



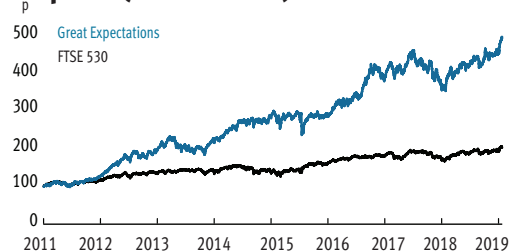
AlphaScreens: The might of momentum

Momentum strategies show persistent outperformance.

We run our Alpha momentum screen across three indices:

FTSE All-Share, All Small, and Aim

Great Expectations: Total returns since inception (19 Dec 2011) to end 2019



Source: Thomson Datastream from Refinitiv

Great Expectation criteria:

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.

- Unsurprisingly, following the worst week for global stock markets since 2008, there aren't many companies scoring well on our momentum screens. Monday morning saw the FTSE 100 regain some ground, but investors should expect further twists and more volatility.
- Businesses that still score reasonably well, such as protective rubber specialist **Avon Rubber (AVON)**, and software holding company **AVEVA (AVV)** do represent an opportunity to buy quality at a more reasonable price. Investors should be careful buying on the dips, as it's difficult to call when a bottom has been reached, but a system such as pound or value cost averaging can help drip feed money into markets like these.
- Smaller companies that do well both on the All-Share screen and using the slightly different set of rules we use for the FTSE All Small Companies index, include Avon and businesses such as spread betting company **CMC Markets (CMCX)** – a company that makes its money from people trading volatile markets.
- Another holding company for IT software – **CentralNic (CNIC)** – tops our Aim screen.

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Alpha momentum criteria

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: 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.

The screen looks for share price performance among the top quarter of shares screened over one year, and share price performance above the median (mid-ranking) average over six months, three months and one month.

Not many stocks pass such a stringent list of criteria. The ones that pass all the tests are listed at the top of the tables, followed by those failing one test, then those failing two tests as detailed in the 'Tests passed' column. All stocks must pass the EPS upgrade tests to feature in the tables. While the primary ranking of the stocks is based on the number of tests they pass, inside each of these groupings, stocks are ordered according their attractiveness based on a combination of earnings upgrades over the past 12 months and three-month share price momentum.

Stock screen methodology formulated and explained by Algy Hall

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

Name	TIDM	Market cap	Price	Fwd NTM PE	Av 12-mth EPS upgrade	DY	Fwd EPS grth FY+1	Fwd EPS grth FY+2	3-month momentum	Net cash/debt (-)	Currency	Tests passed (out of 8)	Test failed
Avon Rubber	LSE:AVON	£833m	2,730p	29	27%	0.8%	5.2%	16.1%	36.6%	48m	GBP	7	/>10% EPSgrth FY+1/
Dunelm Group	LSE:DNLM	£2,200m	1,088p	20	14%	2.6%	10.5%	4.6%	29.5%	-379m	GBP	7	/>10% EPSgrth FY+2/
Liontrust Asset Mgmt	LSE:LIO	£611m	1,110p	17	28%	2.4%	26.8%	20.3%	13.5%	29m	GBP	7	/1mthMom/
CMC Markets	LSE:CMCX	£433m	150p	11	58%	1.4%	702.9%	-54.3%	6.1%	34m	GBP	7	/>10% EPSgrth FY+2/
AVEVA Group	LSE:AVV	£7,072m	4,388p	38	12%	1.0%	18.8%	11.7%	-2.3%	-12m	GBP	7	/1mthMom/
Vistry Group	LSE:VY	£2,780m	1,279p	10	15%	4.6%	19.0%	8.6%	9.3%	339m	GBP	6	/>10% EPSgrth FY+2/1mthMom/
Intermediate Capital	LSE:ICP	£4,541m	1,592p	16	19%	3.1%	-1.4%	10.3%	4.0%	-889m	GBP	6	/>10% EPSgrth FY+1/1mthMom/
The Rank Group	LSE:RNK	£1,031m	264p	13	54%	2.9%	41.6%	9.7%	2.2%	-299m	GBP	6	/>10% EPSgrth FY+2/1mthMom/

Source: S&P Capital IQ, 2 March 2020

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

Name	TIDM	Market cap	Price	Fwd NTM PE	Av 12-mth EPS upgrade	DY	Fwd EPS grth FY+1	Fwd EPS grth FY+2	3-month momentum	Net cash/debt (-)	Currency	Tests passed (out of 8)	Test failed
Haynes Publishing	LSE:HYNS	£104m	690p	28	47%	-	30.2%	17.3%	69.9%	3m	GBP	8	na
Avon Rubber	LSE:AVON	£833m	2,730p	29	27%	0.8%	5.2%	16.1%	36.6%	48m	GBP	7	/>10% EPSgrth FY+1/
Liontrust Asset Mgmt	LSE:LIO	£611m	1,110p	17	28%	2.4%	26.8%	20.3%	13.5%	29m	GBP	7	/1mthMom/
CMC Markets	LSE:CMCX	£433m	150p	11	58%	1.4%	702.9%	-54.3%	6.1%	34m	GBP	7	/>10% EPSgrth FY+2/

Source: S&P Capital IQ, 2 March 2020

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

Name	TIDM	Market cap	Price	Fwd NTM PE	Av 12-mth EPS upgrade	DY	Fwd EPS grth FY+1	Fwd EPS grth FY+2	3-month momentum	Net cash/debt (-)	Currency	Tests passed (out of 8)	Test failed
CentralNic	AIM:CNIC	£135m	74p	13	32%	-	68.3%	15.1%	33.7%	-10m	USD	8	na
Mpac	AIM:MPAC	£52m	260p	7	125%	-	703.8%	-44.4%	60.3%	5m	GBP	7	/>10% EPSgrth FY+2/
Sylvania Platinum	AIM:SLP	£136m	48p	3	200%	1.6%	241.0%	-8.6%	43.6%	33m	USD	7	/>10% EPSgrth FY+2/
Team17	AIM:TM17	£598m	463p	37	36%	-	48.8%	3.3%	53.1%	36m	GBP	7	/>10% EPSgrth FY+2/
CVS	AIM:CVSG	£751m	1,066p	20	24%	0.5%	16.4%	4.3%	2.9%	-102m	GBP	7	/>10% EPSgrth FY+2/
ITM Power	AIM:ITM	£471m	100p	-	150%	-	-	-	84.3%	56m	GBP	6	/>10% EPSgrth FY+1/>10% EPSgrth FY+2/
GlobalData	AIM:DATA	£1,416m	1,200p	40	13%	1.3%	5.2%	2.6%	0.5%	-100m	GBP	6	/>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Ramsdens	AIM:RFX	£58m	189p	8	18%	3.8%	28.7%	-6.0%	-2.5%	3m	GBP	6	/>10% EPSgrth FY+2/1mthMom/
Volex	AIM:VLX	£173m	116p	9	20%	1.7%	147.3%	-7.1%	-6.1%	1m	USD	6	/>10% EPSgrth FY+2/1mthMom/
Begbies Traynor	AIM:BEG	£91m	72p	11	22%	3.6%	22.7%	13.6%	-14.4%	-10m	GBP	6	/6mthMom/3mthMom/

Source: S&P Capital IQ, 2 March 2020

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