Magnificent Two Strategy

August 23, 2026

Vital Quantitative Research, LLC • Concentrated Mega-Cap Technology

No changes this week • Next rebalance: 08/30/26

TOTAL RETURN (Since Inception)	ANNUALIZED RETURN	YEAR-TO-DATE RETURN	MAX DRAWDOWN	SHARPE RATIO	ACTIVE RETURN
4,794%	85.42%	179.58%	-18.72%	1.77	4,550%
Nasdaq 100: +244%	Nasdaq 100: 21.67%	Nasdaq 100: 16.41%	Nasdaq 100: -35.12%	Nasdaq 100: 0.84	vs. Nasdaq 100

Strategy Overview

The **Magnificent Two Strategy** holds just two positions drawn from a mega-cap technology universe, rebalanced weekly using the proprietary **QuadrupleExpRegSlope-S** ranking system with static-weight sizing. Two names means concentration is the strategy, not a side effect: single-position moves drive the portfolio in both directions. Exposure is governed by **Vital Risk Control™** (patent pending), which moves the model entirely to cash when its breadth conditions deteriorate. All figures are net of modeled commissions and variable slippage. Benchmark: Nasdaq 100 (QQQ). Inception: 05/04/20.

This Week at a Glance

The weekly rebalance produced **no transactions**. The portfolio carries **MU** (55.11% of assets, +11.29%) and **NVDA** (44.88%, -4.96%), both entered earlier in August. Vital Risk Control™ remains risk-on following the 08/10 redeployment that ended a seven-week cash position. August is running **-0.38%** against **+3.70%** for the Nasdaq 100, largely the cost of a one-week AVGO round trip that closed at -7.3%. Year-to-date the model stands at **+179.58%** versus **+16.41%**. No action is required from subscribers this week; hold both positions as published.

Performance Summary

Period	Model	Nasdaq 100	Excess
Month-to-Date	-0.38%	3.70%	-4.08%
4-Week	-0.38%	4.27%	-4.65%
13-Week	27.31%	-0.46%	+27.77%
Year-to-Date	179.58%	16.41%	+163.17%
1-Year	245.09%	27.27%	+217.82%
3-Year	828.47%	99.76%	+728.71%
Since Inception (05/04/20)	**4,794.28%**	**244.12%**	**+4,550.16%**
Annualized	**85.42%**	**21.67%**	**+63.75%**

The 13-week window shows what the strategy is built to do: +27.31% while the Nasdaq 100 returned -0.46%. The last four weeks run the other way — the model is flat to slightly negative while the index gained 4.27% — because the portfolio spent half that period in cash and gave back 7.3% on a single AVGO round trip. With two positions, one bad week is visible in the numbers.

Performance by Calendar Year

Return (%)	2020*	2021	2022	2023	2024	2025	2026**
Model	53.78	68.95	11.57	111.12	93.29	48.00	179.58
Nasdaq 100	46.51	27.42	-32.58	54.86	25.58	20.77	16.41
Excess	**7.27**	**41.53**	**44.15**	**56.26**	**67.71**	**27.22**	**163.16**

(*) From 05/04/20 (**) Year-to-date through 08/21/26. The model has finished ahead of the Nasdaq 100 in all six completed calendar years, including 2022 (+11.57% against -32.58%), when Vital Risk Control™ held it in cash through the worst of the decline. Results are hypothetical and net of modeled costs.

Risk Metrics

Metric	Model (3-Yr)	Nasdaq 100 (3-Yr)	Model (Incep.)	Nasdaq 100 (Incep.)
Annualized Return	110.18%	25.94%	85.42%	21.67%
Max Drawdown	-18.72%	-22.77%	-18.72%	-35.12%
Standard Deviation	47.68%	17.95%	36.83%	20.54%
Sharpe Ratio	1.68	1.02	1.77	0.84
Sortino Ratio	3.49	1.54	3.52	1.16
Beta	1.61	—	0.96	—
Correlation	0.61	—	0.53	—
R-Squared	0.37	—	0.28	—
Alpha (annualized)	64.61%	—	61.42%	—

Volatility is high and should be expected: 36.83% standard deviation since inception, 47.68% over the trailing three years, against roughly 18-21% for the index. The trade-off has been a maximum drawdown of -18.72% versus -35.12% for the Nasdaq 100, and a Sharpe of 1.77 against 0.84. A correlation of 0.53 and R-squared of 0.28 reflect the cash periods, which break the model's link to the index entirely.

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	10.37	0.68	0.85	9.15	29.52	1.30	-0.65	21.54	69.79	4.33	0.00	-0.38
Nasdaq 100	5.38	4.78	-1.56	-0.67	1.23	-2.34	-4.84	15.69	10.57	-0.15	-6.57	3.70
Excess	**4.99**	**-4.10**	**2.41**	**9.82**	**28.29**	**3.64**	**4.19**	**5.85**	**59.22**	**4.48**	**6.57**	**-4.08**

July's 0.00% is not a rounding artifact — the model was entirely in cash for the full month while the Nasdaq 100 fell 6.57%, and that avoided loss is the 6.57-point excess shown. May (+69.79%) remains the dominant month of the past year. August's -4.08 excess is the first meaningful shortfall since October.

Current Holdings

Ticker	Sector	Shares	Avg Cost	Last Close	Value ($)	Weight	Return %	Rank	Days Held
MU	Technology	279	868.73	966.78	269,732	55.11%	+11.29%	92.9	11
NVDA	Technology	1,023	225.94	214.72	219,659	44.88%	-4.96%	85.7	4

Portfolio value $489,428 with $37 in cash — fully invested. Static-weight sizing has drifted to 55/45 as MU has gained and NVDA has slipped since entry. Both positions are Nasdaq-listed mega-cap technology names above $200 billion in market capitalization; the strategy holds no diversification across sectors, exchanges or capitalization tiers by design. MU's rank of 92.9 remains firmly in buy territory, while NVDA at 85.7 is the weaker of the two after four days.

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

This Week's Trades — None

No transactions were generated by the 08/23 rebalance. Both holdings retained ranks sufficient to stay in the portfolio and neither triggered a technical, stop-loss or rank-based exit. Vital Risk Control™ remains risk-on, so no defensive move to cash was indicated. **Subscribers should take no action at Monday's open** — continue holding MU and NVDA at published weights. The next rebalance runs Sunday, August 30.

Recent Trading Activity

Date	Action	Ticker	Shares	Price	Reason
08/17/26	BUY to initiate position	**NVDA**	1,023	225.70	Rank 85.71
08/17/26	SELL to close position	**AVGO**	573	393.88	Technical
08/10/26	BUY to initiate position	**AVGO**	573	424.42	Rank 85.71 (VRC re-entry)
08/10/26	BUY to initiate position	**MU**	279	867.85	Rank 92.86 (VRC re-entry)
06/22/26	SELL to close position	**LRCX**	642	405.23	Vital Risk Control: MT
06/22/26	SELL to close position	**KLAC**	925	267.65	Vital Risk Control: MT
06/15/26	BUY to initiate position	**LRCX**	642	388.33	Rank 81.25
06/15/26	BUY to initiate position	**KLAC**	925	257.78	Rank 87.50
06/08/26	SELL to close position	**ARM**	726	349.03	Vital Risk Control: MT
06/08/26	SELL to close position	**AMD**	447	488.34	Vital Risk Control: MT

*Two round trips deserve direct comment. **AVGO** was bought at $424.42 on 08/10 and closed at $393.88 one week later on technical deterioration — a **-7.3%** loss, roughly $17,750 on the modeled position, and the single largest drag on August. **LRCX and KLAC** were bought 06/15 and cleared by Vital Risk Control™ seven days later; that whipsaw cost about 4.2% combined. Set against that, the same signal kept the model out of the market for the seven weeks through 08/10, during which the Nasdaq 100 lost ground.*

Trading Statistics

Metric	Value	Metric	Value
Closed (realized) trades	131	Average holding period	24.2 days (≈1.2 mo.)
Realized win rate	64.12% (84 of 131)	Avg. hold — winners	30.1 days
Average return per closed trade	+6.73%	Avg. hold — losers	13.6 days
Average winning trade	+13.30%	Best closed trade	+51.68%
Average losing trade	-5.01%	Worst closed trade	-20.49%
Win/loss size ratio	2.66 : 1	Average annual turnover	908.01%
Open positions	2	Total modeled trading cost	$12,112
Unrealized winners	50.00% (1 of 2)	Overall winners (incl. open)	63.91%

Losers are cut roughly twice as fast as winners are held — 13.6 days against 30.1 — producing a 2.66-to-1 payoff on a 64.12% realized hit rate. Turnover of 908% annually is a structural consequence of a two-position weekly rotation with a cash overlay, not a performance driver; $12,112 of modeled trading cost is already deducted. Win rate uses closed trades only; 63.91% includes the two open positions.

Vital Risk Control™

Vital Risk Control™ Signal

Status: RISK-ON — fully invested. The Vital Risk Control™ breadth framework returned to risk-on for the 08/10 rebalance and has held that state through this week, with both positions carried and $37 in cash. The preceding risk-off period ran from **06/22 to 08/10** — seven weeks entirely in cash — and covered the month of July, when the model returned 0.00% while the Nasdaq 100 lost 6.57%. No change to exposure is indicated for the coming week.

Vital Risk Control™ is what makes a two-position mega-cap strategy survivable: it moves the model fully to cash rather than attempting to diversify through a decline. That mechanism has held the maximum drawdown to -18.72% since 2020 against -35.12% for the Nasdaq 100. It also produces whipsaws — the 06/15 to 06/22 round trip is a recent example — and those costs are reported in full above.

Outlook & Key Observations

Look Ahead: No action at Monday's open. Hold **MU** and **NVDA** at published weights; the rebalance produced no changes and none is required of subscribers. August has been the weakest month since October, and that is the nature of a two-position portfolio — the AVGO round trip alone accounts for most of the shortfall, and a single strong week in either holding can reverse it just as quickly. The model has finished ahead of the Nasdaq 100 in every completed calendar year since 2020 by following its ranking and risk signals without exception. 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: **+179.58%** | 1-Yr: **+245.09%** | Sharpe: **1.77** | Max DD: **-18.72%** | Positions: **2** | Next Rebalance: **08/30/26**