



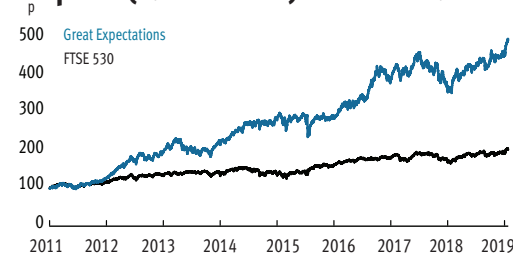
# AlphaScreens: The might of momentum

*Momentum strategies show persistent outperformance.*

*We run our Alpha momentum screen across three indices:*

*FTSE All-Share, All Small, and Aim*

## Great Expectations: Total returns since inception (19 Dec 2011) to end 2019



Source: Thomson Datastream from Refinitiv

## 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.

- With gold now trading at over \$1,700 (£1,385.78) per ounce it is not surprising to see precious metal miners and related businesses score well on our share price and earnings forecast momentum screen. Aim-listed **Pan African Resources (PAF)** gets full marks on the screen and **Highland Gold Mining Group (HGM)** and **Sylvania Platinum (SLP)** both rank highly.
- Biotechnology is a sector garnering attention and drug development services business **Ergomed (ERGO)** also does well on the Aim screen.
- Companies whose solutions might be important to the future world economy are also passing several of the screen tests, **Gamma Communications (GAMA)**, a specialist in cloud communications has regularly scored well on this screen, although watch lists should be wise to the fact it now fails our one-month and one-year share-price momentum test.
- A riser in the Aim rankings is renewables-focused **Good Energy Group (GOOD)**, although at only £31m market cap, this is a small company that could have a volatile share price.

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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	Fwd NTM PE	Av 12-mth EPS upgrade	DY	Fwd EPS grth FY+1	Fwd EPS grth FY+2	3-month momentum	Net cash/debt (-)	Currency	Tests passed (out of 8)	Test failed
Plus500	LSE:PLUS	£1,413m	1,329p	6	39%	4.0%	87.1%	-41.2%	51.5%	287m	USD	7	/>10% EPSgrth FY+2/
Centamin	LSE:CEY	£2,075m	180p	15	70%	5.5%	96.1%	-16.1%	23.3%	285m	USD	7	/>10% EPSgrth FY+2/
Avon Rubber	LSE:AVON	£962m	3,140p	32	35%	0.7%	6.5%	28.3%	16.3%	-67m	GBP	7	/>10% EPSgrth FY+1/
Gamesys Group	LSE:GYS	£922m	848p	7	15%	-	15.8%	12.2%	12.2%	-454m	GBP	7	/1mthMom/
Future	LSE:FUTR	£1,179m	1,216p	20	56%	0.1%	28.4%	17.1%	-1.5%	37m	GBP	7	/6mthMom/
Ocado Group	LSE:OCDO	£14,647m	2,083p	-	309%	-	-	-	85.7%	145m	GBP	6	/>10% EPSgrth FY+1/>10% EPSgrth FY+2/
CMC Markets	LSE:CMCX	£600m	208p	9	141%	1.0%	1324.4%	-67.7%	34.2%	34m	GBP	6	/>10% EPSgrth FY+2/1mthMom/
Polymetal International	LSE:POLY	£8,020m	1,700p	12	38%	3.0%	38.9%	1.3%	29.9%	-1,504m	USD	6	/>10% EPSgrth FY+2/1mthMom/
Spirent Comms	LSE:SPT	£1,555m	255p	23	19%	1.7%	7.0%	7.1%	10.6%	150m	USD	6	/>10% EPSgrth FY+1/>10% EPSgrth FY+2/

Source: S&P Capital IQ, 26 May 2020

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

Name	TIDM	Market cap	Price	Fwd NTM PE	Av 12-mth EPS upgrade	DY	Fwd EPS grth FY+1	Fwd EPS grth FY+2	3-month momentum	Net cash/debt (-)	Currency	Tests passed (out of 8)	Test failed
Capital Drilling	LSE:CAPD	£83m	61p	9	18%	1.9%	11.0%	23.4%	18.0%	16m	USD	8	na
CMC Markets	LSE:CMCX	£600m	208p	9	141%	1.0%	1324.4%	-67.7%	34.2%	34m	GBP	6	/>10% EPSgrth FY+2/1mthMom/

Source: S&P Capital IQ, 26 May 2020

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

Name	TIDM	Market cap	Price	Fwd NTM PE	Av 12-mth EPS upgrade	DY	Fwd EPS grth FY+1	Fwd EPS grth FY+2	3-month momentum	Net cash/debt (-)	Currency	Tests passed (out of 8)	Test failed
Pan African Resources	AIM:PAF	£318m	17p	5	29%	0.6%	147.8%	18.2%	29.5%	-111m	USD	8	na
Good Energy	AIM:GOOD	£31m	191p	12	16%	1.9%	25.3%	17.7%	-3.0%	-46m	GBP	8	na
Highland Gold Mining	AIM:HGM	£986m	271p	10	54%	5.0%	-33.0%	13.9%	20.0%	-250m	USD	7	/>10% EPSgrth FY+1/
NWF Group	AIM:NWF	£98m	201p	11	19%	3.3%	17.5%	-7.1%	16.5%	-34m	GBP	7	/>10% EPSgrth FY+2/
Focusrite	AIM:TUNE	£364m	630p	27	26%	-	10.9%	1.3%	-0.3%	-20m	GBP	7	/>10% EPSgrth FY+2/
Ergomed	AIM:ERGO	£177m	368p	17	53%	-	11.8%	12.7%	-13.1%	9m	GBP	7	/1mthMom/
Mpac	AIM:MPAC	£50m	253p	10	24%	0.6%	-35.7%	40.3%	-14.7%	13m	GBP	7	/>10% EPSgrth FY+1/
Augean	AIM:AUG	£187m	180p	10	79%	-	15.7%	15.4%	-16.9%	-18m	GBP	7	/3mthMom/
genedrive	AIM:GDR	£57m	165p	-	90%	-	-	-	1733.3%	-6m	GBP	6	/>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Team17	AIM:TM17	£763m	590p	41	43%	-	5.9%	13.0%	26.9%	40m	GBP	6	/>10% EPSgrth FY+1/1mthMom/
CentralNic	AIM:CNIC	£160m	88p	12	58%	-	33.9%	2.8%	12.5%	-80m	USD	6	/>10% EPSgrth FY+2/1mthMom/
GlobalData	AIM:DATA	£1,610m	1,365p	45	13%	1.1%	5.2%	2.6%	6.6%	-100m	GBP	6	/>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Gamma Comms	AIM:GAMA	£1,163m	1,225p	27	12%	0.9%	12.4%	10.2%	-2.4%	41m	GBP	6	/1yrMom/1mthMom/
Sylvania Platinum	AIM:SLP	£131m	48p	3	119%	1.7%	172.9%	-23.3%	-21.3%	33m	USD	6	/>10% EPSgrth FY+2/3mthMom//

Source: S&P Capital IQ, 26 May 2020

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