



**AQ Research Ltd**  
40 Bowling Green Lane  
London EC1R 0NE  
Tel: +44 (0) 20 7689 8765  
Fax: +44 (0) 20 7425 7058  
www.aqresearch.com

A N A L Y S I N G   T H E   A N A L Y S T S

## SMALL CAP RESEARCH ENTERS UNCHARTED WATERS

(Embargoed: 06.00am Monday, March 5)

London, 5 March, 2007 — AQ Research, the independent research analysis firm, today publishes its annual review of the accuracy of recommendations in relation to listed European Small Cap companies (defined as up to \$500m market capitalisation). The European Small Cap Research Yearbook 2007 evaluates the performance of Buy/Hold/Sell recommendations on absolute and relative bases between 14 December 2005 and 13 December 2006 (RQ scores). The results include analysis of 17 individual national markets, from 135 different research houses, with more than 1,200 companies included in the analysis.

“This was a year in which small cap valuations continued to rise, driven in part by the growth of private equity interest in listed companies” says AQ Research Managing Director William Russell-Smith. “But the best scores for stockpicking went to analysts who upgraded in May and June as the market enjoyed a rally in the second half of the year. But there are some more fundamental questions on this area. For instance, as Commission Unbundling spreads out from the UK, small cap research enters uncharted waters as to how to sustain its commercial viability”.

Highlights of the analysis are as follows:-

- **Brewin Dolphin** from the UK scored the highest hit rate in Europe, as measured by the proportion of recommendations adding value if followed. Close behind was the French broker **Gilbert Dupont** with a score just short of 70%.
- Across the report as a whole, **Numis Securities**, the UK broker, had the widest coverage with 164 stocks in the report, ahead of the **European Securities Network (ESN)** with 146 stocks in the report.
- Across the report, the individual country winners as measured by the average RQ score were:
  - Austria: **Deutsche Bank**
  - Belgium: **Delta Lloyd Securities**
  - Denmark: **SEB Enskilda**
  - Finland: **Cheuvreux**
  - France: **SG Securities**
  - Germany: **MM Warburg**
  - Greece: **Egnatia Finance (ESN)**

- Ireland: **NCB Stockbrokers (ESN)**
- Italy: **ING Financial Markets**
- Netherlands: **SNS Securities**
- Norway: **Handelsbanken**
- Poland: **Erste Bank**
- Spain: **Ahorro Corp Fin**
- Sweden: **Swedbank Securities**
- Switzerland: **Berenberg Bank**
- Turkey: **Ata Invest**
- United Kingdom: **Brewin Dolphin**

CONTACTS for detailed tables and copies of the European Small Caps Research Yearbook 2007:

William Russell-Smith, Managing Director Tel: 00 44 (0)20 7689 8766

David O'Hara, Report Editor: Tel 00 44 (0)20 7689 8765

Ahmed Shehabi, Sales Manager: Tel 00 44 (0)20 7689 8766

## Notes to Editor:

### About AQ Research

AQ Research ([www.aqresearch.com](http://www.aqresearch.com)) provides quantitative analysis of analysts' recommendations and eps forecasts, using data obtained from the broking houses involved. AQ has been analysing the accuracy of eps forecasts since 1998 and began publishing its RQ series of reports in 2003. Its analysis covers more than 9,000 companies and 200 brokers worldwide.

### 'RQ' Methodology

AQ scores each research houses differently, depending on whether they have absolute or relative recommendations. The period over which we are examining recommendations in this report is the 12 months December 14 2005 to December 13 2006. Each recommendation made during this period is assessed over its "lifetime" (i.e. until it is changed).

Analysts are scored on the basis of the percentage share price movement (+ or -) during the lifetime of a particular recommendation. Those with absolute recommendations are measured on the basis of the percentage change in the share price during the lifetime of the recommendation, while those with relative recommendations are measured on the price movement relative to the price of the relevant index. This either an index (e.g. DAX for Germany) for those houses which make recommendations on an index relative basis. Or it is a sector index (the market sectors within the Dow Jones 600) for those which make sector relative recommendations.

Scores have been calculated as follows:

- **A Strong Buy recommendation receives the percentage share price movement x 1.25.**
- **A Buy recommendation receives the percentage share price movement times x 1.**
- **A Hold has no score.**
- **A Reduce recommendation receives the percentage share price movement x -1.**
- **A Sell recommendation receives the percentage share price movement x -1.25.**

(Where a share price has fallen (absolutely or relatively), this means that an analyst with a Sell or Reduce recommendation will score positively).