Rail-Splitter Capital Management

Rail-Splitter Insights

a weekly commentary on investing

Rail-Splitter Capital Management is focused on protecting and growing wealth for our clients. Our services are provided through Delta Investment Management a registered investment advisory firm. We welcome discussions on how we can help you manage your assets and maximize your wealth.

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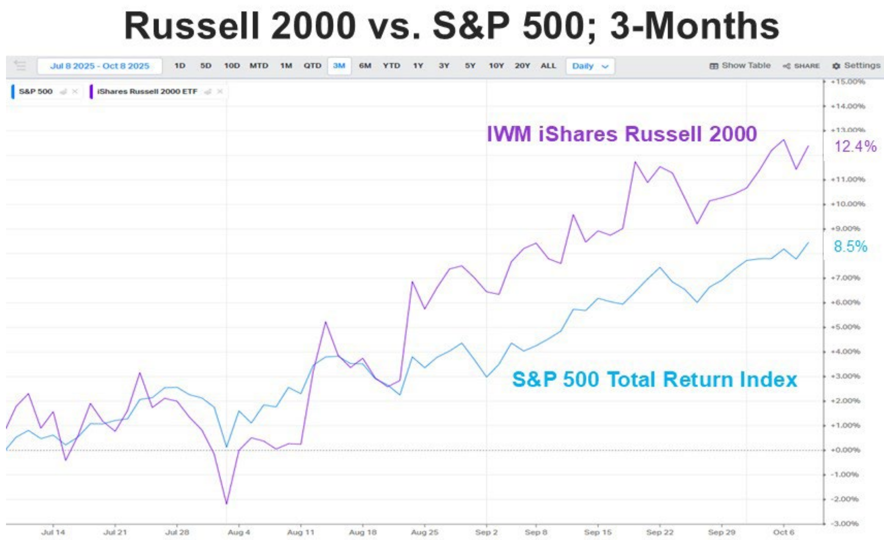
Time to Go Small

October 10, 2025

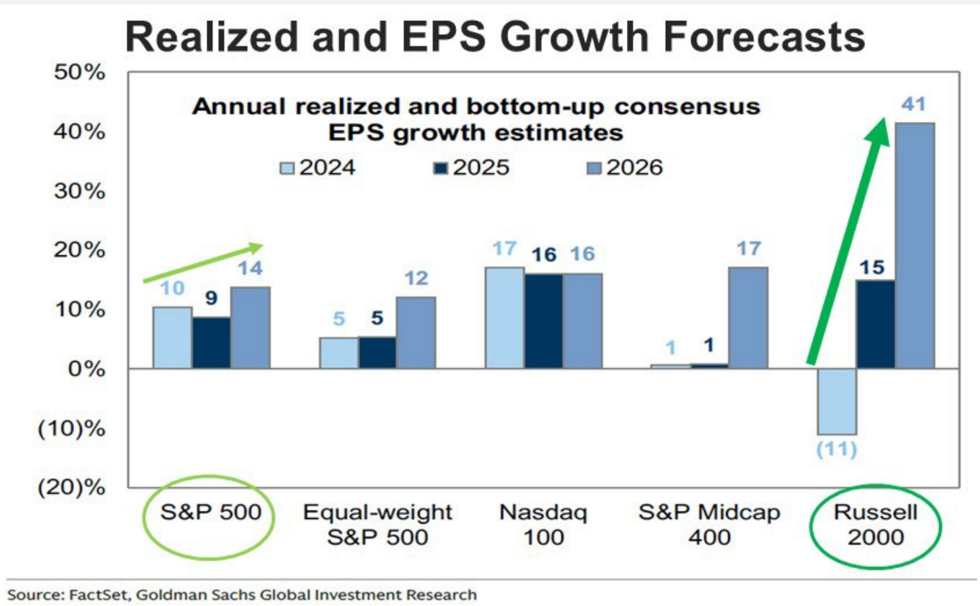
Calling a turn in a secular market trend is never easy and often wrong. Rail-Splitter's approach is based on a "show me first" outlook rather than a guess-and-hope method. Whether you look back 20 years, 10 years, 5 years, 3 years, 1 year or year-to-date, small capitalization stocks (Russell 2000 Index IWM) have underperformed the S&P 500 Total Return Index. For example, over the past 10 years (through 10/8/2025), the S&P 500 is up 239% versus the Russell 2000 up 145%.

It may be time to consider reallocating some money out of the largest capitalization stocks and into small capitalization stocks. Over the past 3 and 6 months, small-cap stocks have outperformed the S&P 500. The market might be starting to show us a trend change.



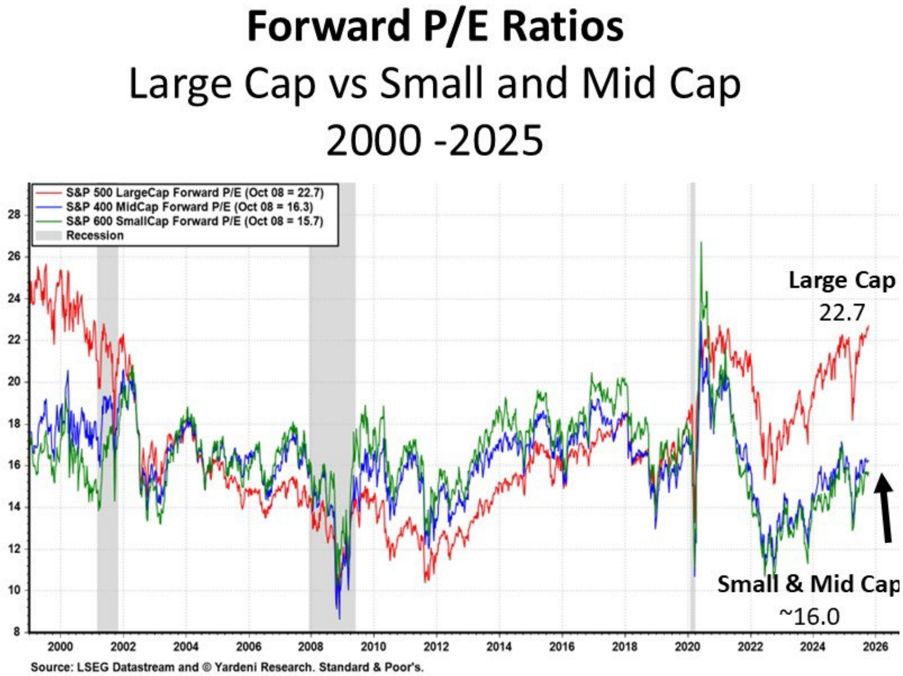
The potential for outperformance of small-cap stocks over the S&P 500 (large-cap stocks) may be driven by:

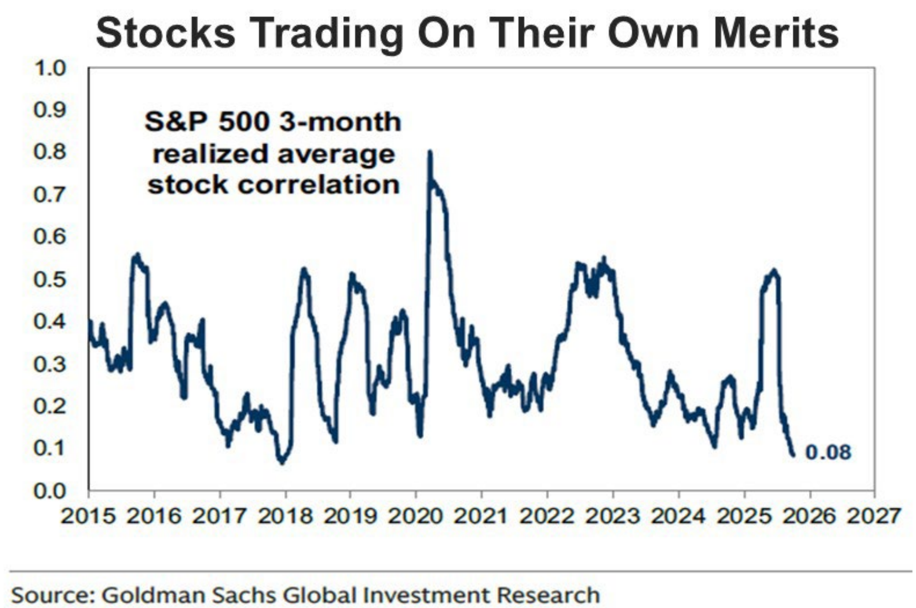
1. The law of large numbers. As the largest companies are now multi-trillion-dollar enterprises, their rate of growth may slow.
2. Conversely, analysts are forecasting an acceleration in earnings by small cap companies.



3. Small (and mid) cap companies are trading at lower valuations than the overall S&P 500.
4. Falling interest rates disproportionately benefit small-cap companies as they tend to be larger borrowers relative to the size of their business activities.

5. There is currently low correlation between how individual stocks trade which indicates that the market is not trading as “the market” but rather as individual components based on their specific merits. This allows for small-cap stocks to appreciate or depreciate at different rates than large-cap stocks.





The 10 largest companies of the S&P 500 now represent 40% of the market capitalization-weighted index. Throughout the history of the stock market, times of high market concentration are followed by times of market participation broadening. The largest companies today may not be the largest companies 10 and 20 years from now. As you consider where to allocate new money, you might consider an allocation to smaller companies.

Let Us Help You Position Your Portfolio – Give Us a Call Today

We pride ourselves on our unique and sophisticated investment strategies designed to capture the gains of the stock market while minimizing drawdowns during bear markets. If you're seeking expert guidance in your financial planning journey, we're here to assist you.

Whether you're a seasoned investor looking to optimize your portfolio or someone just starting to explore investment opportunities, our team is dedicated to providing tailored solutions to meet your financial goals.

To learn more about how we can help you navigate the complexities of the financial markets and achieve your investment objectives, we invite you to reach out to us. You can give us a call at (312) 724-8722, visit our website at www.rail-splitter.com, or simply email us at info@rail-splitter.com.

"Never, ever, think outside the box."

Delta Stock Market Dashboard

MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

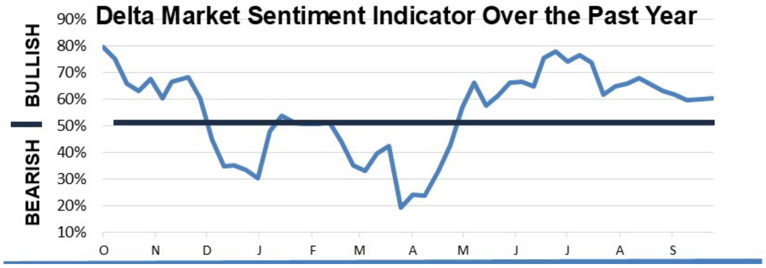
60.4

Our technical indicator increased from 60.0 to 60.4 this week

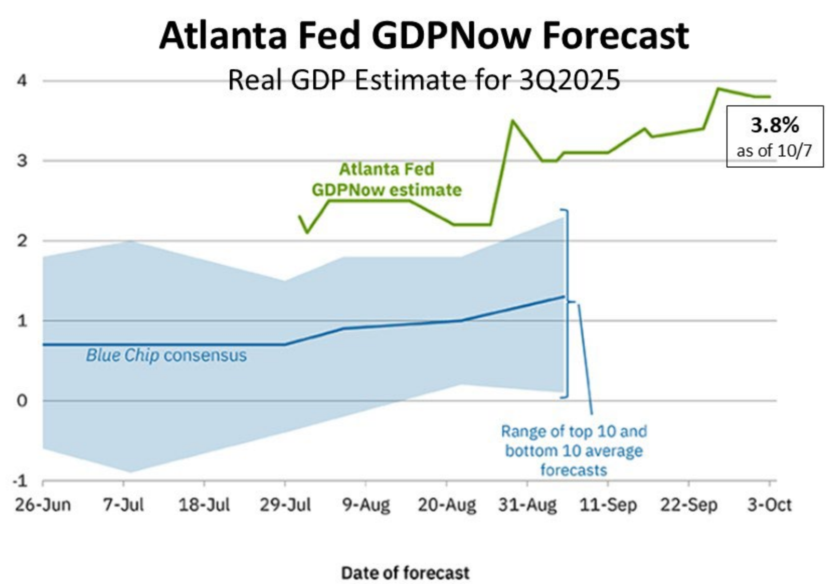
INDICATOR STATISTICS

Consecutive Bullish Weeks:	22
Cycle Inception Date:	5/15/2025
Range:	56.9 – 77.9
Mean::	65.8
Bullish Weeks YTD:	27
Bearish Weeks YTD:	14
*S&P 500	14.0%
*DJIA	10.0%
*NASDAQ	20.6%

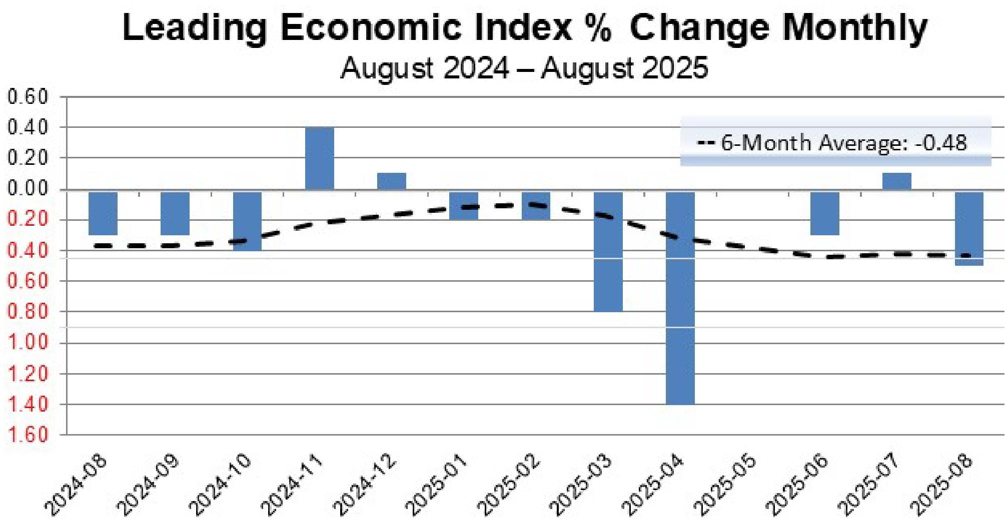
** Percentage change during current cycle*



Delta Market Sentiment Indicator (MSI) is published weekly in *Barron's*



Sources: *Blue Chip Economic Indicators* and *Blue Chip Financial Forecasts*



Source: The Conference Board – last update 9/18/2025

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