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Mindless Momentum strategy working a treat for blue-chips

Cut your losses and run your winners is an old stock market adage and it certainly applies to the Stockpot column's "Mindless Momentum" virtual portfolios.

The three portfolios - divided into tiddlers (stocks with a market cap of less than £100m), middlers (stocks with a market cap of between £100m and £1bn) and what we ended up calling the biglers (the rest) - were set up in March, with the intention of refreshing the selection every two months.

As a quick reminder, the selection criterion for the portfolios was starkly simple: choose the 10 stocks that have risen the most in percentage terms over the last year.

The idea, beloved of momentum investors, is to buy stocks because they are going up - no technical or fundamental analysis involved.

We divided the portfolios into tiddlers, middlers and biglers just to see whether there was much difference in performance and there certainly has been; the biglers have done fantastically, whereas the middlers have done poorly and the tiddlers have been lamentable.

We'll update on the performance of the tiddlers and middlers in future articles but for now, let us concentrate on the biglers - those shares in companies worth £1bn or more.

Fevertree fizzes and Ocado delivers the goods

The star performers here have been supermarket deliveries specialist Ocado, contracts for difference trading platform developer Plus500 and trendy mixer drinks maker Fevertree.

All three, as one might expect, remain in the portfolio, as do Evraz, Blue Prism and Keywords Studios.

In this month's portfolio refresh, Kaz Minerals, Fenner, Burford and Anglo American fall by the wayside, with three of them having made a loss (including £30 in assumed dealing costs).

The terrible trio are Kaz Minerals (loss of £119), Fenner (a loss of £30) and Anglo American (a loss of £143).

Burford Capital was ejected having earned us a profit of £89, plus a token dividend of £3.

The cash raised from the sales plus some meagre dividend income - Keywords paid out £53 and Evraz £21 - left enough money to spend £927 on each replacement. Those replacements were: Games Workshop, Softcat, Dart and Computacenter.

Games Workshop Group PLC (LON:GAW)

The shares of the fantasy and SF tabletop miniatures war-games company have risen 115% over the last year, propelling the company's market capitalisation above the £1bn level.

The stock was actually one of the star performers of the middlers portfolio but the middlers' loss is the biglers' gain.

Bought 29 shares at 3,221.72p each at a cost of £934

Softcat PLC (LON:SCT)

The FTSE 250 provider of information technology and infrastructure products & services has doubled in share price over the last year.

It has only been listed since November 2015, at 240p a pop; it now trades at around 802p.

Bought 113 shares at 814.27p each at a cost of £920

Dart Group PLC (LON:DTG)

The Jet2 holidays and airlines business has risen 82% over the last 12 months, helped by a number of rival airlines going belly-up.

Bought 100 shares at 924.5p each at a cost of £925

Computacenter PLC (LON:CCC)

In the same sector as Softcat, the company has seen its shares rise 78% since July of last year.

Bought 58 shares at 1,591.86p each at a cost of £923.

The good thing about buying billion quid companies is that the bid-offer spreads are fairly tight, which means that even when factoring in the assumed £15 dealing costs, the new entrants to the portfolio are not that far underwater.

Here's the current state of play.

Company

Shares owned

Cost of shares

Cost per share

Current bid price

Current value

Change

% change

Computacenter

58

£923

1,591.86p

1,570p

£911

-£13

-1.4%

Dart Group

100

£925

924.5p

909p

£909

-£16

-1.7%

Evraz

221

£1,003

453.79p

535.2p

£1,183

£180

18%

Fevertree Drinks

33

£934

2,830.45p

3,66.6p

£1,210

£275

30%

Games Workshop

29

£934

3,217.2p

3,180p

£922

-£12

-1.3%

Keywords Studio

54

£1,005

1,861.78p

1,904p

£1,028

£23

2.3%

Ocado

165

£999

605.69p

1,136p

£1,874

£875

88%

Plus 500 88 £997 1,133.05p 1,850p £1,585 £588 59%
Blue Prism

58

£995

1,715.86p

1,866p

£1,082

£87

8.8%

Softcat

113

£920

814.27p

800p

£904

-£16

-1.8%

- Cash: £7
- Value of portfolio (including cash): £11,605
- Dividends received: £78
- Profit/loss from closed positions: -£435

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