



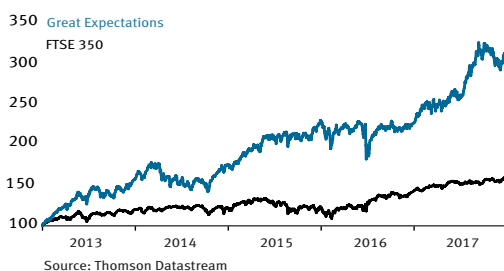
AlphaScreens: The might of momentum

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.

Monthly forward from Alpha Editor:

- This month's momentum screens are notable for the fact that no companies in the FTSE All Small Companies index passed at least 7/8 tests. Only two companies met at least six criteria. This reflects both a savage December for the stock market and a downcast mood for the earnings of smaller and more domestically focused UK-listed companies amid a climate of political and economic uncertainty.
- Our screening of the FTSE All-Share index only identified one company, **Spirent Communications (SPT)**, that passed all the tests. **JD Sports (JD.)**, which has defied the retail gloom with an upbeat trading statement this week, passes 7/8 momentum tests.
- Over on Aim, the progress made by **Diversified Gas & Oil (DGO)** is reflected in passing all eight of our momentum tests. **Sylvania Platinum (SLP)** is the only other Aim-listed company with a perfect score. *JN*

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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.

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
Spirent Comms	LSE:SPT	£747m	122p	17	19%	2.6%	28.0%	10.1%	2.3%	95m	USD	8	na
JD Sports Fashion	LSE:JD	£3,856m	396p	14	12%	0.4%	9.1%	11.4%	1.7%	-85m	GBP	7	>10% EPSgrth FY+1/
Plus500	LSE:PLUS	£1,688m	1,484p	7	66%	14.9%	88.3%	-30.5%	12.0%	512m	USD	6	>10% EPSgrth FY+2/6mthMom/
3i Infrastructure	LSE:3IN	£2,162m	267p	13	20%	3.2%	-55.9%	-12.9%	7.8%	123m	GBP	6	>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Anglo American	LSE:AAL	£23,050m	1,815p	10	29%	4.6%	-7.5%	2.0%	5.6%	-3,417m	USD	6	>10% EPSgrth FY+1/>10% EPSgrth FY+2/
SSP Group	LSE:SSPG	£3,182m	692p	25	17%	1.5%	11.6%	8.2%	2.7%	-343m	GBP	6	>10% EPSgrth FY+2/1yrMom/
Carr's	LSE:CARR	£145m	158p	11	12%	2.9%	5.9%	2.9%	0.6%	-15m	GBP	6	>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Legal & General	LSE:LGEN	£14,452m	243p	8	19%	6.3%	27.5%	-0.1%	-2.1%	15,732m	GBP	6	>10% EPSgrth FY+2/1yrMom/
EVRAZ	LSE:EVZ	£6,987m	484p	5	87%	9.7%	182.2%	-35.6%	-8.8%	-3,793m	USD	6	>10% EPSgrth FY+2/3mthMom/

Source: S&P CapitalIQ, 14 January 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
Carr's	LSE:CARR	£145m	158p	11	12%	2.9%	5.9%	2.9%	0.6%	-15m	GBP	6	>10% EPSgrth FY+1/>10% EPSgrth FY+2/
discoverIE	LSE:DSCV	£279m	381p	14	13%	2.4%	19.1%	6.8%	0.3%	-63m	GBP	6	>10% EPSgrth FY+2/1yrMom/

Source: S&P CapitalIQ, 14 January 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
Diversified Gas & Oil	AIM:DGOC	£638m	118p	11	215%	5.2%	81.0%	22.8%	9.0%	-132m	USD	8	na
Sylvania Platinum	AIM:SLP	£58m	20p	5	64%	1.7%	35.0%	30.4%	5.9%	14m	USD	8	na
OPG Power Ventures	AIM:OPG	£102m	26p	7	101%	-	357.0%	-4.3%	128.3%	-85m	GBP	7	>10% EPSgrth FY+2/
System1	AIM:SYS1	£29m	230p	12	14%	3.3%	96.4%	12.1%	16.2%	3m	GBP	7	/1yrMom/
Draper Esprit	AIM:GROW	£589m	595p	7	79%	-	2.1%	19.4%	8.2%	104m	GBP	7	>10% EPSgrth FY+1/
AB Dynamics	AIM:ABDP	£293m	1,490p	31	14%	0.2%	26.6%	22.0%	9.9%	16m	GBP	7	/1mthMom/
Springfield Properties	AIM:SPR	£111m	115p	10	13%	3.2%	8.6%	15.2%	9.5%	-15m	GBP	7	>10% EPSgrth FY+1/
boohoo	AIM:BOO	£2,204m	190p	41	17%	-	26.2%	20.5%	-13.6%	156m	GBP	7	/3mthMom/
Motif Bio	AIM:MTFB	£116m	39p	-	4536%	-	-	-	33.4%	6m	USD	6	>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Focusrite	AIM:TUNE	£287m	504p	28	11%	0.7%	2.0%	1.6%	28.5%	23m	GBP	6	>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Sanderson	AIM:SND	£54m	91p	11	20%	3.3%	6.8%	10.1%	11.7%	2m	GBP	6	>10% EPSgrth FY+1/1yrMom/
Gateley (Holdings)	AIM:GTLY	£163m	147p	12	11%	4.8%	23.8%	6.4%	-1.0%	-8m	GBP	6	>10% EPSgrth FY+2/1yrMom/
Tavistock Investments	AIM:TAVI	£17m	3p	39	90%	-	60.0%	149.2%	-6.0%	2m	GBP	6	/1yrMom/1mthMom/
Dart	AIM:DTG	£1,247m	839p	9	91%	0.9%	51.8%	-14.4%	-6.4%	460m	GBP	6	>10% EPSgrth FY+2/6mthMom/
Fevertree Drinks	AIM:FEVR	£2,918m	2,513p	47	18%	0.4%	25.8%	13.8%	-16.3%	56m	GBP	6	/6mthMom/3mthMom/

Source: S&P CapitalIQ, 14 January 2019

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