h2Radnor View

Talking the talk, walking the walk

11th April 2025

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Even before the convulsions of the last few days, the London market was – according to most seasoned observers – looking cheap. This is reflected in the attitude of most management teams and investors that we speak to on a daily basis. The reasons for this have been discussed at length elsewhere (including previous h2Radnor briefings) but in summary amount to:

- Better growth prospects available elsewhere, especially in the US
- Regulation and unhelpful changes to taxation (in particular, the recent Budget) and, of course
- The continuation of outflows from the market, partially driven by the above

Many valuations out there look very attractive, likely including your own. However, put yourself in the shoes of the average Fund Manager. They are, frankly, spoiled for choice. I was discussing this theme with a Small-Cap client recently who is seen predominantly as an “Income stock” and asked them to consider this set of (not scientifically chosen) stocks below:

Large Cap		
	M&G	11.3%
	Taylor Wimpey	9.0%
	WPP	7.0%
	Sainsbury	5.8%
FTSE 250		
	Pennon Group	6.8%
	Aberdeen	11.3%
Small Cap		
	Robert Walters	10.3%
	Reach	10.8%
	Smiths News	10.1%
	TT Electronics	8.6%

**all as at 11th April 2025*

There is no shortage of yield available out there, albeit the list ignores the individual characteristics of the stock and/or the perceived risks attached to them, especially in relation to the dividend or growth prospects.

Healthy yields are still numerous in the market.

There are currently 15 stocks yielding more than 10% in the FTSE 250, many of which are long-standing UK PLCs.

So, the question should be, why should investors be buying YOUR stock? What makes you stand out, particularly relative to any perceived industry peers?

- Is your investment case strong?
- Is it explained well enough?

- Can you talk about it in a compelling way?

These are a fundamental set of IR questions at any stage, but right now, given the paucity of institutional investor fund-flows it is absolutely critical. Many fund managers are currently "tending their flock" – worrying about what is in their portfolios and being selective about letting others into the fold. Make sure you are match fit.

If you have passed your fitness test, then this really is the time to be reaching out to investors, especially those that are not on your register. Volatility will calm down, liquidity will return and there are some positive developments bubbling away in the background in relation to the Mansion House reforms benefiting the UK markets – more on that another time.

It can take two or three meetings with new investors to get them "over the line" and if you want to be on their buy list then you need to be doing what the title of this piece suggests. No-one is going to buy your stock unless you take them through it.

So, who do you go and see? Especially if you do not have the luxury of being a FTSE 100 company, where liquidity is less of an issue and where international capital is abound.

For Mid and Small-Cap companies, there is a familiar rollcall of well-known institutions generally offered up as part of any roadshow process – the major investors in that area of the market. However, as potential providers of "price tension", this is entirely the wrong group to be focusing on.

Their average unit size will often be too great for them to build a meaningful position over any sensible time scale. They may be sensible to engage with if you feel there are loose holders on your share-register (they can replace them) but not as providers of marginal liquidity, a vital factor in a market in which it is generally lacking.

This is not made any easier by the consolidation we have seen in the fund management industry in recent years. Some of the more familiar ones are:

- **2021:** Columbia Threadneedle/BMO
- **2022:** Liontrust/Majedie; AssetCo/SVM/River & Mercantile; Lansdowne/Crux
- **2023:** Rathbone/Investec; UBP/Kleinwort Hambros
- **2024**: Premier Miton/Tellworth

...amongst others. This alone is c£300bn in aggregate AUM. This trend towards larger (and fewer) institutions, and in some cases more centralised dealing models, also adds to the liquidity challenge.

The fact is though, there are hundreds of second-tier institutions, private wealth managers and family offices collectively representing a huge investment market in the UK but individually providing an ideal source of marginal capital. That is exactly where your focus needs to be trained right now. So, who do you call? Ghostbusters is not the answer.

At h2Radnor, our work is twofold. Firstly, helping companies achieve match fitness. Secondly, getting them on the pitch in front of different investors, with our unrivalled access to institutions of all shapes and sizes.

Talk the talk, walk the walk – we are there to help.

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