



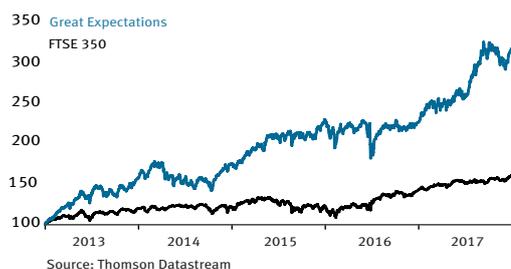
AlphaScreens: The might of momentum

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:

- Larger companies have struggled against our share price and earnings momentum screens this year. Testing constituents of the FTSE All-Share index, the only bona fide blue-chip to score at least 6/8 was miner **Anglo American (AAL)**, which has a £25bn market cap.
- The only All-Share companies to get 8/8 were **Rank Group (RNK)** – shares in the gambling and gaming services business have been on a tear – and regeneration property specialist **St. Modwen Properties (SMP)**; both are smaller, with market caps below £1bn.
- Out of the FTSE All Small Companies index only **Haynes Publishing (HYNS)**, which has a niche business catering for professional and DIY mechanics, got full marks.
- Aim is something of an optimists' market, but one of the top rankers on our screen, **Begbies Traynor (BEG)**, is a debt recovery and insolvency business that benefits from negative sentiment towards the wider 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 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
The Rank Group	LSE:RNK	£959m	246p	12	25%	3.1%	34.0%	10.1%	58.6%	2m	GBP	8	na
St. Modwen Props	LSE:SMP	£992m	447p	27	12%	1.6%	14.3%	22.5%	0.5%	-329m	GBP	8	na
Serco	LSE:SRP	£1,835m	150p	22	21%	-	-24.8%	31.4%	6.9%	-212m	GBP	7	/>10% EPSgrth FY+1/
Avon Rubber	LSE:AVON	£522m	1,710p	20	13%	0.9%	8.8%	8.6%	36.2%	47m	GBP	6	/>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Spirent Comms	LSE:SPT	£1,215m	199p	20	24%	1.8%	17.1%	8.2%	19.0%	109m	USD	6	/>10% EPSgrth FY+2/1mthMom/
Intermediate Cptl	LSE:ICP	£4,196m	1,483p	16	14%	3.0%	-4.8%	4.5%	5.7%	-838m	GBP	6	/>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Porvair	LSE:PRV	£275m	600p	24	22%	0.8%	10.9%	4.2%	1.7%	3m	GBP	6	/>10% EPSgrth FY+2/1mthMom/
Anglo American	LSE:AAL	£24,962m	2,016p	9	25%	3.9%	18.1%	-10.9%	-2.8%	-3,225m	USD	6	/>10% EPSgrth FY+2/3mthMom/
Kainos	LSE:KNOS	£620m	510p	30	17%	1.8%	11.6%	12.1%	-11.2%	42m	GBP	6	/6mthMom/3mthMom/
Luceco	LSE:LUCE	£153m	98p	13	15%	0.6%	144.8%	-3.5%	-13.2%	-36m	GBP	6	/>10% EPSgrth FY+2/3mthMom/ Spirent

Source: S&P Capital IQ, 28 October 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 pub.	LSE:HYNS	£51m	334p	14	47%	2.2%	30.2%	17.3%	50.9%	5m	GBP	8	na
Avon Rubber	LSE:AVON	£522m	1,710p	20	13%	0.9%	8.8%	8.6%	36.2%	47m	GBP	6	/>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Macfarlane	LSE:MACF	£160m	102p	13	12%	2.3%	41.6%	3.6%	3.2%	-45m	GBP	6	/>10% EPSgrth FY+2/1yrMom/
Porvair	LSE:PRV	£275m	600p	24	22%	0.8%	10.9%	4.2%	1.7%	3m	GBP	6	/>10% EPSgrth FY+2/1mthMom/
Luceco	LSE:LUCE	£153m	98p	13	15%	0.6%	144.8%	-3.5%	-13.2%	-36m	GBP	6	/>10% EPSgrth FY+2/3mthMom/

Source: S&P Capital IQ, 28 October 2019

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
Augean	AIM:AUG	£171m	164p	11	113%	-	71.9%	11.1%	46.6%	23m	GBP	8	na
Begbies Traynor	AIM:BEG	£111m	88p	15	30%	3.0%	21.3%	11.5%	16.4%	-6m	GBP	8	na
Knights Group	AIM:KGH	£242m	330p	20	15%	0.8%	37.0%	13.9%	-3.5%	-14m	GBP	8	na
Volex	AIM:VLX	£143m	97p	8	39%	2.1%	133.3%	-2.2%	11.5%	21m	USD	7	/>10% EPSgrth FY+2/
Gamma Comms	AIM:GAMA	£1,028m	1,085p	26	18%	0.9%	31.5%	7.7%	12.9%	36m	GBP	7	/>10% EPSgrth FY+2/
Pan African Resources	AIM:PAF	£236m	12p	4	80%	1.0%	235.4%	-17.0%	6.8%	-128m	USD	7	/>10% EPSgrth FY+2/
Anexo	AIM:ANX	£208m	190p	11	36%	1.1%	45.8%	4.1%	7.4%	-34m	GBP	7	/>10% EPSgrth FY+2/
Sylvania Platinum	AIM:SLP	£99m	35p	5	35%	2.2%	29.9%	10.4%	3.4%	21m	USD	7	/1mthMom/
Ergomed	AIM:ERGO	£152m	323p	23	87%	-	126.4%	3.4%	-1.3%	3m	GBP	7	/>10% EPSgrth FY+2/
Instem	AIM:INS	£60m	368p	21	14%	-	13.0%	19.2%	-8.0%	3m	GBP	7	/3mthMom/
Team17	AIM:TM17	£423m	328p	33	19%	-	22.6%	7.3%	20.7%	36m	GBP	6	/>10% EPSgrth FY+2/1mthMom/
Robinson	AIM:RBN	£13m	80p	9	38%	6.9%	151.8%	-5.4%	-1.2%	-9m	GBP	6	/>10% EPSgrth FY+2/1mthMom/
Jadestone Energy	AIM:JSE	£410m	54p	-	222%	-	-	-	-3.1%	-92m	USD	6	/>10% EPSgrth FY+1/>10% EPSgrth FY+2/
EKF Diagnostics	AIM:EKF	£150m	33p	25	149%	-	3.7%	48.2%	-4.5%	11m	GBP	6	/>10% EPSgrth FY+1/1mthMom/
Churchill China	AIM:CHH	£170m	1,545p	20	15%	1.9%	9.6%	14.6%	-3.3%	13m	GBP	6	/>10% EPSgrth FY+1/1mthMom/
Highland Gold Mining	AIM:HGM	£744m	204p	9	31%	6.6%	71.8%	2.1%	-4.9%	-217m	USD	6	/>10% EPSgrth FY+2/1mthMom/
Marlowe	AIM:MRL	£201m	439p	20	23%	-	23.5%	14.3%	-5.4%	-20m	GBP	6	/1yrMom/1mthMom/
Water Intelligence	AIM:WATR	£39m	266p	22	11%	-	27.1%	13.2%	-16.0%	2m	USD	6	/6mthMom/3mthMom/

Source: S&P Capital IQ, 28 October 2019

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