Smallcap Winners Strategy

August 23, 2026

Vital Quantitative Research, LLC • Systematic Small-Cap Equity

Rebalance of 08/24/26 • Next: 08/30/26

TOTAL RETURN (Since Inception)	ANNUALIZED RETURN	YEAR-TO-DATE RETURN	MAX DRAWDOWN	SHARPE RATIO	WIN RATE (Realized Trades)
66,242%	**47.74%**	**28.15%**	**-14.45%**	**2.11**	**64.93%**
S&P 600: +579%	S&P 600: 12.20%	S&P 600: 23.14%	S&P 600: -44.36%	S&P 600: 0.63	611 of 941 closed

Strategy Overview

The **Smallcap Winners Strategy** holds ten equally weighted positions drawn from a liquid small-cap universe of companies below $2 billion in market capitalization, rebalanced weekly using the proprietary **Smallcap Performance v2.4** ranking system with static-weight sizing. Position-level exits are driven by technical deterioration, rank decay, stop-loss and gain-target rules; portfolio-level exposure is governed by **Vital Risk Control™** (patent pending). All figures shown are net of modeled commissions and variable slippage. The benchmark is the S&P SmallCap 600 (IJR). Inception: 01/01/10.

This Week at a Glance

The model sold **MOV** on technical deterioration and bought **GIC** (rank 99.11) at $39.45, holding the portfolio fully invested at ten positions. MOV closed at a realized loss of **-11.7%** over 56 days — the third position in six weeks exited by rule rather than allowed to deepen. The strategy is **-2.70%** month-to-date against **+1.27%** for the S&P SmallCap 600, its weakest month since March. Year-to-date the model still leads, **+28.15%** versus **+23.14%**. Vital Risk Control™ remains risk-on and no defensive action is indicated. Subscribers should place the MOV sale and the GIC purchase at Monday's open per the published list.

Performance Summary

Period	Model	S&P SmallCap 600	Excess
Month-to-Date	-2.70%	1.27%	-3.97%
4-Week	-1.34%	1.69%	-3.03%
13-Week	2.65%	7.54%	-4.89%
Year-to-Date	28.15%	23.14%	+5.01%
1-Year	44.75%	30.77%	+13.98%
3-Year	155.65%	57.55%	+98.10%
Since Inception (01/01/10)	**66,241.69%**	**579.12%**	**+65,662.57%**
Annualized	**47.74%**	**12.20%**	**+35.54%**

Small-cap breadth carried the benchmark over the last six weeks while the model gave back ground: 7.54% for the S&P SmallCap 600 over 13 weeks against 2.65% for the strategy, with August running 3.97 points behind. The shortfall traces to three rule-driven exits — ELA, ITRN and VMD — that stopped out into strength elsewhere. Year-to-date the model retains a 5.01-point lead.

Performance by Calendar Year

Return (%)	2010*	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026**
Model	57.06	35.51	68.49	115.05	9.89	30.08	60.61	41.98	67.23	46.24	81.76	87.60	3.21	33.96	20.96	47.68	28.15
S&P 600	26.61	0.80	16.30	41.33	5.85	-2.08	26.60	13.15	-8.51	22.82	11.28	26.58	-16.20	16.06	8.63	5.89	23.14
Excess	**30.45**	**34.70**	**52.19**	**73.72**	**4.05**	**32.16**	**34.01**	**28.83**	**75.74**	**23.42**	**70.48**	**61.02**	**19.41**	**17.90**	**12.33**	**41.79**	**5.01**

(*) From 01/01/10 (**) Year-to-date through 08/21/26. The model has finished ahead of the S&P SmallCap 600 in all sixteen completed calendar years, including the 2022 drawdown year when it returned 3.21% against -16.20% for the index. Past results are hypothetical and net of modeled costs.

Risk Metrics

Metric	Model (3-Yr)	S&P 600 (3-Yr)	Model (Incep.)	S&P 600 (Incep.)
Annualized Return	36.73%	16.36%	47.74%	12.20%
Max Drawdown	-12.11%	-28.02%	-14.45%	-44.36%
Standard Deviation	22.40%	19.42%	19.51%	19.14%
Sharpe Ratio	1.34	0.59	2.11	0.63
Sortino Ratio	2.03	0.88	3.24	0.87
Beta	0.89	—	0.70	—
Correlation	0.77	—	0.68	—
R-Squared	0.60	—	0.46	—
Alpha (annualized)	21.54%	—	38.02%	—

Risk-adjusted results remain the core of the record: a since-inception Sharpe of 2.11 against 0.63 for the index, with a maximum drawdown of -14.45% versus -44.36%. Beta of 0.70 and an R-squared of 0.46 confirm that returns are not an index proxy. The trailing three-year window is the honest read on current conditions — Sharpe of 1.34 on 22.40% volatility, above the benchmark but below the long-run average.

Monthly Performance — Last 12 Months

Return (%)	2025/09	2025/10	2025/11	2025/12	2026/01	2026/02	2026/03	2026/04	2026/05	2026/06	2026/07	2026/08
Model	3.05	-2.08	4.67	1.97	6.55	10.23	-7.11	14.20	0.78	1.66	3.19	-2.70
S&P 600	1.05	-0.87	2.61	-0.11	5.70	2.10	-4.00	10.29	1.14	7.28	-1.92	1.27
Excess	**2.00**	**-1.21**	**2.06**	**2.08**	**0.85**	**8.13**	**-3.11**	**3.91**	**-0.36**	**-5.63**	**5.11**	**-3.97**

August is the second losing month of 2026 and the second consecutive month of negative excess return outside July. June trailed by 5.63 points, July recovered 5.11, and August is 3.97 behind with one week left. Over the full twelve months the model has beaten the index in seven, with February (+8.13) and July (+5.11) the largest contributors.

Current Holdings

Ticker	Sector	Shares	Avg Cost	Last Close	Value ($)	Weight	Return %	Rank	Days Held
ELMD	Healthcare	13,086	37.12	39.45	516,243	7.78%	+6.27%	98.8	81
ESEA	Industrials	8,418	56.00	75.03	631,603	9.52%	+33.98%	96.3	249
GIC	Industrials	15,225	39.50	39.45	600,626	9.05%	-0.13%	99.1	New
IBEX	Business Services	17,249	32.60	36.56	630,623	9.51%	+12.15%	98.3	46
LQDT	Consumer Cyclicals	17,181	38.77	43.27	743,422	11.21%	+11.60%	94.4	25
OOMA	Technology	27,991	18.36	22.02	616,362	9.29%	+19.94%	97.6	81
PANL	Industrials	127,636	7.04	8.14	1,038,957	15.66%	+15.65%	99.9	39
PMTS	Business Services	21,424	28.78	28.04	600,729	9.06%	-2.56%	99.9	4
QUAD	Business Services	58,298	10.85	10.31	601,052	9.06%	-4.98%	97.9	18
SWBI	Industrials	45,953	15.44	14.10	647,937	9.77%	-8.69%	96.5	53

Portfolio value $6,633,413 with $29 in cash — effectively fully invested. Six of ten positions are profitable. PANL is the largest holding at 15.66% of assets after a 15.65% gain, and ESEA remains the longest-held name at 249 days and +33.98%. SWBI (-8.69%) and QUAD (-4.98%) are the two meaningful detractors and both remain above their stop thresholds. Sector exposure is concentrated in Industrials at 44.05% of assets, with Business Services at 27.65% — subscribers should size accordingly.

Portfolio Composition

Sector	Weight
Industrials	44.05%
Business Services	27.65%
Consumer Cyclicals	11.22%
Technology	9.30%
Healthcare	7.79%

Exchange / Market Cap	Weight
NASDAQ	64.78%
NYSE	27.43%
NYSE American	7.79%
Small cap (under $2B)	100.00%
Cash	0.00%

Industrials at 44.05% reflects where the ranking system is currently finding the strongest candidates, not a deliberate sector view. Five sectors are represented across ten names, all below $2 billion in market capitalization. Weights range from 7.78% to 15.66% as prices drift between rebalances.

This Week's Trades — Effective 08/24/26

Date	Action	Ticker	Shares	Price	Value ($)	Rank	Exit / Entry Reason
08/24/26	**SELL to close position**	**MOV**	17,675	34.81	615,267	—	Technical breakdown
08/24/26	**BUY to initiate position**	**GIC**	15,225	39.45	601,382	99.11	Top-ranked replacement

***MOV** was closed on technical deterioration at $34.81 against an average cost of $39.38, a realized loss of **-11.7%** on a 56-day hold — roughly $81,600 on the modeled position. The rule fired before the decline extended, but the trade was a loss and is reported as one. Proceeds were redeployed the same day into **GIC**, which entered the portfolio ranked 99.11, among the highest entry ranks of the year. Ten positions, no cash drag.*

Recent Trading Activity

Date	Action	Ticker	Shares	Price	Reason
08/17/26	SELL to close position	**VMD**	72,546	9.07	Stop Loss
08/17/26	BUY to initiate position	**PMTS**	21,424	28.70	Rank 99.94
08/03/26	SELL to close position	**RLGT**	66,734	8.36	Rank Stop Loss
08/03/26	BUY to initiate position	**QUAD**	58,298	10.81	Rank 98.09
08/03/26	SELL to reduce position	**IBEX**	245	35.57	Buy/Sell Difference
08/03/26	SELL to reduce position	**OOMA**	1,892	21.78	Buy/Sell Difference
07/27/26	SELL to close position	**BWMX**	32,153	16.50	Cash Flow
07/27/26	BUY to initiate position	**LQDT**	17,181	38.72	Rank 95.65
07/27/26	SELL to reduce position	**ESEA**	1,283	76.30	Buy/Sell Difference

*Four weeks, four closed positions. Two exits were protective: **VMD** hit the stop-loss on 08/17, and **RLGT** was cleared by the Rank Stop Loss rule on 08/03 after only fourteen days — a whipsaw costing roughly 6.4% round-trip. That is the price of the discipline that has held maximum drawdown to -14.45% since 2010. Buy/Sell Difference sales are sizing adjustments, not exits.*

Trading Statistics

Metric	Value	Metric	Value
Closed (realized) trades	941	Average holding period	52.1 days (≈2.5 mo.)
Realized win rate	64.93% (611 of 941)	Avg. hold — winners	54.9 days
Average return per closed trade	+6.99%	Avg. hold — losers	47.0 days
Average winning trade	+15.66%	Best closed trade	+156.70%
Average losing trade	-9.06%	Worst closed trade	-38.34%
Win/loss size ratio	1.73 : 1	Average annual turnover	562.42%
Open positions	10	Total modeled trading cost	$60,009
Unrealized winners	60.00% (6 of 10)	Overall winners (incl. open)	64.88%

The edge comes from asymmetry, not accuracy: winners average +15.66% against -9.06% for losers, a 1.73-to-1 payoff on a 64.93% realized hit rate. Turnover runs high at 562% annually — a structural feature of weekly small-cap rotation, not a performance driver — and $60,009 of modeled cost is already deducted. Win rate uses closed trades only; 64.88% includes the ten open positions.

Vital Risk Control™

Vital Risk Control™ Signal

Status: RISK-ON — fully invested. The Vital Risk Control™ breadth framework remains in its risk-on state, and the strategy is carrying all ten positions with $29 in cash. No portfolio-level defensive action was taken this week or is indicated for the coming week. Every exit in August has been position-level — technical, stop-loss or rank-based — which is the system working as designed: individual names are cleared as they deteriorate while overall exposure stays intact.

Vital Risk Control™ governs exposure at the portfolio level; the position-level rules govern which names are held. Both operated normally this week. The framework has kept the strategy's maximum drawdown to -14.45% since 2010 against -44.36% for the S&P SmallCap 600, and its value is measured across full cycles rather than individual weeks.

Outlook & Key Observations

Look Ahead: Place the **MOV** sale and the **GIC** purchase at Monday's open per the published list; the other nine positions are unchanged. August has been a difficult month — three rule-driven exits and a 3.97-point shortfall against the index — and weeks like this are exactly when following the signals matters most. The model has finished ahead of the benchmark in every completed calendar year since 2010 by taking losses early and holding winners longer. Nothing in the current signal set calls for deviation. The next rebalance runs **Sunday, August 30**, with any changes posted to the VitalQuant.com dashboard and delivered to your inbox before Monday's open.

YTD: **+28.15%** | 1-Yr: **+44.75%** | Sharpe: **2.11** | Max DD: **-14.45%** | Positions: **10** | Next Rebalance: **08/30/26**

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