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ANALYSING THE ANALYSTS

## Danske Equities best house for recommendations on Finnish equities

London, 10 October, 2007 – AQ Research, the independent research analysis firm, today publishes its annual review of the accuracy of equity research amongst Finnish companies. The analysis examines equity recommendation and forecast data from 46 research houses on 107 stocks.

Highlights of the analysis are as follows:

- **Mandatum Securities, now rebranded Danske Equities**, was winner of the “hit-rate” analysis, which measures the percentage of recommendations on which analysts successfully predicted the price movement of the stock (i.e. buy recommendations going up, sells going down). Its hit rate across the companies in this report was 70%. **Kaupthing Research** and **Standard and Poor’s** were 2<sup>nd</sup> and 3<sup>rd</sup> placed by the measure.
- **Danske Equities’** recommendations also returned the greatest return on average for clients, **SEB Enskilda** and **Kaupthing Research** coming second and third.
- **ABN AMRO** produced the most accurate forecasts on companies under coverage, including some very accurate predicted earnings for **Vacon** and **Nokian Renkaat**.
- **SEB Enskilda’s Markus Steinby** and **Kaisa Ojainmaa** and **Danske Equities’ Antti Suttelin** were the three top analysts for recommendations in the country. Steinby’s success was in part thanks to rewarding strong buy recommendations on **Kemira GrowHow** and **Rautaruukki**.

Consistent outperformance:

- **Danske Equities** moves up into first place in the recommendations analysis from second place last year.
- **SEB Enskilda** was runner-up for both the accuracy of forecasts and the profitability of recommendations.
- **Kaupthing Research** maintains its third place in recommendation profitability ranking from last year.

Commenting on the results, David O’Hara, research analyst at AQ Research said: “Local houses have proved again this year that they possess unique insight that can be consistently applied across the market. This clear value-add to clients reaffirms the strength of independent, local equity research in the market.”

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## 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 10,000 companies and 230 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 September 1 2006 to August 31 2007. 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. HEX25) 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:

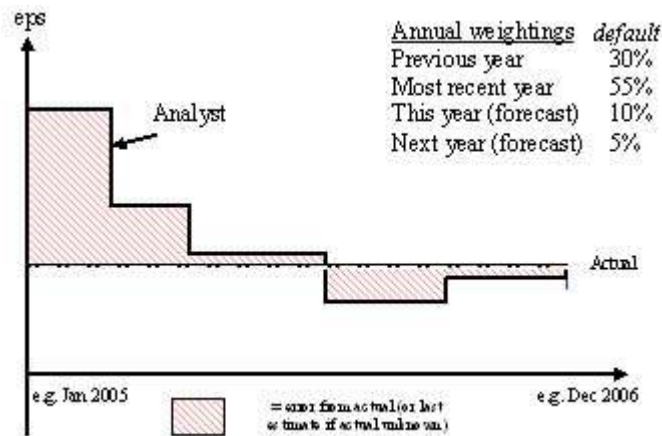
- **A Strong Buy recommendation receives the percentage share price movement  $\times 1.25$ .**
- **A Buy recommendation receives the percentage share price movement times  $\times 1$ .**
- **A Hold has no score.**
- **A Reduce recommendation receives the percentage share price movement  $\times -1$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

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

### AQ Methodology

The AQ measure is designed to measure the accuracy of an analyst's financial forecast. We use the eps as the benchmark measure because that is what is used by the investment research industry. Eps itself is an awkward figure, as there can be different opinions at what level to take the earnings, and how many shares to consider. To get around this problem, we take the so-called headline eps, the figure that by convention the company reports and the figure that is used in compiling the consensus.

The new AQ methodology for determining the accuracy of earnings estimates was launched at the beginning of 2007, following consultations with the industry. The significant change is that it looks at the “error” of the analyst, as expressed by the shaded area on the eps chart below to identify the best forecasting analysts.



The default values are used in the publications. When used in AQ Online, the customer can set their own values not only for the annual weightings but also for any estimate, e.g. to highlight analysts who have better early forecasting accuracy during any particular period.

AQ scores are in the range 0-100. They can be interpreted as follows:

- >60: Small deviations in actual eps vs. the spread of forecasts (generally below 5%) for the past 2 years
- 40-60: Forecasts falling into this range indicate either deviations of actual eps vs. forecasts up to 10% over past 2 years
- 20-40: Deviations of actual vs. forecast eps typically between 10% and 15%, possibly for one of past 2 years. Analysts who have initiated within past 2 years can also have low scores
- <20: AQ's are often not registered where deviations from actual eps numbers exceed 15%.

Note that individual analyst track records have only been building up since the start of 2007.