

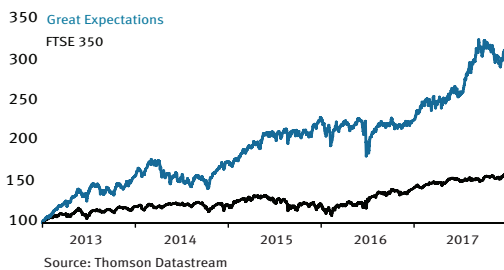


AlphaScreens: The might of momentum

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



Algy Hall's view:

Arguably, the investment phenomenon that excites academics the most is momentum, the process whereby rising share prices tend to beget more of the same. Such is the fascination that momentum has been given the title 'the premier anomaly' – the anomaly in question being that a single-factor strategy should show such persistent outperformance of the market.

- 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.
- The Alpha momentum screens use the same criteria as the Great Expectation screen that is run annually in the Investors Chronicle magazine. Unlike the Alpha momentum screens, the Great Expectations screen is only run on shares in the FTSE 350, but its performance has been very strong in the five years to the end of 2017, with its 220 per cent cumulative total return comparing with a 62 per cent total return from the FTSE 350 over the same period.

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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)	Test failed
Fenner	LSE:FENR	£905m	467p	21	34%	0.9%	26.3%	16.8%	15.6%	-101m	GBP	8	na
easylet	LSE:EZJ	£6,564m	1,659p	15	26%	2.5%	30.2%	13.5%	16.5%	357m	GBP	8	na
Wizz Air	LSE:WIZZ	£2,500m	3,437p	15	25%	-	25.1%	15.8%	-1.5%	997m	EUR	8	na
EVRAZ	LSE:EVR	£6,028m	421p	6	99%	10.2%	88.2%	-28.5%	27.8%	-3,925m	USD	7	Fwd EPS grth FY+2
Huntsworth	LSE:HNT	£323m	98p	15	74%	2.0%	11.3%	9.9%	19.9%	-36m	GBP	7	Fwd EPS grth FY+2
IG Group	LSE:IGG	£2,992m	815p	15	32%	4.0%	23.9%	-9.2%	19.7%	202m	GBP	7	Fwd EPS grth FY+2
NMC Health	LSE:NMC	£7,171m	3,448p	33	26%	0.4%	62.2%	9.5%	20.9%	-1,011m	USD	7	Fwd EPS grth FY+2
KAZ Minerals	LSE:KAZ	£4,156m	931p	9	31%	-	38.9%	1.9%	16.3%	-2,056m	USD	7	Fwd EPS grth FY+2
Robert Walters	LSE:RWA	£470m	650p	14	42%	1.9%	15.8%	4.7%	11.2%	31m	GBP	7	Fwd EPS grth FY+2
Beazley	LSE:BEZ	£2,829m	541p	16	16%	2.1%	73.9%	7.6%	10.2%	64m	USD	7	Fwd EPS grth FY+2
Spirax-Sarco Engineering	LSE:SPX	£4,401m	5,990p	25	18%	1.5%	11.0%	4.8%	7.1%	-374m	GBP	7	Fwd EPS grth FY+2
Antofagasta	LSE:ANTO	£9,539m	968p	16	36%	3.8%	12.4%	10.8%	0.5%	-457m	USD	7	1yr Mom
XP Power	LSE:XPP	£644m	3,380p	20	37%	2.3%	13.7%	4.9%	0.1%	-9m	GBP	7	Fwd EPS grth FY+2
Marshalls	LSE:MSLH	£894m	452p	19	12%	2.3%	13.9%	6.4%	0.9%	-24m	GBP	7	Fwd EPS grth FY+2
B&M European Value Retail SA	LSE:BME	£4,145m	414p	21	12%	1.4%	20.2%	15.9%	0.5%	-584m	GBP	7	1 mth Mom
Ferrexpo	LSE:FXPO	£1,833m	313p	7	67%	1.5%	83.0%	-14.2%	8.2%	-481m	USD	6	Fwd EPS grth FY+2
PageGroup	LSE:PAGE	£1,630m	527p	17	17%	4.8%	15.8%	6.9%	14.5%	96m	GBP	6	Fwd EPS grth FY+2
Spirent Communications	LSE:SPT	£733m	120p	18	14%	2.4%	20.3%	2.9%	17.1%	129m	USD	6	Fwd EPS grth FY+2
Gocompare.com Group	LSE:GOCO	£482m	115p	14	14%	1.2%	29.4%	7.9%	11.2%	-39m	GBP	6	Fwd EPS grth FY+2
Computacenter	LSE:CCC	£1,328m	1,180p	17	24%	2.2%	5.9%	2.6%	4.6%	191m	GBP	6	Fwd EPS grth FY+1
Phoenix Group	LSE:PHNX	£3,063m	781p	9	115%	6.4%	88.6%	-21.2%	1.9%	-2,443m	GBP	6	Fwd EPS grth FY+2
Safestore	LSE:SAFE	£1,077m	513p	19	13%	2.7%	13.4%	5.4%	4.6%	-354m	GBP	6	Fwd EPS grth FY+2
Sports Direct International	LSE:SPD	£1,955m	371p	19	31%	-	73.6%	7.8%	0.3%	-472m	GBP	6	Fwd EPS grth FY+2
Millennium & Copthorne Hotels	LSE:MLC	£1,867m	575p	16	31%	1.1%	-25.4%	7.4%	-2.1%	-650m	GBP	6	Fwd EPS grth FY+1
Motorpoint	LSE:MOTR	£218m	218p	12	15%	1.9%	38.8%	10.7%	-4.0%	-49m	GBP	6	3mth Mom
Games Workshop	LSE:GAW	£729m	2,255p	15	124%	4.4%	83.5%	-23.7%	-10.8%	29m	GBP	6	Fwd EPS grth FY+2
Redrow	LSE:RDW	£2,135m	592p	7	15%	3.7%	13.9%	8.2%	-9.0%	-35m	GBP	6	Fwd EPS grth FY+2

Source: S&P CapitalIQ, 19 March 2018

Small-cap 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
Haynes Publishing	LSE:HYS	£34m	227p	19	23%	3.3%	25.5%	21.6%	16.4%	0m	GBP	8	na
Huntsworth	LSE:HNT	£323m	98p	15	74%	2.0%	11.3%	9.9%	19.9%	-36m	GBP	7	Fwd EPS grth FY+2
Bioquell	LSE:BQE	£78m	348p	31	32%	-	14.1%	9.6%	28.6%	15m	GBP	7	Fwd EPS grth FY+2
Robert Walters	LSE:RWA	£470m	650p	14	42%	1.9%	15.8%	4.7%	11.2%	31m	GBP	7	Fwd EPS grth FY+2
XP Power	LSE:XPP	£644m	3,380p	20	37%	2.3%	13.7%	4.9%	0.1%	-9m	GBP	7	Fwd EPS grth FY+2
Spirent Communications	LSE:SPT	£733m	120p	18	14%	2.4%	20.3%	2.9%	17.1%	129m	USD	6	Fwd EPS grth FY+2
Gocompare.com	LSE:GOCO	£482m	115p	14	14%	1.2%	29.4%	7.9%	11.2%	-39m	GBP	6	Fwd EPS grth FY+2
St Ives	LSE:SIV	£122m	86p	6	11%	2.3%	2.4%	1.3%	9.7%	-42m	GBP	6	Fwd EPS grth FY+1
Motorpoint	LSE:MOTR	£218m	218p	12	15%	1.9%	38.8%	10.7%	-4.0%	-49m	GBP	6	3mth Mom
Games Workshop	LSE:GAW	£729m	2,255p	15	124%	4.4%	83.5%	-23.7%	-10.8%	29m	GBP	6	Fwd EPS grth 2

Source: S&P CapitalIQ, 19 March 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
Sylvania Platinum	AIM:SLP	£52m	18p	9	55%	-	-2.1%	27.3%	36.3%	12m	USD	7	Fwd EPS grth FY+1
Fevertree Drinks	AIM:FEVR	£3,350m	2,900p	67	52%	0.4%	9.8%	15.0%	36.0%	51m	GBP	7	Fwd EPS grth FY+1
Burford Capital	AIM:BJR	£2,949m	1,416p	20	70%	0.5%	-19.5%	32.7%	30.8%	0m	USD	7	Fwd EPS grth FY+1
Dart	AIM:DTG	£1,254m	844p	13	47%	0.6%	21.7%	-3.3%	24.7%	357m	GBP	7	Fwd EPS grth FY+2
StatPro	AIM:SOG	£115m	176p	26	73%	1.6%	20.2%	22.3%	17.8%	-20m	GBP	7	1 mth Mom
Driver Group	AIM:DRV	£41m	77p	17	26%	-	-21.0%	11.1%	18.6%	0m	GBP	7	Fwd EPS grth FY+1
Proactis Holdings	AIM:PHD	£189m	204p	18	17%	0.7%	33.2%	19.3%	13.7%	-1m	GBP	7	1yr Mom
Scapa	AIM:SCPA	£761m	495p	29	17%	0.4%	16.3%	9.4%	12.6%	-3m	GBP	7	Fwd EPS grth FY+2
RWS Holdings	AIM:RWS	£1,242m	455p	25	32%	1.4%	26.0%	8.7%	1.8%	-20m	GBP	7	Fwd EPS grth FY+2
Oncimmune	AIM:ONC	£86m	145p	-	161%	-	-	-	30.2%	6m	GBP	6	Fwd EPS grth FY+1
Blue Prism	AIM:PRSM	£952m	1,520p	-	335%	-	-	-	25.0%	16m	GBP	6	Fwd EPS grth FY+1
Focusrite	AIM:TUNE	£227m	408p	26	23%	0.7%	7.1%	5.6%	29.4%	14m	GBP	6	Fwd EPS grth FY+1
Draper Esprit	AIM:GROW	£335m	468p	10	48%	-	-39.3%	-19.8%	22.5%	92m	GBP	6	Fwd EPS grth FY+1
Midwich	AIM:MIDW	£440m	553p	21	28%	2.5%	15.9%	7.4%	9.1%	-22m	GBP	6	Fwd EPS grth FY+2
Hutchison China MediTech	AIM:HCM	£3,247m	4,890p	-	120%	-	-	-	3.1%	328m	USD	6	Fwd EPS grth FY+1
Polar Capital	AIM:POLR	£448m	493p	14	28%	5.1%	75.4%	-7.3%	-6.5%	76m	GBP	6	Fwd EPS grth FY+2

Source: S&P CapitalIQ, 19 March 2018

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