



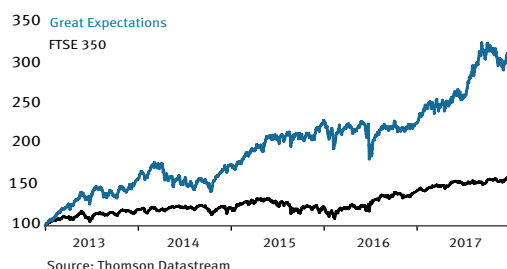
AlphaScreens: The might of momentum

Momentum strategies show persistent outperformance.

We run our Alpha momentum screen across three indices:

FTSE All-Share, All Small, and Aim

Great Expectations screen total return



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.

Foreword by Alpha Editor:

■ Digital and IT services companies top our FTSE All-Share momentum screen this month. Both **Aveva (AVV)** and **Kainos (KNOS)** score full marks. As ever it is worth looking beyond the numbers and doing further research – Investors Chronicle currently has Aveva on a hold, partly due to the uncertain outlook for oil and gas customers. Our team are more positive on Kainos, which is exposed to growth in healthcare.

■ Other momentum shares include quality businesses such as **Greggs (GRG)** and **JD Sports (JD.)**. Both companies only fail the requirement for a two-year annualised forecast earnings growth rate above 10 per cent. Reasons for more cautious outlooks are suggested in Phil Oakley's analysis in some of his weekly Alpha updates.

■ Aim shares that continue to excite the market include motor testing systems provider **AB Dynamics (ABDP)**, internet cloud specialist **Gamma Communications (GAMA)** and precious metals miner **Pan African Resources (PAF)**.

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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	Forward NTM PE	Av 12-month EPS upgrade	Dividend yield	Fwd EPS grth FY+1	Fwd EPS grth FY+2	3-month momentum	Net cash/debt (-)	Currency	Tests passed (out of 8)	Tests failed
Aveva	LSE:AWV	£5,948m	3,696p	35	33%	1.2%	15.5%	10.1%	21.6%	127m	GBP	8	na
Kainos	LSE:KNOS	£745m	616p	35	36%	1.5%	26.3%	11.0%	24.4%	42m	GBP	8	na
Greggs	LSE:GRG	£2,187m	2,174p	25	27%	1.6%	22.7%	5.0%	19.9%	88m	GBP	7	/>10% EPSgrth FY+2/
HgCapital Trust	LSE:HGT	£800m	214p	8	13%	2.1%	-2.2%	22.3%	6.6%	157m	GBP	7	/>10% EPSgrth FY+1/
JD Sports Fashion	LSE:JD.	£6,003m	617p	19	12%	0.3%	14.6%	9.4%	26.5%	125m	GBP	7	/>10% EPSgrth FY+2/
Rio Tinto	LSE:RIO	£73,921m	4,537p	9	32%	5.1%	25.3%	-13.5%	4.2%	625m	USD	7	/>10% EPSgrth FY+2/
Serco	LSE:SRP	£1,620m	133p	24	17%	-	-29.1%	34.5%	0.7%	-192m	GBP	7	/>10% EPSgrth FY+1/
Softcat	LSE:SCT	£1,796m	910p	27	21%	3.1%	13.5%	5.6%	18.3%	53m	GBP	7	/>10% EPSgrth FY+2/
BHP	LSE:BHP	£195,947m	1,785p	-	38%	-	15.6%	10.0%	2.2%	-11,127m	USD	6	/>10% EPSgrth FY+2/1yrMom/
Intermediate Capital	LSE:ICP	£3,717m	1,314p	15	15%	3.4%	-6.4%	-2.4%	22.7%	-838m	GBP	6	/>10% EPSgrth FY+1/>10% EPSgrth FY+2/
TT Electronics	LSE:TTG	£407m	251p	14	16%	2.6%	12.6%	8.3%	31.6%	-42m	GBP	6	/>10% EPSgrth FY+2/1yrMom/

Source: S&P CapitalIQ, 3 June 2019

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

Name	TIDM	Market cap	Price	Forward NTM PE	Av 12-month EPS upgrade	Dividend yield	Fwd EPS grth FY+1	Fwd EPS grth FY+2	3-month momentum	Net cash/debt (-)	Currency	Tests passed (out of 8)	Tests failed
Kainos	LSE:KNOS	£745m	616p	35	36%	1.5%	26.3%	11.0%	24.4%	42m	GBP	8	na
TT Electronics	LSE:TTG	£407m	251p	14	16%	2.6%	12.6%	8.3%	31.6%	-42m	GBP	6	/>10% EPSgrth FY+2/1yrMom/

Source: S&P CapitalIQ, 3 June 2019

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

Name	TIDM	Market cap	Price	Fwd NTM PE	Av 12-month EPS upgrade	Dividend yield	Fwd EPS grth FY+1	Fwd EPS grth FY+2	3-month momentum	Net cash/debt (-)	Currency	Tests passed (out of 8)	Tests failed
AB Dynamics	AIM:ABDP	£492m	2,500p	46	30%	0.1%	42.3%	12.9%	52.5%	19m	GBP	8	na
Gamma Comms	AIM:GAMA	£1,126m	1,195p	34	18%	0.8%	17.1%	11.9%	41.3%	31m	GBP	8	na
Pan African Resources	AIM:PAF	£202m	10p	6	13%	-	24.7%	45.5%	3.6%	-105m	GBP	8	na
Dewhurst	AIM:DWHT	£74m	1,125p	16	36%	1.1%	37.2%	2.2%	25.0%	9m	GBP	7	/>10% EPSgrth FY+2/
Sylvania Platinum	AIM:SLP	£87m	31p	6	54%	1.1%	70.2%	6.1%	18.1%	20m	USD	7	/>10% EPSgrth FY+2/
Sanderson	AIM:SND	£70m	116p	14	21%	2.6%	6.7%	11.9%	22.3%	3m	GBP	7	/>10% EPSgrth FY+1/
Diversified Gas & Oil	AIM:DGOC	£902m	130p	8	101%	8.3%	37.8%	-4.7%	13.1%	-485m	USD	7	/>10% EPSgrth FY+2/
AFH Financial	AIM:AFHP	£160m	375p	12	51%	1.6%	62.5%	7.9%	12.7%	8m	GBP	7	/>10% EPSgrth FY+2/
Instem	AIM:INS	£55m	338p	18	16%	-	19.3%	11.5%	9.1%	4m	GBP	7	/1mthMom/
Serica Energy	AIM:SQZ	£347m	131p	3	30%	-	297.5%	-20.2%	-0.7%	35m	USD	7	/>10% EPSgrth FY+2/
Augean	AIM:AUG	£114m	110p	11	42%	-	18.9%	1.9%	27.3%	8m	GBP	6	/>10% EPSgrth FY+2/1mthMom/
Robinson	AIM:RBN	£14m	86p	10	38%	6.4%	151.8%	-5.4%	25.2%	-9m	GBP	6	/>10% EPSgrth FY+2/1mthMom/
Churchill China	AIM:CHH	£173m	1,575p	22	14%	1.8%	4.8%	10.0%	27.4%	17m	GBP	6	/>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Mpac	AIM:MPAC	£33m	166p	9	41%	-	312.2%	-7.2%	18.7%	27m	GBP	6	/>10% EPSgrth FY+2/1yrMom/
Water Intelligence	AIM:WATR	£50m	339p	28	20%	-	28.8%	9.0%	7.9%	3m	USD	6	/>10% EPSgrth FY+2/1mthMom/
Midwich	AIM:MIDW	£493m	619p	20	12%	2.5%	16.3%	6.5%	7.6%	-26m	GBP	6	/>10% EPSgrth FY+2/1yrMom/

Source: S&P CapitalIQ, 3 June 2019

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