KILLIK & Co

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RESEARCH POLICY

JANUARY 2010

Introduction

Killik & Co's Research team aims to provide research which is objective, fair and not misleading to clients. This document outlines the five recommendation structures and the related policies for managing potential conflicts of interest in the production of investment research.

Research Recommendation Categories

There are five recommendation structures which represent investment research:

- Funds: Absolute Return
- Funds: Income
- Funds: Growth
- Equities: Large Cap
- Equities: Small Cap

The Research team may regularly publish 'Flashnote' documents, which may contain comments on investments. Where a comment relates to a Killik & Co Research recommendation (Absolute Return, Income, Growth, Large Cap, Small Cap) the recommendation will be indicated. The 'Daily Note', 'Listed Funds Bulletin', 'ETFs Bulletin' and 'Thematic' notes are treated as Flashnotes.

Killik & Co research is produced by analysts within the Research team and the name(s) of the author(s) is/are identified in research publications which represent investment research. The research is produced on the basis of publicly available information, internally developed data and other sources believed to be reliable. Records are maintained of information relied upon when making a recommendation.

Other departments within Killik & Co, including the Financial Planning and/or Killik Capital divisions, may produce investment research; however, this Research Policy only relates to investment research published by the Killik & Co Research team. Should any Killik & Co Research publication include comments/views from (an) other Killik & Co division(s), this will be clearly indicated.

The Killik & Co quarterly magazine, Confidant, contains contributions from a number of Killik & Co departments, including Research. The Research team's contribution to the Killik & Co Confidant will typically include comment and valuation information on securities on which the Research team has issued a research recommendation. More detailed information on these securities will typically be available within a research report which is available from a Killik & Co Broker. In addition to comment on securities on which the Research team has issued a research recommendation, the team may provide market commentary which may include references to securities they do not cover. Killik & Co research recommendations are not initiated or changed via Confidant.

Killik & Co Research Recommendation Categories Definitions

Absolute Return

Funds that aim to generate an absolute return, i.e. a positive return irrespective of equity or bond market direction. Funds in this category normally have a stated objective of producing absolute returns and their fee structure and/or management participation in equity and investment process is consistent with this objective.

Income

Income producing funds which are attractive in the context of the yield available from cash, gilts and UK equities.

Growth

Funds which the Research Team believe have the potential to generate a high level of capital growth over the long term.

Large Cap

Equity investment ideas in the FTSE 100 or FTSE 250 which the Research Team believe will generate returns ahead of the All Share index.

Small Cap

Small Cap equity investment ideas which the Research Team believe will generate returns ahead of the FTSE Small Cap index over the long term.

Killik & Co Research Recommendation Definitions

A recommendation will be opened as a Buy/Accumulate, Neutral/Hold or Sell/Reduce/Switch. It will then be managed through its life-cycle with the publication of update notes following the release of material news, or in the event of a change in our investment opinion. A recommendation is closed with a final Neutral/Hold or Sell/Switch note, clearly stating that coverage is ceased.

Buy / Accumulate

Funds/equities which the Research Team believe have the potential to outperform their benchmark and their peers, on a risk adjusted basis, over the medium to longer term.

Neutral / Hold

Funds/equities which the Research Team believes are likely perform broadly in line with their benchmark and peers. Funds which the Research Team is keeping under observation before moving to a Buy or Sell recommendation.

Sell / Switch

Funds/equities which the Research team does not believe have the potential to outperform their benchmark and peers, on a risk adjusted basis, over the medium to longer term, or where the Research Team believes there are better alternatives.

The table below shows the number of Killik & Co Research initiated recommendations or changes to recommendations over the most recent full quarter:

Quarter ending 31 December 2009	TOTAL	'Buy' / 'Accumulate'	'Neutral' / 'Hold'	'Sell' / 'Reduce' / 'Switch'
Number of initiated recommendations or changes to recommendations	**9**	5	2	2
% of Total	**100%**	56%	22%	22%

Security Specific Risk Ratings

All Killik & Co Research recommendations are issued with a security specific risk rating, represented by a number between 1 and 9. Assessing the relative risk of any security (specific risk) is highly subjective and may change over time. The Killik & Co Risk Rating system uses categories which are intended as guidelines to the specific risks involved, as follows:

<u>Restricted Lower Risk (1)</u>

Securities in this category are what we believe to be lower risk investments such as cash, cash equivalents and short dated gilts, and the collective investment vehicles that invest in those instruments.

<u>Restricted Medium Risk (2-3)</u>

Securities in this category are what we believe to be medium and lower risk investments including medium and long-dated gilts, investment grade bonds and certain collective investment vehicles investing predominantly in these securities.

<u>Unrestricted (4-9)</u>

Securities in this category are what we believe to be higher risk and are drawn from across the United Kingdom and international markets. These are normally direct equity investment and collective investment vehicles which predominantly hold securities other than investment grade bonds and money market instruments.

The vast majority of the Killik & Co Research recommendations are likely to fall in the unrestricted/higher risk category (4-9) above.

For further detail on the Killik & Co risk rating system please see the Killik & Co terms and conditions.

Publication and distribution of Killik & Co Research Recommendations

Killik & Co research may be published at any time during the day and is distributed either by email or in a hard copy format. Only research that has been approved for release by the Head of Research, a partner of Killik & Co is published to clients. Killik & Co research notes are initially published via an email to the Killik & Co Broker network. Clients who have provided an email address to Killik & Co may be sent research reports on the securities they hold. In addition, clients may elect to receive research notes on securities which they do not hold but are of suitable risk profile.

Brokers have the discretion to send research reports to clients for whom Killik & Co does not have an email address.

Management of potential conflicts of interest

The Killik & Co Research team has procedures in place to ensure the objectivity of its research and to help identify and manage potential conflicts of interest which may arise. Research publications will make reference to the existence of this policy and the fact that it is accessible via the Killik & Co website, so that clients are aware of the potential conflicts that may exist and the steps taken to manage them.

Outside business interests

Members of the Killik & Co Research team must seek prior approval from the Head of Research and Head of Compliance before entering into outside business interests. The Head of Research and Head of Compliance will not permit outside business interests that are deemed to conflict with the team member's provision of unbiased investment research. If the potential conflict relates to the Head of Research, then approval must be sought from the Head of Compliance and the Executive Board.

Gifts/Inducements

Killik & Co does not produce research paid for by issuers of investments nor does it act as corporate broker to any companies. Any gifts received by members of the Killik & Co Research team from clients or companies which are of a value of greater than £150, must be disclosed to the Head of Research and the Head of Compliance. If the Head of Research receives such gifts, this is disclosed to the Executive Board and to the Head of Compliance.

Trail commission

Killik & Co may receive trail commission (rebate of part of a fund manager's Annual Management Charge) on some of its open-ended and closed-ended funds. Some of these funds may be subject to a Killik & Co Research recommendation. However, neither the availability nor the size of the trail is part of the fund selection process. Although Killik & Co Research negotiates trail commission terms with the fund management companies, the negotiation only takes place after the decision of making a recommendation has been taken.

Personal Account holdings disclosure

If one of the named analysts for a Killik & Co recommendation has an interest in a designated investment at the time of publication of the recommendation, this fact will be explicitly disclosed in the relevant research note. For the purpose of this disclosure, transactions in the following are excluded: life policies, units or shares in a regulated collective investment scheme where the employee is not involved in the management of the undertaking, or, a discretionary transaction if there is no prior communication with the employee and the discretion is not exercised by the firm.

Personal Account dealing

Members of the Killik & Co Research team are permitted to invest in securities which are subject to a Killik & Co Research recommendation or recommendation by another division of Killik & Co, subject to the Killik & Co personal account dealing policy and procedures.

Members of the Killik & Co Research team must get permission from the Head of Compliance before conducting a personal account transaction if the trade is contrary to a current Killik & Co Research-issued research recommendation. For all other personal account transactions by members of the Killik & Co Research team (except those in indices, commodities and foreign currencies) permission must be obtained from the Head of Research prior to dealing.

If a member of the Killik & Co Research team has knowledge of the likely timing or content of investment research that contains a recommendation that is not publicly available, (i.e. the recommendation is new or changed), even if the research has not yet been written, then the team member may not trade for his/her personal account or on behalf of another person in that security. Recipients of research need a reasonable opportunity to act on it before any person with knowledge of the timing or the content of the investment research conducts any personal account trade or trades on behalf of any other person. Killik & Co Research team members may not deal for their own accounts in a security which is subject to a new or changed research recommendation for 24 hours after the recommendation has been published, unless the dealing takes place inside a Killik & Co Research-managed discretionary portfolio, along with other Killik & Co Research-managed discretionary client accounts, at the same price and in a manner that does not disadvantage the aforementioned client accounts.

Killik & Co Research-managed discretionary portfolios

Certain discretionary client portfolios are managed within the Killik & Co Research team. Killik & Co Research considers it reasonable to deal on these portfolios once the research recommendation has been disseminated to the Killik & Co broker network enabling the Killik & Co brokers to deal for their discretionary clients. In certain circumstances, Killik & Co Research-managed portfolios may include securities on which the Killik & Co Research team does not have a current research recommendation in issuance. If it is decided at a future date that the security is to become the subject of a Killik & Co Research-issued research recommendation, then no further transactions in that security will take place from the point the decision is made until the recommendation is disseminated to the Killik & Co broker network. It should be noted that the nature of a discretionary service means that discretionary accounts may be transacted upon sooner than advisory accounts.

Members of the Killik & Co Research team are permitted to conduct personal account transactions in investments which are held in Killik & Co Research-managed client portfolios, subject to the aforementioned personal account dealing and research disclosure policies.

Killik Capital

Killik Capital is a division of Killik & Co, which is managed autonomously of Killik & Co's Research team. Killik Capital provides broking services to institutional clients, some of whom may be the investment managers of some of the funds in which Killik & Co Research has a recommendation. The Killik & Co Research team's investment research process is not influenced by the existence or potential existence of a Killik Capital broking relationship.

Killik Employee Services (KES)

KES is a division of Killik & Co, which is managed autonomously of Killik & Co's Research team. KES provides share administration and investment advisory services to corporate clients. The Killik & Co Research team's investment research process is not influenced by the existence or potential existence of a KES corporate relationship.

Information barriers

The Killik & Co Research team is situated on the same floor as some Killik & Co broking teams. However, the interaction between the Research team and the broking teams is managed such that clients are not disadvantaged. Members of the Research team are not permitted to disclose forthcoming recommendations or changes of recommendations outside the Research team ahead of publication.

Supervision and management of Analysts

The Killik & Co Research analyst team is managed by the Head of Research. The Head of Research reports to the Executive Board of Killik & Co.

Remuneration structure for Investment Analysts

The remuneration of Killik & Co Research team members is not linked to specific views or recommendations provided in any Research publication.

Comments on draft investment research ahead of publication

Killik & Co produces research based on its own analysis and does not make promises to issuers regarding the content of the research report. From time to time, the named analyst on a research publication may, at his/her discretion, provide a draft of the research report to the company that is the subject of the research. This is solely for the company to check for factual accuracy. The draft will not contain a recommendation or price target. Any comments received from the company are reviewed by the Killik & Co Research analyst who will determine whether any amendments are required to be made to the research report.

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