

## RESPONSE FROM R S FRASER

1.4 Even experienced investors have found that investing in larger firms or diversified funds can carry an unexpectedly high risk. Nevertheless, people buy shares, bonds, pensions etc with or without so-called protection.

The problem with protection is that it restricts the opportunities for the companies trying to raise funds. In fact it is arguable that far more than a “small proportion of businesses” find it difficult to raise funds (1.2)

Q1 and 2: Not sure that these should be the only criteria – or indeed whether they are relevant. Smaller firms needing smallish amounts of funds can often be served best by successful entrepreneurs’ skills and experience (as well as their money), even if they are not very rich. Big company expertise is not necessarily transferable.

Ch4: For example someone who earns £110,000 in a City finance house may be good at evaluating investments, but completely lack experience in running a small entrepreneurial business. The protection does not operate in the way visualised.

Q3-4-5: There is no protection for the “family and friends” who invest heavily at the earliest and highest risk stages.

4.14: This is the Establishment showing its snobbery. Why should a member of the Law Society (say a small general practitioner or a world-class expert in a specialised field) be a better judge of an investment in a small entrepreneurial business than a successful greengrocer?

4.17: People who are “not sufficiently knowledgeable or experienced” can make bad investments despite the expensive “protection” offered by prospectuses for AIM or OFEX. They are splattered with lists of risks or health warnings, but rarely make forecasts or projections.

4.20/Q8: Yes! This overcomes the above comments. It simply confirms that the investor recognises that this is a high-risk activity. It would not keep out anyone who now qualifies; it would let in others who may be just as experienced in precisely this type of venture; and it would cut out a lot of valueless cost.

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