Killik Capital
Research Policy

1.0 Introduction

Killik Capital, a division of Killik & Co, aims to provide technical and fundamental research which is objective, fair and not misleading to retail and institutional clients of the Firm. This document, which relates only to the research policy in respect of the Firm's retail and professional clients, outlines the primary recommendations and the division's policies for managing potential conflicts of interest in the production of investment research.

2.0 Types of Killik Capital research

There are currently six recommendation structures issued by the division, all of which represent investment research:

- Stockbroking List
- Trade Alerts
- Special Situation Notes
- Large Cap Trading Ideas
- Confidant Articles
- Morning Notes – 'Trading Note'

All research published by Killik Capital is aimed at 'Unrestricted clients' willing to take a higher risk attitude to their investments.

Not all types of reports and recommendations on investments present the same potential for conflicts of interest. This policy does not therefore relate to trade execution ideas, brokers' personal recommendations and other written or electronic analysis prepared for a current or prospective investor or counterparty by a Broker or other employee.

2.1 Stockbroking List

The Stockbroking List is a selection of long term small / mid cap 'Buy' ideas. All companies recommended as part of the Stockbroking list are, in the opinion of the division, interesting small / mid cap companies with upgrade and / or re-rating potential over the 12 months following recommendation.

As new companies are periodically added to the list, Stockbroking Notes are issued to existing and prospective holders. All notes are stored electronically and in hard copy format.

2.2 Trade Alerts

Trade Alerts are short term long or short trading ideas aimed primarily at Trading Services clients of the Firm, prepared to act on higher risk short term trading ideas often through the use of leveraged methods of investment, such as Contracts for Difference, Financial Spread Bets and / or Traded Options. Ideas are generated through a variety of methods, including technical and fundamental analysis. While there are no restrictions on the subject of a Trade Alert, it is envisaged that most ideas will be generated utilising liquid high beta stocks within the FTSE 350.

Trade Alerts are sent out in two parts. An SMS message is sent to clients signed up to Trading Services, signalling that a new Trade Alert in a named instrument has been issued and invites the client to call their Broker to discuss in further detail. At the same time, a more detailed email is sent to all Brokers from Killik Capital providing rationale for the Trade Alert. The more detailed rationale element of the Trade Alert can also be sent to clients at the discretion of the Broker.

2.3 Special Situations Notes

Members of Killik Capital will periodically come across interesting investment opportunities often as a result of meetings with management teams and / or as part of their business day. These companies can often present clients of the Firm with interesting investment opportunities. Where this is the case, Killik Capital may take the decision to issue a Special Situations Note. These notes will be based on fundamental analysis.

2.4 Large Cap Trading Ideas

Large Cap Training Ideas are short term in nature, aimed at unrestricted clients of the Firm hoping to take advantage of a short term price movement. Notes issued will include a reason for recommendation as well as bullet points highlighting positives and concerns.

2.5 Confidant Articles

The production of 'Confidant', our client magazine, is co-ordinated by and is the responsibility of Killik Asset Management but contains contributions from members of Killik Capital. This currently includes:

2.5.1 Stockbroking List
2.5.2 Special Situations Note
2.5.3 Technical view of the market and / or specific investment ideas

This list is not exhaustive.

2.6 Morning Note – 'Trading Note'

Killik Capital may also issue a Trading Note which will contain the views of one or several members of Killik Capital in reaction to the morning's news. This may include short term long or short trading ideas aimed at Trading Services clients of the Firm, prepared to act on higher risk short term trading ideas often through the use of leveraged methods of investment, such as Contracts for Difference, Financial Spread Bets and / or Traded Options. This note will be issued to clients by email and may contain a combination of fundamental and technical analysis.

All forecasts included within Killik Capital recommendations / publications are based on consensus opinion, where appropriate. Records are maintained of any information relied upon when making a recommendation.

3. Distribution of Killik Capital recommendations

For equity recommendations, our research coverage model is not sector-focused. We aim to identify stocks which we view as attractive for short to medium term investors taking short or long positions who we classify as unrestricted (i.e. prepared to take a high risk attitude to their investments) While the majority of recommendations issued are likely to be Buy we will issue Sell recommendations where we deem it to be appropriate. Killik Capital does not undertake to keep the subject of any of its recommendations under review, therefore the recommendations are given at a point in time and will not necessarily be updated in future. For the purpose of the following analysis we are considering recommendations relating to all the aforementioned Killik Capital recommendation structures (2.1 to 2.6).

Quarter ending 30 June 2008	Note Type		Total		Buy	Hold	Sell
Number of initiated recommendations or changes to recommendations	Trading Notes		1		1	0	0
Number of initiated recommendations or changes to recommendations	Institutional Notes		5		2	0	3
Number of initiated recommendations or changes to recommendations	Trade Alerts		11		6	0	5
Number of initiated recommendations or changes to recommendations	Total		17		9	0	8
	% of Total				53%	0%	47%

Research issued by Killik Capital may be distributed either by email or in hard copy format. Only research that has been approved for release by the Chairman or Managing Director of Killik Capital is published to clients. All research is prepared and approved internally. Trade alerts are also given technical approval by John Prior, Director of Killik Capital. Research may be sent to the firm/issuer that is the subject of the research to check for factual accuracy. The fact that this may occur is stated on all research published.

4.0 Identification and Management of Conflicts of Interest

Killik & Co provides fully impartial research. It does not produce research paid for by issuers of investments nor does it have a Corporate Finance Broking division. Killik Capital does also have procedures in place to ensure the objectivity of its research and to help identify and manage potential conflicts of interest which may arise. Potential conflicts have been identified as:

- Personal Account Dealing
- Personal Account Holdings Disclosure
- Significant Financial Interest Disclosure
- Gifts / Inducements
- Killik Employee Services (KES)
- Remuneration structure

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 we take to manage them.

4.1 Personal Account Dealing

All members of Killik Capital must follow the Firm's personal account dealing policy and procedures. Killik & Co do not operate a Corporate Finance function and do not undertake principal transactions. Therefore, the only conflicts surrounding personal account dealing are dealing ahead of research and dealing against the interests of clients. Staff may not trade if they are aware of a research recommendation that is due to be published to clients until the following business day. All personal account dealing must be approved by a Partner of the Firm in advance.

4.2 Personal Account Holdings Disclosure

All members of Killik Capital are permitted to invest or trade in securities which are recommended by any division of Killik & Co, including Killik Capital and Killik Asset Management, subject to the aforementioned Killik & Co personal account dealing policy.

Only certain members of Killik Capital are permitted to issue recommendations (see named members below) and if one of these members has an interest in a security recommended by Killik Capital at the time of publication of the recommendation, this fact will be explicitly disclosed in the relevant research note.

For the purposes of this disclosure, transactions in the following are excluded: government and public securities, life policies: units in a regulated collective investment scheme; or, a discretionary transaction if there is no prior communication with the member and the discretion is not exercise by the Firm.

4.3 Information barriers

The Killik Capital team may get research ideas from the Killik & Co Broker network, but the decision on what research is produced rests with the Chairman or Managing Director of Killik Capital. The research and analysis of potential research recommendations is undertaken independently of the Killik & Co Broker network. Forthcoming recommendations are not disclosed outside of the Killik Capital team.

4.4 Discretionary portfolios

Some members of Killik Capital manage discretionary client portfolios. Killik Capital 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, portfolios managed by a member of Killik Capital may include securities on which Killik Capital 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 Capital-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.

4.5 Significant Financial Interest Disclosure

Should a member of Killik Capital have a significant financial interest in a covered company that may affect the objectivity of the recommendation, this will be specifically disclosed. A significant financial interest would be a personal holding in excess of 1% of the issued share capital or over

£250,000 in value. The holding would be specifically referred to as a Significant Financial Interest.

4.6 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 Capital team from companies which are of a value greater than £150 must be disclosed to the Managing Director or Chairman of the division and the Head of Compliance. If the Managing Director and / or Chairman receive such a gift, this should be disclosed to the Firm's Chief Operating Officer and to the Head of Compliance.

4.7 Killik Employee Services (KES)

KES is a fully autonomous division of Killik & Co which provides share administration and investment advisory services to corporate clients of the Firm. Killik Capital's Research Policy is not influenced in any way by the existence or potential existence of a KES corporate relationship.

4.8 Remuneration Structure

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

5.0 Killik Capital Members

Paul Kavanagh
Kareem Khouri
John Prior
Michael Savage
Christopher Stebbings
George Harrison
Steve Main
Jeremy Steinson
Cordelia Bowdery
Giles Patterson
Tom Fagg
Peter Bate
John Hall
Paul Donovan
Tony Ostrowski
Jonathan Jackson

Only the names above in bold and italics are permitted to issue recommendations to clients of Killik & Co. These individuals are senior/influential members of Killik Capital, therefore if any of them have a personal holding in the subject of the research recommendation, this fact will be stated in the publication. Their name and job title will also be disclosed clearly and prominently on all research produced by them.