



## February 2018 update for Radius Capital Management

### PERFORMANCE AT A GLANCE

Portfolio/Index	February Return	YTD Return To 2/28/18
Stock Portion of Radius portfolios (Radius 100)	-4.0%	+0.8%
Stock Portion of Radius Index portfolios (Index 100)	-4.0%	+0.6%
U.S. Stock Benchmark (Vanguard S&P 500 Index Fund)	-3.7%	+1.8%
Balanced Risk 75 Portfolio (target risk/volatility vs. S&P = 75%)	-5.3%	-3.2%
Bond Portion of Radius portfolios	-1.0%	-2.3%
Bond Portion of Radius Index portfolios	-1.0%	-2.3%
Bond Benchmark (Vanguard Total Bond Index Fund)	-1.0%	-2.1%

Concerns over a resurgence of inflation and a possible international trade war sparked by U.S. tariffs on steel and aluminum drove US stocks and bonds and international stocks lower in February. With the exception of international bonds, all stock and bond market segments posted significant losses. Growth stocks outperformed Value, and Large Cap stocks beat both Mid- and Small Caps. This – and the speed with which the stock market rebounded from its correction earlier in February – indicate that the current bull market still has plenty of life in it. Bonds were broadly lower in February, with the benchmark bond index closing the month down **-1.0%**.

### MARKET CHARACTERISTICS

Stock market volatility <sup>1</sup>	Average (monthly avg. = 22, month end = 20)
Business Cycle Phase	Late Expansion (seventh out of nine “innings”)
Dominant Investment Style (active vs. passive)	Passive (index-based)

<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.

### CURRENT RISK-ADJUSTED RETURN (RAR) RANKINGS OF MARKET SEGMENTS

RAR Rank	Stock Market Segments	1-Mo. Return	2/28/18 RAR	Bond Market Segments	1-Mo. Return	2/28/18 RAR
1	Large Growth	-2.9%	+23%	High Yield	-1.1%	+2%
2	<b>S&amp;P 500</b>	-3.7%	<b>+19%</b>	Worldwide Bond	+0.4%	+1%
3	Mid-Cap Growth	-3.3%	+15%	Long Corporate	-3.3%	-1%
4	Small Growth	-3.2%	+15%	Short-Term Corporate	-0.3%	-1%
5	Large Value	-4.4%	+14%	Short Government	-0.1%	-2%
6	Foreign Growth	-4.5%	+14%	Long Government	-2.9%	-2%
7	Foreign Value	-5.0%	+11%	Intermediate Corporate	-0.9%	-2%
8	Mid-Cap Value	-4.7%	+10%	<b>Total Bond Index</b>	<b>-1.0%</b>	<b>-3%</b>
9	Small Value	-4.8%	+5%	Intermediate Government	-0.5%	-4%

### LONG-TERM PERFORMANCE THROUGH 2/28/2018

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 **+270%** (7.9% annualized) vs. a cumulative return of **+183%** (6.3% 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 **+213%** (6.9% annualized) vs. a **+162%** return (5.8% annualized) for its benchmark (60% S&P 500 Stock Index and 40% Total Bond Index).

Past performance is no guarantee of future results. It should not be assumed that investment decisions made in the future will be profitable or will equal the performance of the portfolios shown above.

\* Total return numbers for the Radius 100 portfolio reflect the (unaudited) performance of actual portfolios that have been invested since 1/1/2001.

<sup>a</sup> Performance numbers for the Index 100 prior to 7/30/2014 and Balanced Risk 75 prior to 3/30/2015 are **back-tested** and do not represent the actual performance of portfolios managed by Radius.

## Long-Term Performance (net of fees) to 2/28/2018 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
Inception Date			Jul. 2014	Jan. 2001	March 2015	Jan. 2001	March 2015	Nov. 2003
% in Stock Funds	100	-	100	100	33	60	25	20
% in Bond Funds	-	100	-	-	92	40	62	80
% in Commodities	-	-	-	-	16	-	10	-
% in Real Estate	-	-	-	-	4	-	3	-
<b>Net Cumulative Returns</b>								
2018 YTD	2%	-2%	1%	1%	-3%	0%	-2%	-2%
1-Year	17%	0%	13%	13%	5%	8%	4%	2%
3-Year	37%	3%	26%	18%	8%	11%	8%	3%
5-Year	97%	8%	80%	57%	32%	34%	22%	13%
10-year	150%	40%	128%	56%	148%	51%	84%	38%
Since 1/1/2001	183%	107%	299%	270%	608%	213%	263%	140%
<b>Net Annualized Returns</b>								
3-Year	11%	1%	8%	6%	3%	3%	3%	1%
5-Year	15%	2%	12%	9%	6%	6%	4%	2%
10-year	10%	3%	9%	5%	10%	4%	6%	3%
Since 1/1/2001	6%	4%	8%	8%	12%	7%	8%	5%
<b>Risk Measures</b>								
Beta	1.00	-0.02	0.92	1.00	0.50	0.61	0.34	0.20
Max Drawdown	-51%	-4%	-49%	-57%	-24%	-38%	-17%	-13%
Std. Deviation	14%	4%	14%	16%	12%	10%	8%	5%
Correlation to S&P	1.00	-0.10	0.93	0.88	0.62	0.85	0.62	0.62

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

### Footnotes:

<sup>a</sup> Returns for the Index portfolio prior to 7/30/2014 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 February 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.
- Data Sources: Account statements, Vanguard.com

## COMPANY OVERVIEW

Radius Capital Management is a registered investment advisory company specializing in diversified mutual fund and ETF portfolios. Radius currently manages 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 lagged the rest of the market 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).

Regards,

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