

# Stop Staring at the Spotlight: The Real Alpha Is Happening in the Dark



**FLEXTION** It's about *time*.

# Why investors keep missing the highest-performing parts of the market—and why Flexion is built to catch them first.

In every cycle, markets develop blind spots. The louder the hype around a handful of winners, the more investors start mistaking noise for insight. Today, the US mega caps have become the market's gravitational field—pulling capital, headlines, and attention into a narrow corner of the global opportunity set.

## **But here's the twist the narrative ignores:**

The most compelling sources of outperformance right now are happening outside the spotlight—quietly, consistently, and almost entirely unnoticed.

This isn't an opinion. It's math.



## When Everyone Is Watching One Corner of the Market, Opportunity Builds Somewhere Else

For five years, investors have been conditioned to believe one story: large-cap US growth is the only game in town. And while those stocks deserved their moment, that storyline blinded investors to a major shift underway since the 2020 market lows.

Consider the irony:

The best-performing equity category of the last five years is one almost no one talks about—international small-cap value.

While the media obsessed over the Magnificent 7, this overlooked pocket of the market delivered 13.8% annualized, outperforming the median US large-cap growth manager by more than a full percentage point. Not quietly—silently.

Even individual strategies have left mega-cap darlings behind.

The DFA International Small Cap Value fund—a Flexion Buy since 2019—compounded at 17.3% annualized, beating the Vanguard Mega Cap Growth ETF by nearly 100 bps.

Not one CNBC segment.

Not one front-page headline.

Not one investor stampede.

And that's exactly the point.



# Markets Turn Long Before Narratives Do

By the time the story hits the newsfeed, the alpha is gone. Investors chase what already happened. They buy the peak. They sell the trough. They repeat the cycle with new protagonists every decade.

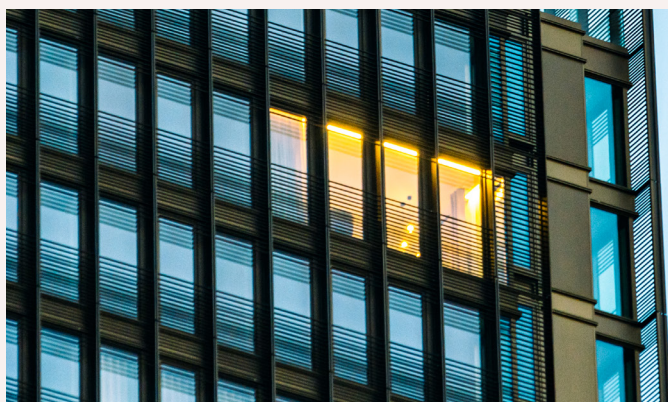
Meanwhile, the next leadership wave always starts the same way:

- ▶ Ignored asset classes quietly strengthen
- ▶ Valuations diverge sharply from fundamentals
- ▶ Global rotations begin beneath the surface
- ▶ And the crowd keeps staring at the wrong thing

Today, those mispriced areas are everywhere:

- ▶ International equities
- ▶ US small caps at historic discounts
- ▶ Long-duration bonds before a rate-cycle shift
- ▶ Value strategies taking back leadership
- ▶ Commodity and energy assets emerging from 17 years of capitulation

These aren't fringe ideas. These are textbook early-cycle signals. But they're invisible if you're still watching the same seven stocks.



## This Is Why Flexion Exists

Traditional performance reporting tells you one thing: what happened.

Flexion tells you something far more useful: what's changing. Our platform doesn't reward the loudest narratives—it surfaces the strategies most likely to outperform next, not the ones that won last. That's why we caught the international value leadership early. Why we've been highlighting commodities. Why we saw small-cap pricing disconnects years before Wall Street started paying attention.

We shine a light exactly where the market isn't looking. And that's where the alpha almost always is.



# The Spotlight Is Overrated. The Shadows Are Where Cycles Begin.

If the last decade taught investors anything, it's this:

Consensus isn't a roadmap. It's a warning label.

The next rotation is already taking shape—not in the crowded corners of tech, but in the neglected, the unfashionable, the unloved.

And as history keeps proving, those are the places that deliver generational returns.

Where the shadows aren't missed—they're measured.

# FLEXTION

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## About the Author

Paul Ehrlichman, Flextion's CEO and CIO, has over four decades of experience in portfolio management, leveraging fundamental and quantitative research to develop investment processes and strategies that enhance client returns and manage risks in volatile markets. He has led equity teams focused on global and international value strategies, serving a diverse client base that includes individuals, pension funds, and endowments at several leading global asset managers.

**Flextion** is a breakthrough platform for evaluating fund strategy returns, helping investors identify managers at a pivotal turning point—those poised to outperform after a period of underperformance. Designed by seasoned portfolio managers, Flextion bridges the gap between “clock time” and “market time,” empowering investors to unlock long-term value and uncover hidden performance potential.

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