



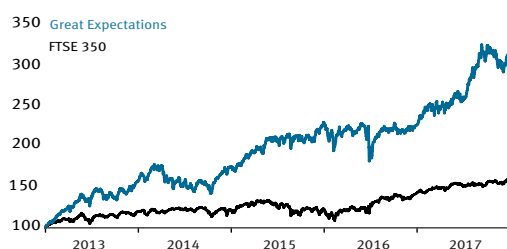
## AlphaScreens: The might of momentum

*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



Source: Thomson Datastream

### 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.

- Two smaller companies – asset manager **Liontrust (LIO)** and PR and healthcare communications specialist **Huntsworth (HNT)** pass all eight of our momentum tests on the FTSE All-Share screen. Huntsworth has seen its share price momentum taper off over the past month or so, but our screen criteria is that six, three and one-month price momentum must be above the median for the index. Only one of six companies that pass at least 7/8 tests has a market cap above £1bn.
- Screening the FTSE All Small Companies index sees bio-decontamination and containment firm **Bioquell (BQE)** join Liontrust and Huntsworth with a perfect 8/8 score.
- Over on Aim, **Fevertree (FEVR)** is still going strong and other companies that pass all eight tests include **Diversified Gas & Oil (DGO)**, e-learning company **Learning Technologies (LTG)**, investment manager **Miton Group (MGR)** and healthcare software provider **Craneware (CRW)**.

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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 to their attractiveness based on a combination of earnings upgrades over the past 12 months and three-month share price momentum.

## 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
Liontrust Asset Mgmt	LSE:LIO	£326m	650p	14	17%	3.2%	10.5%	11.3%	7.3%	33m	GBP	8	na
Huntsworth	LSE:HNT	£393m	120p	16	19%	1.7%	18.1%	14.6%	5.3%	-38m	GBP	8	na
Robert Walters	LSE:RWA	£516m	744p	16	24%	1.8%	16.5%	7.7%	10.0%	25m	GBP	7	/>10% EPSgrth FY+2/
Softcat	LSE:SCT	£1,621m	822p	29	20%	2.7%	33.6%	3.2%	6.1%	43m	GBP	7	/>10% EPSgrth FY+2/
Kainos	LSE:KNOS	£520m	433p	31	13%	1.5%	46.9%	4.4%	5.1%	29m	GBP	7	/>10% EPSgrth FY+2/
The Vitec Group	LSE:VTC	£584m	1,300p	16	16%	2.3%	21.8%	5.3%	-1.2%	-43m	GBP	7	/>10% EPSgrth FY+2/
JD Sports Fashion	LSE:JD	£4,794m	493p	18	14%	0.3%	8.3%	8.6%	19.8%	310m	GBP	6	/>10% EPSgrth FY+1/>10% EPSgrth FY+2/
SSP	LSE:SSPG	£3,179m	691p	27	18%	1.4%	19.9%	8.7%	5.0%	-301m	GBP	6	/>10% EPSgrth FY+2/1mthMom/
Spirent Comms	LSE:SPT	£761m	125p	17	24%	2.5%	27.7%	7.1%	2.9%	95m	USD	6	/>10% EPSgrth FY+2/6mthMom/
IG Group Holdings	LSE:IGG	£3,254m	887p	17	29%	4.9%	-12.3%	5.3%	1.8%	290m	GBP	6	/>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Electrocomponents	LSE:ECM	£3,224m	730p	21	27%	1.8%	23.2%	9.0%	0.8%	-66m	GBP	6	/>10% EPSgrth FY+2/1mthMom/
GVC Holdings	LSE:GVC	£6,160m	1,065p	13	27%	2.9%	40.1%	3.4%	-0.7%	8m	EUR	6	/>10% EPSgrth FY+2/1mthMom/
TT Electronics	LSE:TTG	£408m	263p	18	37%	2.2%	32.3%	17.9%	-1.2%	-41m	GBP	6	/1yrMom/1mthMom/
discoverIE	LSE:DSCV	£301m	410p	16	11%	2.2%	15.6%	5.6%	-2.6%	-52m	GBP	6	/>10% EPSgrth FY+2/3mthMom/
Royal Dutch Shell	LSE:RDSA	£227,749m	2,444p	-	51%	-	43.4%	12.4%	-6.2%	-61,003m	USD	6	/3mthMom/1mthMom/
Grainger	LSE:GRI	£1,240m	299p	19	23%	1.6%	10.7%	-4.3%	-6.2%	-898m	GBP	6	/>10% EPSgrth FY+2/3mthMom/
Tullow Oil	LSE:TLW	£3,011m	216p	10	66%	-	13.3%	39.9%	-10.9%	-4,550m	USD	6	/3mthMom/1mthMom/

Source: S&P CapitalIQ, 10 September 2018

## 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
Bioquell	LSE:BQE	£127m	567p	47	26%	-	25.2%	10.5%	76.3%	15m	GBP	8	na
Liontrust Asset Mgmt	LSE:LIO	£326m	650p	14	17%	3.2%	10.5%	11.3%	7.3%	33m	GBP	8	na
Huntsworth	LSE:HNT	£393m	120p	16	19%	1.7%	18.1%	14.6%	5.3%	-38m	GBP	8	na
Robert Walters	LSE:RWA	£516m	744p	16	24%	1.8%	16.5%	7.7%	10.0%	25m	GBP	7	/>10% EPSgrth FY+2/
Kainos	LSE:KNOS	£520m	433p	31	13%	1.5%	46.9%	4.4%	5.1%	29m	GBP	7	/>10% EPSgrth FY+2/
The Vitec Group	LSE:VTC	£584m	1,300p	16	16%	2.3%	21.8%	5.3%	-1.2%	-43m	GBP	7	/>10% EPSgrth FY+2/
TT Electronics	LSE:TTG	£408m	263p	18	37%	2.2%	32.3%	17.9%	-1.2%	-41m	GBP	6	/1yrMom/1mthMom/
discoverIE	LSE:DSCV	£301m	410p	16	11%	2.2%	15.6%	5.6%	-2.6%	-52m	GBP	6	/>10% EPSgrth FY+2/3mthMom/

Source: S&P CapitalIQ, 10 September 2018

**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
Miton Group	AIM:MGR	£99m	65p	16	50%	2.2%	19.7%	21.0%	26.7%	20m	GBP	8	na
Craneware	AIM:CRW	£813m	3,050p	58	13%	0.8%	15.4%	15.8%	45.5%	53m	USD	8	na
Fevertree Drinks	AIM:FEVR	£4,448m	3,831p	72	35%	0.3%	25.4%	12.8%	23.8%	56m	GBP	8	na
Diversified Gas & Oil	AIM:DGOC	£550m	109p	16	76%	4.9%	29.2%	62.4%	13.9%	-57m	USD	8	na
Learning Technologies	AIM:LTG	£769m	116p	48	31%	0.3%	16.1%	38.7%	5.0%	1m	GBP	8	na
Burford Capital	AIM:BUR	£4,119m	1,978p	19	65%	0.4%	0.6%	18.8%	24.8%	-362m	USD	7	/>10% EPSgrth FY+1/
IMImobile	AIM:IMO	£246m	376p	26	17%	-	31.3%	3.6%	35.1%	4m	GBP	7	/>10% EPSgrth FY+2/
Dart Group	AIM:DTG	£1,483m	998p	10	103%	0.8%	51.6%	-3.8%	20.6%	202m	GBP	7	/>10% EPSgrth FY+2/
FairFX Group	AIM:FFX	£218m	140p	29	18%	-	753.7%	-18.4%	31.2%	52m	GBP	7	/>10% EPSgrth FY+2/
Dewhurst	AIM:DWHT	£67m	1,125p	19	30%	1.1%	9.8%	27.6%	20.3%	18m	GBP	7	/>10% EPSgrth FY+1/
Gamma Communications	AIM:GAMA	£835m	890p	31	17%	0.9%	16.2%	8.5%	18.3%	31m	GBP	7	/>10% EPSgrth FY+2/
RWS Holdings	AIM:RWS	£1,261m	461p	26	24%	1.4%	23.0%	11.1%	13.4%	-83m	GBP	7	/1yrMom/
Warpaint London	AIM:W7L	£188m	245p	18	13%	2.1%	45.8%	13.4%	15.9%	2m	GBP	7	/1yrMom/
Volex	AIM:VLX	£122m	85p	10	26%	-	20.5%	7.4%	4.4%	10m	USD	7	/>10% EPSgrth FY+2/
Keywords Studios	AIM:KWS	£1,182m	1,870p	43	39%	0.1%	64.0%	9.6%	2.9%	11m	EUR	7	/>10% EPSgrth FY+2/
Polar Capital Holdings	AIM:POLR	£587m	644p	17	25%	4.3%	6.0%	13.9%	3.8%	109m	GBP	7	/>10% EPSgrth FY+1/
Sopheon	AIM:SPE	£95m	942p	25	16%	0.3%	-15.1%	22.5%	1.1%	16m	USD	7	/>10% EPSgrth FY+1/
Restore	AIM:RST	£642m	518p	20	14%	1.0%	20.0%	11.2%	-1.5%	-79m	GBP	7	/1yrMom/
Blue Prism	AIM:PRSM	£1,713m	2,560p	-	247%	-	-	-	51.4%	55m	GBP	6	/>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Hurricane Energy	AIM:HUR	£1,092m	56p	-	190%	-	-	-	15.1%	153m	USD	6	/>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Impax Asset Management	AIM:IPX	£257m	217p	16	103%	1.3%	93.7%	0.0%	14.5%	7m	GBP	6	/>10% EPSgrth FY+2/1mthMom/
Harvey Nash	AIM:HAVN	£96m	132p	10	16%	3.3%	22.2%	1.1%	13.6%	-7m	GBP	6	/>10% EPSgrth FY+2/1mthMom/
Driver Group	AIM:DRV	£43m	81p	16	37%	-	-10.6%	11.3%	4.8%	1m	GBP	6	/>10% EPSgrth FY+1/1mthMom/
Summit Germany Limited	AIM:SMTG	£549m	118p	13	14%	3.4%	51.0%	-8.0%	3.0%	-392m	EUR	6	/>10% EPSgrth FY+2/1yrMom/
Harwood Wealth Mgmt	AIM:HW	£102m	163p	23	22%	2.0%	49.1%	17.2%	-3.7%	14m	GBP	6	/1yrMom/1mthMom/

Source: S&P CapitalIQ, 10 September 2018

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