

AlphaScreens: the might of momentum

10 May 2021

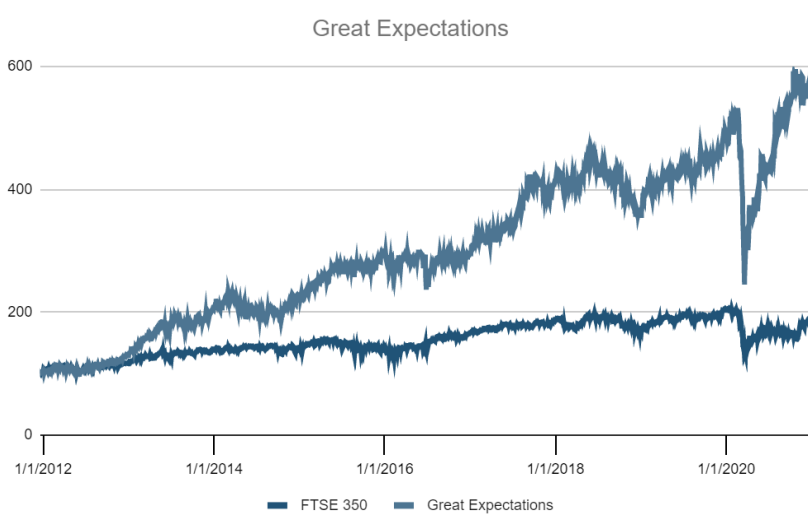
Mining supercycle gathers momentum

Momentum strategies show persistent outperformance. We run our Alpha momentum screen across three indices: FTSE All-Share, All Small and Aim

- Sentiment is very positive towards the prospects for mining companies. Not only are the metals and materials they source essential to economic recovery and transitioning to a lower carbon energy mix, commodities are a natural hedge against rising inflationary pressures. This month, **Anglo American (AAL)**, **Glencore (GLEN)** and **Antofagasta (ANTO)** all passed seven of eight tests on our earnings upgrade momentum screen. They are all expected to deliver bumper earnings growth in the next financial year, which is perhaps why they all fail the test that analysts should forecast year-on-year earnings growth the following year, too.
- Of the smaller FTSE all share constituents that score well against our rules for large cap companies, **Clipper Logistics (CLG)** is also a star against the tests for smaller companies that are run against the FTSE All Small Companies list. Its e-fulfillment and returns services have done well in the pandemic mail order boom and clearly the market is confident it can continue to thrive as more people spend on 'going out' wear, and return it, as the lockdowns ease.
- Five Aim-listed companies get full marks on the small cap tests. These include **Sylvania Platinum (SLP)**, which is another play on precious metals demand and possible inflation. There is also **Panoply Holdings (TPX)**, a technology services company with segments in consulting, software development and automation.
- Perfect marks for the **Mortgage Advice Bureau (MAB1)** is interesting. The housing market has been strong which is good for business but there are plenty of uncertainties to navigate.
- **Impax Asset Management (IPX)** and **Ergomed (ERGO)**, which provides drug development services to the pharmaceutical industry, also score 8/8.

Great expectations

The Alpha momentum screens apply the idea of momentum not only to share price performance, but also to expected profit growth. The screen looks for strong forecast earnings per share (EPS) growth, but more importantly it looks for an improving trend in broker expectations. Indeed, EPS forecast upgrades can be considered the screen's primary focus.



Source: Refinitiv, Investors Chronicle

The Alpha momentum screen is conducted separately on constituents of the FTSE All-Share, FTSE All Small and FTSE Aim All-Share indices, with the results from each screen reported in separate tables. The screen looks for stocks displaying three characteristics, each of which are tested using a few different criteria.

- **Earnings upgrade momentum:** earnings per share (EPS) upgrades over the past 12 months of at least 10 per cent for both the current financial year and next financial year.
- **Earnings momentum:** Forecast EPS growth of at least 10 per cent in the current financial year and next financial year.
- **Price momentum:** Studies have found that the longer price momentum has persisted the more likely it is to be 'stale' and set to reverse. The Alpha momentum screen tests for strong share price performance over four different periods, which helps check price momentum remains fresh.

Large-cap momentum selection (passing at least 6 of 8 tests)

Name	TIDM	Market cap	Price	Fwd NTMPE	Av 12-mth EPSUpgrade	FwdEPS DY	FwdEPS grthFY+1	FwdEPS grthFY+2	3-mth momentum	Net cash/debt (-)	Cur	Tests passed (out of 8)	Test failed
Clipper Logistics	CLG	£723m	710p	25	48%	1.4%	47.2%	24.0%	26.8%	189m	GBP	8	na
OSB	OSB	£2,197m	490p	7	40%	3.0%	12.2%	11.7%	17.5%	4,051m	GBP	8	na
Topps Tiles	TPT	£139m	71p	16	71%	0.0%	128.1%	36.3%	10.7%	98m	GBP	8	na
Ferrexpo	FXPO	£2,822m	479p	5	393%	13.2%	57.9%	-24.3%	61.2%	-3m	USD	7	>10% EPSgrth FY+2/
LSL Property Svcs	LSL	£451m	429p	11	77%	0.0%	138.3%	7.3%	78.7%	41m	GBP	7	>10% EPSgrth FY+2/
Anglo American	AAL	£46,094m	3,381p	8	112%	2.2%	148.9%	-21.8%	36.1%	4,382m	USD	7	>10% EPSgrth FY+2/
Evraz	EVR	£10,041m	689p	9	60%	5.3%	99.9%	-13.5%	37.0%	2,348m	USD	7	>10% EPSgrth FY+2/
Antofagasta	ANTO	£18,475m	1,874p	21	115%	2.1%	133.4%	-5.0%	26.5%	60m	USD	7	>10% EPSgrth FY+2/
Glencore	GLEN	£43,004m	323p	11	117%	1.3%	128.8%	-11.3%	24.5%	26,322m	USD	7	>10% EPSgrth FY+2/
Volution	FAN	£851m	430p	21	33%	0.4%	61.3%	6.0%	35.0%	101m	GBP	7	>10% EPSgrth FY+2/
Liontrust Asset Mgmt	LIO	£983m	1,610p	16	36%	2.2%	21.6%	42.8%	33.6%	-94m	GBP	7	/1yrMom/
Future	FUTR	£2,929m	2,428p	22	39%	0.1%	118.5%	14.6%	30.5%	87m	GBP	7	/6mthMom/
Grafton	GFTU	£2,990m	1,250p	18	23%	2.2%	19.8%	3.2%	35.9%	355m	GBP	7	>10% EPSgrth FY+2/
Royal Mail	RMG	£5,150m	515p	10	614%	0.0%	157.1%	1.1%	21.4%	1,025m	GBP	7	>10% EPSgrth FY+2/
IMI	IMI	£4,516m	1,664p	19	26%	1.4%	7.5%	10.8%	29.2%	313m	GBP	7	>10% EPSgrth FY+1/
Treant	TET	£668m	1,120p	44	23%	0.5%	34.7%	9.7%	25.3%	0m	GBP	7	>10% EPSgrth FY+2/
Rio Tinto	RIO	£81,541m	6,535p	8	112%	5.2%	58.5%	-28.1%	16.3%	565m	USD	7	>10% EPSgrth FY+2/
St. James's Place	STJ	£7,464m	1,385p	22	33%	3.6%	20.9%	19.0%	18.2%	220m	GBP	7	/1yrMom/
Synthomer	SYNT	£2,190m	516p	9	88%	2.3%	107.2%	-23.1%	14.8%	517m	GBP	7	>10% EPSgrth FY+2/
BHP	BHP	£49,370m	2,338p	11	89%	4.8%	65.4%	-1.0%	14.3%	9,815m	USD	7	>10% EPSgrth FY+2/
CRH	CRH	£28,522m	3,635p	18	18%	2.3%	13.8%	10.5%	16.8%	4,484m	USD	7	/1yrMom/
Watches of Switz.	WOSG	£1,748m	730p	24	47%	0.0%	49.4%	24.7%	10.6%	331m	GBP	7	/1mthMom/
Halfords	HFD	£777m	390p	15	234%	0.0%	64.4%	-33.8%	33.5%	272m	GBP	6	>10% EPSgrth FY+2/1mthMom/
Luceo	LUCE	£518m	322p	19	124%	2.5%	6.7%	8.1%	23.8%	14m	GBP	6	>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Gamesys	GYS	£2,116m	1,930p	12	14%	0.0%	8.6%	12.4%	44.5%	289m	GBP	6	>10% EPSgrth FY+1/1mthMom/
Just	JUST	£1,157m	111p	7	16%	0.0%	-16.3%	7.8%	39.9%	-716m	GBP	6	>10% EPSgrth FY+1/>10% EPSgrth FY+2/
IP	IPO	£1,347m	127p	6	145%	0.8%	48.9%	-55.5%	20.8%	-170m	GBP	6	>10% EPSgrth FY+2/1mthMom/
Barclays	BARC	£30,850m	182p	8	42%	0.6%	139.5%	1.9%	23.3%	-186,820m	GBP	6	>10% EPSgrth FY+2/1mthMom/
Diploma	DPLM	£3,570m	2,866p	35	21%	1.0%	36.9%	11.2%	22.0%	-173m	GBP	6	/1yrMom/6mthMom/
Brewin Dolphin	BRW	£1,043m	344p	15	30%	4.2%	11.6%	3.9%	18.4%	-127m	GBP	6	>10% EPSgrth FY+2/1yrMom/
CMC Markets	CMCX	£1,374m	473p	14	215%	4.5%	97.7%	-41.1%	13.2%	-156m	GBP	6	>10% EPSgrth FY+2/1mthMom/
Oxford Instruments	OXIG	£1,261m	2,195p	28	43%	0.2%	9.1%	5.1%	10.9%	-74m	GBP	6	>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Games Workshop	GAW	£3,563m	10,870p	28	105%	1.7%	61.4%	9.6%	9.2%	-51m	GBP	6	>10% EPSgrth FY+2/6mthMom/
Reach	RCH	£761m	244p	7	12%	1.7%	5.8%	0.9%	12.4%	0m	GBP	6	>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Barratt Developm'ts	BDEV	£7,949m	781p	11	22%	1.0%	72.4%	10.0%	9.9%	-1,058m	GBP	6	/1yrMom/1mthMom/
Close Brothers	CBG	£2,468m	1,637p	13	27%	3.5%	57.2%	12.5%	7.8%	1,215m	GBP	6	/1yrMom/1mthMom/
Sirius Real Estate	SRE	£1,042m	99p	16	15%	3.3%	30.8%	-0.9%	8.3%	349m	EUR	6	>10% EPSgrth FY+2/1yrMom/
Next	NXT	£10,987m	8,264p	17	20%	0.0%	104.4%	12.7%	4.3%	1,823m	GBP	6	/3mthMom/1mthMom/

Source: FactSet, 10 May 2021

Small-cap momentum selection (passing at least 6 of 8 tests)

Name	TIDM	Market cap	Price	Fwd NTMPE	Av 12-mth EPSUpgrade	FwdEPS DY	FwdEPS grthFY+1	FwdEPS grthFY+2	3-mth momentum	Net cash/debt (-)	Cur	Tests passed (out of 8)	Test failed
Clipper Logistics	CLG	£723m	710p	25	48%	1.4%	47.2%	24.0%	26.8%	189m	GBP	8	na
LSL Property Svcs	LSL	£451m	429p	11	77%	0.0%	138.3%	7.3%	78.7%	41m	GBP	7	>10% EPSgrth FY+2/
Record	REC	£189m	95p	21	63%	2.4%	-8.3%	50.0%	-18m	GBP	7	>10% EPSgrth FY+1/	
Volution	FAN	£851m	430p	21	33%	0.4%	61.3%	6.0%	35.0%	101m	GBP	7	>10% EPSgrth FY+2/
Treant	TET	£668m	1,120p	44	23%	0.5%	34.7%	9.7%	25.3%	0m	GBP	7	>10% EPSgrth FY+2/
Topps Tiles	TPT	£139m	71p	16	71%	0.0%	128.1%	36.3%	10.7%	98m	GBP	7	/1mthMom/
Halfords	HFD	£777m	390p	15	234%	0.0%	64.4%	-33.8%	33.5%	272m	GBP	6	>10% EPSgrth FY+2/1mthMom/
Reach	RCH	£761m	244p	7	12%	1.7%	5.8%	0.9%	12.4%	0m	GBP	6	>10% EPSgrth FY+1/>10% EPSgrth FY+2/

Source: FactSet, 10 May 2021

Aim momentum selection (passing at least 6 of 8 tests)

Name	TIDM	Market cap	Price	Fwd NTMPE	Av 12-mth EPS upgrade	DY	Fwd EPS grth FY+1	Fwd EPS grth FY+2	3-mth momentum	Net cash/debt (-)	Cur	Tests passed (out of 8)	Test failed
Panopoly Holdings	TPX	£218m	270p	34	114%	0.1%	76.4%	23.6%	52.1%	2m	GBP	8	na
Sylvania Platinum	SLP	£380m	140p	4	140%	1.1%	157.9%	25.0%	37.4%	-49m	USD	8	na
Mortgage Advice Bureau	MAB1	£705m	1,325p	33	13%	1.9%	33.5%	15.2%	44.0%	-30m	GBP	8	na
Impax Asset Mgmt	IPX	£1,310m	988p	32	88%	0.9%	77.3%	36.0%	23.5%	-32m	GBP	8	na
Ergomed	ERGO	£641m	1,315p	42	30%	0.0%	19.7%	13.5%	11.4%	-14m	GBP	8	na
Kape Technologies	KAPE	£683m	305p	17	56%	0.0%	59.3%	22.8%	56.4%	-6m	USD	7	/1yrMom/
Cerillion	CER	£183m	620p	40	30%	0.9%	21.5%	3.7%	46.6%	-2m	GBP	7	/>10% EPSgrth FY+2/
Alumasc	ALU	£80m	221p	10	35%	2.4%	150.9%	8.3%	43.2%	6m	GBP	7	/>10% EPSgrth FY+2/
CVS	CVSG	£1,641m	2,320p	32	26%	0.0%	59.4%	8.4%	39.6%	143m	GBP	7	/>10% EPSgrth FY+2/
Next Fifteen Comms	NFC	£805m	870p	18	25%	0.8%	14.9%	8.7%	40.3%	29m	GBP	7	/>10% EPSgrth FY+2/
Premier Miton	PMI	£267m	169p	11	29%	4.1%	13.6%	26.1%	12.3%	-36m	GBP	7	/1yrMom/
Gaming Realms	GMR	£128m	45p	37	90%	0.0%	-	100.0%	29.4%	-1m	GBP	6	/>10% EPSgrth FY+1/1mthMom/
Focusrite	TUNE	£783m	1,335p	34	63%	0.3%	35.2%	-18.0%	30.2%	-19m	GBP	6	/>10% EPSgrth FY+2/1yrMom/
Belvoir Group	BLV	£76m	215p	12	14%	4.9%	18.5%	5.2%	19.4%	4m	GBP	6	/>10% EPSgrth FY+2/1yrMom/
Nucleus Financial	NUC	£145m	189p	20	61%	0.0%	45.1%	53.1%	12.8%	-14m	GBP	6	/1yrMom/1mthMom/
DX	DX	£184m	32p	18	120%	0.0%	-	41.5%	-3.0%	71m	GBP	6	/>10% EPSgrth FY+1/3mthMom/

Source: FactSet, 10 May 2021

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