

## Ignis manager Clark sees value in IPO

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Small-cap IPOs have been very competitively valued according to the Ignis Smaller Companies fund manager Ignis' small-cap manager David Clark has made recent moves into the IPO market because of attractive launch pricing. Compared to recent large-cap flotations, small-cap IPOs have been very competitively valued, the £86m Ignis Smaller Companies fund manager says.

He has introduced 1% positions in Super Group and CSF Group and is expecting to have an allocation in Metric Property Investments' IPO. He has also taken part in the refinancing of Xcite Energy.

Recent disposals include Care UK, which he sold after the stock rose 50% in nine months.

"IPO pricing has been much more realistic in small caps – private equity is much less involved," he says.

"Super Group was priced at a P/E of 8x and we expect earnings growth of around 15%-20%."

The sectors Clark is favouring include healthcare, mineral stocks and support services – while he is avoiding consumer-orientated stocks. He has also increased his exposure to Indian utility companies during the past 12 months, building a 9% weighting.

"I have quite a big exposure to Indian utility companies, because the supply dynamic is compelling," he says.

"At normal times India only has 70% of the energy it needs and this drops to 50% in peak times.

Demand is growing at a faster rate than supply, and there is a huge opportunity for private companies."

While most investors are bearish on the small-cap space, Clark says attractive opportunities remain.

"It is not a popular view, but I am quite bullish on the sector. Between March and September last year they went up 70%, and although I do not think this will be repeated, it does not mean they will perform badly this year," he says.

"On a relative basis, I think small caps will outperform the market. The reason they will do better is because they have stronger growth prospects and they are a lot less sensitive to economic changes.

"I see limited scope for growth in FTSE 100 companies. They are not generating any new business and sectors such as consumer or leisure stocks are going to drag on the index."