Top Stocks for 2020 - on doubling your money in five years

- Introduction
  - Explainer
    - What are the NAPS?
    - Sampling the 90+ set...
- The NAPS hit rates year by year
- The 2019 Performance and lessons learned...
  - Bad Break or Poetic Justice?
- A change in process...
- The 2020 NAPS Portfolio
  - VM - value & momentum "Turnarounds"
    - Reach
    - Galliford Try
    - Legal & General
    - Barclays
    - Good Energy
    - Enquest
    - Rockrose Energy
    - Shanta Gold
    - Petropavlovsk
    - Premier Foods
  - QM - quality & momentum "High Flyers"
    - Rank
    - Judges Scientific
    - Solid State
    - Associated British Foods
    - Medica
    - Ergomed
    - Frontier Developments
    - Aveva
    - Rightmove
    - Gamma Communications

Introduction

It's quite surprising that it's already been 5 years since the start of the NAPS Portfolio. I remember being in Australia at the time of its inception and, as ever, feeling really anxious that markets were a bit hairy and had already had a good run. Well now, 5 years later, they've continued to have a good run and I'm still feeling anxious. I guess anxiety is a good thing - bull markets are built on walls of worry after all.

Well I'm delighted to report that **the NAPS Portfolio has doubled over this time period** - a 102% return at the close, which is 15% annualised. To be fair, I haven't factored in transaction costs, but the average dividend yield over this period has been about 3.5% which more than covers stamp duty (<0.5%), bid-ask spreads (<2%) and platform & dealing fees.

It's been a bit of a bumpy ride over the last couple of years, and I'll go into this in a bit more detail shortly, but you can see the five year performance of the NAPS (in blue) versus the FTSE All Share Index (in grey) which managed only 20% over the same time period.

The NAPS have quintupled the return of the FTSE All Share in only an hour's work per year.



Explainer

What are the NAPS?

For anyone new to the site you may not be familiar with the NAPS. As I only have the time to write rarely these days, I feel a brief explainer is due.

The NAPS is a *"No-Admin-Portfolio-System"*. It selects the top 2 highest StockRank stocks from each of 10 sectors in the stock market, holds them for a year, then rebalances and does it all over again.

That's the essence. It's pretty simple and takes only a short period of time to put together. Over the years I got a bit carried away and made the process more complicated, but these tweaks have been to no added gain. At its heart this is a systematic process that's designed to remove any personal bias around share selection, and thus help reduce emotional attachment.

The NAPS piggy-backs a non-obvious phenomenon in the stock market. The more shares you own in a portfolio, the less impact each new position has on the outcome. The individual contribution of each position gets diversified away, and the portfolio is left with a return that is primarily driven by its underlying exposure to a few key factors - like the overall valuation and momentum.

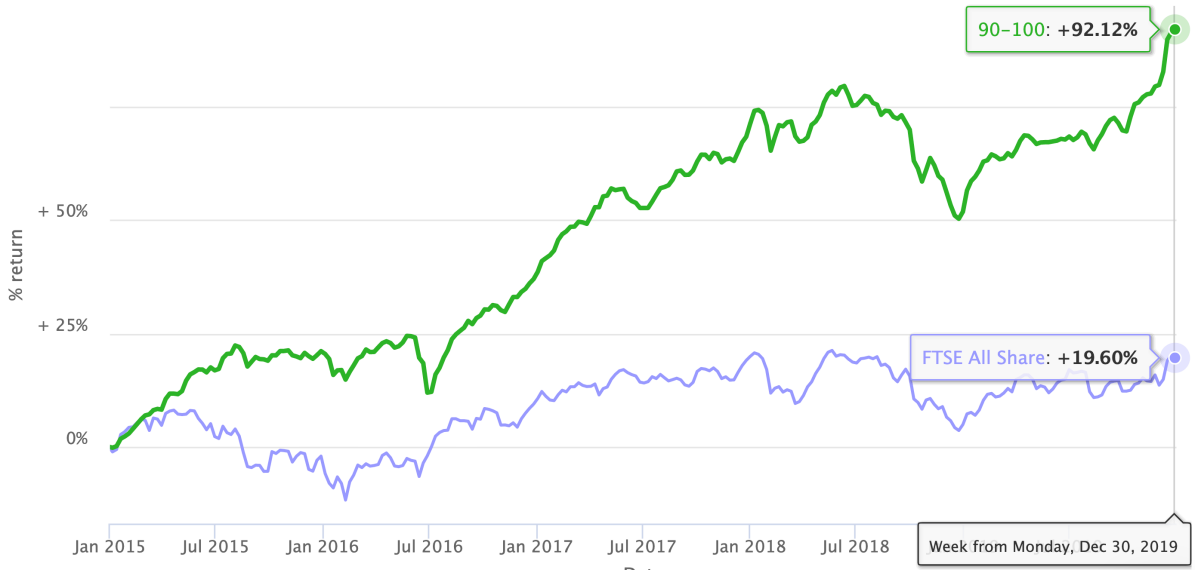
So the NAPS process inverts the typical process, shunning individual stock picking, and systematically selects a set of shares to maximise 'factor' exposure. The StockRanks act as the shortcut to do so.

Anyway - do read up on the NAPS history, there's a handy NAPS column page here and lots of LONG webinars about the process on Youtube. I am hoping to bind up all the NAPS writings into an eBook within the next few weeks and I'm sure I'll run another webinar soon.

Sampling the 90+ set...

Those that are paying attention may be aware that the StockRanks have generally performed quite well in global markets. Not in all, but in many and particularly well in the UK. Portfolios based on these factors of Quality (quality beats junk), Value (cheap beats expensive) and Momentum (strong beats weak) have tended to beat the market over long time periods.

In the UK the top set of 90+ StockRank shares has returned 92% in the last 5 years.



The goal of the NAPS was always to try to match the performance of this 90+ StockRank set. The best way to do that is to own **all** the shares in that bucket... but currently in the UK there are something like 180, so that's clearly unfeasible. **To solve for this, we use a sampling technique.**

If you followed the UK General Election, you'll know that only 23,000 people were asked who they voted for in the ballot box 'exit poll' conducted by John Curtice & the BBC. But this exit poll predicted with remarkable accuracy the actual result of the election - a landslide to the Tories. **Some asked how on earth only 23,000 people's votes could accurately predict the overall outcome 47 million voters?**

Well that's the magic of sampling.

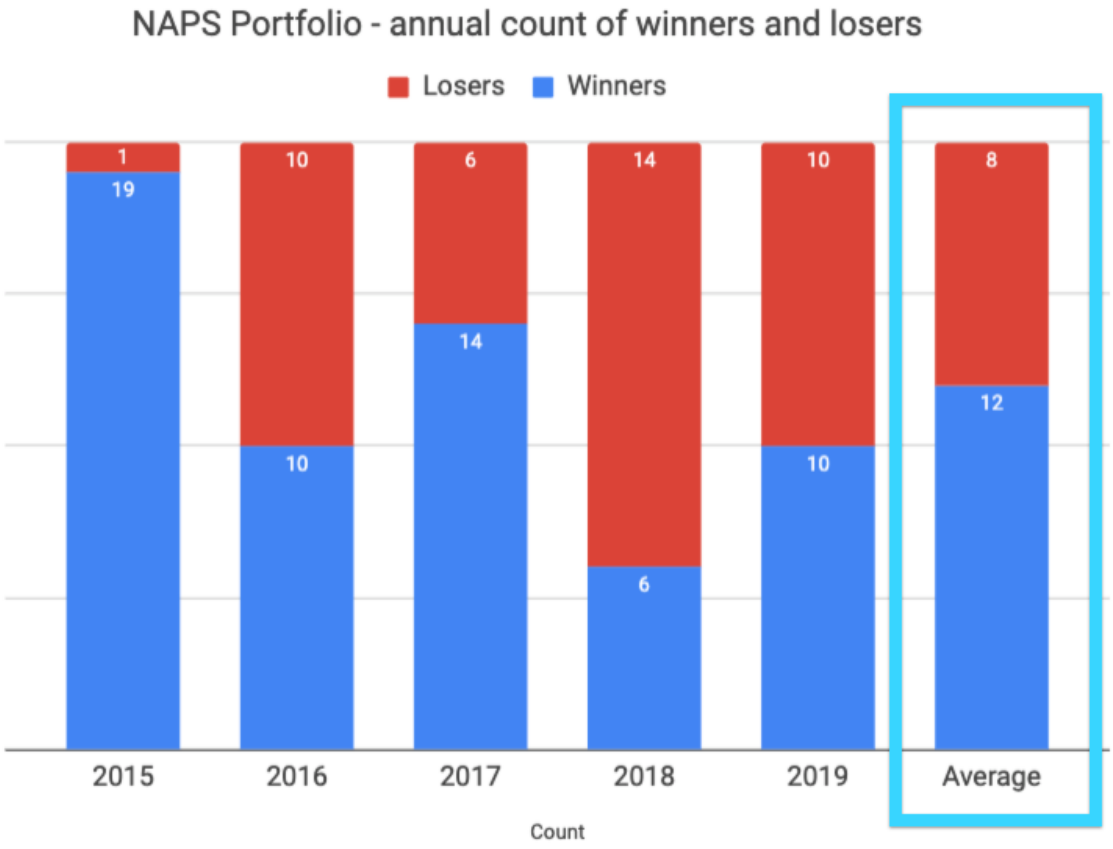
As long as a sample is **representative** of an overall population then it can be fairly accurate to a degree of confidence dependent on the size of the sample.

So the NAPS tries its best to 'sample' the overall population of high StockRank shares. Selecting 2 stocks from each sector is clearly not scientific, especially when some sectors like Utilities barely have any stocks in them, but it's enough to end up with a reasonable probability of coming close to the overall 90+ StockRank 'index' over an extended period of time. 30 stocks is better, but transaction costs and admin really build up.

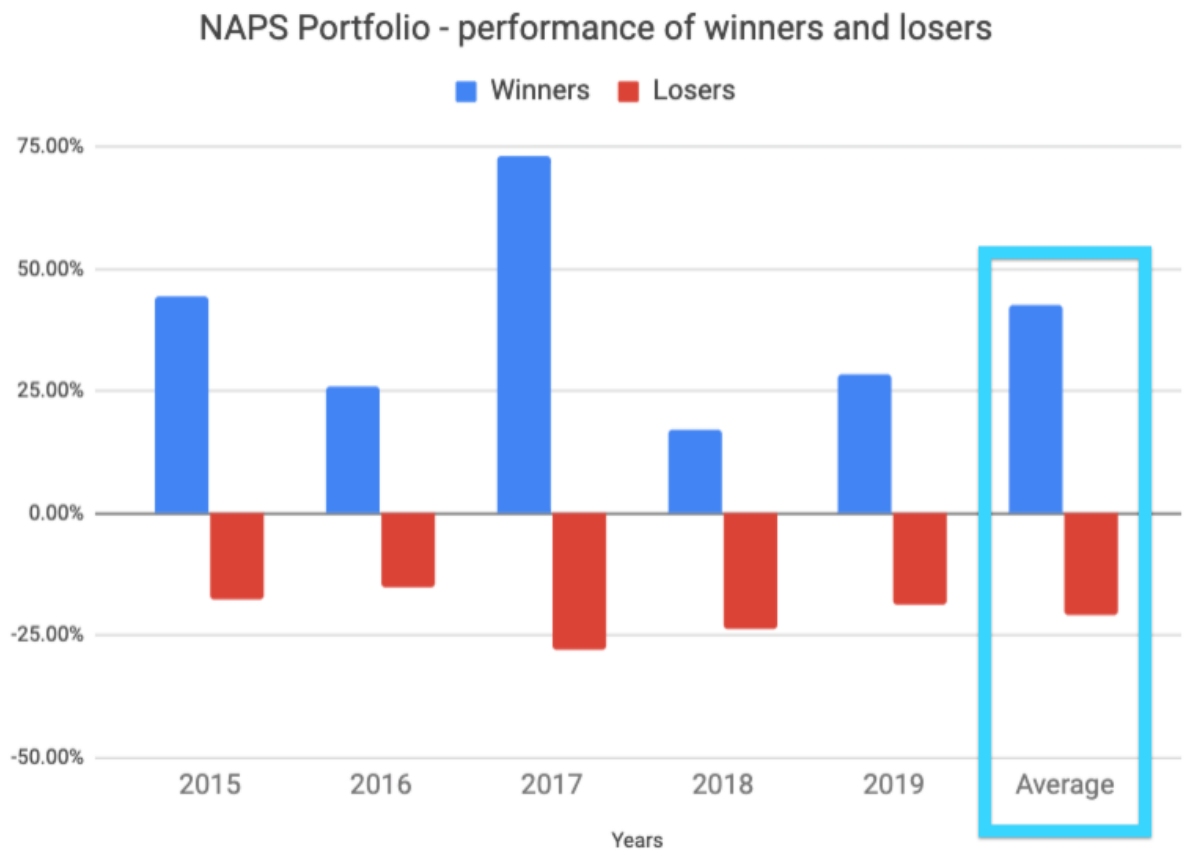
The good news is that the NAPS returned 102% versus 92% for the 90+ StockRank set. So it's done its job and beaten the benchmark. Although each individual year has performed rather differently. Let's take a look...

The NAPS hit rates year by year

Over the 5 years the NAPS have averaged about a 60% hit rate of selecting a winner over each 12 month period. One year it had a 95% hit rate, another there was only a 30% hit rate, but on average it was positive. What's interesting is that over the same time period the overall 90+ StockRank set actually did better than the NAPS - with something like a 65% hit rate - yet the NAPS outperformed. How so?



The answer lies in the average performance of the winners and losers. The average winner returned 43% each year, while the average loser lost 21%. These are better results than the 90+ StockRank decile. The NAPS stats are slightly skewed by the performance of a couple of shares that more than tripled in 2018 - IQE and GAW. But you do make your own luck. Well done to those that sold IQE before it fell, and even more hats off to those who hung onto GAW - especially into 2019.



As you can see there's a wide variability of returns. And that's fine. Those taking a long term view will be more than happy with these kinds of results. It's the long term that matters in wealth creation and wealth compounding.

In three of the years the portfolio outperformed the FTSE All Share, and in 2 of the years it underperformed. But overall, it quintupled the index. All achieved in one hour per year of selection. I spend a lot more time writing the process up than finding the shares.

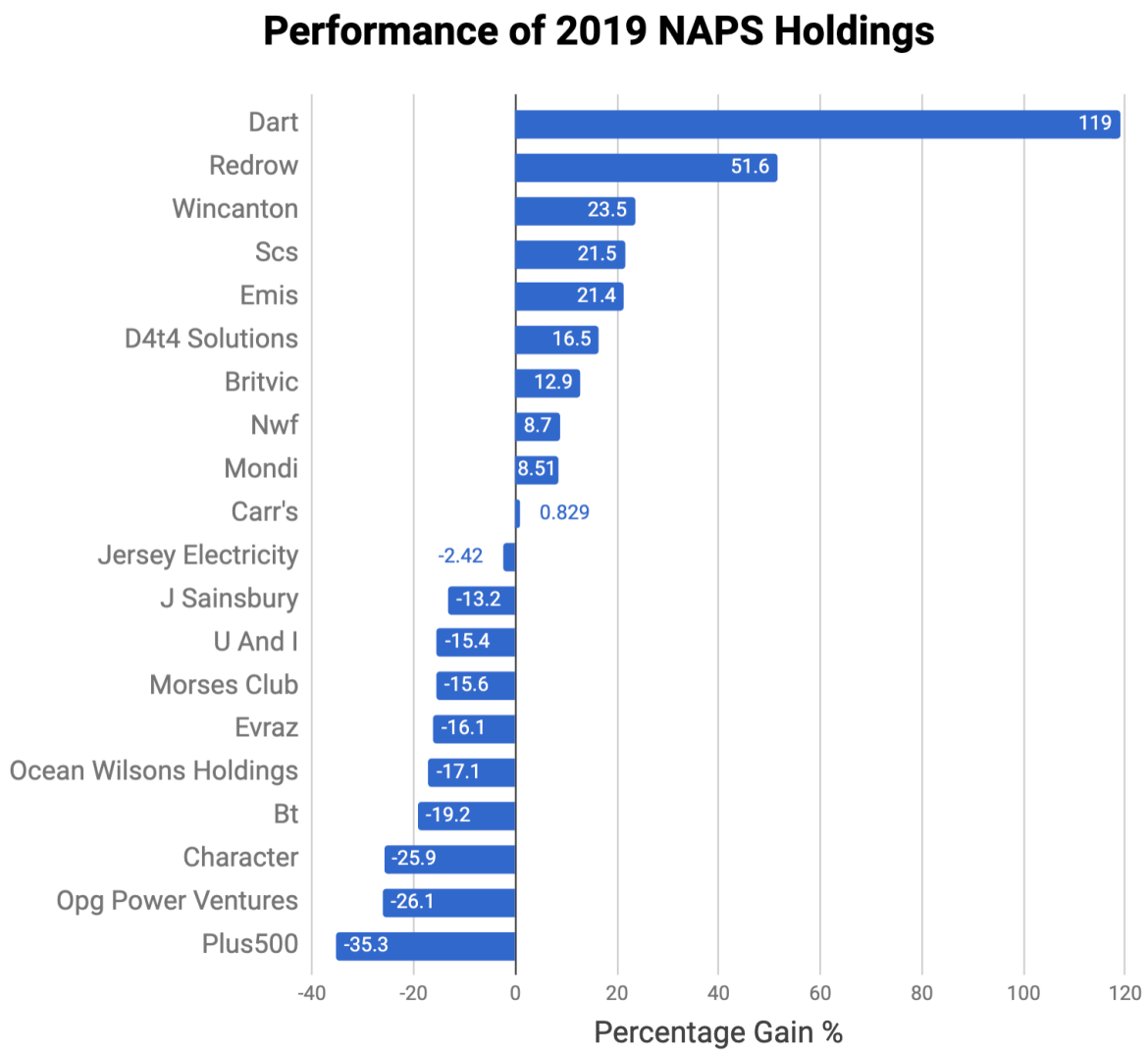
The 2019 Performance and lessons learned...

As for 2019, it's been a disappointing performance. The NAPS underperformed the FTSE All Share (+15%) significantly, although still managed to post a 6% gain for the year.



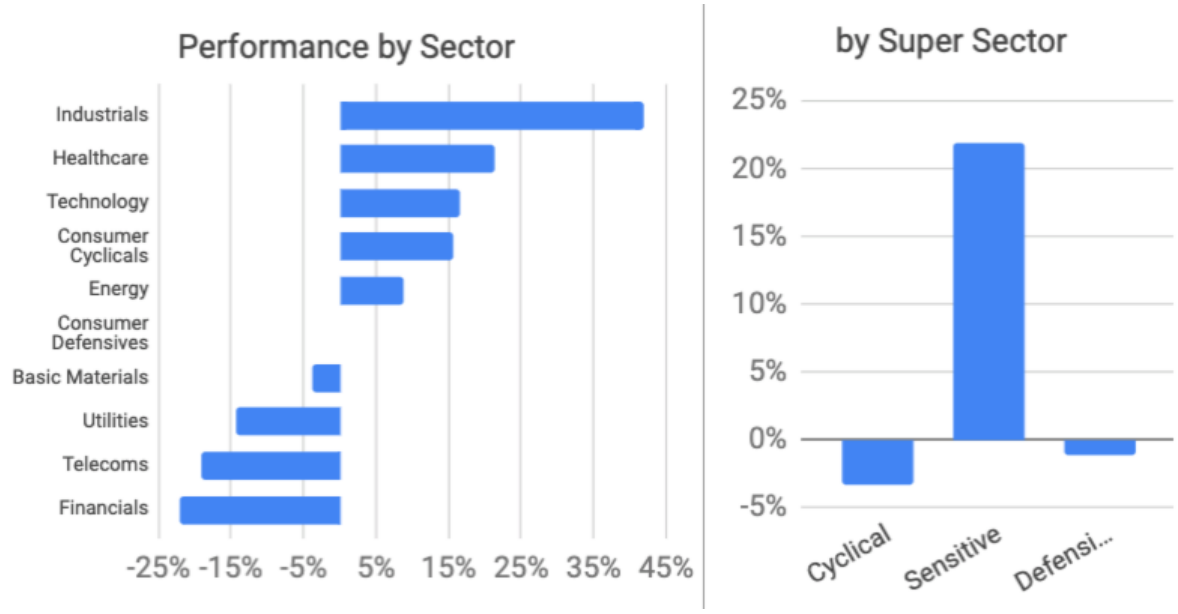
But 6% looks extremely poor when compared to the overall 90+ StockRank set, which returned 27% over the year. Losing out on more than 20% of gains hurts, especially when I was sampling explicitly for those returns.

So what happened? Well before I answer that, let's take a look at a what drove the performance and what did not.



It's a 50:50 distribution of winners vs losers which is poor given it's been a good year for the StockRanks. As has become customary, one of the winners massively outperformed. Dart Group - a perennial winner for Stockopedia subscribers - did it again, more than doubling over the year.

We've become accustomed to seeing this kind of pattern, one or two standout winners in the 20 stock portfolio. You really do need to cast a broader net to ensure you capture this kind of upside in your portfolio when systematically investing. A dedicated stock picker might be able to improve the odds of finding big winners in a more concentrated portfolio, but at the expense of a lot of additional research time.



The portfolio was dragged down by Financials - which is really due to Plus 500 . Now this is pretty interesting. In 2018, the community's reaction to the NAPS picks was to hate Indivior and in 2019 the community hated Plus 500. Both these stocks dramatically underperformed over the ensuing year. I have to give the community credit - there's a smart bunch on Stockopedia - and maybe the community should always get a veto!

Bad Break or Poetic Justice?

If you've been on Twitter or have chatted to many private investors out there you'll have heard a lot of stories of great success this year. Many have returned 25%++. Miserly Investor put out a great series of tweets describing how he achieved his 51% return. These are dedicated stock pickers who put a lot of time and effort into their research and have reaped strong rewards in 2019.

But the overall NAPS hit rate and return were seriously below par in 2019. And it's seriously lagged the 90+ StockRank benchmark. It's hard underperforming like this, and leads to some soul searching. I come back again and again to Michael Mauboussin's quote when reflecting on good or bad outcomes as *"in too many cases, investors dwell solely on outcomes without appropriate consideration of process."*

	Good Outcome	Bad Outcome
Good Process	Deserved Success	Bad Break
Bad Process	Dumb Luck	Poetic Justice

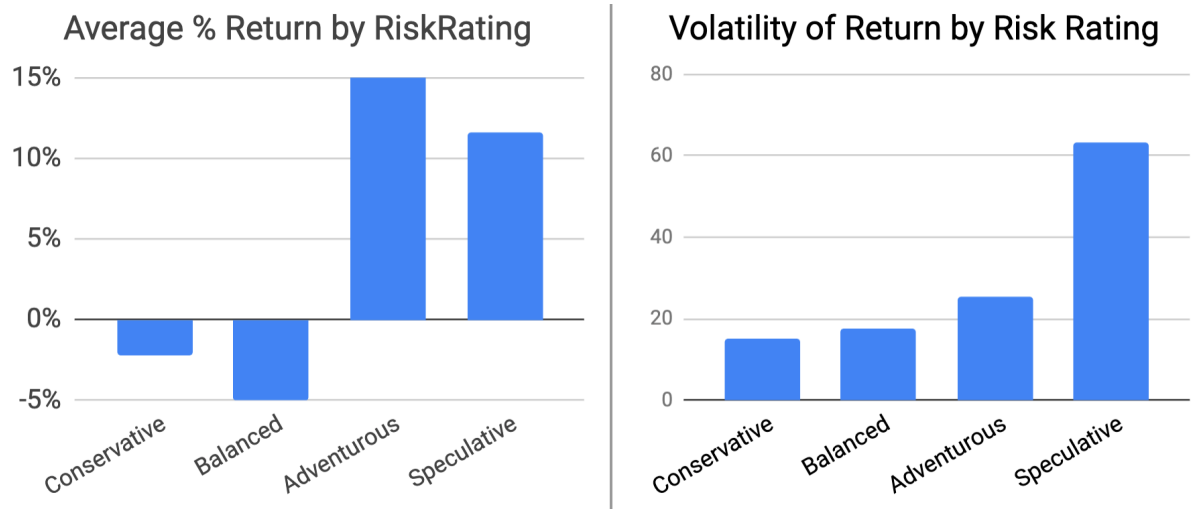
The NAPS had a Bad Outcome - is this a Bad Break on a good process or is it Poetic Justice due to a bad process? In the corner of the 'Bad Break' is the fact that we were overdue to pick a portfolio that came out at the bottom end of the distribution. Read the half year review I posted to remind yourself that this year's NAPS were a big outlier. Almost every other randomly picked 90+ ranked diversified portfolio beat it.

But there is another factor for me to consider which makes me believe it may not just be a Bad Break. I may have made a mistake in **constraining** the portfolio in the last 2 years by **over-diversifying**.

I'd put more and more diversification constraints on the NAPS in 2018 and 2019 - diversifying not only across sectors, but also across industry groups, risk ratings and size groups. But all my recent studies suggest this has been a negative, and indeed some in the community predicted so.

I now believe that you can add **too many constraints** to an equity portfolio, and that if you do, you can end up suffocating the upside. The additional constraints actually pushed the overall StockRank of the portfolio down.

You can see from the below charts that the 50% weighting towards lower risk shares (conservative & balanced shares) just didn't help. Low Risk shares in the portfolio actually lost ground in 2019. In forcing the portfolio to hold more of them, it hindered the upside. Now this is can be expected in low volatility shares as they rise less in bull markets, but fall less in bear markets, so perhaps I shouldn't be surprised. But still... it's made me reflect on why I'm doing this. This is a long term portfolio with a long term timeframe so it really ought to try to maximise upside a bit more and be willing to take on more risk.



So I'm going to ditch the extra constraints, and give the portfolio more freedom. It's sector diversification only from now on and any risk and size diversification will be naturally emergent from the picks.

A change in process...

The NAPS have for 5 years, focused entirely on what we call "Super" Stocks - stocks that have the triple blend of good quality, good value and strong momentum. That style focus has served us very well.

But this is the end of a 5 year period and I feel like doing something different. If you've watched any of my webinars and got to know the nuances of the StockRanks and the Styles, you'll be aware that ***there are many ways to make money in the stock market***.

While "Super" Stocks have done very well, I'm interested in focusing the portfolio more on "**High Flyers**" and "**Turnarounds**". High Flyers are high QM stocks (high quality, strong momentum but often expensive) while Turnarounds are high VM stocks (good value, strong momentum but often questionable quality).

If you go and check out our performance tracking of the various combinations of the StockRanks (only available in the new version of the site) you'll see that the highest VM Rank & QM Rank portfolios have actually beaten the performance of the highest QVM (StockRank) portfolios over the last 5 years. Not only this, but high QM and VM shares offer much more interesting and dynamic names.

So I'm going to divert the process away from pure QVM and start afresh. *(For those interested in the QVM NAPS - I will publish the list of current qualifiers below in a comment at the bottom of the article online, and I may continue to track it for the next five years.)*

This year I'm splitting the NAPS down the middle.

- **Half the portfolio will be invested in the highest VM Rank shares (mostly turnarounds & super stocks)**
- **Half the portfolio will be invested in the highest QM Rank shares (mostly high flyers)**

The top two shares are selected from every sector, but only a single share is allowed from each of Telecoms and Utilities - as these are the smallest sectors and have limited opportunities.

No shares allowed with a spread above 5% & no shares allowed with a market cap below £25m.

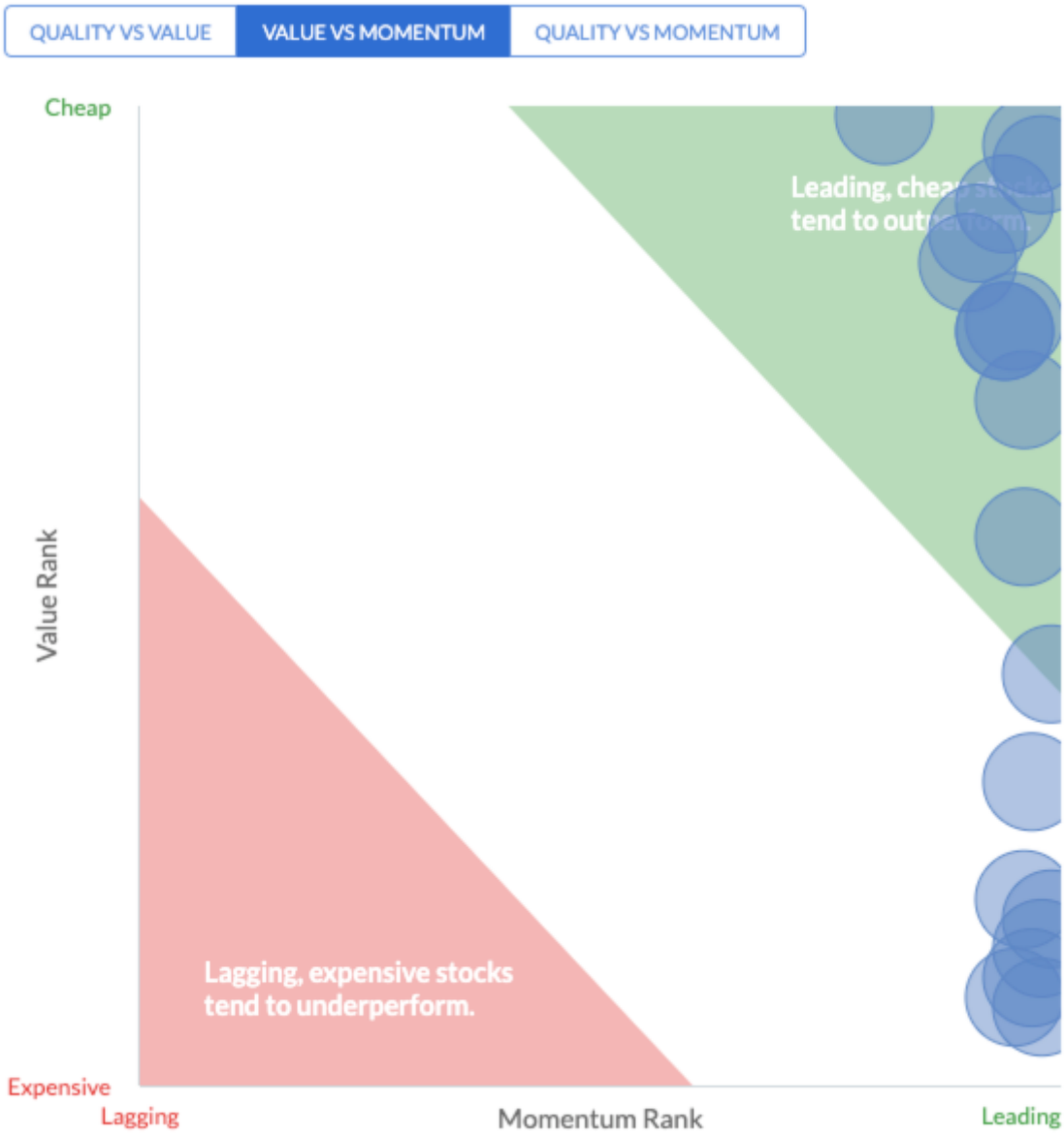
There are no additional diversification rules. I'm trying to keep it simple.

What's interesting about this approach is that VM & QM really compliment each other across the sectors. VM shares completely fill up the Financials, Energy, Basic Materials & Utilities slots, while QM shares fill up all the Healthcare, Technology and Telecoms slots. The other sectors gain a single selection from each.

Manually building the portfolio above is very straightforward just using the screens linked to above. I end up with 10 VM and 8 QM shares - leaving two final 'wildcards'. I don't want to use any discretion, so the final two slots are awarded to the highest qualifying QM candidates that didn't make the first pass so there's no more than three in any sector.

The portfolio generated is quite sharp. There's a strong momentum loading - the median stock is up more than 80% in the last year which I'm sure will worry many a contrarian value investor. If there's a correction, this portfolio could correct harder than the market, but if momentum continues, it may well do well.

As you can see from the bubble chart below the portfolio has strong momentum across the board, but is tilted towards both cheap (value) and premium (quality) shares in a new form of barbell. 🤞



The 2020 NAPS Portfolio

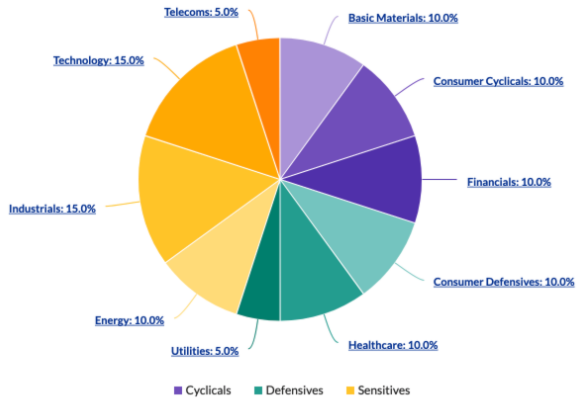
Please note that absolutely none of the following should be taken as "share tips" nor as investment advice. I have long said that the NAPS are illustrative and educational and should be used as food for thought when designing your own process. Stockopedia is a site for self-reliant, DIY investors, and I do implore you to do your own research. If you want advice, you should speak to a financial advisor.

Anyway - the full selections that qualify for these rules are below.

Flag	Ticker	Name	Mkt Cap £m	Risk Rating	Size Group	StockRank Style	Sector	Stock Rank™
	ABF	Associated British Foods	20,567.7	Balanced	Large Cap	High Flyer	Consumer Defensives	90
	AVV	Aveva	7,519.6	Adventurous	Large Cap	High Flyer	Technology	80
	BARC	Barclays	31,103.6	Balanced	Large Cap	Turnaround	Financials	88
	ENQ	Enquest	365.3	Speculative	Mid Cap	Neutral	Energy	93
	ERGO	Ergomed	185.8	Adventurous	Small Cap	High Flyer	Healthcare	79
	FDEV	Frontier Developments	475.5	Speculative	Mid Cap	High Flyer	Technology	87
	GFRD	Galliford Try	971.7	Speculative	Mid Cap	Super Stock	Industrials	98
	GAMA	Gamma Communications	1,260.3	Adventurous	Mid Cap	High Flyer	Telecoms	83
	GOOD	Good Energy	35.1	Speculative	Micro Cap	Super Stock	Utilities	97
	JDG	Judges Scientific	351.5	Adventurous	Mid Cap	High Flyer	Industrials	85
	LGEN	Legal & General	18,074.6	Balanced	Large Cap	Turnaround	Financials	87
	MGP	Medica	180.6	Speculative	Small Cap	High Flyer	Healthcare	86
	POG	Petropavlovsk	421.7	Adventurous	Mid Cap	Neutral	Basic Materials	86
	PFD	Premier Foods	320.5	Adventurous	Small Cap	Turnaround	Consumer Defensives	92
	RNK	Rank	1,082.2	Adventurous	Mid Cap	High Flyer	Consumer Cyclicals	96
	RCH	Reach	408.2	Speculative	Mid Cap	Super Stock	Consumer Cyclicals	98
	RMV	Rightmove	5,563.4	Conservative	Large Cap	High Flyer	Technology	82
	RRE	Rockrose Energy	245.2	Highly Speculative	Small Cap	Neutral	Energy	92
	SHG	Shanta Gold	75.2	Speculative	Small Cap	Neutral	Basic Materials	90
	SOLI	Solid State	54.0	Speculative	Small Cap	Super Stock	Industrials	97

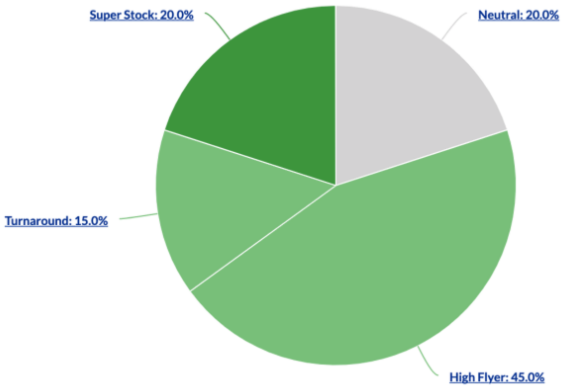
Sector breakdown

Portfolios concentrated in fewer economic sectors may result in more volatile outcomes.



Style composition

Choosing winning styles give you the best chance of beating the market!



Now follow some brief writeups - thanks to Ben and Jack for scribing these briefs. Wishing you all the best of luck for 2020.

VM - value & momentum "Turnarounds"

Reach

Sector: Consumer Cyclicals / Media & Publishing

Market Cap: £408m, Stock Rank: 98

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

Reach is the national and regional publishing group behind brands like the Daily Mirror. It changed its name from Trinity Mirror in 2018 when it acquired Richard Desmond's Express and Star titles. For a time this year it was in the frame to buy a portfolio of titles from JPI Media, but pulled out of that deal in November.

Reach has frequently been touted as a value play over many years. In 2012, it was one of the big winners for Stockopedia's Paul Scott. And while many predict a slow and steady decline for the news print industry, Reach periodically bounces back into fashion. Its shares have risen by 90% in 2019, but the deathly sentiment around it prices it in bargain basement territory. Some are hoping that it can pull off a similar digital rebirth to Future Group which has had an astounding recovery.

In a full-year trading update in November, Reach said: "Cash generation continued strongly during the period and the company's balance sheet remains robust. In light of this favourable ongoing performance, we now expect to show a net positive cash balance at the year end... The Board remains confident that the full-year performance will meet its expectations."

Galliford Try

Sector: Industrials / Construction & Engineering

Market Cap: £971m, Stock Rank: 98

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

Galliford Try shareholders recently gave the thumbs-up for the group to sell its home building business to Bovis Homes. The £1.1bn cash and shares deal will leave Galliford's shareholders with a near 30% stake in the enlarged Bovis and a 100% holding in Galliford as it continues as a more focused construction business.

The bad news is that Galliford is now much more exposed to unpredictable and low-margin infrastructure contract work that the market tends to dislike. That said, the result of the general election, and the signs that extra infrastructure spending could be on the cards, is a plus for Galliford, and its share price picked up as a result.

In response to the deal announcement, Peter Ventress, the chairman of Galliford Try, said:

“For Galliford Try, it establishes a focused and well-capitalised construction business led by a very experienced and dedicated management team. Supported by a robust order book and strong market positions in key sectors, Galliford Try will be well positioned for the future.”

Legal & General

Sector: Financials / Investment Banking & Investment Services

Market Cap: £18.07bn, Stock Rank: 87

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

Many will know Legal and General well. It's a successful, FTSE 100, high street life insurance company that also offers a variety of investment products to customers. It's a low P/E, high yield stock that's easily overlooked but currently showing strong price and earnings momentum. It's the top financial qualifier and provides a bit of large cap backbone to the selections.

In a November Business update Nigel Wilson, Chief Executive, said:

"Our business continues to go from strength to strength. Our year-to-date operating performance across all five of our divisions is good reflecting the strong execution of our stated strategy. We remain disciplined in our deployment of capital, and our balance sheet and net cash flow are strong. We are taking advantage of favourable market conditions to raise debt, and remain confident in Legal & General's ability to grow sustainable profits over the long-term."

Barclays

Sector: Financials / Banking Services

Market Cap: £31bn, Stock Rank: 88

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

The last 10 years have been a traumatic time for many of Britain’s banks and their shareholders. The financial crisis still casts a shadow over the sector, and the low interest rate environment - which was triggered by that crisis - has in part been a major pressure on profits across the sector. That said, Barclays isn’t performing badly. It’s UK consumer and business lending business appears

to be holding up, supported by its more international, corporate-focused operations.

Barclays shares have drifted lower over the past decade and the negative momentum has, if anything, worsened over the past two years. But 2019 has seen some renewed vigour in the price. Could Barclays be turning a corner? The shares look cheap and the promise of a brighter outlook for UK business and consumers could push them further in 2020.

In its third quarter results, James Staley, Barclays' Chief Executive, said: "For the year to September our Group RoTE stands at 9.7%, including a 10.2% return in the third quarter. Profit before tax was just under £5bn, excluding litigation and conduct, and earnings per share were 19.7 pence for the nine months. These represent another set of consistent and resilient results, and they show the benefits of our diversified model - one which allows us to weather today's macro headwinds, and grow our businesses and profitability over time."

Good Energy

Sector: Utilities / Electric Utilities & IPPs

Market Cap: £35m, Stock Rank: 97

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

As the name suggests, Good Energy buys, generates and sells electricity from renewable sources (including wind and solar farms) and also offers a green gas product. In 2018 it posted a pre-tax profit of £1.7 million on sales of £117 million. Among its recent innovations is a pilot scheme to install electric vehicle charging points for businesses.

Shares in Good Energy came under pressure between 2017 and 2018, but momentum improved markedly in 2019. The question now is whether this on-trend, micro-cap, green energy story can convince the market that it's on the right track. For now, it's relatively cheap valuation and improving momentum are signs of improvement.

In the company's half-year report in September, Juliet Davenport, Founder and CEO, said: "It is an exciting time for Good Energy as the market continues to undergo a significant period of change. As energy switches from 'supply' to 'share', we are ideally positioned, having helped homes and businesses share clean power through our innovations over the last 20 years."

Enquest

Sector: Energy / Oil & Gas

Market Cap: £365m, Stock Rank: 93

Risk/Size/Style: Speculative, Small Cap, Neutral

EnQuest is an oil and gas development company with assets offshore the UK and Malaysia. The company saw revenues rise in the first half of 2019 on higher production rates - but like all oil companies, it's perpetually endeavouring to balance significant capex on drilling and oilfield development against an unpredictable oil price. This year it's worked out well for Enquest and more development drilling is either underway or planned.

In terms of share price, this has been a flat year for Enquest, and on standard measures the stock looks cheap. In this sector, assets and development potential are crucial, so all eyes are on its ongoing drilling work and efficiency programmes.

In the company's half-year report in September, EnQuest's Chief Executive, Amjad Bseisu, said: "The Group has delivered a strong performance in the first half of 2019. Production was towards the top end of our full year guidance range and we continue to control our operating expenditures, with unit opex of $20/boe in the period. We have generated strong cash flows in the period and significantly reduced our debt, with our net debt:EBITDA ratio at 1.8x, ahead of our target to be below 2x by the end of 2019.

Rockrose Energy

Sector: Energy / Oil & Gas

Market Cap: £245m, Stock Rank: 92

Risk/Size/Style: Highly Speculative, Small Cap, Neutral

Rockrose Energy is the number one stock pick in the Stockopedia Challenge - as picked by the community - so it's gratifying to see it qualify here too. Much fancied by the esteemed John Rosier, it's an oil and gas producer with assets in the UK and the Netherlands. It's run by CEO Andrew Austin, who was formerly boss of IGas Energy. Rockrose has been a keen acquirer of new acreage positions in recent years but 2019 saw a transformative deal to buy the North Sea business of Marathon Oil for £75.1m. That shifted Rockrose's daily production from around 11,000 barrels of oil equivalent per day to more than 22,000 boepd.

Shares in Rockrose have traded flat since the Marathon deal completed in July, but have picked up towards the end of the year. On conventional valuation metrics, the stock looks cheap. Meanwhile, development drilling on its acreage continues.

At the time of the Marathon deal in July, CEO Andrew Austin said: *"The quality of the assets and team materially strengthens Rockrose, with a significant uplift in our reserves and production and marks a significant step towards our strategic ambition of having operations of scale in the North Sea."*

Shanta Gold

Sector: Basic Materials / Metals and Mining

Market Cap: £77m, Stock Rank: 90

Risk/Size/Style: Speculative, Small Cap, Style Neutral

Speculative, small-cap mining companies come with high risks but their potential lottery-like payoffs often attract investors. Shanta Gold is slightly unusual in that it's a small gold producer with a track record of revenues and profitability. Its Tanzanian-based assets include New Luika Gold Mine, Singida, Songea and Lupa Goldfield exploration.

Shares in Shanta put in a very solid performance in 2019, as the price of gold rose through the year. Indeed, part of its appeal is its lack of reliance on UK economic or consumer sentiment. All the same, small-cap mining companies are highly sensitive and often get priced accordingly. Shanta's single-figure P/E speaks to the market's wariness of these kinds of shares.

In a Q3 update in October, Eric Zurrin, Shanta's Chief Executive, said: "As we rapidly pay down our debt and improve our financial position, New Luika Gold Mine continues to perform operationally. This quarter has seen us produce over 22,000 oz of gold and positions the Company on track to again meet our guidance for the year. Net debt at US$20.7 m is now the lowest it has been in over six years and has decreased by over 50% since the same period two years ago."

Petropavlovsk

Sector: Basic Materials / Metals and Mining

Market Cap: £421.72m, Stock Rank: 86

Risk/Size/Style: Adventurous, Mid Cap, Style Neutral

This is the kind of share that's much ignored on Stockopedia by the community who tend not to like miners. It's a vertically integrated gold producer founded by Peter Hambro that had an absolutely stellar run up to 2008 before falling back calamitously. It operates in Russia which is never favourable with British Investors these days, but that also makes it trade cheaply. The company operates 3 gold mines - open pit and underground - and has built a pressure oxidation plant (POX Hub) which is now used to maximise gold output and recovery.

The company has a lot of debt (equivalent to the market cap) but interest is well covered with 4.5x cashflow and the credit ratings improving their outlook. Equity dilution has been minimal in the last few years. The share has had a strong run in 2019 as new shareholders have acquired stakes aggressively - including the Abu Dhabi & Norwegian Sovereign Wealth funds. If you haven't yet checked out the new Major Shareholder data available on Stockopedia - please do check it out - it's a super resource.

CEO Pavel Maslovskiy commented on the H1 2019 Financialsin September: *"This is a strong set of results which underscores the financial outcome of the operational turnaround underway and steady ramp up of our key asset, the POX Hub. One of the major benefits of the robust performance at our operations is that total cash costs for H1 2019 were lower than the guidance originally given at the start of the year."*

Premier Foods

Sector: Consumer Defensives / Food & Tobacco

Market Cap: £320m, Stock Rank: 92

Risk/Size/Style: Adventurous, Small Cap, Neutral

Premier Foods is behind a range of branded and own label food and drinks such as Mr Kipling, Oxo, Bisto and Homepride. The group swung to a net loss in 2019 caused in part by an anti-discrimination ruling on women's pensions and certain impairments to intangible assets. A strategic review is ongoing and debt, while falling, is still high, with gross gearing standing at around 50%.

In the face of such challenges, it’s no surprise that the market is indifferent about Premier Foods’ shares. Yet the group’s first-half figures were actually better than expected and brokers are beginning to up their forecasts. The share price responded with an uptick in the latter weeks of 2019, but the question now is whether that momentum can continue.

In its half-year report in November, Premier Foods' chief executive Alex Whitehouse, said: "We are targeting some largely operational cost savings over the next two years and we are on track to meet our Net debt/EBITDA target of 3.0x by the end of this financial year. With a better H1 than planned, we are confident in our expectations for progress in the full year."

QM - quality & momentum "High Flyers"

Rank

Sector: Consumer Cyclicals / Hotels & Entertainment Services

Market Cap: £1.08bn, Stock Rank: 96

Style / RiskRating: Adventurous, Mid Cap, High Flyer

The Rank Group runs casinos and bingo halls in the UK and Spain. As far as Leisure companies go, these are particularly lucrative and cash generative businesses to be involved in. With Grosvenor Casinos and Mecca Bingo, Rank Group has two of the biggest UK brands in the game.

Although a period of exceptional impairment and lease charge costs weighing down profits, the underlying profitability of Rank's operating model can be an able driver of earnings and share price momentum for the year ahead.

Another growth driver is its strategic focus on growing its digital position, exemplified by the £115m acquisition of online casino and bingo operator Stride Gaming. Rank says this move gives it 'a proprietary technology platform and highly experienced team which will accelerate [its] transformation... and create one of the UK's leading online gaming businesses'. `Exciting times for one of the UK's premiere Leisure companies.

John O'Reilly, CEO of Rank, said in the group's October trading update:

"The acquisition of Stride marks a pivotal moment in the development of our digital offering and having completed on 4 October 2019, we are now starting the execution of all our plans for integration and delivery of synergy benefits."

Judges Scientific

Sector: Industrials / Machinery, Equipment & Components

Market Cap: £352m, Stock Rank: 85

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

Judges Scientific is behind an expanding empire of specialist scientific companies - Jack wrote a detailed research report about it here. It's another stock that has been a triumph for many individual investors who have stuck with it as its buy-and-build strategy started to pay off.

Today, Judges rates as a very high quality group with earnings growing rapidly on the back of good margins and return on capital employed. This has driven exceptional momentum in the shares, making it one of the market's better performers in 2019. Its dividend yield is currently sub-1% but Judges has been upping its payout by a double-digit percentage every year over the past seven years, and is forecast to carry on.

Unsurprisingly, Judges shares come with an expensive price tag - with a forward P/E of 27x - but its High Flyer status is undeniably attractive.

In its interim results in September, Judges' chairman, Alex Hambro, said: "The delivery of record revenue, adjusted profit before tax, earnings per share, cash generation and dividends for the first half is testament to the group's pursuit of operational excellence. Orders to date are in line with our expectations, despite a subdued second quarter. The strong first half financial performance and healthy order book give the Board confidence that full year adjusted profit before tax and EPS will exceed current consensus market expectations."

Solid State

Sector: Industrials, Machinery, Equipment & Components

Market Cap: £54m, Stock Rank: 97, QM Rank: 99

Style / RiskRating: Speculative, Small Cap, Super Stock

Shares in this electronic components specialist went on a huge run through 2014 and 2015, but then crashed spectacularly on a profit warning. Things seem to have stabilised since, and the price has had solid momentum through 2019 as the company has reported record results. The company is delivering its strategy of organic and acquisitive growth.

Tony Frere, Chairman of Solid State said in December:

"I am very pleased to present a strong set of results which will be my last as Chairman of Solid State. In the five years of leading the Board we have worked very hard to build a resilient business with key points of difference in its industry. These record results vindicate our strategy and ensure a strong platform for future growth."

Associated British Foods

Sector: Consumer Defensives / Food & Tobacco

Market Cap: £20.5bn / Stock Rank: 90

Style / RiskRating: Balanced, Large Cap, High Flyer

Associated British Foods (ABF) is an international food, ingredients and retail company. It has a world-leading sugar business and, in Primark, a value-for-money clothes retailing phenomenon. With a market cap of £20bn and annual revenue of nearly £16bn there is no doubt that ABF is a giant in its fields of retailing and food processing.

The end of the EU's sugar regime, combined with oversupply in the region, affected the group's sugar business last year and depressed adjusted operating profits. There are positive signs though: lower sugar production caused stock levels to fall in 2018-19 and the EU's sugar quota is being wound up.

In the group's recent full year results, CEO George Weston said: '*The group delivered a resilient performance this year, with strong profit growth from Grocery and Primark which more than offset the profit decline in Sugar. We continued to pursue the opportunities to grow our businesses with a gross investment of over £800m. Next year the group is well-positioned for further progress, with the continued expansion of Primark, a material improvement in our Sugar profit and strong profit growth in Grocery.*'

Medica

Sector: Healthcare / Healthcare Equipment & Supplies

Market Cap: £180m / Stock Rank: 86

Style / RiskRating: Speculative, Small Cap, High Flyer

Medica Group is the market leader in the provision of Teleradiology services to the NHS. The Company offers an IT platform that links a hospital's radiology systems with consultant radiologists.

These services are clearly valuable to the NHS. Medica is able to generate returns on capital and operating margins in excess of 20%, and the group sees additional services it can expand into.

For the six months ended 30 June 2019, Medica Group PLC revenues increased 18% to £22m. Net income increased 9% to £3.9m. Roy Davis,

Chairman of Medica, said:

"Medica has consistently delivered year-on-year double-digit revenue growth and these results show that the company's high-quality clinical service remains important to its clients. Medica is investing in infrastructure and technology to support future growth and continues to provide an attractive environment for reporters looking to broaden their career."

Ergomed

Sector: Healthcare / Biotechnology & Medical Research

Market Cap: £185m / Stock Rank: 79

Style / RiskRating: Balanced, Large Cap, High Flyer

Ergomed provides drug development services to the pharmaceutical industry, with a focus on oncology, neurology and immunology, and the development of orphan drugs. The lowest StockRank in the whole NAPS, but a very high QM Rank and strong community backing.

It has two businesses: Services provides clinical research services to the pharmaceutical and biotechnology industry, while Co-Development provides drug development services to pharmaceutical and biotechnology companies in exchange for a slice of future sales. It seems like this strategy is starting to bear fruit, with a five-year track record of strong revenue growth.

For the six months ended 30 June 2019, Ergomed revenues increased 37% to £35.2m. Net income totaled £3.6m vs. a loss of £2.5m. The group's executive chairman, Dr Miroslav Reljanović, said:

"We have strengthened the executive team and Board and further developed our differentiated offering in the clinical services marketplace both through the integration of previous acquisitions and through commercial integration. With an improved financial performance over the first half of 2019 and a strong backlog and H1 sales, Ergomed is now positioned for success through continued growth."

Frontier Developments

Sector: Technology / Software & IT Services

Market Cap: £474m / Stock Rank: 87

Style / RiskRating: Speculative, Mid Cap, High Flyer

Remember Elite? What a fantastic game on the ZX Spectrum coded up by David Braben the founder in 1982. Frontier is a gaming company that has titles such as Planet Zoo, Jurassic World Evolution, Elite Dangerous, Rollercoaster Tycoon and more. They are focused on launching and nurturing gaming franchises on licensed and original IP to allow consistent earnings potential. They are attempting to scale up to provide one major launch annually.

We really don't like the fact that Braben sold £15m of his shares in November, but he does own 33% of the company with a £150m stake. The company hit a record performance in 2019 with revenues up 160% at £90m. Polar Capital initiated a £1m stake recently.

Braben said in November:

"We continue to target very significant new opportunities. I am particularly excited that we will be building on the success of Elite Dangerous with a major new release in financial year 2021 and will follow this with two major releases in financial year 2022, one of which will be our next game based on a major global IP licence."

Aveva

Sector: Technology / Software & IT Services

Market Cap: £7.5bn / Stock Rank: 80

Style / RiskRating: Adventurous, Large Cap, High Flyer

AVEVA provides engineering, design and information management software. Headquartered in Cambridge, AVEVA grew out of the government-funded Computer-Aided Design Centre, which was established in 1967.

The share price has been remarkably strong over the past five years and investors have to pay up these days based on historic sales and earnings figures. However, revenue growth is forecast to continue and brokers have been consistently nudging up their earnings estimates for both FY20 and FY21.

For the six months ended 30 September 2019, AVEVA Group plc revenues increased 16% to £391.9m. Net income totaled £18m vs. loss of £5.8m. Chief Executive Officer, Craig Hayman said:

"AVEVA delivered a strong set of first half results. Recurring revenue accelerated as a proportion of overall revenue. Overall revenue grew above the industry growth rate and adjusted EBIT margins also grew significantly."

Rightmove

Sector: Technology / Software & IT Services

Market Cap: £5.56bn / Stock Rank: 82

Style / RiskRating: Conservative, Large Cap, High Flyer

Rightmove runs the UK's largest online real estate portal and property website.

The company was created in 2000 as a joint venture between four of the UK's largest property agents: Halifax, Countrywide plc, Royal & Sun Alliance, & Connells. The dominant market position it has built since then, combined with the network effects of its business model, have led to a truly impressive level of profitability.

In fact, based on metrics such as return on capital, Rightmove is possibly the most profitable listed company in the UK. It is no surprise then that its shares continue to make new all-time highs. Punchy valuation of 30x prospective earnings means it can't afford a slip up.

Growth continues apace. Peter Brooks-Johnson, Chief Executive Officer, recently commented:

"In the first half of 2019 home hunters visited Rightmove a record 845 million times. Home hunters continue to turn to Rightmove first to search and research properties in the only place you can see virtually the whole of the UK market. Our restless innovation delivers the fastest and easiest way to 'find your happy' from the 1.1 million UK residential properties on Rightmove."

Gamma Communications

Sector: Telecoms / Telecommunications Services

Market Cap: £1.26bn / Stock Rank: 83

Style / RiskRating: Adventurous, Mid Cap, High Flyer

Gamma Communications is a provider of cloud communication services. Its portfolio comprises voice, data and mobile services in the United Kingdom.

Both of the company's operating segments sell a combination of traditional products and services (mainly voice traffic from which revenues are derived from channel partners and other carriers, as well as rentals for wholesale lines) and growth products and services (Internet Protocol (IP) voice traffic, rental

income derived from Session Initiation Protocol (SIP) trunks, hosted IP voice systems and Gamma's hosted inbound product and data products).

For the six months ended 30 June 2019, Gamma Communications PLC revenues increased 15% to £158.2m and net income jumped 46% to £18.5m thanks to favorable market conditions.

Andrew Taylor, Chief Executive Officer, commented,

"We have delivered a strong business performance and an excellent set of financial results during the first six months of 2019, with both our UK Indirect and UK Direct businesses continuing to grow well. Despite an increasingly competitive market, our product performance was positive, and during the period we continued to invest in developing and launching new products and service capabilities."