SNAPS 2020 - the benefits of a good, long sleep

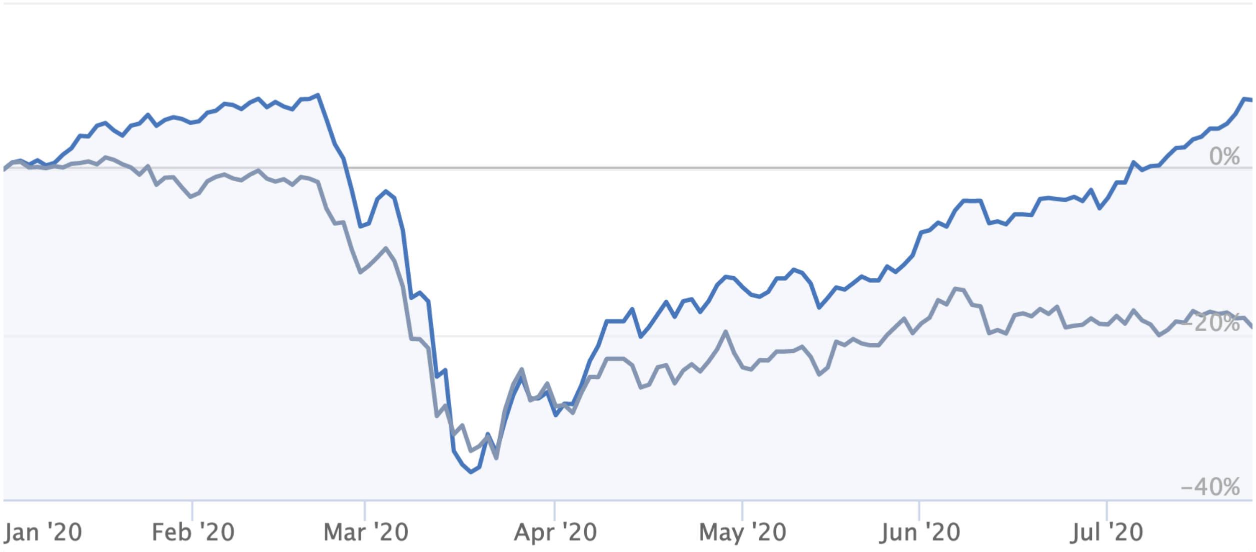
As of July 25th, this year's NAPS portfolio has done rather well. **The NAPS are currently up 8.5% year to date**, versus a **FTSE All Share benchmark that is down 19.1%**. That's a 28% outperformance in the first six months. While the portfolio is still below its high watermark from June 2018, it's actually broken out to new highs relative to the benchmark. I'd love to say it's been a smooth ride, but as we all know there's been a nasty virus knocking about and the markets stumbled badly in March.

One of the great benefits of the NAPS process is that embedded within it is this idea of only checking once (or twice) per year. If we'd just gone to sleep for 6 months and woken up to check the NAPS valuation, we'd have had the pleasant surprise of seeing it grow. In this article I'll explore the fact that it's been to hell and back in the interim and whether that matters.

If you are a new reader, you may have missed the journey I've had with the NAPS strategy over the last five and a half years. In essence it's a systematic, diversified, 20 stock portfolio based upon the StockRanks that only takes an hour per year to put together - accordingly, I've titled it the "No Admin Portfolio System" or **NAPS** for short. You can learn much by going through the NAPS Archives or watching one of the old Youtube Webinars. I do hope to create a course about the methodology in due course.

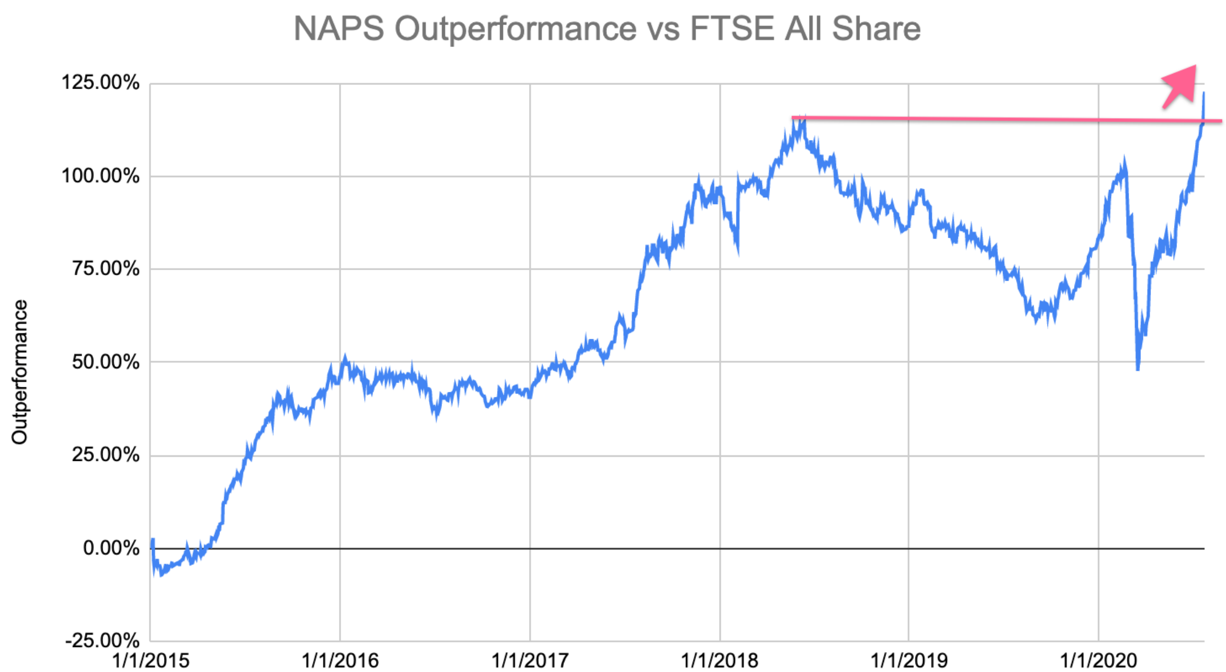
Recent Performance

After a useful early run, a fairly brutal viral attack knocked 40% from the portfolio in February and March. Serendipity then provided a 70% rally over the last 4 months. The line in grey is the FTSE All Share which I always use as a benchmark. There is fairly strong and enduring momentum recently, which has been driven by a 10% allocation to gold stocks.



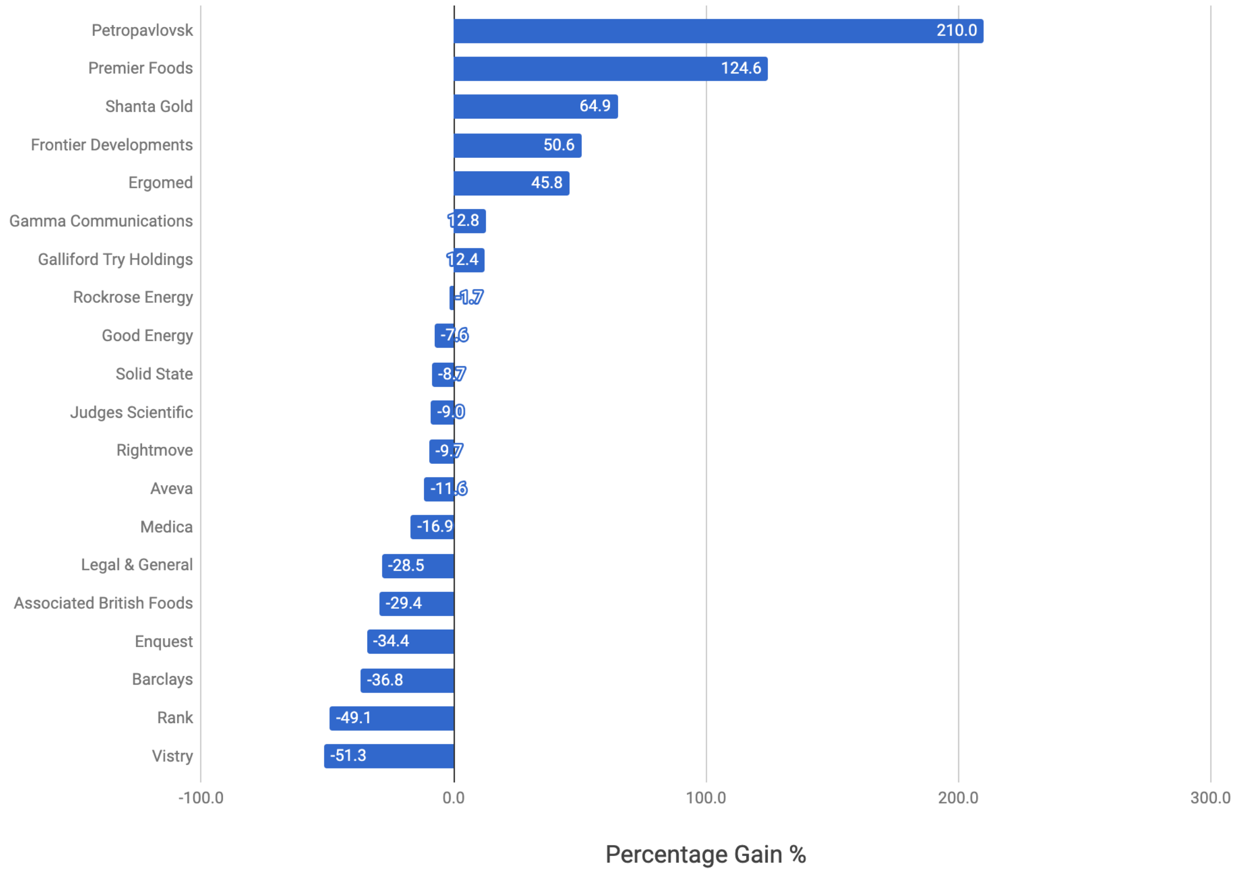
Here's the five and a half year performance history of the portfolio, a 118.5% performance excluding dividends. This chart illustrates the extent of the whipsaw we've seen of late.

I couldn't help but subtract the FTSE All Share's performance from the NAPS to show how strongly the portfolio has been performing on a relative basis recently. As you can see below, the NAPS have broken out to a new relative high vs the FTSE All Share. Hopefully this momentum will continue towards new absolute highs in coming months - it's been a patient 2 year wait for that to happen.



Winners and Losers to June 30th

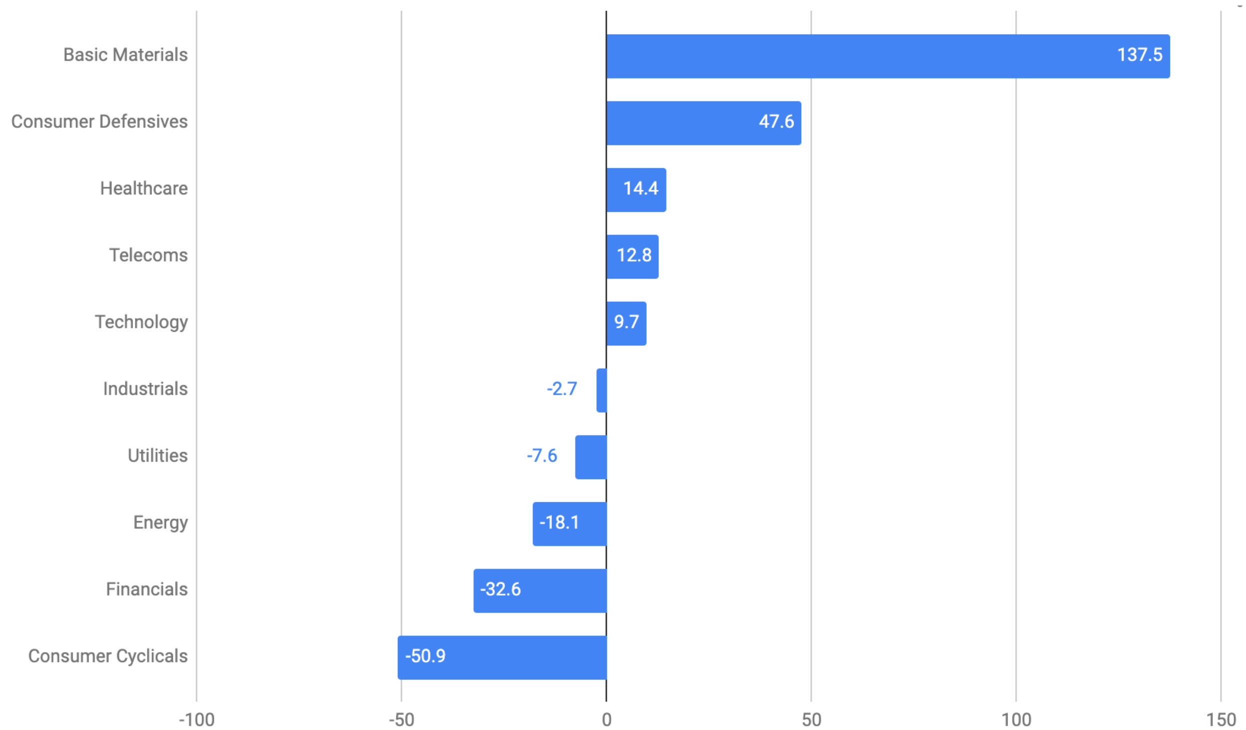
The good performance has been concentrated across a few themes, especially Gold, Food, Health and Gaming. Notably there has not been very strong breadth.



Petropavlovsk has been the stand out performer. It's scorched even further ahead this month and now stands 210% up for the year, while **Shanta Gold** is now up 65%. Jack has recently written an excellent article about Gold stocks with catalysts that highlights both of these names. Gold remains a terrific theme for investors, given the incredible stimulus provided to markets recently and the prospect of modern monetary theory becoming standard global policy. There could be a long way to run in precious metal stocks yet, and I hate to say it.

Premier Foods is another standout performer - now 125% up for the year. In clearing out supermarket shelves I couldn't help buying myself some Bird's Custard in case it really did become the end of the world. Premier Foods makes all these shelf-stables - like Ambrosia, Bisto, OXO, Paxo, Sharwood's, Bird's and Angel Delight etc etc - icky really, but Premier Foods looks like the perfect hedge for the Zombie Apocalypse.

Unsurprisingly the Energy and Cyclical stocks in the portfolio took a pasting in H1 as we stopped driving and buying anything we didn't need to survive. This sector performance chart really shows why diversification is so vital in a portfolio.



The benefits of not reading the news…

Stock markets are very volatile. In fact, they are far more volatile than they really should be even theoretically. Occasionally the market just **scares itself to death**. It certainly did that in March, perhaps justifiably. I thought it might even go lower… perhaps it will in future. Who really knows.

What I do know is that if you look at your portfolio, and read the news too often you are likely to end up less invested, and earn less returns from equities over the long run.

There have been many studies in the academic literature that illustrate this and explain it. Generally the researchers run an experiment as follows:

- Take a group of students or traders, and split them in half.
- Give them a certain amount of capital to invest.
- Show half of them news and prices every hour/day, show the rest of them news and prices rarely every month/year.
- Monitor their investment performance.

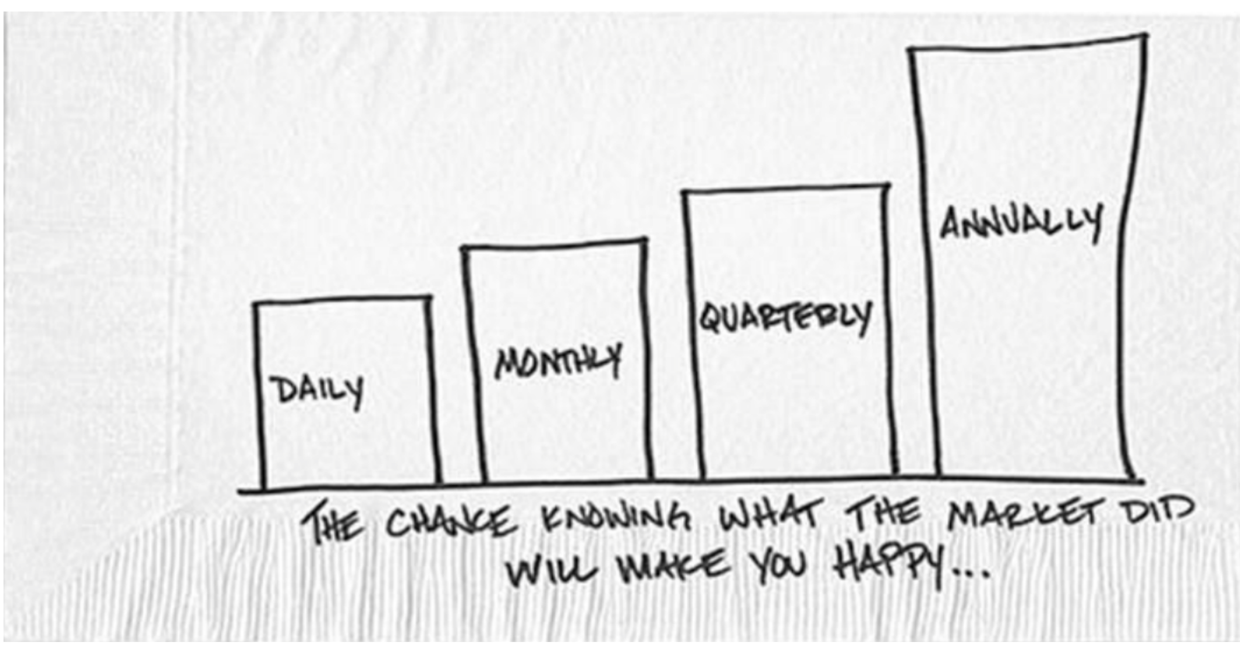
The results are always amazing, if predictable. Those that receive less frequent information on news & prices end up investing anywhere between 30%-80% more in riskier assets like equities. As the return expectation is higher for equities, they end up outperforming by a very large margin.

Behavioural Economist Richard Thaler has done some of the best work on this idea. He conjured the term "Myopic Loss Aversion" to explain this prevalent behaviour.   There is even evidence that the entire reason why equities outperform in the long run is because investors tend to over-optimise for the short term by over-protecting their capital in the face of volatility.

In his book Misbehaving he wrote:

> "Whenever anyone asks me for investment advice, I tell them to buy a diversified portfolio heavily tilted toward stocks, especially if they are young, and then scrupulously avoid reading anything in the newspaper aside from the sports section. Crossword puzzles are acceptable, but watching cable financial news networks is strictly forbidden."

Carl Richards of The Behaviour Gap has done a nice sketch to illustrate the probability that looking at the market, and your portfolio, will make you happy.



I can't predict the future, and it

Why not, as part of your summer reading, delete those news apps, and have a read of Rolf Dobelli's excellent, short manifesto instead - Stop Reading the News.

A change is as good as a rest...

The observant will know that I changed the strategy at the New Year mark. After five years of running the portfolio using a blended QVM (Quality + Value + Momentum) approach , I pivoted the whole strategy towards half High Flyers (that ignore V and focus on the QM rank) and half Turnarounds (that ignore Q and focus on the VM Rank).

At the tail end of a long bull market, I knew it was risky as the portfolio would be more momentum oriented, and also more full of adventurous and speculative risk ratings. But I hoped it would be more robust as the pure QVM approach was becoming rather full of tired cyclical names that I was sure were overdue a rest.

This change got a fair amount of criticism. People said I was introducing my own biases to the selection process. They were right, but the change has delivered results. **The old QVM Portfolio would have fallen 15.7% at the half year mark, outperforming the FTSE All Share by a mere 3.04%.** The new portfolio has dramatically outperformed.

I will be sticking with this new strategy for the NAPS - not only because it's performed better this year, but because it aligns more with my own research interests. There are some highly profound changes happening in the world economy, and a blended QM and VM approach may be more fruitful for the coming markets.

My reasoning is that the economy is shifting dramatically right now.

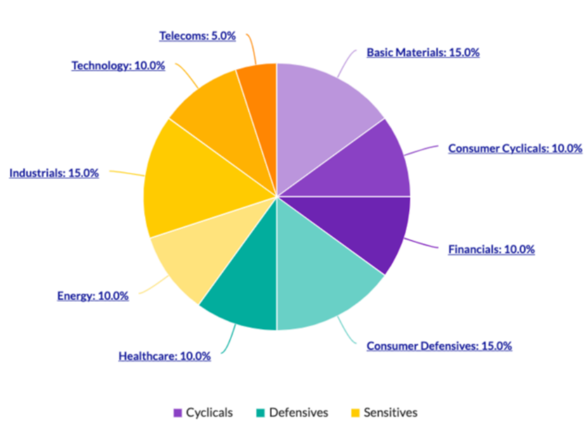
- There's a surge towards digital growth stocks, especially those that have benefited and look to benefit further from social distancing policies and the digital economy. QM/High Flyers are a good proxy for the 'growth' stock sector as whole for systematic investors, and these trends are likely to persist for some time. Anyone who wants to take the red pill and understand the profound shift that's happening in the valuations of platform digital businesses should read Geoff Yamane's work. I will try to summarise in layman terms in a future article.

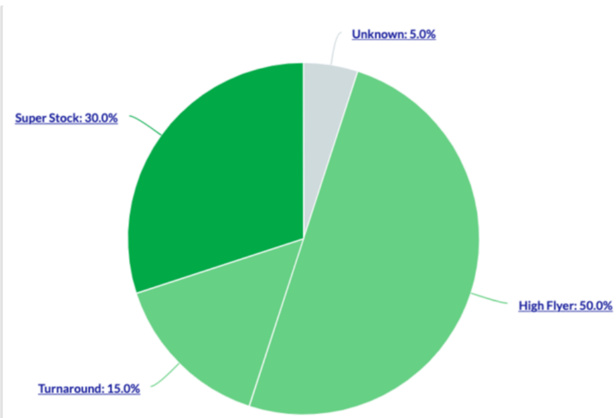
- The corollary of this is that value stocks are getting more beaten down than ever. I've been reading a lot of Dan Rasmussen's work, which shows that small cap value is as cheap as it's been in almost 20 years relative to growth stocks. I do believe beaten down value stocks are going to see a resurgence in coming years. Gervais Williams convinced me last year at Mello that the UK small cap sector is full of resilient, profitable value stocks that are well placed to benefit from a capital reallocation away from punchy late cycle growth valuations. So having a strong weighting towards VM provides good diversification. As we've seen, owning just one powerful turnaround stock (such as Petropavlovsk) can dominate a portfolio's returns for an entire year.

As a systematic or discretionary investor, you have to keep testing your thesis. Yes, I will always be a factor investor, but that doesn't mean I should blindly follow the data regardless of the economy. The economy is in a more tumultuous state than it's ever been, there is huge internal flux in the markets as it searches for new leadership. What I want to do is choose the factors that I think are most likely to be resilient, without giving up the chance of outperformance. I believe VM & QM is a sound way forward.

The half year SNAPS selections

Every half year I re-run the NAPS process to create the Semi-Year NAPS - or SNAPS portfolio. Please note that the selections below were made as of July 1st, using the final data from the end of the first half of the year. They have been selected entirely systematically. Half of the stocks are high QM, and half are high VM. They have been chosen according to the rules laid out at the start of the year. You can obviously use the tools on the site to come up with a more timely list as of today's date. I do apologise for this article being slow to publish - it's been a busy July for me unfortunately.





Thanks to Ben Hobson and the team for putting the write ups of the following stocks together.

Ticker	Name	Mkt Cap	QM	VM	StockRank	Sector
CEY	Centamin	2,294.2	98	84	95	Basic Materials
CSN	Chesnara	420.2	34	94	65	Financials
EMIS	Emis	649.3	91	44	78	Healthcare
ERGO	Ergomed	277.0	99	66	86	Healthcare
GFRD	Galliford Try Holdings	113.1	61	94	89	Industrials
HFD	Halfords	296.3	65	92	87	Consumer Cyclicals
IGG	Ig Group	2,754.7	96	89	95	Financials
KAZ	Kaz Minerals	2,562.5	86	97	92	Basic Materials
KLR	Keller	446.3	83	95	97	Industrials
WINE	Naked Wines	295.9	97	76	90	Consumer Defensives
POLY	Polymetal International	8,516.0	98	70	90	Basic Materials
PFD	Premier Foods	721.0	83	97	94	Consumer Defensives
AGRO	Ros Agro	936.7	92	99	98	Consumer Defensives
SQZ	Serica Energy	316.2	93	99	99	Energy
SPT	Spirent Communications	1,556.9	99	74	90	Technology
TM17	Team17	808.6	99	61	85	Technology
XPP	Xp Power	719.1	97	73	87	Industrials
YCA	Yellow Cake	198.0	70	86	59	Energy
YOU	Yougov	856.4	99	59	84	Consumer Cyclicals
ZEG	Zegona Communications	254.3	64	98	75	Telecoms

Consumer Cyclicals

Halfords

Sector: Consumer Cyclicals / Specialty Retailers

Market Cap: £312.6m

Stock Rank: 98

VM Rank: 99

Risk/Size/Style: Speculative, Small Cap, Super Stock

Anecdotally, it sounds like bike shops have found themselves in very strong demand during the Coronavirus lockdown. The question now is whether that will continue as the world starts to settle into new routines.

On paper, the move towards more cycling and more staycations (in tents rather than hotels) would suit a retail chain like Halfords. But of course, while the group has been open during the lockdown, retail life is far from normal. After a couple of years of negative price momentum, shares in Halfords picked up in June - catapulting it to a potentially strong value + momentum 'turnaround' play.

In its full year results in early July, Halfords' chief executive Graham Stapleton, said: "Despite the wider uncertainty caused by Covid-19, we remain confident in the long-term prospects for Halfords given the strong macro tailwinds within our market-leading Motoring and Cycling businesses."

YouGov

Sector: Consumer Cyclicals / Media & PublishingMarket Cap: £813.2m

Stock Rank: 98

QM Rank: 99

Risk/Size/Style: Adventurous, Mid Cap, High Flyer

YouGov is a classic High Flyer: very expensive across some traditional valuation metrics, but with quality ratios to die for and a hard to replicate brand servicing a global niche. The company is busy using its suite of products to capitalise on a global opportunity - it recently signed a strategic multi-year contract with a large international financial services company based in Germany, and it is expanding its panel to include Austria, Brazil, Switzerland, and Turkey.

With a Value Rank of just 7 and an eye-watering PE ratio of 38.2 times, YouGov is all about the Quality and Momentum Ranks. The share price just keeps going up, so maybe it's time to bite the bullet and jump on board.

The group reassures in its latest statement, saying: "Trading during the second half of our financial year has started positively and is in line with Board expectations for the full year. We are yet to see any material impact to our business from the global outbreak of COVID-19 and we continue to monitor the situation closely."

Industrials

Galliford Try

Sector: Industrials / Construction & Engineering

Market Cap: £130.3m

Stock Rank: 95

Risk/Size/Style: Speculative, Small Cap, Super Stock

Galliford Try joined the NAPS at the start of the year just as it was wrapping up a deal to sell its home building business to Bovis Homes (now Vistry Group). What was a mid-cap is now a small-cap but Galliford retains its strong Stock Rank - helped by a very strong Value Rank - and rolls over into the SNAPS portfolio.

On a six month basis, the stock has underperformed the general market, presumably over concerns about the impact of Covid-19 on its operations. In a trading statement during July, the company said it was re-doubling efforts to cut costs and conserve cash to account for the impact of the virus and the group's future business requirements.

Bill Hocking, Galliford's chief executive, said: "Going forward we are well placed to benefit from the planned spending in our chosen sectors and to support the rebuilding of the economy…"

Keller

Sector: Consumer Cyclicals / Media & Publishing

Market Cap: £454.94m, Stock Rank: 97

QM Rank: 96

Risk/Size/Style: Speculative, Mid Cap, Super Stock

Keller is a low margin, low multiple "geotechnical specialist contractor" - it lays the foundations for others to build on. The company says it has a 5% share of a $55bn global market but is still one its largest players. That suggests a fragmented global market ripe for the taking.

Industry trends all play to its strengths - urbanisation, more use of brownfield sites, infrastructure renewal and expansion, increasing demand for complete solutions and increasing technical complexity.

The group is surprisingly upbeat in its most recent statement, saying: “overall trading for the first quarter was better than our expectations, and materially better than the prior year. This was despite a deterioration in activity during the second half of March as the impacts of COVID-19 were felt across the group... Trading during the second quarter to date has been resilient, with the impact of COVID-19 being less significant on the group overall than first anticipated.”

XP Power

Sector: Industrials / Machinery, Equipment & Components

Market Cap: £703.5m

Stock Rank: 87

QM Rank: 98

Risk/Size/Style: Adventurous, Mid Cap, High Flyer

XP Power specialises in industrial power supply systems and components, and has offices around the world. Up until 2018, this FTSE 250 stock had been on a solid five-year run as earnings grew steadily. But as macro headwinds dragged on the performance, investors got spooked and the shares fell sharply through 2018.

XP’s shares have re-found their momentum over the past 18 months and they recovered quickly from the downturn in March. The company’s solid quality traits suggest that any financial and operational setbacks caused by coronavirus may be short-lived.

In a trading update in June, the company said: “Our strong order book gives good near-term visibility, but high levels of economic uncertainty and general market volatility continue to provide a wide range of potential outcomes for 2020. Longer term, the Board believes XP Power to be very well positioned to grow ahead of its end markets supported by strong cash generation and a robust balance sheet.”

Financials

Chesnara

Sector: Financials / Insurance

Market Cap: £412.7m

Stock Rank: 73

VM Rank: 97

Style / RiskRating: Adventurous, Mid Cap, Turnaround

Chesnara is in the business of managing life and pension policy books, both in the UK and parts of Europe. Its growth strategy is to buy up additional portfolios as well as writing new business itself. The watchword here is dependability.

Although 'Economic Value' will take a hit, Chesnara is a reasonably predictable business that has proved resilient to Coronavirus. Last year it generated lots of cash and kept up the momentum as an impressive dividend payer. The current yield stands at 7.75% and the payout has enjoyed modest single figure growth every year for several years. Based on the StockRanks, Chesnara shares look potentially well valued and have reasonable momentum behind them.

In its full year results in April, Chesnara's chief executive John Deane, said: SHistorical investment decisions have given us a balanced risk profile as a business. Prudent, yet progressive, historical dividend payments, a low gearing ratio (11%) and a keen focus on operational resilience have resulted in the business being able to cope well with the challenges of Covid-19 and provide our customers, investors and other stakeholders with a strongly capitalised business that provides stability and security in these uncertain times."

IG Group

Sector: Financials / Investment Banking & Investment Services

Market Cap: £3.09bn

Stock Rank: 94

VM Rank: 98

Style / RiskRating: Adventurous, Large Cap, High Flyer

When it comes to financials with high exposure to quality and momentum, it was no surprise to find IG Group, CMC Markets and Plus500 all ranking high in the current environment. CMC edged it on the scores but IG gave us a chance to add some large-cap diversification to the mix. In the end, we opted for the spread betting pioneer.

Shares in these trading platforms have a habit of outperforming when volatility sweeps through markets. With traders of all experience gravitating to wide swings in prices, IG has done very well. The share price dipped on the full year results, but it remains a high margin, high profitability business.

In its full year results, issued towards the end of July, IG said pre-tax profits had increased by 52% to £295.9 million. Chief executive June Felix said: “In FY20, we experienced growing client demand across the world for IG's products and services even prior to the exceptional period in Q4, and delivered record results.”

Energy

Yellow Cake

Sector: Energy / Uranium

Market Cap: £191.41m

Stock Rank: 78

VM Rank: 98

Risk/Size/Style: Balanced, Small Cap, Turnaround

Yellow Cake is a play on the price of uranium, without the exploration, development, mining or processing risks usually associated with an operating company. Founded and established by Bacchus Capital Advisers, the company purchases and holds uranium oxide through its long-term contract with Kazatomprom - the largest, and one of the lowest cost, producers of uranium globally.

A Balanced Turnaround stock with a VM Rank of 98, Yellow Cake looks like an unusual mix that could play a useful role as part of a diversified portfolio.

Management sounded upbeat in the latest results, with CEO Andre Liebenberg commenting: “The uranium spot price continued to rise during the year, as the effects of constrained supply, exacerbated by the impacts of Covid-19, and steady demand work in the commodity's favour. Given the ongoing NAV discount reflected in our share price, we have decided to launch a more substantive share buyback programme, and aim to capitalise on our supply agreement with Kazatomprom at the appropriate time."

Serica Energy

Sector: Energy / Uranium

Market Cap: £281.97m

Stock Rank: 98

VM Rank: 98

Risk/Size/Style: Highly Speculative, Small Cap, Super Stock

Serica is an independent upstream oil and gas company with operations centred on the UK North Sea. As of 2020, Serica has over £100m in cash, no debt and limited decommissioning liabilities, with natural gas making up over 80% of its production.

As the SNAPS' sole Highly Speculative pick, Serica is not without risk. It's hard to know where the oil price goes from here but a Value Rank of 86 provides some reassurance while we wait for a recovery. Indeed with its robust financial health, increased production levels and reduced operating costs, the company might even be able to take advantage of strategic opportunities as others struggle. Serica has strong ranks across the board meaning it comfortably qualifies for Super Stock status.

In the group's 2019 Annual Report, CEO Mitch Flegg commented: "2019 was a year of exceptionally strong performance in an increasingly challenging environment. We have now established Serica as one of the leading UKCS operators, as clearly demonstrated by increased production and reduced operating costs."

Basic Materials

Kaz Minerals

Sector: Basic Materials / Metals & Mining

Market Cap: £2.29bn

Stock Rank: 95

VM Rank: 97

Risk/Size/Style: Speculative, Mid Cap, Super Stock

Kaz Minerals is one of the largest copper producers in the world. With operations in Kazakhstan, this low cost miner has its sights set on becoming the leading natural resources company in Central Asia. It certainly looks to be growing at pace, having increased its copper output from 81 kilo tons in 2015 to 311kt as of 2019. The group has also ramped up gold production from 35koz to 201koz over that same period of time.

At less than ten times forecast earnings, high margins and returns on capital, and a healthy outlook for copper, Kaz's shares could offer attractive upside potential from current levels.

In the group's most recent trading update back in April Andrew Southam, CEO, said of working through the lockdown: "The measures we have taken have enabled us to deliver a strong quarter of production, with copper and gold output respectively 7% and 28% higher versus the prior year period, and to maintain our full year guidance."

Centamin

Sector: Basic Materials / Metals & Mining

Market Cap: £2.08bn, Stock Rank: 96

QM Rank: 99

Risk/Size/Style: Speculative, Mid Cap, High Flyer

Centamin owns and operates a Top 10 low cost, long life asset in Sukari, which has a life of mine greater than 15 years and a cost profile in the lowest half of its cost curve. The group appears conservatively run, with strong liquidity ratios and a net cash position. It also has a high quality institutional shareholder base and large free float.

It's a proven, profitable gold miner backed up by great F and Z-Scores, strong share price momentum, and solid dividend payments. It qualifies for both the

Value Momentum and Quality Income screens, suggesting an attractive mix of factors and dividend payments.

In a Q2 2020 update in July, the Centamin's CEO Martin Horgan said: "Today's results reflect a good first half performance for 2020... Whilst we continue to actively manage the potential future impacts of Covid-19, we remain confident we are on track to meet guidance and have narrowed the production range to 510,000 to 525,000 ounces and kept cost guidance unchanged."

Polymetal

Sector: Basic Materials / Metals & Mining

Market Cap: £7.4bn, Stock Rank: 91

QM Rank: 99

Risk/Size/Style: Balanced, Large Cap, High Flyer

Polymetal is a top 10 global gold producer with nine gold and silver mines and three development projects across Russia and Kazakhstan. Despite its large size and deep coverage (followed by 19 brokers), Polymetal remains modestly valued on a forecast PE basis (10x) with a PEG of just 0.4 even though it has benefitted from frequent earnings forecast upgrades over the past year. It also qualifies for the Quality Income screen - a reassuring sign for a miner.

Polymetal looks to have so far emerged from the Covid-19 disruption unscathed. In a Q2 update in July, the company reported that revenue was up by 30% y-o-y to US$ 641 million on the back of higher gold prices and sales volumes.

Vitaly Nesis, Group CEO of Polymetal, said: "Q2 saw a continued steady performance of the group." We have been taking a range of measures aimed at protecting our employees and contractors in light of the COVID-19 pandemic, while allowing our operations and projects to proceed without interruptions or delays to date."

Consumer Defensives

Ros Agro

Sector: Consumer Defensives / Food & Tobacco

Market Cap: £924.6m

Stock Rank: 98

QM Rank: 99

Style / RiskRating: Balanced, Mid Cap, Super Stock

This Russian agriculture business has major operations involved in the production of sugar, pork, crops, oil and fats. It floated in London in 2011 and promptly saw its price halve within a year. Since then, things have improved but it obviously brings some slightly unusual considerations.

For a start, the Russian rouble nose-dived as the price of oil slumped earlier this year. But on the upside, business has been booming in some areas of the business as consumer demand surged on the back of the coronavirus pandemic.

Unsurprisingly this is on a single figure multiple of 7 times earnings. And while the price has drifted over the past couple of years, analysts have upped their 2020 EPS forecasts from 13.95 rubles to 17.44 over the past couple of months. So this is a somewhat off-piste move into Russian agriculture.

In its Q1 Results in May, Maxim Basov, the group CEO, said “Q1 2020 showed strong performance in terms of sales and adjusted EBITDA. All business divisions except the Agriculture Segment demonstrated sales growth.”

Premier Foods

Sector: Consumer Defensives / Food & Tobacco

Market Cap: £676.9m

Stock Rank: 96

VM Rank: 99

Style / RiskRating: Adventurous, Mid Cap, Super Stock

Premier Foods is the owner of a stable of well known British food brands including Mr. Kipling, Bisto, Batchelors, and Ambrosia. It also has the license to make and sell Cadbury’s Mini Rolls. For years, this company has been weighed down by large debt levels and struggling pension funds - but things appear to be changing.

Net debt is tumbling and is now down from more than 5x EBITDA a couple of years ago to less than 3x. Meanwhile the group has alerted the market to a 'landmark' pensions agreement that will see it reduce the overall size of its schemes, while at the same time increasing funding levels and reducing administration costs. This not only makes it a safer company - it means free cash flow should increase and the group will have more firepower to spend on marketing its neglected brands.

In its FY20 Preliminary Results, the team said: "Revenues in the first quarter of FY20/21 are expected to be approximately 20% ahead of the same quarter a year ago reflecting continued strong demand for the Group's product ranges, particularly in our Grocery business. Consequently, we expect to exceed current expectations for FY20/21 Revenue and Trading profit despite incurring some additional operating costs in our supply chain."

Naked Wines

Sector: Consumer Defensives / Food & Drug Retailing

Market Cap: £309.7m

Stock Rank: 90

QM Rank: 97

Style / RiskRating: Adventurous, Small Cap, High Flyer

Last summer, Majestic Wine (as it was then known), sold its bricks and mortar retail business for £95m and pivoted to being an online-only business under the Naked Wines brand. Faced with a pandemic, this is the sort of business you might think would do well - and there are signs that it is.

The twist is that Naked Wines funds and sources wines from independent makers (and it encourages customers to do the same). By doing that it's trying to build an online community of wine lovers, who are also loyal customers. The catch is that it's not profitable yet.

Unusually, Naked Wines ranks highly for its quality traits despite losing money. That's partly because the rank uses long term averages and is still accounting for the old Majestic numbers. As it stands the new set-up, while growing quickly at home and in the US, isn't quite there. Even so, the shares have doubled from 200p to 400p since March and the financial picture is improving.

In a trading update in late July, the company said: The group continues to trade strongly, with total sales in June +67% vs the prior year, bringing sales growth for the first quarter to +77%. The Board continues to believe that Naked is ideally positioned to be a long-term winner from the inflection in consumer demand for online wine as a result of the Covid-19 pandemic.

Healthcare

Ergomed

Sector: Healthcare / Biotechnology & Medical Research

Market Cap: £228.5m

Stock Rank: 88

QM Rank: 99

Style / RiskRating: Adventurous, Small Cap, High Flyer

Ergomed is a service provider to the pharmaceutical industry, with a focus on making sure that new treatments don't have adverse effects and operating drug trials. It specialises in oncology, neurology and immunology, and the development of orphan drugs. It was brought into the NAPS folio at the start of the year and retains its place.

Ergomed was previously involved in drug development but has pivoted in recent years to the much more profitable provision of services to other developers.

In a trading update in July, the company said: "Building on the robust performance reported at the beginning of the year, Ergomed had an excellent first half, with overall growth in revenue driven by continued demand for its services across the integrated business, despite the global Covid-19 pandemic. Ergomed now expects EBITDA for the year ending 31 December 2020 to be materially ahead of current market expectations."

EMIS

Sector: Healthcare / Healthcare Equipment & Supplies

Market Cap: £668.2m

Stock Rank: 88

QM Rank: 97

Style / RiskRating: Balanced, Mid Cap, High Flyer

EMIS first appeared on the NAPS radar back in 2019 and was one of the strongest performers in the portfolio during the first half of last year. Competition is tough in this sector and it was displaced by Medica in this year's folio but now makes it back into the SNAPS.

EMIS is behind software that is used in pharmacies, GP surgeries and hospitals to help manage and share information. New businesses sales look likely to be down slightly this year but the most recent reports suggest that revenues have remained intact and EMIS is ploughing ahead with growth plans rather than furloughing staff and cost cutting. It's showing signs of being an increasingly wood quality business.

In a July trading update, the company said that trading for the half year has been in line with the board's expectations, despite uncertainty due to the Covid-19 crisis, albeit revenue was marginally behind the comparative period last year. Although there continues to be some uncertainty regarding the timing of new sales delivery, the Board's expectations for the full year remain unchanged."

Technology

Team17

Sector: Technology / Software & IT Services

Market Cap: £735.9m

Stock Rank: 86

QM Rank: 99

Style / RiskRating: Speculative, Mid Cap, High Flyer

Team17 is a UK-based computer game developer with a portfolio of over 100 games, including the iconic "Worms" franchise. The group's CEO, Debbie Bestwick, has a sizable 22% stake in the company.

Team17 have been a stellar performer over the past six months, riding a wave of investor enthusiasm for the gaming sector. The shares have turned out to be one of the big winners of the coronavirus lockdown. Combined with some solid quality traits, the stock is now one of the highest ranked QM shares in the market.

In a pre-close trading update in June, the company said: “Despite the challenges generated by C-19 we are delighted with an excellent start to FY2020 and, as previously announced, we have a solid pipeline of new releases weighted towards the second half of 2020. We have more games in development across our label than at any time in our history, including owned IP and are engaging with more partners seeking to have their games be part of our label and continue to see more new gamers playing our games and franchises during C-19.”

Spirent Communications

Sector: Technology / Communications & Networking

Market Cap: £1.55bn

Stock Rank: 91

QM Rank: 99

Style / RiskRating: Adventurous, Mid Cap, High Flyer

Spirent Communications has appeared a couple of times in the SNAPS portfolio in recent years. It is a communications technology company that focuses on connected devices, networks & security and lifecycle service assurance.

This is a solid High Flyer stock, which rebounded strongly from the market crash in March and has seen consistent earnings forecasts upgrades this year. It has a robust growth track record, and it looks like it won’t be suffering adverse effects from Covid-19.

In a Q1 update in April, the company said: “We delivered strong results in the quarter, with order intake showing good growth, revenue was up 12 per cent, and we drove robust profit growth compared to the same period in 2019. We benefited from our strong opening orderbook and we have continued to build momentum into the second quarter.”

Telecoms

Zegona Communications

Sector: Telecoms / Telecommunication Services

Market Cap: £257.7m

Stock Rank: 74

VM Rank: 97

Risk/Size/Style: Conservative, Small Cap, Turnaround

Zegona was established in 2015 with the aim of investing in businesses in the European TMT sector and improving their performance to deliver attractive shareholder returns. The group is led by former Virgin Media executives Eamonn O'Hare and Robert Samuelson. Its main interest is currently a 20%-plus stake in Spanish quoted telecoms group Euskaltel S.A., which is this year planning to expand rapidly using the Virgin brand.

In response to Euskaltel's Q2 update in July, Eamonn O'Hare, Zegona's Chairman and CEO of Zegona, said: "These results demonstrate the excellent progress being made by the new management team at Euskaltel, combining a focus on operating efficiency within the existing business with driving significant growth through National Expansion under the Virgin brand."