

## Numis Smaller Companies Index

### Q3 2012 Review

UK Smaller Companies have registered another strong quarter, outperforming the overall UK market by almost 5%. Year to date outperformance is a very impressive 14%. Over the last five years the Numis index has outperformed by a little over 3% per annum, despite the economic downturn. Underneath the headline index performance, Smallcap Value appears to have staged something of a recovery after a poor few years, up 6% relative to Smallcap Growth for the year to date.

- **Numis Smaller Companies Index:** The Numis Smaller Companies Index (formerly the RBS Hoare Govett Smaller Companies Index) is compiled by Professor Paul Marsh and Professor Elroy Dimson of London Business School. The index was first published in 1987, with a back-history dating from 1955. The primary index covers over 800 companies which make up the bottom 10% of the UK main listed market by value. Over 1955-2011 the Numis SC Index ex Investment Companies total return has beaten that of the FTSE All-Share by an average of 3.2% pa.
- **Smaller company performance in 2012 YTD:** The period from 2000-2011 was a strong one for small-caps, with the Numis SC ex IC index total return outperforming the FTSE All-Share by 3.4% pa. Looking more recently, 2011 was disappointing, down 5.6% relative to the market, after two years of strong outperformance. However UK small-caps have returned to form in 2012. The Numis SC ex IC index total return YTD has been 22.1%. This is 14.0% outperformance versus the FTSE All-Share, which produced a total return of 8.2%. After a strong Q1, Q2 was weaker, but Q3 saw a return to outperformance, up 4.8% relative.
- **Style:** We now provide style data on a monthly basis to Numis Smaller Company index users. For the past few years Growth has been in the ascendancy. However Value has seen a return to form in 2012. We estimate that Smallcap Value has outperformed Smallcap Growth by around 6% over the last 9 months, with most of that relative performance coming since the start of June.
- **Valuation:** At the end of September the Numis Smaller Companies index traded on a trailing PE relative to the FTSE All-Share of 124. Ostensibly this is close to the 30-year relative valuation high, and well ahead of the average PE relative over the last 30 years of 94. However we think that, significantly more than is usually the case, this reflects different sector weightings. We estimate that excluding Resources and Financials, the smaller company sector trades on a very similar multiple to the overall market. In absolute terms, the UK smaller company sector trailing PE of 13.6x is very close to its long-run historical average.
- **Rebalancing:** The Numis Smaller Companies index is rebalanced at the start of each calendar year. In this document we show the changes that would have happened had the rebalancing happened at the end of September.

#### Analyst

Will Wallis  
+44 (0)20 7260 1339  
w.wallis@numis.com

This research was prepared and approved by  
**Numis Securities Ltd**  
The London Stock Exchange Building  
10 Paternoster Square  
London EC4M 7LT, UK  
Tel +44 (0)20 7260 1000  
Fax +44 (0)20 7260 1010  
Email mail@numis.com

For FSA purposes this marketing communication has not been prepared in accordance with legal requirements designed to promote the independence of investment research. Important disclosures relating to Numis Securities Limited are on pages 9 to 10 and include the analyst certification on page 9. For investment banking relationships, if any, with companies mentioned in the report, potential conflicts of interest and additional disclosure please refer to pages 9 to 10. When applicable, disclosures regarding ratings may be found at <http://www.numis.com/x/us/regulatory.html>

## Smaller company performance

Having had a strong first half overall, UK smaller companies continued to outperform through Q3 2012. The Numis Smaller Companies Index excluding Investment Companies produced a total return of 9.5% in the third quarter, giving arithmetic outperformance compared to the FTSE All-Share index of 4.8%. Outperformance year-to-date has been 14.0%.

The table below shows the performance of various indices for each of the first three quarters of 2012, as well as for the year to date.

**Table 1. Smaller company index performance, Q1-Q3 2012**

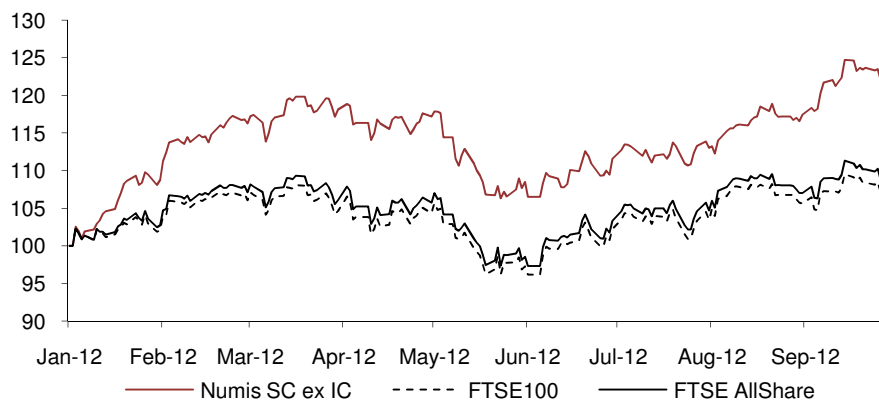
|   | % change (capital gains) |        |      |      | % change (total returns) |        |      |      |
|---|--------------------------|--------|------|------|--------------------------|--------|------|------|
|   | Q112                     | Q212   | Q312 | YTD  | Q112                     | Q212   | Q312 | YTD  |
| Numis SC Index (ex Inv Cos)               | 17.7                     | (6.6)  | 8.7  | 19.5 | 18.1                     | (5.6)  | 9.5  | 22.1 |
| Numis SC Index (ex Inv Cos) rel All-Share | 12.6                     | (2.9)  | 5.0  | 14.6 | 12.0                     | (2.9)  | 4.8  | 14.0 |
| Numis SC + AIM (ex Inv Cos)               | 16.0                     | (8.3)  | 7.4  | 14.2 | 16.4                     | (7.5)  | 8.0  | 16.3 |
| Numis SC + AIM (ex Inv Cos) rel All-Share | 10.9                     | (4.6)  | 3.6  | 9.2  | 10.3                     | (4.9)  | 3.3  | 8.1  |
| Numis SC Index (inc Inv Cos)              | 15.0                     | (6.1)  | 7.5  | 16.2 | 15.5                     | (5.1)  | 8.3  | 18.7 |
| Numis SC + AIM (inc Inv Cos)              | 14.2                     | (7.6)  | 6.6  | 12.5 | 14.6                     | (6.8)  | 7.3  | 14.7 |
| Numis 1000 Index (ex Inv Cos)             | 18.4                     | (7.0)  | 8.0  | 18.8 | 18.8                     | (5.9)  | 8.7  | 21.4 |
| Numis 1000 Index (inc Inv Cos)            | 13.9                     | (6.2)  | 6.5  | 13.8 | 14.5                     | (5.2)  | 7.2  | 16.2 |
| FTSE All-Share                            | 5.1                      | (3.7)  | 3.7  | 4.9  | 6.1                      | (2.6)  | 4.7  | 8.2  |
| FTSE 100                                  | 3.5                      | (3.4)  | 3.1  | 3.0  | 4.6                      | (2.3)  | 4.1  | 6.4  |
| FTSE 250 (inc Inv Cos)                    | 14.2                     | (5.3)  | 7.3  | 16.1 | 14.7                     | (4.2)  | 8.2  | 18.9 |
| FTSE 250 (ex Inv Cos)                     | 15.4                     | (5.4)  | 8.0  | 18.0 | 15.9                     | (4.2)  | 8.9  | 20.9 |
| FTSE 350                                  | 4.9                      | (3.7)  | 3.6  | 4.7  | 5.9                      | (2.6)  | 4.6  | 7.9  |
| FTSE SmallCap (inc Inv Cos)               | 14.3                     | (5.2)  | 8.0  | 17.0 | 14.8                     | (4.2)  | 8.6  | 19.3 |
| FTSE SmallCap (ex Inv Cos)                | 17.7                     | (5.3)  | 10.4 | 23.0 | 18.2                     | (4.1)  | 11.0 | 25.9 |
| FTSE Fledgling (inc Inv Cos)              | 12.3                     | (7.4)  | 5.9  | 10.1 | 12.8                     | (6.3)  | 6.6  | 12.6 |
| FTSE Fledgling (ex Inv Cos)               | 15.0                     | (10.3) | 5.5  | 8.7  | 15.3                     | (9.2)  | 6.2  | 11.2 |
| FTSE AIM All-Share                        | 14.7                     | (15.1) | 4.5  | 1.8  | 14.8                     | (14.8) | 4.7  | 2.4  |

Source: Numis Securities Research Department, Datastream

AIM continues to perform relatively less well than the main market listed companies. The FTSE AIM All-Share index produced a 4.7% total return in Q312 compared to the main Numis smaller companies index return of 9.5%. The Numis SC + AIM index (ex Inv Cos) total return was 8.0% in Q3, compared to the main listed Numis SC index total return of 9.5%. YTD the Numis SC + AIM index lags its main-listed sibling by almost 6%.

The first chart below shows the absolute performance of the primary Numis SC index, alongside the larger FTSE indices.

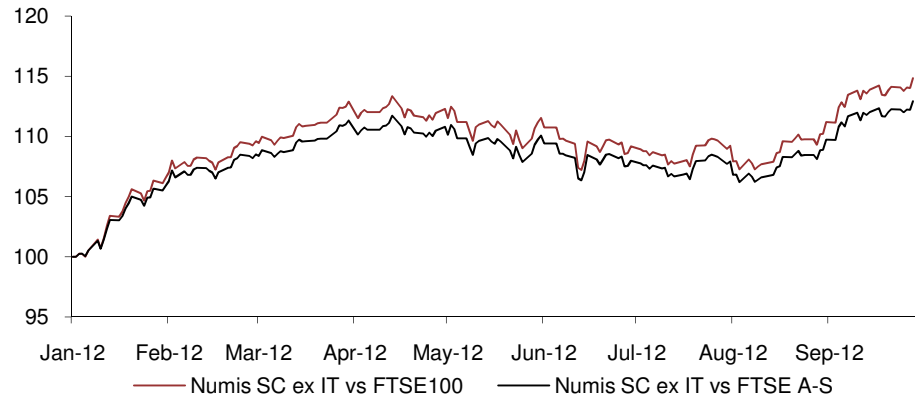
**Figure 1. Total return YTD (indexed)**



Source: Numis Securities Research Department, Datastream

The second chart shows the relative performance of the primary Numis SC index for the year to date, demonstrating that the recent robust performance has come mainly since the start of August.

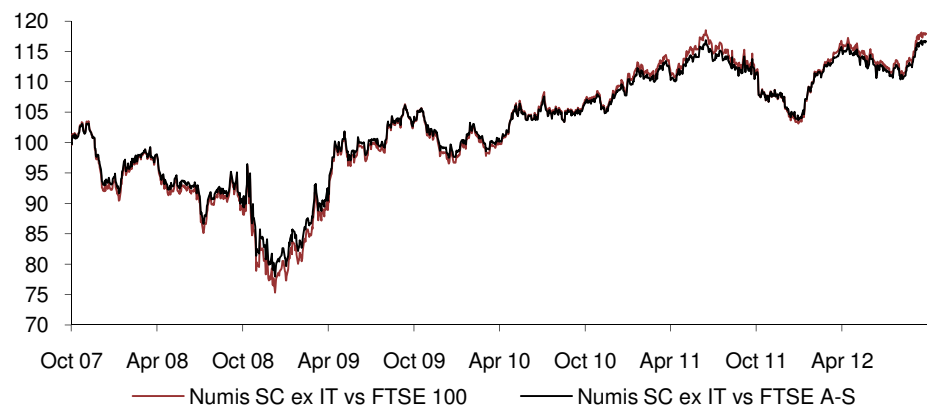
**Figure 2. Relative total return YTD (indexed)**



Source: Numis Securities Research Department, Datastream

In the third chart we show the relative performance of the key Numis SC index compared to these two larger company indices over the last five years. On a five year view smaller companies have outperformed the FTSE 100 by 18% in total returns terms, or 3.3% p.a. This 5-year annualised outperformance is almost identical to the annualised outperformance of the index over the full 57 year back-history up to the end of 2011, which stands at +3.2%.

**Figure 3. Relative total return over 5 years (indexed)**



Source: Numis Securities Research Department, Datastream

## Possible index inclusions & exclusions

The Numis Smaller Companies Index is rebalanced at the end of each year. If the rebalancing were to have taken place at the end of September, the cut-off would have been just over £1.3bn.

**Table 2. Potential index inclusions (>£100m MV)**

| Company                       | Share Price (p) | Market Cap (£m) |
|-------------------------------|-----------------|-----------------|
| PZ Cussons                    | 300             | 1,286           |
| Imagination Technologies      | 475             | 1,255           |
| Carillion                     | 271             | 1,166           |
| FirstGroup                    | 240             | 1,157           |
| Ferrexpo                      | 194             | 1,141           |
| Lonmin                        | 558             | 1,130           |
| Playtech                      | 370             | 1,070           |
| Bwin.Party                    | 104             | 845             |
| BH Macro (Investment Company) | 1,983           | 813             |
| Carphone Warehouse            | 164             | 773             |
| Bank of Georgia               | 1,272           | 457             |
| RusPetro                      | 107             | 357             |
| NMC                           | 181             | 336             |
| Greencore                     | 80              | 312             |
| Bumi                          | 150             | 271             |

Source: Numis Securities Research Department. Prices at 28 September 2012

In addition, United Drug's closure of its Irish listing from 3 October is expected to qualify the group for the Numis Index series at the next re-balancing (market capitalisation £574m).

**Table 3. Potential index exclusions**

| Company               | Share price (p) | Market Cap (£m) |
|-----------------------|-----------------|-----------------|
| Ophir Energy          | 608             | 2,425           |
| Sports Direct         | 344             | 2,059           |
| Telecity              | 896             | 1,799           |
| Taylor Wimpey         | 54              | 1,751           |
| Smith (DS)            | 186             | 1,723           |
| UBM                   | 701             | 1,720           |
| TalkTalk              | 185             | 1,695           |
| Barratt               | 170             | 1,655           |
| Hochschild            | 486             | 1,643           |
| Ashtead               | 324             | 1,630           |
| Booker                | 93              | 1,611           |
| Ladbrokes             | 173             | 1,570           |
| Afren                 | 140             | 1,522           |
| Rentokil Initial      | 81              | 1,476           |
| Hikma Pharmaceuticals | 727             | 1,430           |
| Great Portland        | 451             | 1,410           |
| AVEVA                 | 1,967           | 1,339           |
| Lancashire            | 824             | 1,334           |
| Shaftesbury           | 528             | 1,328           |

Source: Numis Securities Research Department. Prices at 28 September 2012

## Industry group performance

Rather than looking at the minutiae of performance for every different sector, we look at aggregate performance for seven industry groupings plus the rest. This helps to draw out the major themes without getting lost in too much detail. Performance by industry grouping is shown in the table below:

**Table 4. Industry grouping total return within the Numis Smallcap Index**

| (%)                | Weighting<br>(start of year) | Q112 | Q212 | Q312 | YTD  |
|--------------------|------------------------------|------|------|------|------|
| Consumer Services  | 20                           | 19   | (3)  | 11   | 28   |
| Financials         | 17                           | 15   | (4)  | 10   | 21   |
| Support Services   | 14                           | 21   | (8)  | 9    | 22   |
| Industrials (1)    | 12                           | 18   | (5)  | 9    | 22   |
| Technology         | 8                            | 28   | 0    | 12   | 43   |
| Mining             | 7                            | 5    | (21) | 0    | (17) |
| Oil & Gas          | 6                            | 24   | (17) | 13   | 16   |
| Other              | 18                           | 17   | (1)  | 7    | 25   |
| Index (ex Inv Cos) |                              | 18   | (6)  | 9    | 22   |

(1) The ICB Industrials sector ex Support Services (includes Construction, Capital Goods and Industrial Transportation)  
Source: Numis Securities Research Department

- **Oils:** The Oil & Gas sector was, by a whisker, the strongest performing major industry group in Q312 in the Numis SC Index. Ophir Energy remains the leading performance contributor to the Index overall during 2012. In Q312 Afren has been a particularly significant performer, but the other larger stocks in the sector have all performed well.
- **Technology:** The Technology sector has been the best performing industry group in the Numis Smallcap index YTD, up 43%. Following a robust H1 performance the sector was also one of the best performing in Q3. The strong performance year-to-date has been broadly spread across the larger stocks in the sector, helped by the take-overs of Logica and Misys early in the year, but also benefitting from the rises from the likes of Telecity, Aveva, Pace, CSR, and Micro Focus.
- **Mining:** The Mining sector has been the worst performer in each of the first three quarters of the year. Three of the five worst contributors to the overall Numis SC index performance come from the sector (Aquarius Platinum, New World Resources and Petropavlovsk) although poor Q312 sector performance was offset by a strong showing from Centamin.
- **Consumer Services:** Consumer Services (Retail, Media, Travel & Leisure) is the largest single industry group in the Numis SC index. Strong recent performances by Dunelm, Debenhams, UBM, and Mitchells & Butler have been particularly notable from this industry group, while Sports Direct's continuing strength puts the company in the top three for positive contribution for the overall index year to date.
- The Financials, Support Services and Industrials industry groups have performed very closely in line with the index both in Q312 as well as YTD.
- Within the Other category in the table above, the house builders have had a continued strong performance, with both Barratt and Taylor Wimpey among the top 10 overall performance contributors for the index. Healthcare lagged in Q3.

## Style returns in smaller companies

In the past, Dimson & Marsh have produced data on style returns in their Annual Review. This data is now made available each month to index subscribers. Three sets of style performance are currently provided:

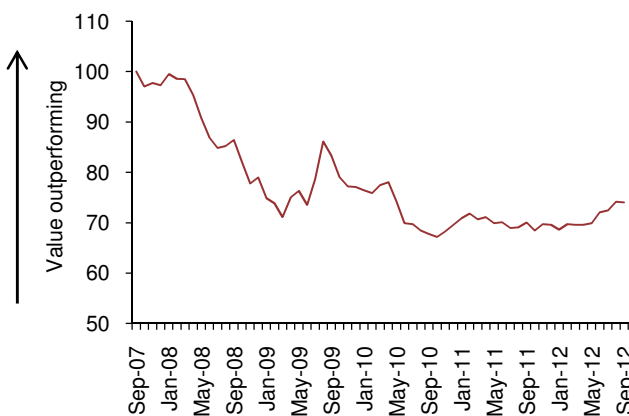
- Value:** Value is measured by ranking stocks by their ratio of equity book value to market value. The 40% highest book-to-market group are measured as Value, and the 40% lowest as Growth. Since 1955 Value has outperformed growth (+4.5% pa 1955-2011), and while Value has also beaten Growth over 20 and 10 years, over the last five years and nine months (2007 to date) Growth has had a very strong run, outperforming Value by 7.3% pa.
- Size:** In addition to the comparison of the overall bottom 10% of the market with the whole market, shown above, we also provide data on size performance within the Numis SC Index. We divide into smaller small (the 70% of the Numis SC by number with the lowest capitalisation) and larger small (the top 30%). Since 1955 smaller small companies have modestly outperformed larger small companies (+0.8% pa 1955-2011), although over the last 20 years the effect has been the reverse (-1.6% pa since 1990).
- Momentum:** We produce two momentum measures. The primary measure that we focus on is "12-1-1". This involves ranking stocks by their returns over the past 12-months and defining winners as the top 20% of performers, and losers as the bottom 20%. The strategy is to then wait 1 month before investing for 1 month in the winners and losers, then to repeat the process, rebalancing each month. We also provide data on a "6-1-6" strategy (measure over 6 months, wait 1 month, hold for 6 months, rebalance every 6 months). Over the very long term, winners have very strongly outperformed losers, on average by 17% pa since 1955, using the 12-1-1 approach.

The charts below show these style effects over the last 5 years and the last 9 months.

### Value versus Growth

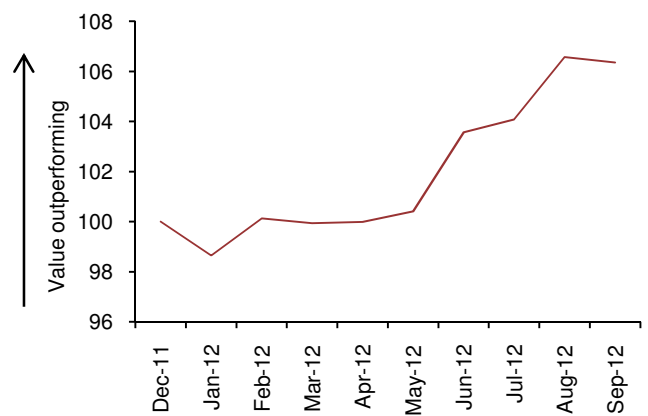
On a five year view Growth has significantly outperformed Value. However this statement now essentially depends on a very strong performance by Growth stocks in 2008. At the start of 2012 there were a few months of limited Value / Growth style effects, but the last few months have seen Value performing comparatively strongly. Year to date Value, as measured by companies on a low price-book, is ahead of Growth by over 6%.

Figure 4. Value vs growth (5 years)



Source: Numis Securities Research Department

Figure 5. Value vs growth (9 months)

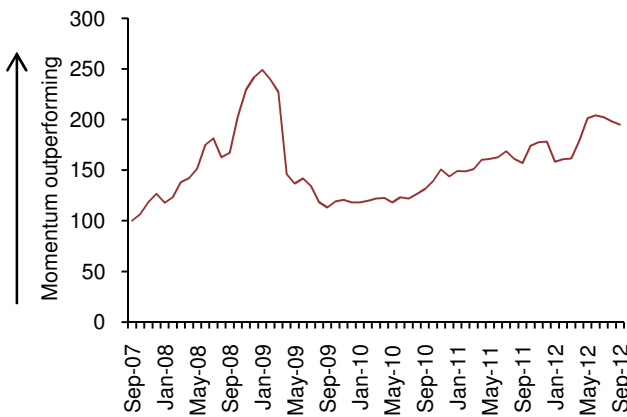


Source: Numis Securities Research Department

**Momentum**

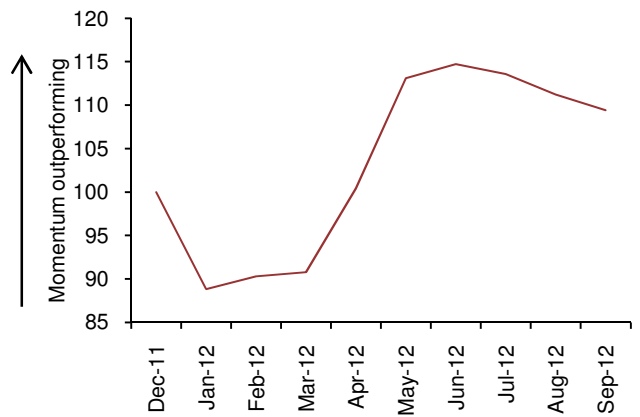
Momentum (backing recent share price winners) performed very strongly in Q212. It was unusual to see momentum performing at the same time as value during that quarter. While value continued to outperform in Q312, as noted above, momentum has modestly underperformed in the quarter. As a result the combination of style factors in the last quarter has been more conventional.

**Figure 6. Winners vs losers (5 years)**



Source: Numis Securities Research Department

**Figure 7. Winners vs losers (9 months)**

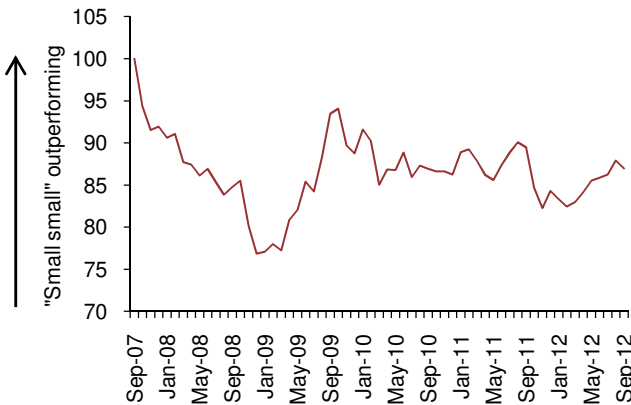


Source: Numis Securities Research Department

**“Large small” versus “small small”**

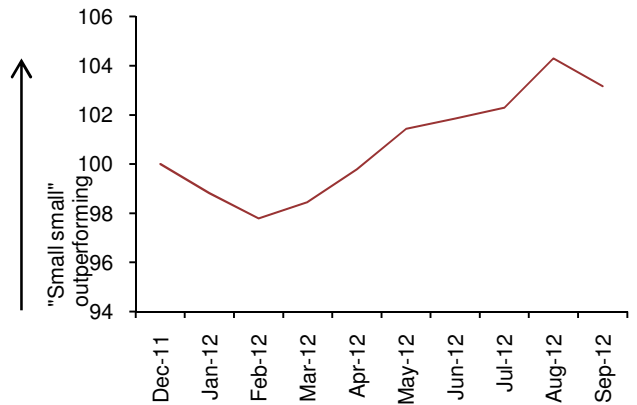
Looking at size effects within smaller companies, over 5 years “large small” has outperformed “small small”. However through 2012 to date “small small” has outperformed larger small companies by around 3%. By the standards of historic style effects this is not a large movement.

**Figure 8. “Large small” vs “small small” (5 years)**



Source: Numis Securities Research Department

**Figure 9. “Large small” vs “small small” (9 months)**

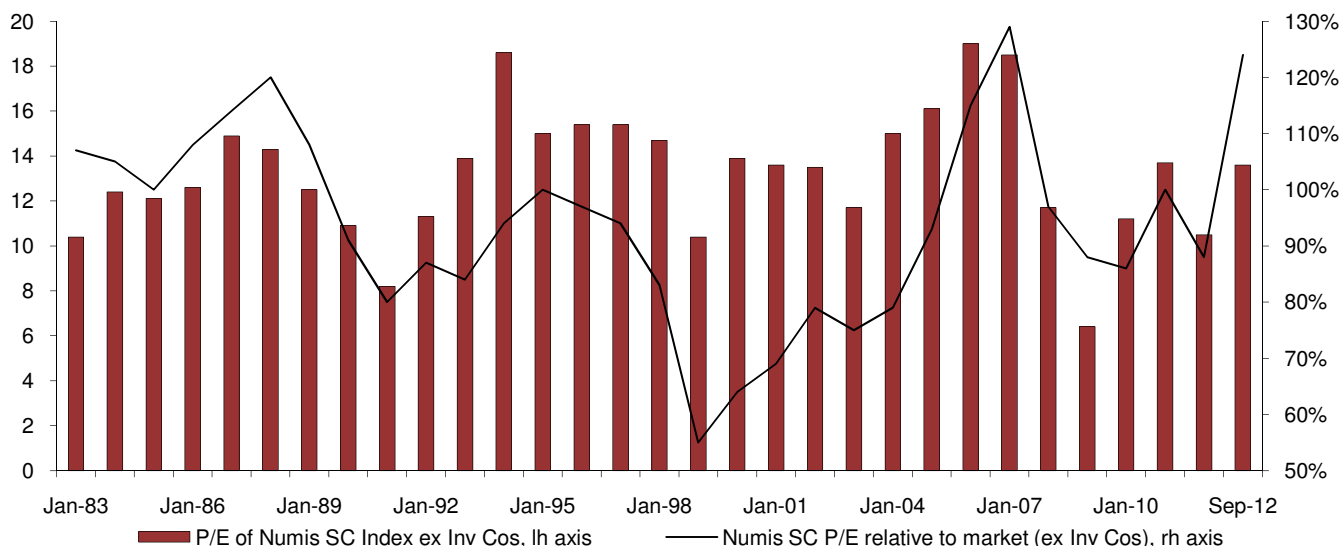


Source: Numis Securities Research Department

## Smaller Company P/E Ratios

Following their strong performance in 2012 so far, smaller companies now trade on a relative trailing PE that is close to peak historic levels, as shown in the chart below.

**Figure 10. P/E ratios for Numis SC ex Inv Cos, measured in absolute and relative terms**



Source: Numis Securities Research Department

At the end of September the Numis SC Index trailing P/E was 13.6x. This compares to the market overall which we estimate stands on a trailing P/E of 11.0x. The P/E relative of 124% is approaching the relative high measured at the start of 2007. Does this historically high relative valuation bode poorly for the smaller company segment?

To an extent we caution that these valuation calculations are backward rather than forward-looking. In addition, the time series is influenced by the exclusion of loss-makers, or companies with very high P/E multiples, although we argue that including these companies would be more of a distortion than excluding them.

Perhaps more importantly, the relative valuation of the Numis Index compared to the market is currently more than normally heavily influenced by different sector weightings. Large integrated oil & gas companies, large mature mining companies, and banks make up over one-third of the overall market by market capitalisation, but barely figure in the smaller companies sector. Smaller companies are heavily overweight Support Services, Industrials, Technology, General Retail and Specialist Financials services companies:

- If the overall market was weighted the same as the Numis index by industry group, then the difference between the P/E of the market and the P/E of the smaller company sector falls to below 10%.
- Excluding Resources and Financials, smaller companies trade on a very similar multiple to the overall market, with the Oils sector providing most of this effect.
- Finally, looked at in absolute terms, the historical P/E of smaller companies is close to its long-term average. The current trailing P/E of 13.6x compares to an average over the prior 30 years of 13.3x.

In summary the valuation of smaller companies is not unusual. What *is* unusual is the trailing P/E of the UK market at 11.0x, compared to a 30-year average of 14.6x. This in turn in particular reflects, we think, investor scepticism about the sustainability and in some cases quality of earnings in the now very large Resources sector. Investors making a negative call on the smaller company sector as a result of overall relative valuations should be aware that they may more accurately be described as making a positive call on the Resources sector.



**The following disclosures are addressed to US-based recipients.**

## Analyst Certification

The research analyst who prepared this research report was Will Wallis. The analyst hereby certifies that all of the views expressed herein accurately reflect the analyst's personal views about any and all of the subject security and/or issuer at the date of original publication of this document.

The research analyst who prepared this research report also certifies that no part of the analyst's compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed by the analyst in the research report.

## Important Disclosure

This research report has been prepared and approved by Numis Securities Limited ("Numis"), a securities dealer in the United Kingdom. Numis is not a registered brokerdealer in the United States and therefore is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided in the United States for distribution solely to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended. Any recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Numis Securities Inc. ("Numis Inc."). Numis Inc. may be contacted in writing or by phone: Numis Securities Inc., 275 Madison Avenue, 40th Floor, New York, NY 10016, U.S. phone (212) 277 7300. Numis Inc. is an affiliate of Numis. Under no circumstances should any recipient effect any transaction to buy or sell securities or related financial instruments through Numis.

Numis Inc. accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor.

Numis, Numis Inc. and/or their affiliates, directors, officers, and employees may have or have had interests, or long or short positions, and may at any time make purchases or sales as a principal or agent of the subject companies mentioned or referred to in this report.

The research analyst who prepared this research report receives compensation based upon various factors (such as the general perception of the analyst's ability and commitment to his/her analytical work) and upon the overall revenues including the investment banking revenues of Numis and/or one or more of its affiliates.

## Additional Disclosure

This Numis Securities Limited ("Numis") research report is for distribution only under such circumstances as may be permitted by applicable law. This research report has no regard to the specific investment objectives, financial situation, or particular needs of any specific recipient, even if sent only to a single recipient. This research report is offered solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell securities or related financial instruments, nor is it to be construed as a recommendation for Numis to effect any transaction to buy or sell securities or related financial instruments on behalf of any recipient. There is no express or implied understanding between Numis or Numis Securities Inc. ("Numis Inc.") and any recipient of this research report that Numis will receive any commission income in connection with this research report. The securities that may be described in this research report may not be eligible for sale in all jurisdictions or to certain categories of investors. This research report is based on information believed to be reliable, but it has not been independently verified and is not guaranteed as being accurate. This research report is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report.

Any statements or opinions expressed in this research report are subject to change without notice and Numis is not under any obligation to update or keep current the information contained herein. All statements and opinions expressed in this research report are made as of the date of this research report and are not held out as applicable thereafter. Neither Numis nor any of its directors, officers, employees, or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report's preparation or publication; provided that this shall not exclude liability to the extent that this is impermissible under the law relating to UK financial services.

Numis may rely on information barriers, such as "Chinese Walls", to control the flow of information within the areas, units, divisions, groups, or affiliates of Numis.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, nor be subject to the regulation of the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign corporations are typically not subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States.

Past performance is not an indication or guarantee of future performance and no representation or warranty, express or implied, is made by Numis with respect to future

performance. The value of any investment or income from any securities or related financial instruments discussed in this research report is subject to volatility and can fall as well as rise. Investors may not get back the full amount they originally invested. The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from any securities or related financial instruments discussed in this research report.

No part of the content of this research report may be copied, forwarded or duplicated in any form or by any means without the prior consent of Numis and Numis accepts no liability whatsoever for the actions of third parties in this respect.

The following disclosures are addressed to non-US-based recipients.

## Regulatory Notice & Disclaimer

Numis regards this document as research. It has been approved under part IV article 19 of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "FPO") by Numis Securities Limited ("Numis") for communication in the United Kingdom only to investment professionals as that term is defined in article 19(5) of the FPO. Its contents are not directed at, may not be suitable for and should not be relied on by anyone who is not an investment professional including retail clients. Numis does not provide investment advisory services to retail clients. This research report is not directed at you if Numis is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that Numis is permitted to provide research concerning investments to you under relevant legislation and regulations. This research report is not an offer or a solicitation to buy or sell any security. It does not constitute a personal recommendation and recipients must satisfy themselves that any dealing is appropriate in the light of their own understanding, appraisal of risk and reward, objectives, experience, and financial and operational resources. It has not been prepared in accordance with legal requirements designed to promote the independence of research. Non independent research is not subject under the Markets in Financial Instruments Directive ("MiFID") to any prohibition on dealing ahead of the dissemination of research. However, Numis is required by the FSA to have policies in place to manage the conflicts of interest which may arise in its production, which include preventing dealing ahead. The prices of the investments referred to in this research report and the income from them may go down as well as up and investors may realise losses on them. Neither past performance nor forecasts are a reliable indicator of future results. Numis accepts no fiduciary duties to the reader of this research report and in communicating it Numis is not acting in a fiduciary capacity. Neither Numis nor any of its directors, officers, employees or agents shall have any liability, howsoever arising, for any error, inaccuracy or incompleteness of fact or opinion in it or lack of care in its preparation or publication except where such is caused by its gross negligence, wilful default or fraud; nor shall it exclude or restrict any liability it has under the regulatory system to the extent that to do so is impermissible under the law relating to financial services.

All statements and opinions are made as of the date on the face of this document and are not held out as applicable thereafter. Research will carry the date of publication or, on research printed overnight, the date on which it was sent to the printers. Where a price is quoted in research it will generally, in the absence of contrary words, be the latest practicable price prior to distribution or, in the case of research printed overnight, the closing price at the close of business. Unless otherwise stated, prices in this research report are derived from quotations on the London Stock Exchange.

A list of significant items which could create a conflict of interest and other material interests in relation to research, together with Numis's policy for managing such conflicts of interest, is set out on the Numis website ([www.numis.com/x/regulatory.html](http://www.numis.com/x/regulatory.html)).

Numis or one or more of its associates or a director or an employee of Numis or of an associate may from time to time have a position, or may have undertaken or may undertake an own-account transaction, in a security referred to in this document or in a related security. Such a position or such a transaction may relate to the market making activities of Numis or to other activities of Numis.

Numis or one or more of its associates may from time to time have a broking, advisory or other relationship with a company which is the subject of or referred to in this research, including acting as that company's official or sponsoring broker and providing corporate finance or other financial services. It is the policy of Numis to seek to act as corporate adviser or broker to many of the companies which are covered by the Research Department. Accordingly companies covered in any research may be the subject of marketing initiatives by the Corporate Finance Department.

A company covered in this research may have paid for an analyst's reasonable expenses to visit their premises or offered modest hospitality or entertainment; further details are available on request.

Printed research will identify material sources; electronic research reports are normally based on company announcements made through the Regulatory Information Service. In those cases (but not otherwise) where the subject company has seen a draft of the research report and has suggested factual amendments which are incorporated by the researcher, this will be noted on the research. This applies normally only to printed pieces.

In printed research the risk warnings (if any) attaching to a particular company will be set out; in electronic pieces there is a cross-reference to the archive of research on the Numis website where, under the appropriate company name, details of such matters can be viewed.

The archive of research (available to all clients who normally receive Numis research) is available on the Numis website ([www.numis.com/x/Mainresearch.html](http://www.numis.com/x/Mainresearch.html)).

Numis accepts no responsibility whatever for any failure by a person resident outside the United Kingdom to observe the foregoing. No part of the content of any research material may be copied, forwarded or duplicated in any form or by any means without the prior consent of Numis and Numis accepts no liability whatsoever for the actions of third parties in this respect.

The following disclosures are addressed to non-US and US-based recipients.

With effect from 19 October 2010 Numis research is being produced in accordance with COBS 12.3 as Non-Independent Research.

## Sector Notes (mentioning 6 or more companies)

Our sector notes may contain references to information on companies (e.g. target prices and recommendations) which has already been published by us (see our website at <http://www.numiscorp.com/x/us/research.html>) and consequently, details of our assumptions, the material investment risks and/or the basis for each company's target price may not be repeated in these sector notes.

## Valuation and Risks

For details relating to valuation and risks in printed research, please refer to the company comment contained herein. In electronic pieces of research please refer to the relevant company section of the Numis website <http://www.numis.com/x/us/research.html>

## Ratings Key

In making a recommendation the analyst should compare his target price with the actual share price and then make a recommendation derived from the percentage thus calculated.:

As from 14 February 2005, the formula is:

|        |                   |
|--------|-------------------|
| Buy    | > +20%            |
| Add    | > +10% to +19.99% |
| Hold   | 0% to +/-9.99%    |
| Reduce | -10% to -19.99%   |
| Sell   | > -20%            |

With effect from 9 February 2010 upon the initial establishment of a recommendation and target price for a company, an additional 10 % deviation in the price from the default bands set out above is permitted before the recommendation has to be changed in subsequently published research documents.

## Distribution of Ratings

|        | US Requirement<br>01/07/11 - 30/06/12 |                   | UK Requirement<br>01/04/12 - 30/06/12 |                   |
|--------|---------------------------------------|-------------------|---------------------------------------|-------------------|
|        | All Securities                        | Corporate Clients | All Securities                        | Corporate Clients |
| Buy    | 44.3%                                 | 69.7%             | 51.8%                                 | 77.3%             |
| Add    | 21.6%                                 | 16.2%             | 17.3%                                 | 13.3%             |
| Hold   | 28.3%                                 | 14.1%             | 25.9%                                 | 9.3%              |
| Reduce | 2.6%                                  | 0.0%              | 2.3%                                  | 0.0%              |
| Sell   | 3.2%                                  | 0.0%              | 2.7%                                  | 0.0%              |
| Total  | 100%                                  | 100%              | 100%                                  | 100%              |

*The above table shows the split of recommendations based on the last recommendation for each research stock during the last four calendar quarters.*

*The above table shows the split of recommendations based on all recommendations during the last calendar quarter for all securities and within each category the proportion of issuers to which Numis supplied material banking services.*

For the split of recommendations by sector for the period from 1 Jan 2011 to 31 Dec 2011, please contact the Research Department of Numis Securities Ltd.