



## September 2018 update for Radius Capital Management

### PERFORMANCE AT A GLANCE

Portfolio/Index	September Return	YTD Return To 9/30/18
Radius 100 (100% stock mutual funds)	-1.1%	+7.5%
Radius Index 100 (100% stock ETFs)	-2.1%	+12.9%
U.S. Stock Benchmark (Vanguard S&P 500 Index Fund)	+0.5%	+10.4%
Balanced Risk 75 Portfolio (target risk/volatility vs. S&P = 75%)	-1.9%	-1.9%
Radius Bond (100% bond mutual funds)	+0.1%	-1.8%
Radius Index Bond (100% bond ETFs)	-0.8%	-2.2%
Bond Benchmark (Vanguard Total Bond Index Fund)	-0.6%	-1.7%

U.S. Large Cap stocks were higher in September (the S&P 500 posted a gain of 0.5% for the month), but both Small and Mid-Caps retreated. International stocks rose, but again with Large Cap stocks rising while Small and Mid-Caps fell. Value outperformed Growth, with Large Cap Value (both U.S. and international) posting the best performance. If this shift to Large Cap and Value stocks continues, it could indicate we are entering the final stages of the current bull market. Given the current Small Growth concentration of the Radius 100, it trailed the S&P 500 in September, but outperformed the Small Growth index. Bonds were also broadly lower in September, with all bond categories except High Yield posting losses and the benchmark bond index closing the month down 0.6%.

### MARKET CHARACTERISTICS

Stock market volatility <sup>§</sup>	Low (monthly avg. = 13, month end = 12)
Business Cycle Phase	Late Expansion (eighth out of nine "innings")
Dominant Investment Style (active vs. passive)	Mixed (although passive was definitely dominant in Sept.)

<sup>§</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	9/30/18 RAR	Bond Market Segments	1-Mo. Return	9/30/18 RAR
1	Small Growth	-1.3%	23%	Worldwide Bond	-0.3%	0%
2	Large Growth	0.4%	22%	High Yield	0.4%	2%
3	<b>S&amp;P 500</b>	<b>0.5%</b>	<b>19%</b>	Short Corporate	-0.1%	-1%
4	Mid-Cap Growth	-0.3%	18%	Short Government	-0.2%	-2%
5	Large Value	0.6%	14%	Intermediate Corporate	-0.5%	-2%
6	Small Value	-1.7%	11%	<b>Total Bond Index</b>	<b>-0.6%</b>	<b>-3%</b>
7	Mid-Cap Value	-0.7%	7%	Intermediate Government	-0.7%	-4%
8	International Growth	-0.8%	3%	Long Corporate	-0.9%	-4%
9	International Value	1.8%	-3%	Long Government	-2.8%	-7%

### LONG-TERM PERFORMANCE THROUGH 9/30/2018

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 **+294%** (8% annualized) vs. a cumulative return of **+207%** (6.5% 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 **+226%** (6.9% annualized) vs. a **+176%** return (5.9% 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.**

## Long-Term Performance (net of fees) to 9/30/2018 for S&P 500\*, Bond Index\*, Radius<sup>1</sup> 100, 60, & 20 Portfolios Index<sup>2</sup> 100, and Balanced Risk<sup>2,3</sup> 75 & 50 Portfolios

	S&P 500*	Bond Index*	Index 100 <sup>2</sup>	Radius 100 <sup>1</sup>	Balanced Risk 75 <sup>2,3</sup>	Radius 60 <sup>1</sup>	Balanced Risk 50 <sup>2</sup>	Radius 20 <sup>1</sup>
Inception Date			Jul. 2014	Jan. 2001	April 2015	Jan. 2001	April 2015	Nov. 2003
% in Stock Funds	100	-	100	100	28	60	25	20
% in Bond Funds	-	100	-	-	91	40	62	80
% in Commodities	-	-	-	-	14	-	10	-
% in Real Estate	-	-	-	-	5	-	3	20
<b>Net Cumulative Returns</b>								
2018 YTD	10%	-2%	13%	7%	-2%	4%	-1%	0%
1-Year	18%	-1%	20%	13%	2%	7%	2%	2%
3-Year	61%	4%	56%	40%	21%	23%	16%	7%
5-Year	91%	10%	79%	50%	35%	32%	25%	15%
10-Year	206%	42%	185%	111%	162%	83%	91%	49%
Since 1/1/2001	207%	108%	293%	294%	615%	226%	268%	145%
<b>Net Annualized Returns</b>								
3-Year	17%	1%	16%	12%	6%	7%	5%	2%
5-Year	14%	2%	12%	8%	6%	6%	5%	3%
10-Year	12%	4%	11%	8%	10%	6%	7%	4%
Since 1/1/2001	7%	4%	8%	8%	12%	7%	8%	5%
<b>Risk Measures</b>								
Beta	1.00	-0.02	0.98	0.99	0.50	0.61	0.34	0.20
Max Drawdown	-51%	-4%	-49%	-57%	-24%	-38%	-17%	-13%
Std. Deviation	14%	3%	15%	16%	12%	10%	8%	5%
Correlation to S&P	1.00	-0.10	0.95	0.88	0.61	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:

- Investment return numbers for the Radius 100 and Radius 60 reflect the (unaudited) performance of actual portfolios that have been invested since 1/1/2001. 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.
- 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 may 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.
- 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:

- 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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