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10 Small Caps to Ride the Santa Rally Into 2026

Report written by Clear Capital research

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UK small-cap equities continue to offer a potentially attractive, asymmetric opportunity globally as we move through November 2025. Valuations remain heavily discounted relative to long-term averages and large-cap peers, even after a broad equity market recovery, leaving meaningful room for re-rating [1]. Active managers continue to highlight deep inefficiencies, under-coverage and mis-pricing across the UK small- and mid-cap universe—conditions that historically create rich environments for stock pickers and value discovery [2].

Fundamentals remain supportive. With UK inflation demonstrably easing through Q3–Q4, market expectations have tilted toward interest-rate cuts in early 2026, removing a major headwind for more rate-sensitive small businesses [1]. At the same time, sentiment across the space is improving: M&A activity has accelerated through autumn, overseas buyers are increasingly active, and an uptick in share buybacks points to strengthening management confidence [3]. International and domestic investors alike are reconsidering UK equities given their relative value versus global peers and the potential for multi-year recovery [3].

Historically, periods of extended underperformance in UK small caps have often been followed by substantial rebound phases, particularly when monetary policy begins to ease and capital flows normalise [4]. With valuations depressed, macro-tailwinds building, and corporate actions increasing, the set-up into early 2026 appears increasingly favourable.

The AIM All-Share Index has weakened in recent weeks, breaking below key support at 757 and completing a short-term topping pattern. Ongoing macro concerns—including global economic uncertainty and valuation sensitivity—have driven investors toward safer assets at the expense of smaller, risk-sensitive companies. While the near-term tone is cautious, opportunities remain at the individual-stock level. The selected companies in this report exhibit strong technical structures that may outperform even as the index consolidates.



Source: [1] **Aberdeen Investments** – “Why the stars may be aligning for UK institutional allocations to UK small caps” (Oct 2025), [2] **Fidelity** – “The best companies you’ve never heard of” (Sept 2025), [3] **Franklin Templeton** – UK Small Caps 2025 Outlook: “Hidden Gems” (Oct 2025), [4] **Columbia Threadneedle** – “UK Small and Mid-Cap: For the Rebound and Beyond” (2025).

Chart: Tradingview.com, Data as of November 21st, 2025

December Performance: A Statistical Perspective

As we approach the end of the year, investors often turn their attention to one of the most widely discussed seasonal patterns in the market: the ‘Santa Rally’. Before we get to our stock picks for the month ahead, it is important to understand what this phenomenon is—and what the historical data tells us.

While the Santa Rally is not guaranteed, the statistics behind year-end market behaviour make December a compelling period to analyse. Over several decades, the FTSE 100 has shown a tendency to deliver positive performance during the final month of the year, supported by seasonal flows, portfolio rebalancing, and shifts in investor positioning.

What Is the ‘Santa Rally’?

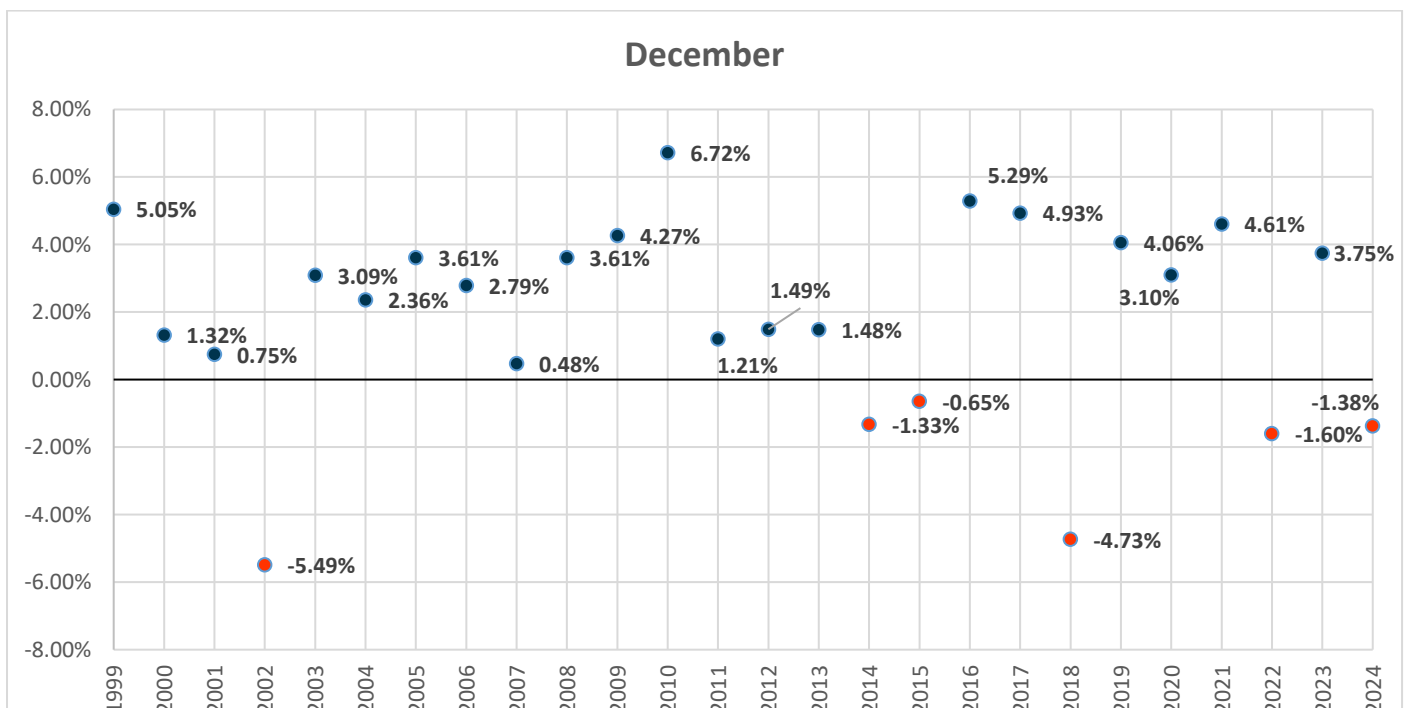
The Santa Rally generally refers to the tendency for equity markets to strengthen in the final stretch of the year. Historically, this has aligned with a well-observed pattern in which markets perform more strongly between November and April. December often sits at the centre of this period, capturing increased trading activity, fund-manager rebalancing, and year-end positioning.

One common explanation is that institutional investors adjust portfolios ahead of year-end reporting, increasing exposure to outperforming stocks and reducing laggards. Combined with lighter holiday trading volumes, this can amplify price moves.

Historical December Performance – FTSE 100

Looking at the FTSE 100 since 1999:

- 20 out of 26 Decembers have seen positive average returns
- **Average December return: 1.88%**
- **Best: +6.72% (2010)**
- **Worst: –5.49% (2002)**



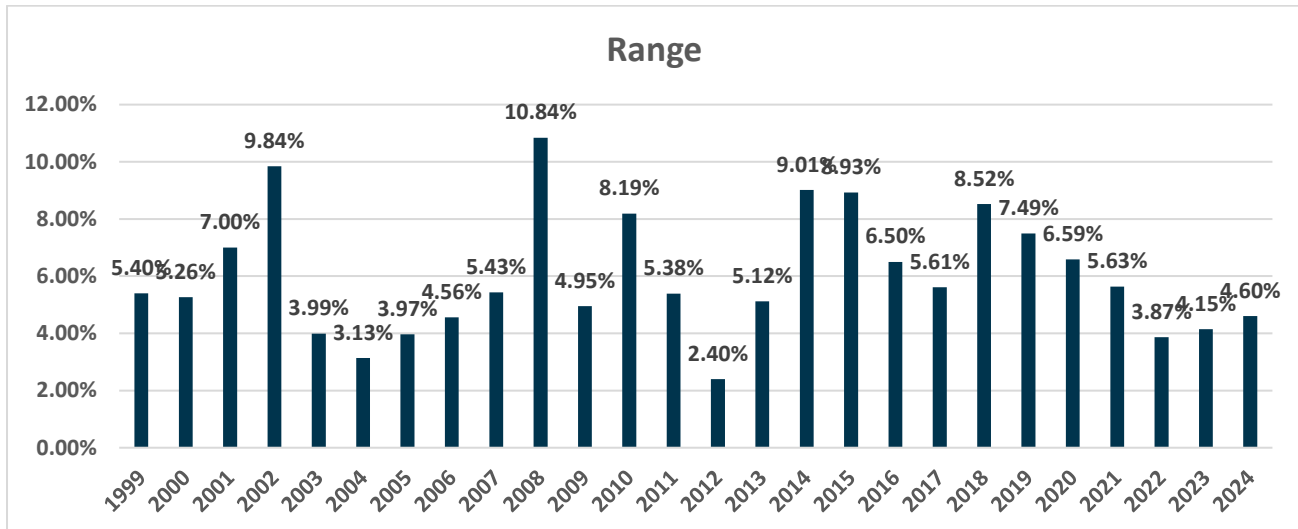
Source: Tradingview.com

Timing Within the Month

While the average return is positive, **December** is also a volatile month.

- **Average intramonth range (low–high) since 1999 of the FTSE 100: 6.01%**
- **Smallest range: 2.4% (2012)**
- **Largest range: 10.84% (2008)**

This wide range of movement suggests that timing can play a significant role for active traders.

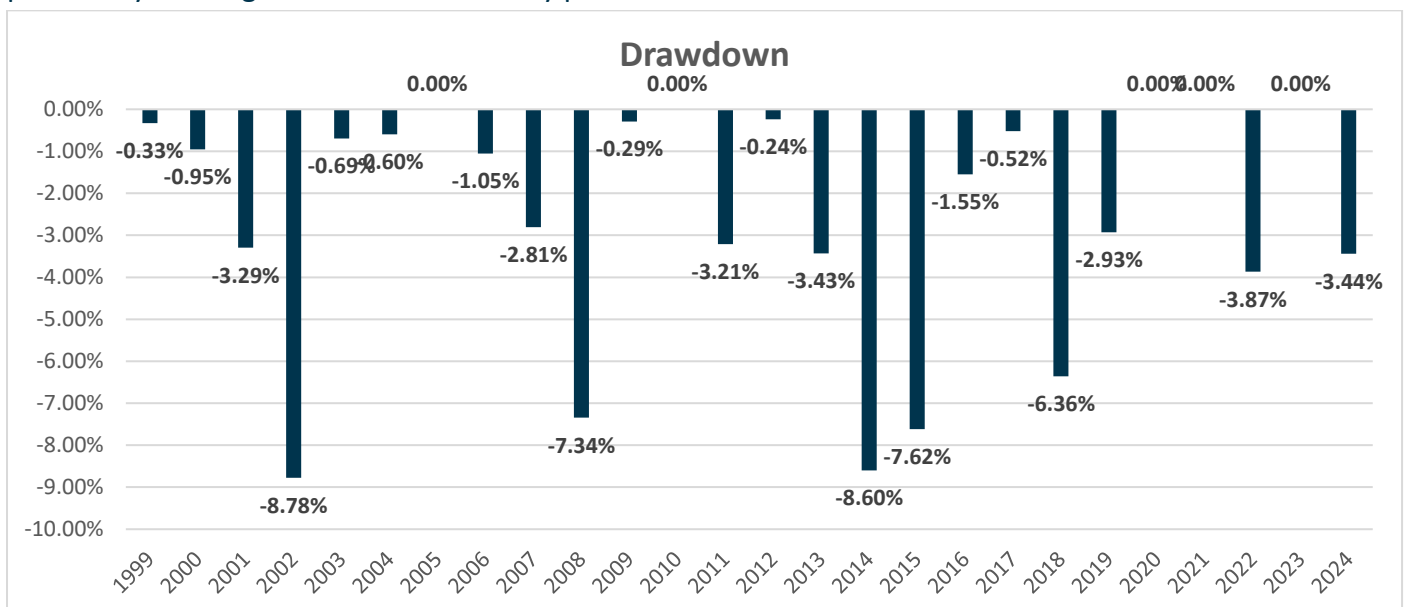


Source: Tradingview.com

If we examine drawdowns:

- **Average move lower from 1st trading day to monthly low of the FTSE 100: 2.61%**
- **Largest drawdown: 8.78% (2002)**

This highlights that even in strong December years, the index often pulls back before moving higher — potentially offering more favourable entry points.



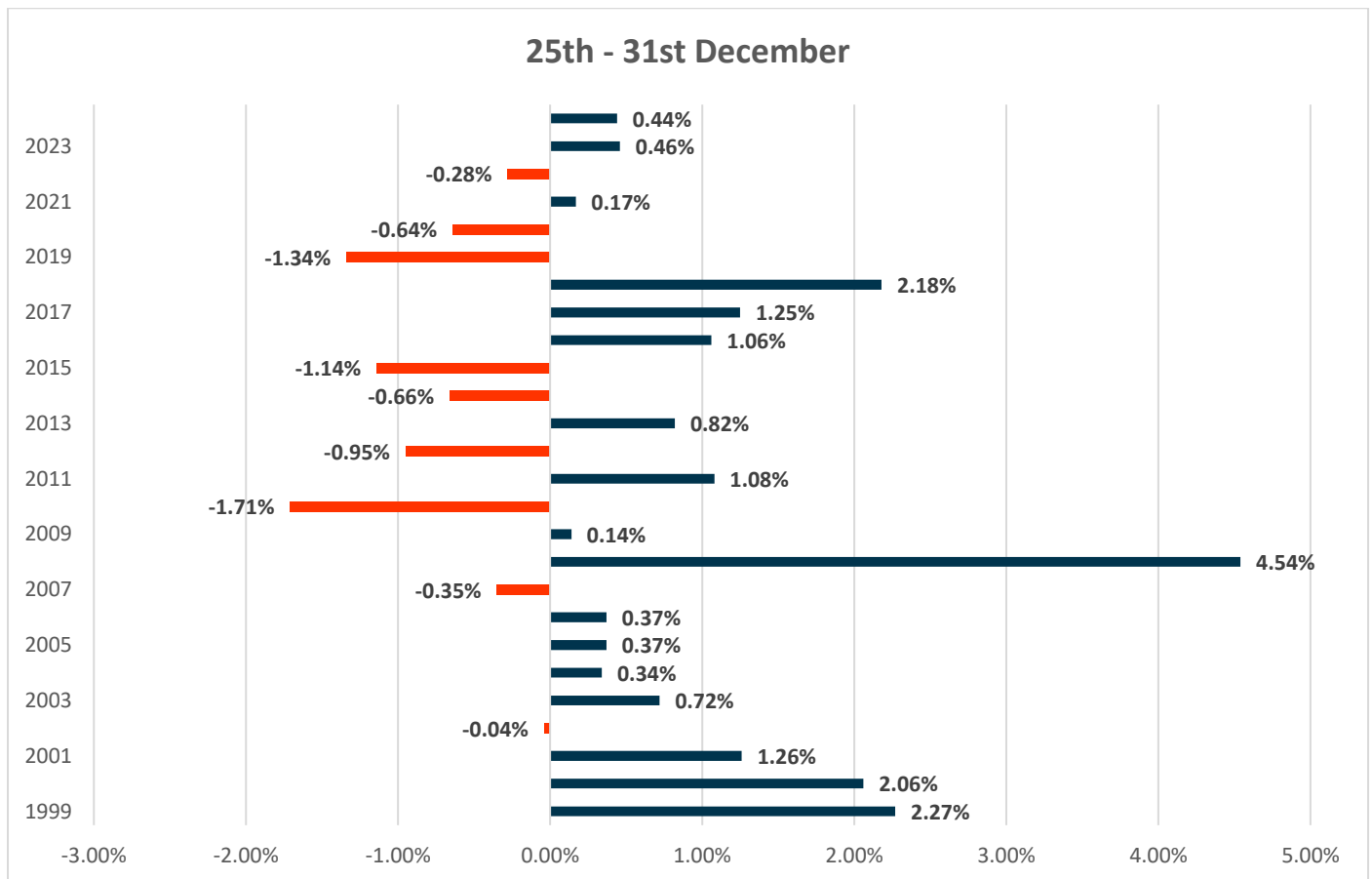
Source: Tradingview.com

The Period Between Christmas and New Year

The “sleepy period” between Christmas Day and New Year’s Eve is technically still an active trading window, typically three working days. Historically:

- **Average return since 1999 of the FTSE 100 in this period: 0.48%**
- **Best: +4.54% (2008)**
- **Worst: –1.71% (2010)**

Though a short window, these days have historically shown an upward bias, contributing to the broader Santa Rally narrative.



Source: Tradingview.com

The UK market’s historical December characteristics show both opportunity and volatility. While trading the index directly is one way to participate in seasonal momentum, more targeted gains may be found by focusing on individual companies—particularly among small-cap names that can move sharply on year-end flows and optimism for the year ahead.

With this in mind, we now turn to our selection of 10 small-cap stocks that could finish the year strongly and potentially set up for a robust 2026.

YELLOW CAKE (YCA)

Yellow Cake gives investors pure exposure to the uranium price by buying and holding physical U_3O_8 . It has long-term offtake access (notably with Kazatomprom), no exploration or operating risk, and reports NAV movements relative to spot [5]. Recent updates emphasise tightening supply/demand and supportive long-term nuclear growth scenarios [6].

Fundamentals

The investment case rests on uranium's structural deficit and a clean, asset-light balance sheet tied to commodity upside [5]. September's operating update flagged higher NAV per share alongside industry forecasts for materially increased uranium requirements into 2040 [6]. With buy-and-hold discipline, liquidity headroom and capacity to acquire at spot, Yellow Cake offers a transparent way to express a bullish view on the uranium cycle [7].

Market Capitalisation: £1.26Billion

Sector: Non-Energy Minerals

12 Month Price Range: 359 – 603p

5 Year Price Range: 187.2 – 749.5p

Technical Analysis

Yellow Cake completed a major bottoming structure with the April breakout above 471p, launching a sustained advance toward 603p before entering its current corrective phase. Despite the pullback, the long-term trend remains firmly upward, underpinned by strong demand for uranium-linked equities. The key support zone at 471–493p is technically significant and continues to attract buyers. A successful retest of this region would offer an appealing entry point for those seeking continuation of the broader bullish trend.

Verdict: BUY

Buy between 475 – 495p

Stop: 445p

Target: 700p



Sources: [5] Yellow Cake – Quarterly Operating Update (30 Sep 2025), [6] MarketScreener – Investor Presentation (Nov 2025), [7] AJ Bell – NAV/market update (28 Oct 2025).

Chart: Tradingview.com, Data as of November 21st, 2025

RENEW HOLDINGS (RNWH)

Renew delivers engineering services to critical, regulated UK infrastructure—rail, highways, water, environmental and energy—through decentralised subsidiaries [8]. Revenue is underpinned by framework contracts and non-discretionary maintenance spend [9].

Fundamentals

Interims (HY2025) and the group factsheet emphasise resilient order books, low cyclicality and cash generation [8]. Exposure to long-term spend in water (AMP cycles), rail renewals and energy networks provides visibility [9]. The disposal of non-core activities simplifies the story, while disciplined bidding and inflation pass-through support margins [8].

Market Capitalisation: £710.83Million

Sector: Industrial Services

12 Month Price Range: 586 – 1264p

5 Year Price Range: 383 – 1264p

Technical Analysis

After a prolonged consolidation between May and October 2025, Renew Holdings shares finally broke above major resistance at 869 p, triggering a strong rally. This breakout marks a key technical shift, with the former resistance now expected to act as solid support on any near-term pullbacks. Provided the price holds above this level, the next upside target lies near the 2024 highs around 1,100 p. The overall structure suggests an emerging medium-term bullish trend continuation.

Verdict: BUY

Buy between 870 – 900p

Stop: 795p

Target: 1120p



Source: [8] Renew Investors / Factsheet & HY2025 (2025), [9] Renew HY2025 presentation (May 2025).

Chart: Tradingview.com, Data as of November 21st, 2025

SERICA ENERGY (SQZ)

Serica is a UK North Sea E&P focused on gas-weighted production with infrastructure interests. It has been actively reshaping the portfolio, adding barrels through M&A and maintaining a shareholder returns framework (dividends) supported by cash generation from core hubs [10].

Fundamentals

Portfolio additions (Prax Upstream SPA) and potential further inorganic opportunities (e.g., Culzean stake) enhance scale, longevity and optionality [11]. Despite operational disruptions in 2024, Serica's balance sheet, dividend record and exposure to domestic gas pricing underpin resilience [13]. Execution on recently announced acquisitions could lift production and extend reserves, positioning Serica as a leading independent in the basin [12].

Market Capitalisation: £827.32Million

Sector: Oil & Gas Production

12 Month Price Range: 102.2 – 223p

5 Year Price Range: 63.3 – 310p

Technical Analysis

Serica formed a powerful double-bottom reversal in June 2025 with a breakout above 146p, initiating a strong uptrend that carried the price to 223p. Recent consolidation reflects normal profit-taking rather than technical weakness, and the underlying trend has remained intact since April. As long as key support levels hold, the current dip may present a favourable opportunity to accumulate. A sustained push above 210–223p would likely confirm the next upward phase of the trend.

Verdict: BUY

Buy between 169 – 187p

Stop: 141p

Target: 285p



Source: [10] LSE RNS – H1 2025 results (4 Aug 2025), [11] Serica – Prax Upstream acquisition (30 Sep 2025), [12] The Times – Culzean stake report (Oct 2025), [13] Reuters – Triton outage (29 Oct 2024).

Chart: Tradingview.com, Data as of November 21st, 2025

VOLEX (VLX)

Volex manufactures power cords, cable assemblies and integrated solutions serving data centres, EV/auto, consumer, and medical sectors [14]. The group combines global manufacturing with targeted acquisitions to deepen capabilities in high-growth verticals [15].

Fundamentals

FY25 materials highlight diversification across customers and regions, improving operating discipline and strategic investment in DC/AI infrastructure and EV charging [14]. Scale, vertical integration and a proven M&A playbook support margin resilience and cash generation [15]. With secular demand from electrification and data-centre build-outs, Volex offers cyclical defensiveness and structural growth exposure [15].

Market Capitalisation: £766.44Million

Sector: Electrical Products

12 Month Price Range: 188.6 – 434.4p

5 Year Price Range: 188.6 – 470.5p

Technical Analysis

Volex has been trending higher since rebounding from major support at 192p in April 2025. Following a multi-month consolidation beneath resistance at 391p, the shares ultimately broke through this level, turning it into new support. Price action now favours continuation higher, with any pullbacks to the 391p zone likely to attract buyers. The next meaningful target sits near the 2021 highs around 470p, aligning with the prevailing medium-term bullish structure.

Verdict: BUY

Buy between 365 – 392p

Stop: 306.5p

Target: 472p



Source: [14] Volex AR 2025 (25 Jun 2025), [15] Volex Investors site (accessed Nov 2025).

Chart: Tradingview.com, Data as of November 21st, 2025

BOKU (BOKU)

Boku runs a global local-payments network enabling merchants to accept carrier billing and eWallets, with strong penetration across digital content and subscription models [18]. The platform spans 90+ countries and deep relationships with major tech brands [16].

Fundamentals

H1-2025 revenue grew ~34% organically to c.\$63m with a swing to \$11.9m operating profit, reflecting scale benefits and wallet expansion beyond DCB [17]. With powerful network effects, rising take-rates in wallets, and new market entries, Boku is well-placed for high-margin growth [16]. Operating leverage and cash generation support continued investment and potential capital returns [18].

Market Capitalisation: £645.56Million

Sector: Packaged Software

12 Month Price Range: 144 – 250p

5 Year Price Range: 48 – 250p

Technical Analysis

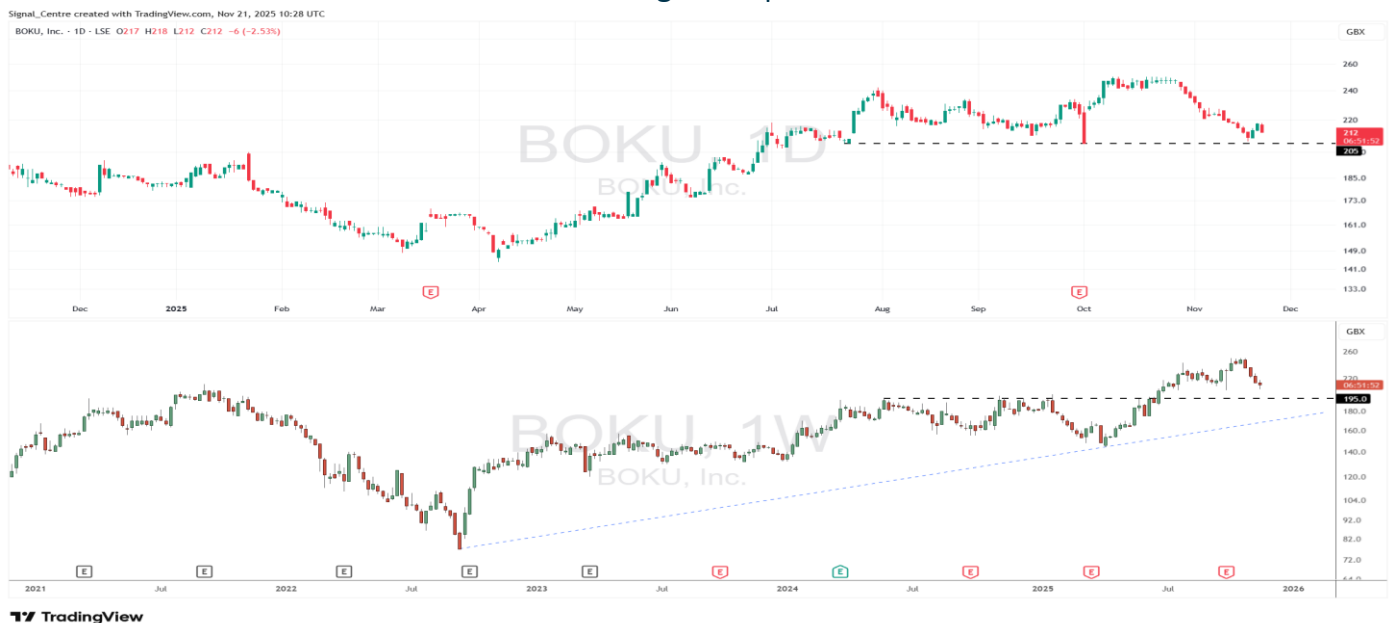
BOKU has been in a strong long-term uptrend since mid-2022, rising from 77p to reach 250p in October 2025. The recent correction has brought the price back to important support at 205p, which is currently holding. Provided the stock maintains this level, the pullback may prove a constructive buying opportunity ahead of a potential continuation of the broader trend. A move back above 230–250p would reconfirm momentum and signal renewed upward pressure.

Verdict: BUY

Buy between 195 – 205p

Stop: 171p

Target: 300p



Source: [16] LSE RNS – Trading Update (23 Jul 2025), [17] LSE RNS – Interim Results (29 Sep 2025), [18] Boku corporate site (accessed Nov 2025).

Chart: Tradingview.com, Data as of November 21st, 2025

ACCSYS TECHNOLOGIES (AXS)

Accsys produces high-performance, acetylated wood products—Accoya® and Tricoya®—offering stability and durability for construction and joinery [19]. Capacity expansion and geographic reach have been strategic priorities [20].

Fundamentals

FY25 results showed a strong rebound: adjusted EBITDA up 125% to €10.8m with Accoya® volumes +13% [20]. Strategy materials highlight improved uptime, pricing/mix discipline and advancing growth projects [19]. With sustainability credentials and substitution potential versus hardwoods and plastics, Accsys offers structural growth and improving profitability as new capacity ramps and operational efficiencies embed [20].

Market Capitalisation: £149.48Million

Sector: Process Industries

12 Month Price Range: 38 – 70p

5 Year Price Range: 38 – 194p

Technical Analysis

Accsys shares reversed the prolonged downtrend in February 2025, accelerating higher and breaking through key resistance at 57.8p to complete a significant bottom pattern. The price has since consolidated near this newly established support, indicating accumulation rather than distribution. As long as the stock remains anchored above 57.8p, the technical bias stays positive. This consolidation phase may offer patient investors an attractive entry point ahead of a potential renewed advance over the coming months.

Verdict: BUY

Buy between 55 – 60p

Stop: 47p

Target: 107p



Source: [19] Accsys – Investor Strategy Day (30 Jan 2025), [20] LSE RNS – FY25 Preliminary Results (20 Jun 2025).

Chart: Tradingview.com, Data as of November 21st, 2025

MPAC GROUP (MPAC)

Mpac designs and supplies high-speed packaging automation for pharma/healthcare and food/beverage, combining machinery, integration and lifecycle services [21]. The model blends project revenue with higher-margin service [22].

Fundamentals

H1-2025 results were in line; tariff uncertainty slowed Q2 orders, but full-year guidance was maintained. Mpac's pipeline in regulated end-markets, focus on standard platforms and service attach, plus potential sector consolidation, support medium-term growth [22].

Market Capitalisation: £103.75Million

Sector: Industrial Machinery

12 Month Price Range: 260 – 590p

5 Year Price Range: 128 – 666p

Technical Analysis

Mpac shares spent several months forming a broad base supported repeatedly at 260p. The recent breakout above 325p confirmed a triple-bottom formation and signalled the start of a medium-term trend reversal. The ongoing pullback from the 405p highs appears to be a standard retest of the breakout zone. If 325p holds as new support, the technical outlook remains constructive, and this level may offer an excellent risk-reward entry point for trend-followers.

Verdict: BUY

Buy between 320 – 340p

Stop: 280p

Target: 570p



TradingView

Source: [21] Mpac H1-2025 results (22 Sep 2025), [22] Equity note referencing interims (23 Sep 2025).

Chart: Tradingview.com, Data as of November 21st, 2025

AMCOMRI GROUP (AMCO)

Amcomri is a UK-focused “Buy-Improve-Build” industrial group on AIM, acquiring and scaling specialist engineering and manufacturing businesses [23]. The model targets operational improvement and disciplined capital allocation across a diversified portfolio [25].

Fundamentals

H1-2025 showed revenue +17% to £31.8m and adjusted EBITDA +15% to £4.3m, evidencing progress on integration and margin delivery [24]. A robust pipeline, selective M&A and operating enhancements underpin growth, while AIM admission broadens capital access [23]. Execution on portfolio optimisation and cash conversion are the keys to compounding returns [25].

Market Capitalisation: £87.81Million

Sector: Finance

12 Month Price Range: 47.25 – 142p

5 Year Price Range: 47.25 – 142p

Technical Analysis

Since listing in late 2024, Amcomri saw an early decline before bottoming at 47.25p, triggering a strong recovery that pushed the price to 142p. Recent months have brought a period of consolidation, during which profit-taking eased. The breakout through resistance at 115p suggests this consolidation phase has ended, and momentum may now be turning higher once again. As long as price action holds above 115p, the broader uptrend remains intact with potential for further gains.

Verdict: BUY

Buy between 110 – 115p

Stop: 94p

Target: 180p



Source: [23] Amcomri – AIM admission news (2025), [24] Investegate – H1-2025 Interims (23 Sep 2025), [25] Amcomri – Financial Reports (accessed Nov 2025).

Chart: Tradingview.com, Data as of November 21st, 2025

VENTURE LIFE GROUP (VLG)

Venture Life works in consumer healthcare and beauty, licensing, marketing and distributing skincare, oral health and dermal products. It partners with brands and develops its own. The group sells into European, Asian and Middle Eastern markets [26].

Fundamentals

Interims to June 2025 showed revenue +43% to £15.4m, gross margin up to 43.1% and adjusted EBITDA +33% to £1.8m, reflecting portfolio focus and improved mix [26]. With a capital-light model, bolt-on M&A and geographic expansion, VLG targets scalable earnings. Execution on brand building and international distribution should support margin progression and cash generation [27].

Market Capitalisation: £75.43Million

Sector: Health Technology

12 Month Price Range: 32 – 66p

5 Year Price Range: 23 – 118p

Technical Analysis

Venture Life shares broke through major resistance at 49.4 p in May 2025, completing a sizeable base pattern that drove prices to 66 p before retracing. The pullback has approached but not breached the prior breakout zone, with buyers emerging early to form a bullish flag consolidation. This continuation pattern suggests accumulation ahead of another upward leg. A break above 62 p would confirm renewed momentum, targeting a move beyond the 66 p highs into year-end.

Verdict: BUY

Buy between 52 – 55p

Stop: 47p

Target: 87p



Source: [26] Investegate – Interim Results (29 Sep 2025), [27] Venture Life – Results/Reports (2 Oct 2025)
Chart: Tradingview.com, Data as of November 21st, 2025

CML MICROSYSTEMS (CML)

CML designs mixed-signal, RF and microwave semiconductors for communications markets, with growing exposure to satcom/defence through its SuRF portfolio and GaAs/GaN after the MwT acquisition [28].

Fundamentals

FY25 prelims showed resilient trading through sector softness, strategic R&D investment and continued dividends [28]. The FY25 Annual Report and recent H1 update (Nov 2025) underline product roadmap progress and balance-sheet strength [29]. As inventory normalises and new RF/microwave products ramp, operating leverage should support margin and earnings recovery [30].

Market Capitalisation: £46.83Million

Sector: Electronic Technology

12 Month Price Range: 191 – 350p

5 Year Price Range: 125 – 498p

Technical Analysis

CML broke above key resistance at 264p in July 2025, completing a medium-term bottom formation before rallying to 350p. Since March 2025, the shares have been trending within a rising bullish channel, repeatedly providing attractive buy-the-dip opportunities. The price has now returned to the lower boundary of this channel, where support is emerging once again. Provided the channel remains intact, a move back toward—and potentially beyond—the previous 350p highs appears likely.

Verdict: BUY

Buy between 250 – 275p

Stop: 230p

Target: 380p



TradingView

Source: [28] CML – FY25 Preliminary Results (23 Jun 2025), [29] CML – FY25 Annual Report (7 Jul 2025), [30] LSE RNS – H1 FY26 Results (17 Nov 2025).

Chart: Tradingview.com, Data as of November 21st, 2025

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