



**AQ Research Ltd**  
**40 Bowling Green Lane**  
**London, EC1R 0NE, UK**  
**Tel: +44 (0) 20 7689 8765**  
**Fax: +44 (0) 20 7415 7058**  
**www.aqresearch.com**

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

## **EQUITY RESEARCH REWARDS INVESTORS IN STRONG MARKETS**

**(Embargoed: 06.00am Friday, November 23)**

London, 23 November 2007 — AQ Research, the independent research analysis firm, today publishes its annual review of the accuracy of recommendations and forecasts in relation to listed companies in Iberia. The Iberia Research Yearbook 2007 evaluates the performance of Buy/Hold/Sell recommendations on absolute and relative bases between end of September 2006 and end of September 2007 (RQ scores). It also examines the accuracy of earnings per share forecasts in relation to reported profits (AQ scores). The results include analysis of research published on companies in Portugal and Spain

“This has been another year of plenty for investors in Iberia.” says the yearbook’s editor, David O’Hara. “Analysts have continued to improve their research offering, demonstrating better forecasts and stock-picking across the region.”

Highlights of the analysis are as follows:-

- Espirito Santo Research was overall winner in the region for recommendations issued for the second year running.
- The team at Cheuvreux produced better forecasts than any other broker in Iberia.
- The European Securities Network issued a higher proportion of successful recommendations in the region, with more than 62% of recommendations adding value.
- Paula Albarrán and Rui Guedes of Espirito Santo Research were the two top analysts for recommendations in Spain. Albarrán scoring well on Acerinox and Indra Sistemas.
- Arturo De Frias of Dresdner Kleinwort delivered the most reliable recommendations on Spanish companies.
- Ibersecurities produced more top scoring recommendations in Spain than any other broker, with 19 winners from a coverage list of 80.
- BPI produced the best forecasts in the Portuguese market. BPI analysts Bruno Silva and Tiago Anjos were second and third-best analysts for recommendations in Portugal.
- Margarida Mira of Espirito Santo Research was winner on Portuguese recommendations.

### **Contacts:**

**William Russell-Smith**  
**David O’Hara**

**Tel: 00 44 (0)20 7689 8766**  
**Tel: 00 44 (0)20 7689 8765**

## 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 investment research since 1998. AQ Online 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 October 1 2006 to September 30 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. Madrid General) 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:

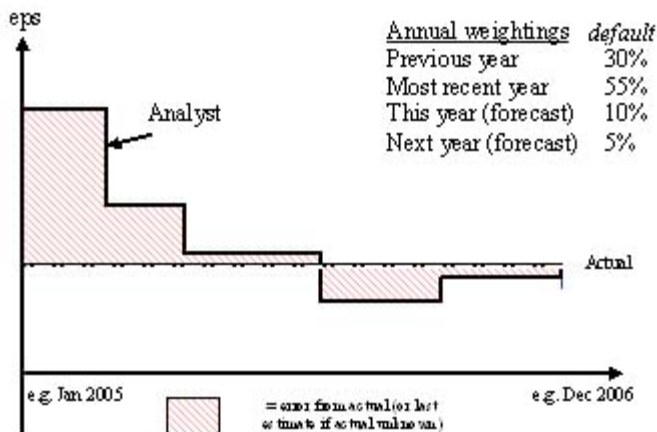
- **A Strong Buy recommendation receives the percentage share price movement  $\times 1.25$ .**
- **A Buy recommendation receives the percentage share price movement times  $\times 1$ .**
- **A Hold has no score.**
- **A Reduce recommendation receives the percentage share price movement  $\times -1$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