



## December 2016 update for Radius Capital Management

### PERFORMANCE AT A GLANCE

Portfolio/Index	December Return	YTD Return To 12/31/16
Stock Portion of Radius portfolios (Radius 100)	+1.8%	+7.0%
Stock Portion of Radius Index portfolios (Index 100)	+2.4%	+13.0%
U.S. Stock Benchmark (Vanguard S&P 500 Index Fund)	+2.0%	+11.8%
Balanced Risk 75 Portfolio (target risk/volatility vs. S&P = 75%)	+1.2%	+8.9%
Bond Portion of Radius and Index portfolios	+0.2%	+1.0%
Bond Benchmark (Vanguard Total Bond Index Fund)	+0.2%	+2.5%

U.S. and international stock markets continued to climb in December, although at a much slower pace than what we saw during the post-election rally in November. For the full month the S&P 500 was up +2.0% and the EAFE international index gained +3.4%. Value stocks continued to outperform Growth, and Large Caps slightly outperformed Mid and Small Caps. With the exception of interest-rate sensitive intermediate and long-term government bonds, all bond indices posted modest gains in December, with the broad bond index gaining +0.2%.

### MARKET CHARACTERISTICS

Stock market volatility <sup>1</sup>	Low (monthly avg. = 12, month end = 14)
Business Cycle Phase	Late Expansion (seventh out of nine "innings")
Dominant Investment Style (active vs. passive)	Passive (index-based)

### CURRENT RISK-ADJUSTED RETURN (RAR) RANKINGS OF MARKET SEGMENTS<sup>2</sup>

RAR Rank	Stock Market Segments	1-Mo. Return	12/31/16 RAR	Bond Market Segments	1-Mo. Return	12/31/16 RAR
1	Small Value	+2.8%	+23%	High Yield	+1.4%	+7%
2	Large Value	+2.6%	+19%	Short-Term Corporate	+0.1%	+1%
3	Mid-Cap Value	+1.0%	+14%	Worldwide Bond	+0.5%	+1%
4	<b>S&amp;P 500</b>	<b>+2.0%</b>	<b>+13%</b>	Short Government	+0.1%	-0%
5	Small Growth	+0.6%	+8%	Long Corporate	+1.1%	-1%
6	Foreign Value	+1.6%	+7%	Intermediate Corporate	+0.1%	-1%
7	Large Growth	+1.1%	+5%	<b>Total Bond Index</b>	<b>+0.2%</b>	<b>-2%</b>
8	Mid-Cap Growth	+0.2%	+5%	Intermediate Government	-0.1%	-4%
9	Foreign Growth	+0.3%	-5%	Long Government	-0.4%	-4%

### LONG-TERM PERFORMANCE THROUGH 12/31/2016

The longer-term performance of the Radius portfolios continues to be strong. Since inception (1/1/2001), the Radius 100 portfolio has generated a net cumulative return of **+214%** (7.4% annualized) vs. a cumulative return of **+129%** (5.3% annualized) for the benchmark S&P 500 – with a comparable level of risk (i.e., standard deviation of monthly returns, maximum drawdown, and beta). Over the same time period, the more conservative Radius 60 (60% stock mutual fund, 40% bond mutual fund) portfolio grew **+183%** (6.7% annualized) vs. a **+129%** return (5.3% annualized) for its benchmark<sup>3</sup>.

<sup>a</sup> Returns for the Balanced Risk portfolio prior to 3/30/2015 are back-tested (simulated) and not actual returns of Radius accounts.

<sup>1</sup> In general, the higher the market volatility (as measured by the CBOE Volatility Index or VIX), the more the market is driven by investor emotions (greed and fear). Lower market volatility indicates a market environment based on fundamentals (economic growth, corporate earnings, etc.). The long-term average for the VIX is 20, 30 is considered high, 40 very high, and 50+ extreme.

<sup>2</sup> The performance numbers are for the corresponding Vanguard stock and bond index funds and the Vanguard Total Intl Bond Index fund (VTIBX) for the Worldwide Bond segment

<sup>3</sup> Radius 60 benchmark = 60% S&P 500 Stock Index and 40% Total Bond Index

## Long-Term Performance (net of fees) to 12/31/2016 for S&P 500, Bond Index, Radius 100, 60, & 20 Portfolios Index 100<sup>a</sup>, and Balanced Risk<sup>a</sup> 75 & 50 Portfolios

	S&P 500	Bond Index	Index 100 <sup>1</sup>	Radius 100	Balanced Risk 75 <sup>1</sup>	Radius 60	Balanced Risk 50 <sup>1</sup>	Radius 20
			Jul. 2014	Jan. 2001	March 2015	Jan. 2001	March 2015	Nov. 2003
Inception Date			Jul. 2014	Jan. 2001	March 2015	Jan. 2001	March 2015	Nov. 2003
% in Stock Funds	100	-	100	100	39	60	29	20
% in Bond Funds	-	100	-	-	85	40	61	80
% in Commodities	-	-	-	-	11	-	8	-
% in Real Estate	-	-	-	-	3	-	2	-
<b>Net Cumulative Returns</b>								
2016 YTD	12%	2%	13%	7%	9%	5%	6%	2%
1-Year	12%	2%	13%	7%	9%	5%	6%	2%
3-Year	29%	9%	22%	10%	17%	8%	12%	6%
5-Year	97%	11%	89%	56%	36%	36%	25%	18%
10-year	94%	51%	92%	39%	177%	48%	92%	44%
Since 1/1/2001	129%	104%	237%	214%	569%	183%	240%	133%
<b>Net Annualized Returns</b>								
3-Year	9%	3%	7%	3%	5%	3%	4%	2%
5-Year	14%	2%	14%	9%	6%	6%	5%	3%
10-year	7%	4%	7%	3%	11%	4%	7%	4%
Since 1/1/2001	5%	5%	8%	7%	13%	7%	8%	5%
<b>Risk Measures</b>								
Beta	1.00	-0.02	0.91	1.00	0.50	0.62	0.34	0.21
Max Drawdown	-51%	-4%	-49%	-57%	-24%	-38%	-17%	-13%
Std. Deviation	15%	4%	14%	17%	12%	11%	8%	5%
Correlation to S&P	1.00	-0.10	0.93	0.88	0.59	0.85	0.62	0.63

**Benchmarks:** S&P 500 Stock Index = Vanguard S&P 500 Stock Index Fund (VFINX)  
Bond Index = Vanguard Total Bond Index Fund (VBMFX)

**Footnotes:**

- <sup>a</sup> Returns for the Index portfolio prior to 7/31/2014 and Balanced Risk prior to 3/30/2015 are back-tested and not actual returns of accounts managed by Radius. Back-tested (simulated) performance results have certain inherent limitations. Unlike an actual performance record, simulated results do not represent actual trading. Also, since the trades have not actually been executed, the results December have under- or over-compensated for the impact, if any, of certain market factors, such as lack of liquidity. Simulated investment strategies in general are also subject to the fact that they are designed with the benefit of hindsight. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown.
- <sup>1</sup> The Balanced Risk 75 portfolio invests part of its assets in leveraged ETFs. These funds seek daily investment results – before fees and expenses – that are triple the return of stock (S&P 500, S&P Mid-Cap 400, Russell 2000), bond (20+ Year Treasury Bond), and commodity (gold, silver, oil) market indices. Using these leveraged ETFs results in greater volatility and a greater risk of loss.

**Other Notes:**

- Investment returns since the portfolio inception date reflect the (unaudited) performance of actual investment portfolios.
- For the period prior to its inception date, the returns for the Radius 20 are calculated using the actual returns from the Radius 100 and 60.
- All performance numbers include dividends and capital gains and are net of all transaction costs and management fees, but do not reflect the impact of taxes.
- Past performance is no guarantee of future results. There will be periods when the investments lose value and/or underperform their respective benchmark.
- Data Sources: Account statements, Vanguard.com

## COMPANY OVERVIEW

Radius Capital Management is a registered investment advisory company specializing in diversified mutual fund portfolios. Radius currently manages \$22 million in assets for individuals, retirement and profit sharing plans, and trusts.

### Investment Strategies

- **Radius Strategy** (Market-Correlated Momentum): Seeks to invest in the mutual funds that have the best risk-adjusted returns over the past 1-year.
- **Index Strategy** (Market-Correlated Mean Reversion): Invests in market indices that have the worst performance over the past 5 to 10 years.
- **Balanced Risk** (Risk Parity): Seeks to balance the portfolio risk exposure to generate more stable portfolio returns in all market/economic environments.

### ADDITIONAL INFORMATION

If you have any questions about the investment approach or would like to learn more about Radius Capital Management, please visit [www.radius-capital.com](http://www.radius-capital.com) or send an e-mail to [info@radius-capital.com](mailto:info@radius-capital.com). You can also find an overview of the Radius Risk Adjusted Return Strategy on the website at [www.radius-capital.com/docs/RadiusOverview.pdf](http://www.radius-capital.com/docs/RadiusOverview.pdf).

>> Note: This newsletter is also available online at <http://www.radius-capital.com/docs/Newsletter.pdf>. <<

Regards,

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