



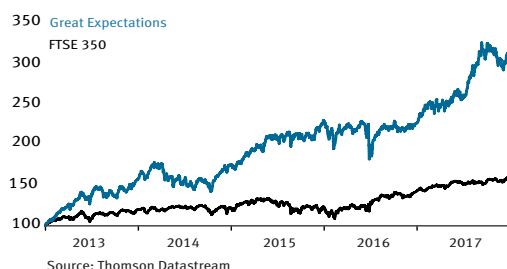
AlphaScreens: The might of momentum

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:

- The only FTSE All-Share company that passes all our Great Expectations momentum tests is **Aveva (AVV)**, which is a holding company for providers of engineering, design and information management software.
- Five companies pass 7/8 tests, three of which fail the test that forecast full-year earnings growth must be above 10 per cent. These are public services company **Serco (SRP)**, oil giant **BP (BP.)** and private equity investment trust **HgCapital (HGT)**. The other two companies – digital services firm **Kainos (KNOS)** and food concessions operator **SSP Group (SSPG)** – fail the test that next full-year earnings must grow by more than 10 per cent.
- Kainos is the only main-market company to pass more than 6/8 small-cap tests (7), but on the Alternative Investment Market (Aim) 14 companies achieve this score. Vehicle testing solutions firm **AB Dynamics (ABDP)** and cloud services provider **Gamma Communications (GAMA)** had full marks, although this is also a signal to investigate further – especially at this stage of the economic cycle. *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 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	£5,042m	3,128p	34	13%	0.9%	11.7%	13.1%	30.8%	82m	GBP	8	na
Serco	LSE:SRP	£1,434m	131p	22	17%	-	-26.6%	20.8%	33.1%	-192m	GBP	7	/>10% EPSgrth FY+1/
Kainos	LSE:KNOS	£646m	520p	32	20%	1.3%	60.9%	4.0%	30.0%	39m	GBP	7	/>10% EPSgrth FY+2/
HgCapital Trust	LSE:HGT	£784m	2,100p	8	117%	2.2%	-2.2%	22.3%	21.0%	157m	GBP	7	/>10% EPSgrth FY+1/
BP	LSE:BP.	£110,225m	545p	13	21%	5.7%	-15.7%	17.1%	10.2%	-43,109m	USD	7	/>10% EPSgrth FY+1/
SSP	LSE:SSPG	£3,194m	688p	25	14%	6.1%	12.2%	7.7%	8.3%	-343m	GBP	7	/>10% EPSgrth FY+2/
Ferrexpo	LSE:FXPO	£1,537m	262p	6	188%	5.7%	-18.8%	19.4%	44.6%	-369m	USD	6	/>10% EPSgrth FY+1/1yrMom/
EVRAZ	LSE:EVR	£8,926m	618p	8	66%	14.4%	-35.5%	-9.1%	34.5%	-3,496m	USD	6	/>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Softcat	LSE:SCT	£1,625m	823p	27	24%	3.3%	7.7%	5.2%	46.1%	73m	GBP	6	/>10% EPSgrth FY+1/>10% EPSgrth FY+2/
3i Infrastructure	LSE:3IN	£2,231m	275p	13	35%	3.1%	-55.9%	-12.9%	8.7%	123m	GBP	6	/>10% EPSgrth FY+1/>10% EPSgrth FY+2/

Source: S&P CapitalIQ, 18 March 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	£646m	520p	32	20%	1.3%	60.9%	4.0%	30.0%	39m	GBP	7	/>10% EPSgrth FY+2/

Source: S&P CapitalIQ, 18 March 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	£364m	1,850p	39	26%	0.2%	26.6%	22.0%	27.1%	16m	GBP	8	na
Gamma Communications	AIM:GAMA	£900m	958p	28	21%	1.0%	13.7%	13.4%	17.1%	31m	GBP	8	na
Sylvania Platinum	AIM:SLP	£80m	28p	6	73%	1.3%	81.0%	6.1%	65.4%	20m	USD	7	/>10% EPSgrth FY+2/
Burford Capital	AIM:BUR	£3,966m	1,814p	14	22%	0.5%	12.9%	2.2%	35.6%	0m	USD	7	/>10% EPSgrth FY+2/
Midwich	AIM:MIDW	£456m	573p	18	11%	2.7%	17.9%	6.6%	11.3%	-26m	GBP	7	/>10% EPSgrth FY+2/
Gresham House	AIM:GHE	£119m	480p	16	132%	0.6%	98.8%	-3.4%	8.2%	4m	GBP	7	/>10% EPSgrth FY+2/
APC Technology	AIM:APC	£12m	7p	9	25%	-	36.5%	11.3%	5.9%	-3m	GBP	7	/1yrMom/
Eland Oil & Gas	AIM:ELA	£271m	125p	4	30%	-	574.7%	-29.3%	20.0%	4m	USD	6	/>10% EPSgrth FY+2/1mthMom/
Dart	AIM:DTG	£1,264m	850p	9	41%	0.9%	51.8%	-14.4%	9.9%	460m	GBP	6	/>10% EPSgrth FY+2/1yrMom/
Springfield Properties	AIM:SPR	£111m	116p	8	27%	3.4%	22.7%	12.2%	9.4%	-25m	GBP	6	/1yrMom/1mthMom/
Sanderson	AIM:SND	£57m	96p	12	19%	3.1%	6.0%	10.9%	9.4%	2m	GBP	6	/>10% EPSgrth FY+1/1mthMom/
Draper Esprit	AIM:GROW	£643m	545p	6	83%	-	3.9%	21.6%	-2.2%	104m	GBP	6	/>10% EPSgrth FY+1/3mthMom/
IG Design	AIM:IGR	£428m	546p	20	21%	1.2%	23.6%	13.8%	-3.4%	-100m	GBP	6	/3mthMom/1mthMom/
Harwood Wealth Mgmt	AIM:HW	£86m	138p	15	14%	2.5%	74.1%	10.0%	-8.3%	14m	GBP	6	/1yrMom/3mthMom/

Source: S&P CapitalIQ, 18 March 2019

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