



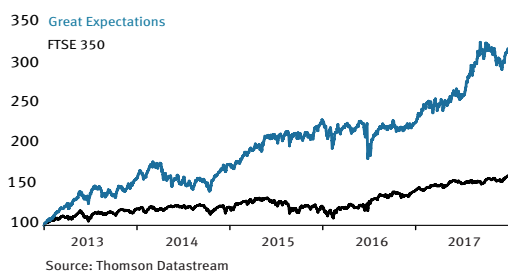
AlphaScreens: The might of momentum

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:

■ If our FTSE All-Share momentum screen is anything to go by then there could be more upside for IC Buy tip **Liontrust (LIO)**. The asset manager, which specialises in active funds, has bucked a trend of negative flows for equity investments in 2019 and, as well as share price momentum, our earnings upgrade tests shows analysts remain confident.

■ Another company whose shares have been on a tear in 2019 is hobby retailer **Games Workshop (GAW)**. It fails just one of our tests – the next full-year forecast EPS growth. It's useful to keep an eye on such metrics as, when growth forecasts drop off, it could be time to start taking at least some profits.

■ Engineering design, software and information management group **AVEVA (AVV)**, scores full marks on our screen. The IC companies team have the business on a hold, however, citing the business is on a long enterprise value to cash profits multiple. This illustrates perfectly the dilemma of buying momentum, it can be a leap of faith when weighed up against historic multiples – especially in uncertain times for the world economy.

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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
Liontrust Asset Mgmt	LSE:LIO	£500m	920p	15	14%	2.9%	20.3%	16.2%	20.6%	29m	GBP	8	na
AVEVA Group	LSE:AVV	£7,139m	4,430p	39	12%	1.0%	18.0%	11.2%	15.7%	-12m	GBP	8	na
Future	LSE:FUTR	£1,375m	1,414p	26	82%	0.1%	14.7%	7.6%	35.1%	-40m	GBP	7	>10% EPSgrth FY+2/
The Rank Group	LSE:RNK	£918m	235p	12	24%	3.3%	31.7%	11.2%	38.7%	2m	GBP	7	/1mthMom/
Games Workshop Group	LSE:GAW	£1,848m	5,685p	25	30%	2.2%	13.1%	4.4%	32.3%	29m	GBP	7	>10% EPSgrth FY+2/
Anglo American	LSE:AAL	£25,434m	2,058p	9	25%	3.8%	16.1%	-10.7%	25.1%	-3,225m	USD	7	>10% EPSgrth FY+2/
Spirent Communications	LSE:SPT	£1,298m	213p	22	21%	1.6%	14.0%	8.7%	20.5%	109m	USD	7	>10% EPSgrth FY+2/
Kainos Group	LSE:KNOS	£702m	578p	31	17%	1.6%	11.6%	12.3%	16.3%	37m	GBP	7	/6mthMom/
Avon Rubber	LSE:AVON	£608m	1,992p	21	26%	1.0%	2.0%	13.3%	13.1%	48m	GBP	7	>10% EPSgrth FY+1/
Serco Group	LSE:SRP	£1,887m	155p	22	21%	-	-24.8%	31.1%	10.7%	-212m	GBP	7	>10% EPSgrth FY+1/
Luceco	LSE:LUCE	£169m	108p	14	16%	0.6%	146.1%	-3.8%	40.2%	-36m	GBP	6	>10% EPSgrth FY+2/6mthMom/
Softcat plc	LSE:SCT	£2,292m	1,161p	32	17%	2.7%	-	-	16.3%	79m	GBP	6	>10% EPSgrth FY+1/>10% EPSgrth FY+2/

Source: S&P Capital IQ, 25 November 2019

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
Haynes Publishing	LSE:HYNS	£64m	424p	17	47%	1.8%	30.2%	17.3%	92.7%	5m	GBP	8	na
Liontrust Asset Mgmt	LSE:LIO	£500m	920p	15	14%	2.9%	20.3%	16.2%	20.6%	29m	GBP	8	na
Avon Rubber	LSE:AVON	£608m	1,992p	21	26%	1.0%	2.0%	13.3%	13.1%	48m	GBP	7	>10% EPSgrth FY+1/
Luceco	LSE:LUCE	£169m	108p	14	16%	0.6%	146.1%	-3.8%	40.2%	-36m	GBP	6	>10% EPSgrth FY+2/6mthMom/
Porvair	LSE:PRV	£270m	590p	24	22%	0.8%	9.7%	4.7%	3.1%	3m	GBP	6	>10% EPSgrth FY+1/>10% EPSgrth FY+2/a

Source: S&P Capital IQ, 25 November 2019

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

Name	TIDM	Market cap	Price	Fwd NTM PE	Av 12mth 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
Augean	Aim:AUG	£190m	183p	13	98%	-	71.9%	11.1%	93.7%	23m	GBP	8	na
Instem	Aim:INS	£62m	373p	21	18%	-	12.9%	26.6%	2.2%	3m	GBP	8	na
Team17 Group	Aim:TM17	£459m	355p	34	25%	-	29.9%	3.2%	32.0%	36m	GBP	7	>10% EPSgrth FY+2/
Volex	Aim:VLX	£176m	119p	9	20%	1.7%	147.3%	-7.1%	34.4%	1m	USD	7	>10% EPSgrth FY+2/
Ergomed	Aim:ERGO	£183m	387p	27	50%	-	126.4%	3.4%	15.7%	3m	GBP	7	>10% EPSgrth FY+2/
Gamma Communications	Aim:GAMA	£1,123m	1,185p	28	18%	0.8%	31.5%	7.7%	15.9%	36m	GBP	7	>10% EPSgrth FY+2/
Marlowe	Aim:MRL	£202m	441p	20	23%	-	23.5%	14.3%	9.2%	-20m	GBP	7	/1yrMom/
Knights Group Holdings	Aim:KGH	£241m	326p	20	17%	0.8%	39.3%	13.6%	6.6%	-14m	GBP	7	/1mthMom/
Begbies Traynor Group	Aim:BEG	£109m	86p	15	33%	3.0%	23.4%	13.2%	1.5%	-6m	GBP	7	/1mthMom/
Churchill China	Aim:CHH	£175m	1,595p	21	15%	1.8%	9.6%	14.6%	0.7%	13m	GBP	7	>10% EPSgrth FY+1/
Learning Technologies	Aim:LIG	£791m	118p	26	13%	0.4%	36.1%	5.6%	-1.6%	-27m	GBP	7	>10% EPSgrth FY+2/
Sylvania Platinum Ltd	Aim:SLP	£105m	37p	6	31%	2.1%	27.1%	10.8%	-5.5%	21m	USD	7	/3mthMom/
ITM Power	Aim:ITM	£330m	70p	-	113%	-	-	-	84.9%	5m	GBP	6	>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Dart Group	Aim:DTG	£2,061m	1,384p	13	27%	0.7%	6.4%	0.5%	89.4%	455m	GBP	6	>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Focusrite	Aim:TUNE	£327m	570p	26	17%	0.7%	0.9%	1.1%	26.0%	15m	GBP	6	>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Cambria Automobiles	Aim:CAMB	£67m	67p	7	19%	1.6%	1.0%	0.5%	19.1%	-50m	GBP	6	>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Draper Esprit	Aim:GROW	£548m	465p	5	27%	-	-9.4%	33.3%	6.0%	50m	GBP	6	>10% EPSgrth FY+1/1yrMom/
Shield Therapeutics	Aim:STX	£216m	185p	-	322%	-	-	-	1.1%	7m	GBP	6	>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Iofina	Aim:IOF	£56m	29p	26	32%	-	-	-	-1.5%	-8m	USD	6	>10% EPSgrth FY+1/>10% EPSgrth FY+2/
H&T Group	Aim:HAT	£129m	324p	9	14%	3.4%	27.5%	17.3%	-8.3%	-32m	GBP	6	/3mthMom/1mthMom/

Source: S&P Capital IQ, 25 November 2019

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