

Magnificent Two Strategy

October 11, 2026

Vital Quantitative Research, LLC • Concentrated Mega-Cap Technology

No changes this week • Next rebalance: 10/19/26

TOTAL RETURN (Since Inception)	ANNUALIZED RETURN	YEAR-TO-DATE RETURN	MAX DRAWDOWN	SHARPE RATIO	ACTIVE RETURN
5,148.92%	85.04%	199.83%	-18.72%	1.78	4,886.18%
Nasdaq 100: +262.74%	Nasdaq 100: 22.17%	Nasdaq 100: 22.71%	Nasdaq 100: -35.12%	Nasdaq 100: 0.88	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. Position-level exit rules run continuously and can be triggered on any trading day; 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** for the third week running. **The month has turned against the model:** October is **-2.15%** against **+1.55%** for the Nasdaq 100, a shortfall of 3.71 points and the widest monthly miss since August. Both holdings gave back ground — **MU** from +23.73% a week ago to **+18.45%**, **AMD** from +8.49% to **+4.07%** — and unrealized gain has fallen from \$77,598 to **\$54,342**. Year-to-date the model stands at **+199.83%** versus **+22.71%**. Vital Risk Control™ remains risk-on. **No action is required from subscribers this week** — hold both positions at published weights.

Performance Summary

Period	Model	Nasdaq 100	Excess
Month-to-Date	-2.15%	1.55%	-3.71%
4-Week	5.89%	5.20%	+0.69%
13-Week	6.84%	3.66%	+3.18%
Year-to-Date	199.83%	22.71%	+177.12%
1-Year	259.18%	23.60%	+235.58%
3-Year	933.04%	107.30%	+825.74%
Since Inception (05/04/20)	5,148.92%	262.74%	+4,886.18%
Annualized	85.04%	22.17%	+62.87%

Month-to-date is the window that matters this week: **-2.15%** against **+1.55%**. The four-week margin has narrowed to +0.69 points from +1.18 and the thirteen-week figure to +3.18 from +6.27 — all three moving the wrong way in a week with no trades made.

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	199.83
Nasdaq 100	46.51	27.42	-32.58	54.86	25.58	20.77	22.71
Excess	7.27	41.53	44.15	56.26	67.71	27.22	177.12

(*) From 05/04/20 (**) Year-to-date through 10/12/26. The year-to-date figure has fallen below 200% from 213.12% a week ago; a partial year is not a result until it closes. 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. All figures are net of modeled costs.

Risk Metrics

Metric	Model (3-Yr)	Nasdaq 100 (3-Yr)	Model (Incep.)	Nasdaq 100 (Incep.)
Annualized Return	117.79%	27.51%	85.04%	22.17%
Max Drawdown	-18.72%	-22.77%	-18.72%	-35.12%
Standard Deviation	45.91%	17.32%	36.42%	20.30%
Sharpe Ratio	1.90	1.35	1.78	0.88
Sortino Ratio	4.25	2.00	3.54	1.21
Beta	1.51	—	0.95	—
Correlation	0.57	—	0.53	—
R-Squared	0.32	—	0.28	—
Alpha (annualized)	65.93%	—	60.08%	—

Volatility is the number to read first, and this month is an illustration of it. Standard deviation over the trailing three years is **45.91%** against 17.32% for the Nasdaq 100 — more than two and a half times the index — and 36.42% since inception. The offsetting figures are a maximum drawdown of -18.72% against -35.12% and a Sharpe of 1.78 against 0.88, but the path between those points is far rougher than the benchmark's.

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	0.85	9.15	29.52	1.30	-0.65	21.54	69.79	4.33	0.00	0.42	8.73	-2.15
Nasdaq 100	-1.56	-0.67	1.23	-2.34	-4.84	15.69	10.57	-0.15	-6.57	4.18	3.32	1.55
Excess	2.41	9.82	28.29	3.64	4.19	5.85	59.22	4.48	6.57	-3.76	5.41	-3.71

October's -3.71 excess is the widest monthly shortfall since August's -3.76, and the month is only partly run. Two months, January (+29.52%) and May (+69.79%), still account for the bulk of the year's return — which is how a two-position portfolio produces results, and why the months between them look like this one. July's 0.00% is not a rounding artifact: the model was entirely in cash while the Nasdaq 100 fell 6.57%.

Current Holdings

Ticker	Sector	Shares	Avg Cost	Last Close	Value (\$)	Weight	Return %	Rank	Days Held
MU	Technology	279	868.73	1,029.00	287,091	54.70%	+18.45%	78.6	60
AMD	Technology	405	584.33	608.10	246,281	46.92%	+4.07%	92.9	18

Portfolio value \$524,892, down from \$548,149 a week ago. Both positions remain profitable but both have given back ground. **The two ranks have reversed:** AMD, which stood at 71.4 last week, now ranks **92.9**, while MU has fallen from 92.9 to **78.6** — the ranking system now reads the newer position as the stronger of the two. Weights total 101.62% because the model carries a negative cash balance of **-\$8,479**, left over from the 09/21 rotation; that is an artifact of static-weight sizing, not leverage. Both holdings are Nasdaq-listed mega-cap technology companies above \$200 billion; the strategy holds no diversification across sectors, exchanges or capitalization tiers by design.

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

This Week's Trades — None

No transactions were generated by the 10/11 rebalance, the third consecutive week without changes. Both holdings retained ranks sufficient to stay in the portfolio and neither triggered a technical, stop-loss, gain-target or rank-based exit. Vital Risk Control™ remains risk-on, so no defensive move to cash was indicated. **Subscribers should take no action this week** — continue holding MU and AMD at published weights. The next rebalance runs **October 19**. Should a position-level exit be triggered before then, you will receive an **urgent notice advising of the pending sale**, which is executed the following day.

Recent Trading Activity

Date	Action	Ticker	Shares	Price	Reason
09/21/26	BUY to initiate position	AMD	405	583.88	Rank 78.57
09/21/26	SELL to close position	NVDA	1,023	222.94	Rank 64.29
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

No trades have been generated in three weeks, so the table above is unchanged from the prior two issues. **NVDA** closed the 09/21 rotation at \$222.94 against a \$225.70 entry — a **-1.2%** loss, roughly \$2,830 on the modeled position over 35 days. The **AVGO** round trip remains the costly one: bought 08/10 at \$424.42 and closed 08/17 at \$393.88 on technical deterioration, **-7.3%** or about \$17,750, and the reason August trailed. The 06/15 to 06/22 LRCX and KLAC whipsaw cost a further 4.2% combined.

Trading Statistics

Metric	Value	Metric	Value
Closed (realized) trades	132	Average holding period	24.2 days (≈1.2 mo.)
Realized win rate	63.64% (84 of 132)	Avg. hold — winners	30.1 days (≈1.4 mo.)
Average return per closed trade	+6.67%	Avg. hold — losers	14.0 days (≈0.7 mo.)
Average winning trade	+13.30%	Best closed trade	+51.68%
Average losing trade	-4.94%	Worst closed trade	-20.49%
Win/loss size ratio	2.69 : 1	Average annual turnover	905.82%
Open positions	2	Total modeled trading cost	\$12,475
Unrealized winners	100.00% (2 of 2)	Overall winners (incl. open)	64.18%

No trades have closed in three weeks, so the realized figures are unchanged. Losers are cut roughly twice as fast as winners are held — 14.0 days against 30.1 — producing a 2.69-to-1 payoff on a 63.64% realized hit rate. Turnover of 906% annually is a structural consequence of a two-position weekly rotation with a cash overlay, not a performance driver; \$12,475 of modeled cost is already deducted. The win rate uses closed trades only; 64.18% 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 for nine weeks, carrying both positions into the coming week. 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 responds to breadth across the market rather than to the price of either holding, so a month like October — two positions giving back ground while the index rises — is not the condition it is built to act on.

Outlook & Key Observations

Look Ahead: No action this week. Hold **MU** and **AMD** at published weights; the 10/11 rebalance produced no changes, the third week in a row, and none is required of subscribers. **October has run against the model** — -2.15% while the Nasdaq 100 gained 1.55% — and the year-to-date figure has slipped back below 200%. Nothing was traded to cause that; it is two concentrated positions moving the wrong way at the same time, which is the risk a two-name portfolio is built on rather than a malfunction in it. The ranking picture has reversed since last week, with AMD now the stronger of the two at 92.9 and MU at 78.6; those scores are monitored continuously and the exit rules, not subscriber discretion, decide what follows. 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, and that remains the approach. The next rebalance runs **October 19**, with any changes posted to the VitalQuant.com dashboard and delivered to your inbox before the following Monday's open.

YTD: **+199.83%** | 1-Yr: **+259.18%** | Sharpe: **1.78** | Max DD: **-18.72%** | Positions: **2** | Next Rebalance: **10/19/26**

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