Fund Managers Expecting Profits To Rise In Small And Mid-Sized Companies

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The survey of 30 fund managers and buy side analysts revealed...

TNS Finance News

The majority (70%) of fund managers and buy-side analysts with an interest in small and mid-sized companies expect corporate profitability among these companies to increase over the next year.

Over half expect this rise to be accompanied by an increase in operating margins, according to a survey by Execution Noble, the international investment banking group, and TNS.

The survey of 30 fund managers and buy side analysts also found that:
* Over half (53%) believe that smaller companies will outperform UK large cap stocks in the next year.

* 43% believe consensus earnings forecasts are too low and that smaller companies are undervalued.

* Healthcare, technology and industrial goods and services believed to be the most undervalued sectors.
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* The real estate sector was the most overvalued.
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* A large majority (83%) believed that the balance sheets of small cap are either appropriately or under leveraged.
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* Over half (53%) believed that cash flow should be retained to strengthen balance sheets.
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* A majority (71%) of respondents expect to increase or keep constant their weighting to UK small and mid cap equities over the next year, compared to 14% looking to decrease.
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* 17% had an increasing appetite for IPOs, compared to 23% who had a decreasing appetite.
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* Over half, 63%, became interested in investing when companiesâ€™ market capitalisation reached more than Â£50 million; 23% when it reached more than Â£100 million and 13% when it was more than Â£250 million.

Scott Evans, Execution Noble Head of Small & Mid Cap UK Research, said:
â€œFund managers are preparing to increase their weightings in small and mid-sized companies, which will add to the momentum in this sector. The driver for the increased interest in investing is an expectation of increased profits and margins. We believe that the recovery in the fortunes of small and mid-sized companies has only just begun.â€•

Waheed Aslam, Director, TNS Finance, said
"The survey is consistent with expectations for continued growth in the UK economy. With base rates likely to remain low for a while yet, the strongly positive slope of the yield curve should persist and is typically fertile ground for the high-beta small-and mid-caps. The wider investment community should take heart from the majority view in this survey that small/ mid-cap sector companies have balance sheets which are not over-leveraged. That is a rare virtue in a wider world struggling to de-leverage from the debt binge of the last two decades."

About Execution Noble
Please visitÂ www.execution-noble.com

About TNS
Please visit www.tnsglobal.com for more information.

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