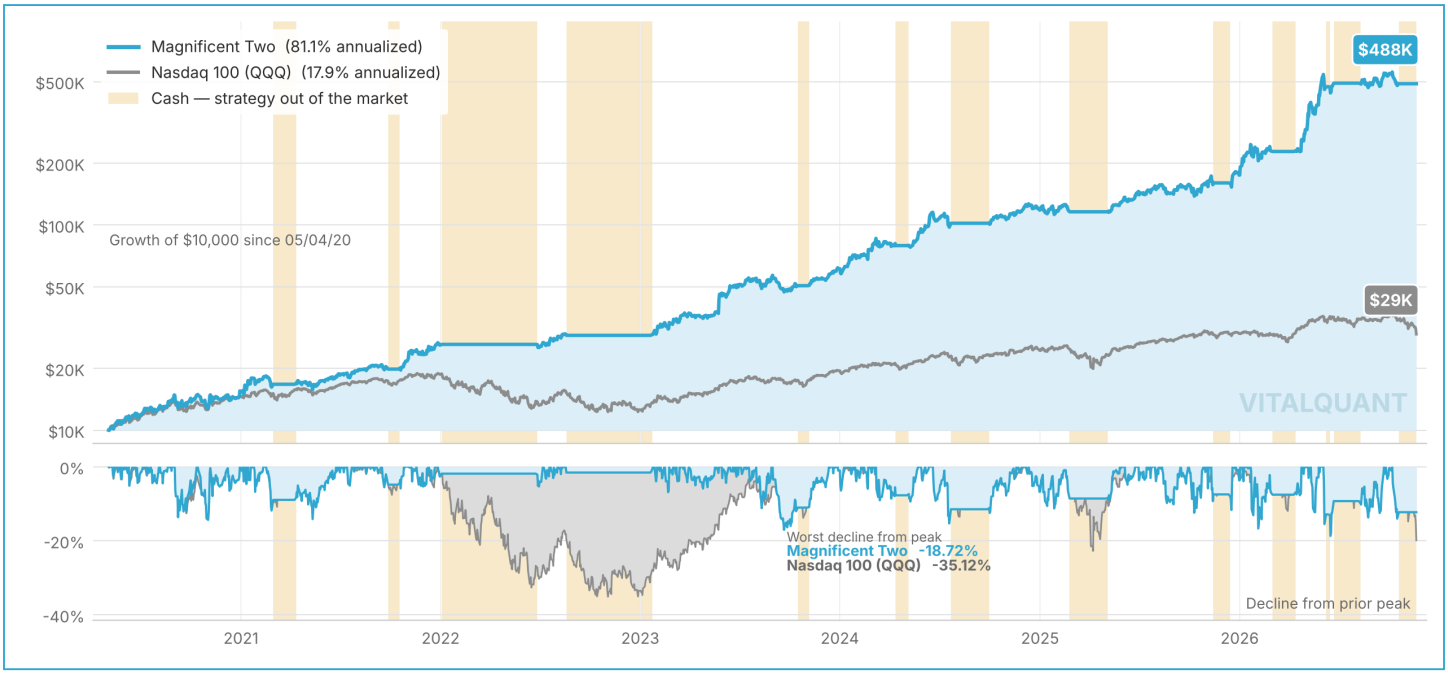
Magnificent Two Strategy

November 22, 2026

Vital Quantitative Research, LLC • Systematic Mega-Cap Technology

No trades this week • Next rebalance: 11/28/26

TOTAL RETURN (Since Inception)	ANNUALIZED RETURN	YEAR-TO-DATE RETURN	MAX DRAWDOWN	SHARPE RATIO	ACTIVE RETURN
4,782.15%	81.11%	178.88%	-18.72%	2.45	4,588.37%
Nasdaq 100: +193.78%	Nasdaq 100: 17.89%	Nasdaq 100: -0.62%	Nasdaq 100: -35.12%	Nasdaq 100: 0.71	vs. Nasdaq 100



Growth of $10,000 since inception (05/04/20), logarithmic scale, net of modeled costs including slippage. A log scale is used so that a given percentage move occupies the same vertical distance anywhere on the chart; on a linear scale the early years would be compressed to a flat line and the recent gains exaggerated. $10,000 at inception would be **$488,215** in the strategy against **$29,378** in the Nasdaq 100. **The shaded bands mark periods when the strategy held cash** because no name met the entry threshold; the line is flat through them, as cash participates in neither market gains nor losses. **The lower panel shows the decline from each prior peak — the clearest picture of what Vital Risk Control™ is for.** The strategy's deepest decline since inception was **-18.72%** against **-35.12%** for the Nasdaq 100, and through 2022 the gap is stark: the index ground down more than a third from its peak while the strategy, out of the market for much of that stretch, barely moved. Both series are daily; the benchmark is total return with dividends reinvested. Past performance does not guarantee future results.

Strategy Overview

The **Magnificent Two Strategy** holds up to two equally weighted positions drawn from a mega-cap technology universe, rebalanced weekly using the proprietary **MagnificentTwo RS v3** ranking system with static-weight sizing. Position-level exits are driven by rank decay, technical deterioration, stop-loss and gain-target rules and run continuously; portfolio-level exposure is governed by **Vital Risk Control™** (patent pending). When no name meets the entry threshold, the balance is held in cash. All figures are net of modeled commissions and variable slippage. Benchmark: Nasdaq 100 (QQQ). Inception: 05/04/20.

This Week at a Glance

The Nasdaq 100 fell 10.51% this week. The model returned 0.00%. Vital Risk Control™ has held the strategy out of the market since 10/19, and it owned nothing while the index had its worst week of the year. **Over four weeks the index is -13.62% and the model is unchanged.** The decline has now taken the Nasdaq 100 to **-0.62% for the year**, erasing its entire 2026 gain, while the model stands at **+178.88%**. **No action is required this week.**

Performance Summary

Period	Model	Nasdaq 100	Excess
Month-to-Date	0.00%	-11.88%	+11.88%
4-Week	0.00%	-13.62%	+13.62%
13-Week	-0.25%	-14.63%	+14.38%
Year-to-Date	178.88%	-0.62%	+179.50%
1-Year	204.40%	4.38%	+200.02%
3-Year	797.44%	59.29%	+738.15%
Since Inception (05/04/20)	**4,782.15%**	**193.78%**	**+4,588.37%**
Annualized	**81.11%**	**17.89%**	**+63.22%**

Every window on this table favours the model, and the short ones by the widest margins in the record. That is the arithmetic of holding cash in a falling market rather than anything the model bought: the Nasdaq 100 is -11.88% in November, -13.62% over four weeks and -14.63% over thirteen, while the model has held no equity exposure since 10/19 and has not moved. **The index is now slightly negative for the year at -0.62% while the model stands at +178.88%.**

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	178.88
Nasdaq 100	46.51	27.42	-32.58	54.86	25.58	20.77	-0.62
Excess	**7.27**	**41.53**	**44.15**	**56.26**	**67.71**	**27.22**	**179.50**

(*) From 05/04/20 (**) Year-to-date through 11/20/26. **The model has finished ahead of the Nasdaq 100 in every completed calendar year since inception**, including 2022, when it returned +11.57% while the index fell 32.58%. The current partial year's 179.50-point excess is the widest of the seven shown, and has widened as the benchmark has fallen; a partial year is not a result until it closes. All figures are net of modeled costs.

Risk Metrics

Metric	Model (3-Yr)	Nasdaq 100 (3-Yr)	Model (Incep.)	Nasdaq 100 (Incep.)
Annualized Return	107.91%	16.80%	81.11%	17.89%
Max Drawdown	-18.72%	-22.77%	-18.72%	-35.12%
Standard Deviation	37.31%	20.92%	32.23%	22.42%
Sharpe Ratio	2.84	0.71	2.45	0.71
Sortino Ratio	4.81	1.01	4.19	1.01
Beta	0.75	—	0.66	—
Correlation	0.42	—	0.46	—
R-Squared	0.18	—	0.21	—
Alpha (annualized)	94.81%	—	68.67%	—

The maximum drawdown since inception is -18.72% against -35.12% for the Nasdaq 100, roughly half the index's worst decline, with a Sharpe of 2.45 against 0.71 and annualized alpha of 68.67%. A two-position portfolio is volatile by construction — standard deviation of 32.23% against 22.42% — and a correlation of 0.46 with a beta of 0.66 shows returns that are largely independent of the index rather than a levered version of it. Sharpe and Sortino are computed against an assumed 2.0% risk-free rate using the realized compound annual return; cash balances are credited no interest, which understates the model's return.

A note on the ratio basis. Sharpe, Sortino, beta, correlation and alpha are computed in-house rather than carried from an outside data platform: the ratios use the realized compound annual return over an assumed 2.0% risk-free rate, and downside deviation divides by the full observation count so that non-negative days contribute zero deviation. Figures published in issues before this one used a different convention and are not directly comparable. Returns, drawdowns and every performance table are unaffected.

Monthly Performance — Last 12 Months

Return (%)	2025/12	2026/01	2026/02	2026/03	2026/04	2026/05	2026/06	2026/07	2026/08	2026/09	2026/10	2026/11
Model	9.15	29.52	1.30	-0.65	21.54	69.79	4.33	0.00	0.42	8.73	-8.99	0.00
Nasdaq 100	-0.67	1.23	-2.34	-4.84	15.69	10.57	-0.15	-6.57	4.18	3.32	-6.66	-11.88
Excess	**9.82**	**28.29**	**3.64**	**4.19**	**5.85**	**59.22**	**4.48**	**6.57**	**-3.76**	**5.41**	**-2.33**	**11.88**

The excess column is positive in ten of the twelve months shown. May's +69.79% against +10.57% and January's +29.52% against +1.23% are the months that built the year. **July and November show the cash position working as designed: the model returned 0.00% in each while the Nasdaq 100 fell 6.57% and 11.88%** — November alone is +11.88 of excess earned without the portfolio owning anything.

Current Holdings

Portfolio Position — 100% Cash

The portfolio holds no equity positions. Following the AMD exit on 10/13 and the MU exit on 10/19, the model is **100% in cash** — the full $488,215 portfolio — and has been for five weeks. **Vital Risk Control™ is in force and no new position is being opened.** That cash is why the portfolio was unchanged this week while the Nasdaq 100 fell 10.51%. Cash is a position the model takes deliberately, not a gap it is waiting to fill, and it will redeploy in a single step when the signal clears.

Track This Strategy on Yahoo Finance ›

This is the second cash period of 2026. The first ran from **06/22 to 08/10**, seven weeks during which the model returned 0.00% while the Nasdaq 100 fell 6.57% in July. **Cash is held to avoid market risk and individual stock risk**, and while in cash the strategy participates in neither market gains nor losses.

This Week's Trades — No Trades

No Action Required — Week of November 23

There are no trades this week and no action is required. Vital Risk Control™ remains in force, so no position is being opened and the balance stays in cash. This is the fifth consecutive week without a transaction. The most recent transaction remains the **MU** sale of 10/19 at a final modeled fill of **$913.54**. **Any new position will be published in the November 29 issue**, following the November 28 rebalance — not mid-week: a name that qualifies between rebalances is not purchased until the following weekend's report.

A note on prices. The price shown for a newly initiated position is the prior session's close, which is the most accurate figure available when this report is published. The final modeled fill — the average of the execution session's high, low and twice the close — is reported in the following week's issue and will usually differ.

Recent Trading Activity

Date	Action	Ticker	Shares	Price	Reason
10/19/26	SELL to close position	**MU**	279	913.54	Rank
10/13/26	SELL to close position	**AMD**	405	596.97	Stop Loss (intra-week)
09/21/26	BUY to initiate position	**AMD**	405	583.88	Rank
09/21/26	SELL to close position	**NVDA**	1,023	222.94	Rank
08/17/26	BUY to initiate position	**NVDA**	1,023	225.70	Rank
08/17/26	SELL to close position	**AVGO**	573	393.88	Stop Loss
08/10/26	BUY to initiate position	**AVGO**	573	424.42	Rank
08/10/26	BUY to initiate position	**MU**	279	867.85	Rank

Where the Exits Stand Today

All three of the strategy's last holdings are materially cheaper now than where the model sold them. Each exit was triggered by the model's own rank and stop-loss rules weeks before the sector's decline became general news — not by a forecast, and not by any view about artificial intelligence. **NVDA was sold on 09/21 at $222.94 and closed at $162.85 on November 13, some 27% lower. MU** was sold on 10/19 at $913.54 and has since traded near $725, and **AMD** was sold on 10/13 at $596.97 against a recent $509. Both the AMD and MU sales were themselves profitable — +2.2% and +5.3%, together about $18,000 — so the strategy booked gains on the way out and then avoided the decline that followed. **The green figures below are what the strategy did not lose.** Exit prices are the model's actual modeled fills; recent closes are the latest sessions available at publication and are dated individually. Nothing here is a recommendation, and no position is held in any security named.

Ticker	Model exit	Exit price	Recent close	As of	Change since exit
NVDA	09/21/26	222.94	162.85	11/13	**-27.0%**
MU	10/19/26	913.54	725.11	11/10	**-20.6%**
AMD	10/13/26	596.97	508.58	11/09	**-14.8%**

The point is not the precise figure but the direction: the ranking and stop-loss rules cleared the portfolio ahead of a drawdown that has since taken roughly $1.6 trillion off Nvidia's market value alone.

Trading Statistics

Metric	Value	Metric	Value
Closed (realized) trades	134	Average holding period	24.6 days (≈5 wks.)
Realized win rate	64.18% (86 of 134)	Avg. hold — winners	30.5 days (≈6 wks.)
Average return per closed trade	+6.63%	Avg. hold — losers	14.0 days (≈2 wks.)
Average winning trade	+13.08%	Best closed trade	+51.68%
Average losing trade	-4.94%	Worst closed trade	-20.49%
Win/loss size ratio	2.65 : 1	Average annual turnover	901.02%
Open positions	0	Total modeled trading cost	$12,475
Portfolio in cash	100.00%	Total realized gains	$476,354

The average winner is 2.65 times the average loser (+13.08% against -4.94%). The $12,475 of modeled trading cost is already deducted from every return shown.

Vital Risk Control™

Vital Risk Control™ Signal

Status: RISK-OFF — 100% CASH. Vital Risk Control™ is in force and the strategy holds no equity exposure. **Its effect is visible in this week's numbers: the Nasdaq 100 fell 10.51% and the model returned 0.00%.** Portfolio-level exposure is governed independently of the ranking system, so a name may qualify on rank while the risk signal keeps the portfolio flat. Exposure returns in one step when the signal clears.

Risk is managed from two directions: Vital Risk Control™ can cut exposure from above on a breadth signal, and exposure can also fall from below when positions leave on their own rules. Both were at work here — the October exits emptied the portfolio and the risk signal has kept it empty. **Neither route requires a forecast.** The model did not predict the sector's decline; it was already out of the way when it arrived.

Outlook & Key Observations

Look Ahead: No action this week. Vital Risk Control™ remains in force and the portfolio stays 100% in cash. **This week is the clearest demonstration of what the framework is for.** The Nasdaq 100 fell 10.51% between 11/13 and 11/20, its worst week of the year, and the model returned 0.00% because it owned nothing. Over four weeks the index is down 13.62% and the model is unchanged; the decline has erased the index's entire 2026 gain, leaving it at **-0.62% for the year against the model's +178.88%**. A portfolio that sits out a 10% week does not need a forecast to have been right — it needs a rule that was already in place, and the strategy exited NVDA, MU and AMD well before the worst of it. **The model will return to the market when its own data says so, and not before.** That may be at the **November 28** rebalance or considerably later; the strategy has held cash for seven weeks at a stretch before. Any position that qualifies will be published in the weekend issue that follows — a name that qualifies mid-week is not purchased before then — and urgent notices remain reserved for exits: a stop-loss, a technical signal, or a Vital Risk Control™ signal.

YTD: **+178.88%** | 1-Yr: **+204.40%** | Sharpe: **2.45** | Max DD: **-18.72%** | Positions: **0 (100% cash)** | Next Rebalance: **11/28/26**

Important Disclosures. Vital Quantitative Research, LLC is a publisher of systematic investment research and is not a registered investment adviser. Nothing in this report is individualized investment advice or a recommendation to buy or sell any security. References to individual companies, including Nvidia, describe publicly reported market events and are provided as context for the strategy's positioning; they are not recommendations and no position is held in any security named. The Magnificent Two Strategy results shown are hypothetical model results produced by systematic backtesting and portfolio simulation, and are net of modeled commissions and variable slippage; they do not represent actual trading and no client account achieved these returns. **This strategy is extremely concentrated:** it holds at most two positions, drawn from a single sector, and at present holds none. A severe decline in one or both holdings can produce losses materially greater than a broadly diversified portfolio would experience, and volatility has run well above that of the benchmark. The strategy may hold cash for extended periods, during which it will not participate in market gains or losses. Position sizing should reflect that concentration. Hypothetical performance has inherent limitations, including the benefit of hindsight in strategy construction. Past performance, whether actual or hypothetical, does not guarantee future results. Investing involves risk of loss, including loss of principal. Vital Risk Control™ is a proprietary framework of Vital Quantitative Research, LLC (patent pending).