## Checklist for assessing the balance of risks to market expectations

This is a general checklist. Not every question will be relevant for every company.

Published forecasts

* Do you think that the published forecasts reflect genuine market expectations?
* Where there is little visibility or predictability to the future profit progression, do you consider that the sell side has pushed their forecasts too high?
* Do you consider that published forecasts have moved sufficiently to reflect recent developments?

Effect of recent changes

* Has the stock surprised on the upside or downside in its recent history? If so, do you believe that the market is underestimating the chances of another surprise in the same direction?
* Do you consider that the market, and the company’s management, are failing to fully discount the relevance for this company of changes in the outlook for the industry, in other related companies, or in the macroeconomic environment?
* Do you consider that the market is failing to fully take on board the long-term impact of changes made in the company itself?

Future developments

* Are there specific developments that you think will lead to a sustainable change in the business momentum for the company?
* What is the probability of the management innovating and successfully expanding the range of the company’s operation? Is this being properly assessed by the market?
* Do you consider that the market is appropriately discounting the potential downside risks of the company not seeking to change the way it operates in response to a changing environment?

Valuation

* What do current valuations imply about future growth? Do you consider that this is clearly out of line with the prospects for the business?
* In your view, are there aspects of the business that make the commonly used valuation methodologies inappropriate for this company?
* Do you think that technical factors (e.g. low free float) are substantially distorting valuations?