

November 2018 update for Radius Capital Management

PERFORMANCE AT A GLANCE

Portfolio/Index	November Return	YTD Return To 11/30/18
Radius 100 (100% stock mutual funds)	2.5%	-1.8%
Radius Index 100 (100% stock ETFs)	2.0%	3.6%
U.S. Stock Benchmark (Vanguard S&P 500 Index Fund)	2.0%	5.0%
Balanced Risk 75 Portfolio (target risk/volatility vs. S&P = 75%)	0.5%	-7.1%
Radius Bond (100% bond mutual funds)	0.1%	-2.0%
Radius Index Bond (100% bond ETFs)	0.5%	-3.1%
Bond Benchmark (Vanguard Total Bond Index Fund)	0.5%	-1.9%

U.S. and international stock markets rebounded nicely in November, with all stock indices posting gains. Since then, however, stocks have experienced sharp declines, with the S&P 500 down roughly 4% so far in December and off 10% from its September 20 peak. Many stock market watchers, myself included, are somewhat baffled by the recent market sell-off, as economic activity remains strong. The Conference Board Leading Economic Index for the U.S. increased 0.1 percent in October (most recent data), following a 0.6 percent increase in September, and a 0.5 percent increase in August. While I believe we are entering the final stages of the current bull market, most indicators point to the market posting new highs before the start of the next bear market. Still, I am monitoring the situation carefully and will consider adding more defensive funds to the Radius portfolios in the next few weeks.

MARKET CHARACTERISTICS

Stock market volatility [§]	Average (monthly avg. = 19.4, month end = 18.1)
Business Cycle Phase	Late Expansion (eighth out of nine "innings")
Dominant Investment Style (active vs. passive)	Passive

[§] 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	11/30/18 RAR	Bond Market Segments	1-Mo. Return	11/30/18 RAR
1	Large Value	3.4%	3.4%	Worldwide Bond	0.5%	-0.2%
2	S&P 500	2.0%	0.4%	Short Government	0.1%	-1.2%
3	Large Growth	0.6%	-3.3%	Short Corporate	(0.1%)	-1.8%
4	Mid-Cap Growth	2.5%	-4.9%	Intermediate Government	1.0%	-2.1%
5	Mid-Cap Value	2.3%	-6.1%	Total Bond Index	0.0%	-3.5%
6	Small Growth	1.9%	-6.4%	Intermediate Corporate	0.0%	-3.5%
7	Small Value	2.4%	-9.2%	High Yield	(1.6%)	-3.7%
8	Foreign Large Value	0.4%	-13.8%	Long Government Bond	0.0%	-9.7%
9	Foreign Large Growth	1.5%	-15.7%	Long Corporate	0.0%	-10.5%

LONG-TERM PERFORMANCE THROUGH 11/30/2018

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 **+260%** (7.4% annualized) vs. a cumulative return of **+192%** (6.2% 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 **+208%** (6.5% annualized) vs. a **+167%** return (5.6% 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 11/30/2018 for S&P 500*, Bond Index*, Radius¹ 100, 60, & 20 Portfolios Index² 100, and Balanced Risk^{2,3} 75 & 50 Portfolios

	S&P 500*	Bond Index*	Index 100 ²	Radius 100 ¹	Balanced Risk 75 ^{2,3}	Radius 60 ¹	Balanced Risk 50 ²	Radius 20 ¹
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
Net Cumulative Returns								
2018 YTD	5%	-2%	4%	-2%	-7%	-2%	-4%	-2%
1-Year	6%	-1%	5%	0%	-6%	0%	-3%	-1%
3-Year	41%	4%	34%	20%	11%	12%	10%	4%
5-Year	68%	10%	53%	30%	23%	20%	18%	10%
10-Year	276%	41%	244%	166%	192%	106%	107%	53%
Since 1/1/2001	192%	107%	260%	260%	577%	208%	255%	140%
Net Annualized Returns								
3-Year	12%	1%	10%	6%	3%	4%	3%	1%
5-Year	11%	2%	9%	5%	4%	4%	3%	2%
10-Year	14%	3%	13%	10%	11%	7%	8%	4%
Since 1/1/2001	6%	4%	7%	7%	11%	6%	7%	5%
Risk Measures								
Beta	1.00	-0.02	0.99	1.00	0.51	0.62	0.34	0.21
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	-0.09	0.95	0.88	0.62	0.85	0.63	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 or send an e-mail to info@radius-capital.com.

Regards,

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