

Smallcap Winners Strategy

October 11, 2026

Vital Quantitative Research, LLC • Systematic Liquid Small-Cap

Rebalance of 10/12/26 • Next: 10/19/26

TOTAL RETURN (Since Inception)	ANNUALIZED RETURN	YEAR-TO-DATE RETURN	MAX DRAWDOWN	SHARPE RATIO	WIN RATE (Realized Trades)
63,185.12%	46.87%	22.25%	-14.45%	2.05	64.63%
S&P 600: +536.42%	S&P 600: 11.66%	S&P 600: 15.40%	S&P 600: -44.36%	S&P 600: 0.61	612 of 947 closed

Strategy Overview

The **Smallcap Winners Strategy** holds ten equally weighted positions drawn from the Smallcap Liquid Universe, rebalanced weekly using the proprietary **Smallcap Performance v2.4** ranking system with static-weight sizing. Position-level exits are driven by rank decay, technical deterioration, stop-loss, gain-target and cash-flow rules, and run continuously rather than only at the weekly rebalance; portfolio-level exposure is governed by **Vital Risk Control™** (patent pending). All figures are net of modeled commissions and variable slippage. Benchmark: S&P SmallCap 600 (IJR). Inception: 01/01/10.

This Week at a Glance

One rotation this week. ATNI was closed on the stop-loss rule at \$25.49, realizing a **-14.99%** loss of roughly \$72,200, and replaced by RCMT at \$41.16 on a rank of 100.0. With ATNI out, **all ten remaining positions are profitable**, carrying \$528,957 of unrealized gain. The thirteen-week window is still **-7.76%** against **-5.16%** for the S&P SmallCap 600; small caps have been weak across the board, and the model has not escaped that. Year-to-date the model stands at **+22.25%** versus **+15.40%**. Vital Risk Control™ remains risk-on. **Subscribers should execute the ATNI sale and RCMT purchase on Monday.**

Performance Summary

Period	Model	S&P SmallCap 600	Excess
Month-to-Date	1.55%	1.11%	+0.44%
4-Week	-1.89%	-2.91%	+1.02%
13-Week	-7.76%	-5.16%	-2.60%
Year-to-Date	22.25%	15.40%	+6.85%
1-Year	27.76%	18.12%	+9.64%
3-Year	152.93%	53.36%	+99.57%
Since Inception (01/01/10)	63,185.12%	536.42%	+62,648.70%
Annualized	46.87%	11.66%	+35.21%

The thirteen-week window remains the weak spot: **-7.76%** against **-5.16%**, a shortfall of 2.60 points. Both figures are negative in absolute terms — the small-cap benchmark itself is down more than 5% over the quarter — so this is a difficult period for the asset class, not only for the model. The four-week and month-to-date windows are modestly ahead, and the year-to-date excess has widened slightly to +6.85 points from +6.59 following the ATNI exit.

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	22.25
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	15.40
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	6.85

(*) From 01/01/10 (**) Year-to-date through 10/12/26. The model has finished ahead of the S&P SmallCap 600 in all sixteen completed calendar years, including 2022 (+3.21% against -16.20%). **The current partial year's +6.85-point excess is the narrowest of the seventeen shown apart from 2014's +4.05**, and a partial year is not a result until it closes. All figures are net of modeled costs.

Risk Metrics

Metric	Model (3-Yr)	S&P 600 (3-Yr)	Model (Incep.)	S&P 600 (Incep.)
Annualized Return	36.25%	15.32%	46.87%	11.66%
Max Drawdown	-12.11%	-28.02%	-14.45%	-44.36%
Standard Deviation	22.38%	18.93%	19.60%	19.11%
Sharpe Ratio	1.32	0.71	2.05	0.61
Sortino Ratio	2.02	1.06	3.15	0.83
Beta	0.91	—	0.70	—
Correlation	0.77	—	0.68	—
R-Squared	0.59	—	0.47	—
Alpha (annualized)	18.73%	—	37.12%	—

Volatility is close to the benchmark's — 19.60% against 19.11% since inception — while the maximum drawdown is a third of it: -14.45% against -44.36%. That asymmetry, not raw return, is what produces a Sharpe of 2.05. The trailing three years are the weaker stretch: standard deviation above the index at 22.38%, Sharpe down to 1.32, and a correlation of 0.77 that leaves less independence from the small-cap tape than the 0.68 full-record figure.

Monthly Performance — Last 12 Months

Return (%)	2025/11	2025/12	2026/01	2026/02	2026/03	2026/04	2026/05	2026/06	2026/07	2026/08	2026/09	2026/10
Model	4.67	1.97	6.55	10.23	-7.11	14.20	0.78	1.66	3.19	-5.12	-3.67	1.55
S&P 600	2.61	-0.11	5.70	2.10	-4.00	10.29	1.14	7.28	-1.92	-0.65	-5.53	1.11
Excess	2.06	2.08	0.85	8.13	-3.11	3.91	-0.36	-5.63	5.11	-4.47	1.86	0.44

August (-5.12%) and September (-3.67%) are back-to-back losing months and, with July, define the negative quarter. **The benchmark fell 5.53% in September and 0.65% in August**, so the weakness is sector-wide rather than specific to the model; the model lost less in September and more in August. October is positive at +1.55% against +1.11%.

Current Holdings

Ticker	Sector	Shares	Avg Cost	Last Close	Value (\$)	Weight	Return %	Rank	Days Held
ESEA	Industrials	8,418	56.00	71.24	599,698	9.47%	+27.21%	96.7	298
GIC	Industrials	15,225	39.77	42.95	653,914	10.33%	+7.99%	99.3	46
HSHP	Industrials	28,903	16.74	17.92	517,942	8.18%	+7.04%	97.1	39
ITRN	Telecommunications	11,065	51.94	52.22	577,814	9.13%	+0.53%	99.5	25
LQDT	Consumer Cyclicals	17,181	38.77	43.13	741,017	11.71%	+11.24%	94.1	74
NEXA	Non-Energy Materials	43,763	12.82	13.20	577,672	9.13%	+2.94%	96.5	25
OOMA	Technology	27,991	18.36	20.04	560,940	8.86%	+9.16%	95.8	130
PANL	Industrials	127,636	7.04	8.32	1,061,932	16.77%	+18.20%	99.8	88
RCMT	Healthcare	9,475	41.16	41.38	392,076	6.19%	+0.53%	100.0	New
TEN	Energy	12,098	50.48	51.40	621,837	9.82%	+1.82%	98.8	4

Holdings are shown as they stand after Monday's rebalance; **RCMT** is a new position replacing ATNI and is the strategy's first **Healthcare** holding. Portfolio value \$6,316,926. **All ten positions are profitable**, carrying \$528,957 of unrealized gain — a favourable snapshot that follows directly from removing the one large loser, not from a broad advance. ESEA leads at +27.21% after 298 days; PANL carries 16.77% of assets after an 18.20% gain. At roughly \$291 million, RCMT is the smallest company the portfolio has held in recent cycles.

Portfolio Composition

Exchange	Weight	Market Cap	Weight	Sector	Weight
NASDAQ	53.49%	Small (< \$2B)	93.78%	Industrials	44.94%
NYSE	46.51%	Micro (< \$300M)	6.22%	Consumer Cyclicals	11.75%
				Energy	9.86%
				Telecommunications	9.16%
				Non-Energy Materials	9.16%
				Technology	8.90%
				Healthcare	6.22%

Weights are by market value, excluding cash. **The RCMT purchase introduces a micro-cap position — 6.22% of assets in a company below \$300 million**, the first such holding in recent cycles. Micro-cap shares trade with thinner order books than the rest of the portfolio, and the liquidity caution in the disclosures applies to that position with particular force. Exposure is otherwise spread across seven sectors, with **Industrials at 44.94%** the largest.

This Week's Trades — Effective 10/12/26

Date	Action	Ticker	Shares	Price	Reason
10/12/26	SELL to close position	ATNI	16,062	25.49	Stop Loss
10/12/26	BUY to initiate position	RCMT	9,475	41.16	Rank 100.0

Action Required — Monday, October 12

One rotation to execute. Sell **ATNI** and buy **RCMT** at approximately the published weight. ATNI triggered the stop-loss rule after falling 14.99% from its 08/31 entry; the exit realizes a loss of roughly \$72,200 rather than leaving it to deepen. Modeled fills use the average of Monday's high, low and twice the close, so a mid-session execution tracks the model most closely. We suggest avoiding the first and last hour of trading, when prices are typically most volatile. The other eight positions are unchanged.

Recent Trading Activity

Date	Action	Ticker	Shares	Price	Reason
10/12/26	BUY to initiate position	RCMT	9,475	41.16	Rank 100.0
10/12/26	SELL to close position	ATNI	16,062	25.49	Stop Loss
10/05/26	BUY to initiate position	TEN	12,098	50.37	Rank 97.73
09/29/26	SELL to close position	QUAD	58,298	9.30	Stop Loss (intra-week)
09/14/26	SELL to close position	PMTS	21,424	22.66	Stop Loss
09/14/26	SELL to close position	IBEX	17,249	40.00	Gain Target
09/14/26	BUY to initiate position	ITRN	11,065	51.88	Rank 99.11
09/14/26	BUY to initiate position	NEXA	43,763	12.80	Rank 99.45
08/31/26	SELL to close position	SWBI	45,953	12.80	Stop Loss
08/31/26	SELL to close position	ELMD	13,086	29.00	Stop Loss

Five stop-loss exits since the end of August, and the costs should be named: **ATNI** -14.99% (roughly \$72,200), **QUAD** -14.3% (about \$90,400), **PMTS** -21.0% (about \$132,400) and **SWBI** -17.0% (about \$122,500) — well over \$400,000 of realized loss in six weeks, and the direct cause of the negative quarter. **IBEX**, closed on a gain target at \$40.00, is the one offsetting exit.

Trading Statistics

Metric	Value	Metric	Value
Closed (realized) trades	947	Average holding period	52.2 days (≈2.5 mo.)
Realized win rate	64.63% (612 of 947)	Avg. hold — winners	54.9 days (≈2.6 mo.)
Average return per closed trade	+6.87%	Avg. hold — losers	47.2 days (≈2.2 mo.)
Average winning trade	+15.67%	Best closed trade	+156.70%
Average losing trade	-9.19%	Worst closed trade	-38.34%
Win/loss size ratio	1.71 : 1	Average annual turnover	563.08%
Open positions	10	Total modeled trading cost	\$71,362
Unrealized winners	100.00% (10 of 10)	Overall winners (incl. open)	64.99%

The ATNI exit added a 947th closed trade and nudged the realized win rate to 64.63%. The edge is hit rate, not payoff size: the average winner is only 1.71 times the average loser, and winners and losers are held for nearly the same time. Turnover of 563% annually is structural to a weekly small-cap rotation, not a performance driver; \$71,362 of modeled cost is already deducted. The 100% unrealized-winner figure reflects the removal of the one large loser.

Vital Risk Control™

Vital Risk Control™ Signal

Status: RISK-ON — fully invested. The Vital Risk Control™ breadth framework has held risk-on since the **10/27/25** re-entry and carries all ten positions into the coming week. The preceding risk-off period ran from **09/29/25 to 10/27/25**, during which the model held no equity exposure. No change to exposure is indicated for the coming week.

Vital Risk Control™ operates at the portfolio level and is separate from the position-level stop-loss, gain-target, technical and cash-flow rules that drove the ATNI, QUAD, PMTS and SWBI exits. It is the reason the maximum drawdown since 2010 is -14.45% against -44.36% for the S&P SmallCap 600. It has not been triggered in twelve months: the framework responds to market breadth, and the losses of the past quarter came from individual holdings within a generally weak small-cap tape rather than from the kind of breadth deterioration it is built to act on.

Outlook & Key Observations

Look Ahead: One rotation on Monday — sell **ATNI**, buy **RCMT** — and hold the other eight positions. **The quarter has been a poor one and the report will not dress it up:** thirteen weeks at -7.76%, five stop-loss exits since the end of August costing more than \$400,000 in realized losses, and a year-to-date excess of +6.85 points that is the thinnest since 2014. The wider context matters too — the S&P SmallCap 600 is itself down 5.16% over the quarter, so small caps as a class have been weak and the model has not escaped it. **What the strategy does in a period like this is exactly what it has done:** cut losers when the rules fire, redeploy into the highest-ranked candidate available, and hold the rest. Those decisions are made by the algorithms rather than by discretion, which is the whole point of a systematic model and matters most when the tape is difficult. The model has finished ahead of the benchmark in all sixteen completed calendar years by following its ranking and risk signals without exception. The next rebalance runs **October 19**.

YTD: **+22.25%** | 1-Yr: **+27.76%** | Sharpe: **2.05** | Max DD: **-14.45%** | Positions: **10** | Next Rebalance: **10/19/26**

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