following and, as it became clear that the company was in trouble, these retail investors aggressively jockeyed for position. If this company was excluded, the two peaks above 8% would be below 6% and that line would flatten out down to 4% for the balance of the year. With the unweighted liquidity level on AIM as a whole for 2015 at 3.29%, it is now very clear that a step-change up occurred during 2013 and 2014 when liquidity was 3.32% and 3.34%, respectively, compared to only 3.08% in 2012, for the reasons outlined below.

From August 5, 2013, AIM shares can be held in UK Individual Savings Accounts (ISAs), the U.S. equivalent of IRAs, which provided a liquidity boost from retail investors into some of the larger, more well-known companies listed on AIM. In addition, at the start of the 2014 tax year on April 6th, the annual ISA allowance was raised from £11,520 to £15,000 (it is now £15,240 for the 2015 tax year and is also set at this amount for the 2016 tax year). Finally, the 0.5% stamp duty (tax) on the purchase of AIM shares was abolished from April 28, 2014.

AIM shares can be one of the most tax-advantaged investments; avoiding capital gains tax, income tax, inheritance tax and stamp duty. The benefits for companies considering an AIM IPO, and for those already listed on AIM, are a reduction in the cost-of-capital and an increase in aftermarket liquidity; both positively impacting valuations.

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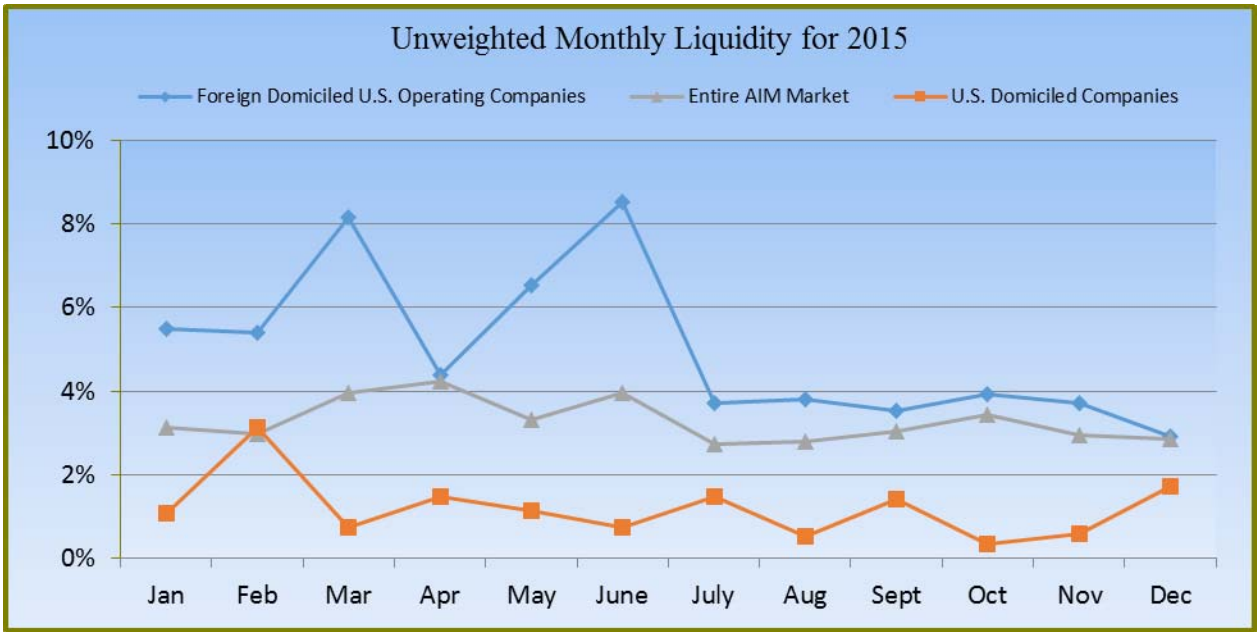

From a U.S. perspective, the key takeaway from the chart above is that there is a liquidity advantage for U.S. companies that list on AIM via a UK holding company. The three main reasons being:

1. Shares can trade directly within CREST; no Depository or Depository Interests required
2. Articles of incorporation fully conform to UK law, providing comfort to UK investors
3. Institutional investors only allocate a portion of their investments to non-UK companies

One long-standing issue that was resolved during 2015 relates to the dematerialization of shares issued subject to Regulation S of the U.S. Securities Act of 1933 by U.S. domiciled companies (generally, shares issued in an IPO for a period of one year, issued within one year prior to an IPO and/or held by affiliates). Article 3(2) of the EU Regulation on Central Securities Depositories, which was published on August 28, 2014, requires that all AIM-listed shares be dematerialized and therefore eligible for electronic trading and settlement no later than September 1, 2015. Historically, these shares were held and traded in certificated form (i.e. via physical paper). The forced dematerialization of Reg. S shares should improve trading for the U.S. domiciled companies by eliminating administrative burdens placed upon sellers and purchasers, however, I suspect the benefit will be small since the three impediments listed above will remain.

Nevertheless, irrespective of where a company is domiciled, liquidity can be improved. The reasons for a lack of liquidity are often company specific and not obvious. As a consequence, thoughtful and thorough investigation is needed in order to formulate actionable solutions. Several strategic decisions can be taken during the planning of the IPO to minimize the risk of lack of liquidity becoming a problem in the first instance; including, selection of the most appropriate AIM Nominated Adviser, AIM Nominated Broker(s), Financial PR/IR firm and Independent Equity Research firm.