



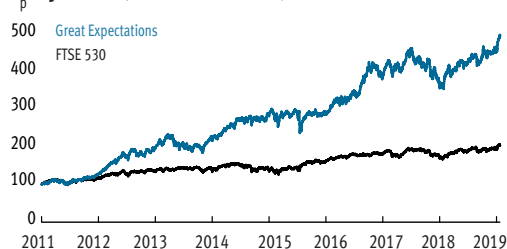
AlphaScreens: The might of momentum

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.

- Rising numbers of coronavirus cases in America's sun-belt and heightened tension between the West and China has seen the price of gold leap to \$1,944 (£1,510.27) per Troy oz and investor appetite for haven assets has seen gold mining shares star on our share price and earnings momentum screen.
- **Petropavlovsk (POG)** tops the FTSE All-Share screen passing 8/8 tests and **Polymetal International (POLY)** also scores well, passing 6/8. On Aim, **Trans-Siberian Gold (TSG)** is the highest ranking of several precious metal miners that do well on our tests designed for smaller companies.
- Last month's momentum screen topper **Boohoo (BOO)** does offer investors a cautionary tale when just looking at financial numbers and estimates. Severe criticism of its supply chain management cost Boohoo and its shareholders. Mining is an industry that can be hurt by environmental and social concerns, but the reason Investors Chronicle started questioning Petropavlovsk, is because of its boardroom shenanigans.

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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	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
Petropavlovsk	POG	£1,309m	40p	8	194%	0.0%	342.9%	60.0%	64.2%	434m	USD	8	na
Future	FUTR	£1,272m	1,298p	17	53%	0.1%	32.4%	22.2%	30.3%	-37m	GBP	8	na
AO World	AO	£815m	170p	32	103%	0.0%	-	55.7%	198.9%	99m	GBP	7	/>10% EPSgrth FY+1/
Avon Rubber	AVON	£1,055m	3,400p	29	33%	0.7%	7.2%	23.2%	30.5%	67m	GBP	7	/>10% EPSgrth FY+1/
Centamin	CEY	£2,295m	199p	15	91%	2.1%	114.5%	-3.7%	18.3%	-215m	USD	7	/>10% EPSgrth FY+2/
CMC Markets	CMCX	£977m	338p	13	144%	4.4%	2.1%	-44.0%	63.7%	-89m	GBP	6	/>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Computacenter	CCC	£2,227m	1,951p	20	18%	0.5%	1.9%	2.8%	32.3%	-20m	GBP	6	/>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Ocado Group	OCDO	£15,578m	2,083p	-	201%	0.0%	-	-	29.7%	-196m	GBP	6	/>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Polymetal International	POLY	£8,516m	1,805p	12	52%	2.8%	50.2%	9.9%	7.9%	1,141m	USD	6	/>10% EPSgrth FY+2/3mthMom/

Source: FactSet, 27 July 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
Countrywide	CWD	£47m	143p	3	20%	0.0%	665.0%	99.3%	136.4%	160m	GBP	6	/1yrMom/6mthMom/
CMC Markets	CMCX	£977m	338p	13	144%	4.4%	2.1%	-44.0%	63.7%	-89m	GBP	6	/>10% EPSgrth FY+1/>10% EPSgrth FY+2/

Source: FactSet, 27 July 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
Gear4music	G4M	£109m	520p	26	64%	0.0%	55.1%	12.5%	74.8%	16m	GBP	8	na
Trans-Siberian Gold	TSG	£83m	96p	5	86%	3.8%	98.2%	44.3%	32.6%	12m	USD	8	na
Kape Technologies	KAPE	£330m	209p	18	35%	0.0%	94.6%	14.5%	21.6%	27m	USD	8	na
Gamma Communications	GAMA	£1,424m	1,500p	29	27%	0.7%	17.6%	11.7%	19.0%	-41m	GBP	8	na
Focusrite	TUNE	£418m	720p	28	36%	0.5%	29.7%	-8.3%	34.6%	20m	GBP	7	/>10% EPSgrth FY+2/
Ergomed	ERGO	£277m	573p	22	60%	0.0%	117.8%	6.8%	31.7%	-9m	GBP	7	/>10% EPSgrth FY+2/
GYG	GYG	£38m	81p	14	23%	0.0%	-14.0%	46.8%	35.0%	7m	EUR	7	/>10% EPSgrth FY+1/
GlobalData	DATA	£1,683m	1,425p	44	13%	1.1%	5.2%	10.0%	27.8%	100m	GBP	7	/>10% EPSgrth FY+1/
Sylvania Platinum	SLP	£127m	47p	4	59%	1.7%	24.2%	-0.5%	18.7%	-25m	USD	7	/>10% EPSgrth FY+2/
Highland Gold Mining	HGM	£991m	272p	10	41%	5.0%	-32.5%	14.1%	16.4%	189m	USD	7	/>10% EPSgrth FY+1/
NWF Group	NWF	£97m	198p	11	17%	3.3%	15.3%	-3.3%	21.8%	34m	GBP	6	/>10% EPSgrth FY+2/1yrMom/
Silence Therapeutics	SLN	£406m	490p	-	155%	0.0%	-	-	15.8%	-33m	GBP	6	/>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Hutchison China MediTech	HCM	£2,857m	402p	-	30%	0.0%	-	-	12.3%	-139m	USD	6	/>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Serabi Gold	SRB	£50m	85p	4	94%	0.0%	185.7%	68.5%	3.0%	-5m	USD	6	/3mthMom/1mthMom/

Source: FactSet, 27 July 2020

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