Magnificent Two Strategy

September 14, 2026

Vital Quantitative Research, LLC • Concentrated Mega-Cap Technology • No changes this week • Next rebalance: 09/20/26

TOTAL RETURN (Since Inception)	ANNUALIZED RETURN	YEAR-TO-DATE RETURN	MAX DRAWDOWN	SHARPE RATIO	ACTIVE RETURN
5,093%	86.46%	+196.65%	-18.72%	1.76	4,846%
Nasdaq 100: +247%	Nasdaq 100: 21.67%	Nasdaq 100: +17.31%	Nasdaq 100: -35.12%	Nasdaq 100: 0.86	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 **MagnificentTwo RS v3** 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

For the fourth consecutive week the rebalance produced no transactions. Both holdings remain profitable: MU at **+17.02%** (54.61% of assets) and NVDA at **+1.96%** (45.38%). The strategy has gained **+5.26%** in September against **+0.31%** for the Nasdaq 100, and the 13-week window reads **+13.48%** versus **+2.08%**. Year-to-date the model stands at **+196.65%** against **+17.31%**. Vital Risk Control™ remains risk-on, five weeks elapsed since the 08/10 redeployment. No action required this week; hold both positions as published.

Performance Summary

Period	Model	Nasdaq 100	Excess
Month-to-Date	+5.26%	+0.31%	+4.95%
4-Week	+5.70%	-0.56%	+6.26%
13-Week	+13.48%	+2.08%	+11.40%
Year-to-Date	+196.65%	+17.31%	+179.34%
1-Year	+249.44%	+25.59%	+223.85%
3-Year	+845.16%	+93.49%	+751.67%
Since Inception (05/04/20)	+5,093.24%	+246.78%	+4,846.46%
Annualized	+86.46%	+21.67%	+64.79%

Every window is positive and ahead of the index for the first time since June. The four-week figure of +5.70% against –0.56% covers the period in which August was written off as a shortfall; final month-end marks have since revised it upward. The portfolio has recovered to roughly 4.1% below its late-July peak, against 10.9% a week ago. With two positions and no trades in a month, these numbers are simply MU and NVDA marked to market.

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	+196.65
Nasdaq 100	+46.51	+27.42	-32.58	+54.86	+25.58	+20.77	+17.31
Excess	**+7.27**	**+41.53**	**+44.15**	**+56.26**	**+67.71**	**+27.22**	**+179.34**

(*) From 05/04/20 (**) Year-to-date through 09/14/26. 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	+111.43%	+24.61%	+86.46%	+21.67%
Max Drawdown	-18.72%	-22.77%	-18.72%	-35.12%
Std Deviation	45.93%	17.50%	36.64%	20.42%
Sharpe Ratio	1.87	1.23	1.76	0.86
Sortino Ratio	4.23	1.84	3.51	1.19
Beta	1.49	—	0.95	—
Correlation	0.57	—	0.53	—
R-Squared	0.32	—	0.28	—
Alpha (annualized)	69.11%	—	59.72%	—

Volatility is high and should be expected: 36.64% standard deviation since inception, 45.93% over the trailing three years, against roughly 17–20% 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 1.76 against 0.86. 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. The three-year beta of 1.49 is the number to hold in mind: in a falling market this strategy will fall faster than the index until Vital Risk Control™ moves it to cash.

Monthly Performance — Last 12 Months

Return (%)	2025/10	2025/11	2025/12	2026/01	2026/02	2026/03	2026/04	2026/05	2026/06	2026/07	2026/08	2026/09
Model	+0.68	+0.85	+9.15	+29.52	+1.30	-0.65	+21.54	+69.79	+4.33	0.00	+0.42	+5.26
Nasdaq 100	+4.78	-1.56	-0.67	+1.23	-2.34	-4.84	+15.69	+10.57	-0.15	-6.57	+4.18	+0.31
Excess	**-4.10**	**+2.41**	**+9.82**	**+28.29**	**+3.64**	**+4.19**	**+5.85**	**+59.22**	**+4.48**	**+6.57**	**-3.76**	**+4.95**

August has been restated from –1.72% to +0.42%, narrowing the excess shortfall from 5.85 points to 3.76 against the benchmark's +4.18%. The month still trailed and remains the only negative excess of 2026. September has opened at +5.26%. May (+69.79%) remains the dominant month of the period; ten of twelve months beat the benchmark.

Current Holdings

Ticker	Sector	Shares	Avg Cost	Last Close	Value ($)	Weight	Return %	Rank	Days Held
MU	Technology	279	$868.73	$1,016.59	$283,629	54.61%	+17.02%	92.9	25
NVDA	Technology	1,023	$225.94	$230.36	$235,658	45.38%	+1.96%	85.7	18

Portfolio value $519,324 with $37 in cash — fully invested. MU has advanced to $1,016.59 from an $868.73 cost basis over 25 days; NVDA has recovered from a 4.96% loss to +1.96%. Static-weight sizing has drifted to roughly 55/45 as MU has outpaced. Rank scores are inputs to the model, not instructions to subscribers — entries and exits are generated by the weekly rebalance.

Holdings Fundamentals

Ticker	Market Cap	P/E	PEG (LT)	ROE (TTM)	ROI (TTM)	Debt/Equity	Price/Cash Flow	Div. Yield
MU	$1.14T	23.0	0.05	66.64%	58.19%	0.06	19.5	0.06%
NVDA	$5.57T	29.1	0.38	117.21%	102.08%	0.17	28.5	0.43%

This table is context, not a signal. Buy and sell decisions come from the ranking system and the risk rules, which already weigh factors of this kind. Both holdings screen as high-return businesses with low leverage: NVDA at 117.21% return on equity, MU at 66.64%, and both under 0.20 debt-to-equity. MU's PEG of 0.05 reflects a very high forward growth estimate and should be read with the caution any single ratio deserves. Figures are as of 09/11/26 and will move week to week.

This Week's Trades — Effective 09/14/26

This Week's Trades — None

No transactions were generated by the 09/13 rebalance — the fourth consecutive week without a change. 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, September 20.

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

The last transaction was five weeks ago. The most recent round trip remains AVGO, bought at $424.42 on 08/10 and closed at $393.88 a week later on technical deterioration — a –7.3% loss, roughly $17,750 on the modeled position. LRCX and KLAC were bought 06/15 and cleared by Vital Risk Control™ seven days later, costing about 4.2% combined. Against those costs, the same signal kept the model in cash for the seven weeks through 08/10, when 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**	905.40%
Open positions	2	**Total modeled trading cost**	$12,112
Unrealized winners	100.00% (2 of 2)	**Overall winners (incl. open)**	64.66%

Closed-trade statistics are unchanged — no positions have been opened or closed in five weeks. Losers are cut roughly twice as fast as winners are held (13.6 vs. 30.1 days), producing a 2.66-to-1 payoff on a 64.12% realized hit rate. Turnover of 905% annually reflects a two-position weekly rotation with cash overlay; $12,112 of modeled cost is already deducted.

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 now held that state for five weeks, 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

No action at Monday's open. Hold MU and NVDA at published weights; the rebalance produced no changes for the fourth week running. September has opened well, both positions are profitable, and the drawdown has narrowed to roughly 4.1% from 17.7% three weeks ago. That recovery came without a single transaction, which is worth noting in a strategy that turns over roughly nine times a year: the model trades when its signals change and not otherwise. August's restated –3.76 excess remains the only negative month of 2026. The next rebalance runs Sunday, September 20, with any changes posted to the VitalQuant.com dashboard and delivered to your inbox before Monday's open.

Key risk to monitor: August CPI released Thursday, September 11, followed by the FOMC decision Wednesday, September 16 — the two most consequential macro events of the month. The VRC will respond to any resulting deterioration in market breadth through its normal signal process; subscribers should monitor the dashboard and this report rather than acting on macro headlines directly.

YTD: **+196.65%** | 1-Yr: **+249.44%** | Sharpe: **1.76** | Max DD: **-18.72%** | Positions: **2** | Next Rebalance: **09/20/26**