

General principles of rating comparison

Analysts often use different rating systems, for example “Buy-Hold-Sell”; “Buy-Accumulate-Reduce-Sell”; “Outperform-Marketperform-Underperform”, etc. Euroland has developed a reliable method of making the rating systems comparable to each other and calculating the consensus values accordingly. To every individual rating is assigned a rating value from 1 to 5. This brings all individual rating systems to a common 5-step rating scale.

The 5 rating values are assigned as follows:

- 1 = is assigned to the strongest buy rating in broker's rating system (required);
- 2 = is assigned to the 2nd strongest buy rating in broker's rating system (optional);
- 3 = is assigned to a neutral rating in broker's rating system (optional);
- 4 = is assigned to the 2nd strongest sell rating in broker's rating system (optional);
- 5 = is assigned to the strongest sell rating in broker's rating system (required).

The strongest positive ratings from different brokers are comparable to each other and the same applies to the strongest negative ratings and other rating groups. This principle is demonstrated below, where the same colors indicate that those ratings that can be treated as equal. The corresponding rating values are also stated in parenthesis after the actual rating phrase.

The strongest buy rating (value 1) and the strongest sell rating (value 5) are determined in every individual rating system. However, other rating steps are often skipped - in case that the individual rating system does not include a second strongest buy rating, and/or a second strongest sell rating, and/or a neutral rating.

Summary of rating systems

Al Ramz	Overweight(1)-'Equal weight'(3)-Underweight(5)
EFG Hermes	Buy(1)-Neutral(3)-Sell(5)
FAB	Buy(1)-Accumulate(2)-Hold(3)-Reduce(4)-Sell(5)
GIB Capital	Overweight(1)-Neutral(3)-Underweight(5)
Goldman Sachs	Buy(1)-Neutral(3)-Sell(5)
HSBC	Buy(1)-Hold(3)-Reduce(5)
JPMorgan	Overweight(1)-Neutral(3)-Underweight(5)
Morgan Stanley	Overweight(1)-'Equal-weight'(3)-Underweight(5)
SICO	Buy(1)-Neutral(3)-Sell(5)
SNB Capital	Overweight(1)-Neutral(3)-Underweight(5)

Original individual definitions of investment ratings

Broker:	Al Ramz
Rating system:	Overweight-'Equal weight'-Underweight (or 'Over-weight'-'Equal-weight'-'Under-weight')
<i>Overweight</i>	A stock is rated “over-weight” when Al Ramz Investment Research believes that its fair value lies 15% above the current market price and the stock is likely to reach such fair value within the next 12 months.
<i>Equal weight</i>	A stock is rated “equal-weight” when Al Ramz Investment Research believes that its fair value lies between -15% and +15% of the current market price and the stock is likely to remain within this range during the next 12 months.
<i>Underweight</i>	A stock is rated “under-weight” when Al Ramz Investment Research believes that its fair value lies 15% below its current market price and the stock is likely to reach such fair value within the next 12 months.

Broker: **EFG Hermes**
Rating system: Buy-Neutral-Sell
For the 12-month long-term ratings, the ratings are defined by the following ranges in percentage terms:
Buy Potential Upside (Downside): above 15%
Neutral Potential Upside (Downside): (10%) and 15%
Sell Potential Upside (Downside): below (10%)

Broker: **FAB**
Rating system: Buy-Accumulate-Hold-Reduce-Sell
Buy Upside/Downside potential: Higher than +15%
Accumulate Upside/Downside potential: Between +10% to +15%
Hold Upside/Downside potential: Lower than +10% to -5%
Reduce Upside/Downside potential: Between -5% to -15%
Sell Upside/Downside potential: Lower than -15%

Broker: **GIB Capital**
Rating system: Overweight-Neutral-Underweight
We use a rating system based on potential upside, 1 year from today, based on our valuation models.
Overweight For "Overweight" ratings, the estimated upside is >10%.
Neutral For returns in between +/-10%, we have a "Neutral" rating.
Underweight For "Underweight", the estimated downside is <10%.

Broker: **Goldman Sachs**
Rating system: Buy-Neutral-Sell
Analysts recommend stocks as Buys or Sells for inclusion on various regional Investment Lists. Being assigned a Buy or Sell on an Investment List is determined by a stock's total return potential relative to its coverage universe. Any stock not assigned as a Buy or a Sell on an Investment List with an active rating (i.e., a stock that is not Rating Suspended, Not Rated, Coverage Suspended or Not Covered), is deemed Neutral.

Broker: **HSBC**
Rating system: Buy-Hold-Reduce
From 2015 HSBC has assigned ratings on the following basis: The target price is based on the analyst's assessment of the stock's actual current value, although we expect it to take six to 12 months for the market price to reflect this.
Buy When the target price is more than 20% above the current share price, the stock will be classified as a Buy; when it is between 5% and 20% above the current share price, the stock may be classified as a Buy or a Hold;
Hold When the target price is between 5% and 20% above the current share price, the stock may be classified as a Buy or a Hold; when it is between 5% below and 5% above the current share price, the stock will be classified as a Hold; when it is between 5% and 20% below the current share price, the stock may be classified as a Hold or a Reduce;
Reduce When the target price is between 5% and 20% below the current share price, the stock may be classified as a Hold or a Reduce; and when it is more than 20% below the current share price, the stock will be classified as a Reduce.
Our ratings are re-calibrated against these bands at the time of any 'material change' (initiation or resumption of coverage, change in target price or estimates).

Broker:	JPMorgan
Rating system:	Overweight-Neutral-Underweight
<i>Overweight</i>	Over the next six to twelve months, we expect this stock will outperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.
<i>Neutral</i>	Over the next six to twelve months, we expect this stock will perform in line with the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.
<i>Underweight</i>	Over the next six to twelve months, we expect this stock will underperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.

Broker:	Morgan Stanley
Rating system:	Overweight-'Equal-weight'-Underweight
<i>Overweight</i>	The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
<i>Equal-weight</i>	The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
<i>Underweight</i>	The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Broker:	SICO
Rating system:	Buy-Neutral-Sell
<i>Buy</i>	If Risk profile is "High" and Target price estimate offers 20%+ return from the current share price. If Risk profile is "Normal" and Target price estimate offers 15%+ return from the current share price.
<i>Neutral</i>	If Risk profile is "High" and Target Price estimate offers 0% to 20% return from the current share price. If Risk profile is "Normal" and Target Price estimate offers 5% to 15% return from the current share price.
<i>Sell</i>	If Risk profile is "High" and Target price estimate offers less than 0% return from the current share price. If Risk profile is "Normal" and Target price estimate offers less than 5% return from the current share price.

Broker:	SNB Capital
Rating system:	Overweight-Neutral-Underweight
<i>Overweight</i>	Target price represents an increase in the share price in excess of 15% in the next 12 months
<i>Neutral</i>	Target price represents a change in the share price between -10% and +15% in the next 12 months
<i>Underweight</i>	Target price represents a fall in share price exceeding 10% in the next 12 months Analysts set share price targets for individual companies based on a 12 month horizon. These share price targets are subject to a range of company specific and market risks. Target prices are based on a methodology chosen by the analyst as the best predictor of the share price over the 12 month horizon.