



December 2018 update for Radius Capital Management

PERFORMANCE AT A GLANCE

Portfolio/Index	December Return	YTD Return To 12/31/18
Radius 100 (100% stock mutual funds)	-10.1%	-11.7%
Radius Index 100 (100% stock ETFs)	-10.8%	-7.6%
U.S. Stock Benchmark (Vanguard S&P 500 Index Fund)	-9.0%	-4.5%
Balanced Risk Plus Portfolio (target risk/volatility vs. S&P = 75%)	-1.3%	-8.4%
Radius Bond (100% bond mutual funds)	-0.4%	-2.4%
Radius Index Bond (100% bond ETFs)	1.4%	-1.7%
Bond Benchmark (Vanguard Total Bond Index Fund)	1.8%	-0.1%

U.S. and international stock markets experienced steep declines in December due to continuing worries about slowing global economic activity and trade. In the first week of January, however, stocks have rebounded nicely, with the biggest losers of the past few months posting the greatest gains (e.g., Small Growth, down -20% from August to December is up 6% YTD). It remains to be seen if the current market rally will continue through the end of the month – or the end of the year – but for the time being, investors appear to be focusing on market fundamentals rather than raw emotions. As I stated last month, I believe we are entering the final stages of the current bull market, but most indicators point to the market posting new highs before the start of the next bear market. I continue to monitor the situation carefully and have positioned the Radius portfolios to protect against future market volatility while still participating in the current upswing.

MARKET CHARACTERISTICS

Stock market volatility [§]	Above Average (monthly avg. = 25, month end = 25)
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	12/31/18 RAR	Bond Market Segments	1-Mo. Return	12/31/18 RAR
1	Large Value	-9.3%	-13.9%	Worldwide Bond	1.8%	1.9%
2	S&P 500	-9.0%	-16.2%	Intermediate Government	1.9%	1.4%
3	Large Growth	-8.6%	-16.7%	Short Government Bond	0.9%	0.2%
4	Mid-Cap Growth	-9.1%	-18.3%	Long Government	5.5%	0.0%
5	Small Growth	-10.7%	-20.3%	Total Bond Index	1.8%	-3.5%
6	Foreign Large Value	-4.5%	-23.1%	Short-Term Corp Bond	0.7%	-0.7%
7	Foreign Large Growth	-4.6%	-23.6%	Intermediate Corporate	1.5%	-1.1%
8	Mid-Cap Value	-10.7%	-24.8%	Long Corporate Bond	3.2%	-2.4%
9	Small Value	-11.4%	-27.3%	High Yield Bond	-2.1%	-5.2%

LONG-TERM PERFORMANCE THROUGH 12/31/2018

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 **+224%** (6.7% annualized) vs. a cumulative return of **+166%** (5.6% 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 **+190%** (6.1% annualized) vs. a **+155%** return (5.3% 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 12/31/2018

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 Plus ^{2,3}	Radius 60 ¹	Balanced Risk ²	Radius 20 ¹
Inception Date			Jul. 2014	Jan. 2001	Mar. 2015	Jan. 2001	Mar. 2015	Nov. 2003
% in Stock Funds	100		100	100	17	60	21	20
% in Bond Funds		100	-	-	97	40	62	80
% in Real Estate					6		3	
% in Commodities					24		14	
Total			100	100	144	100	100	100
Net Cumulative Returns (net)								
2018 YTD	-5%	0%	-8%	-12%	-8%	-8%	-6%	-4%
1-Year	-5%	0%	-8%	-12%	-8%	-8%	-6%	-4%
3-Year	30%	6%	23%	10%	11%	7%	9%	3%
5-Year	49%	12%	33%	14%	20%	11%	15%	7%
10-Year	239%	38%	197%	133%	149%	89%	84%	48%
Since 1/1/2001	166%	111%	213%	224%	568%	190%	249%	136%
Net Annualized Returns								
3-Year	9%	2%	7%	3%	4%	2%	3%	1%
5-Year	8%	2%	6%	3%	4%	2%	3%	1%
10-Year	13%	3%	11%	9%	10%	7%	6%	4%
Since 1/1/2001	6%	4%	7%	7%	11%	6%	7%	5%
Risk Measures								
Beta	1.00	-0.02	0.97	1.01	0.50	0.62	0.34	0.21
Max Drawdown	-51%	-4%	-48%	-57%	-24%	-38%	-17%	-13%
Std. Deviation	14%	3%	15%	16%	12%	10%	8%	5%
Correlation to S&P	1.00	-0.11	0.94	0.88	0.62	0.85	0.63	0.63

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.

* **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 portfolios 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 Plus 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,

Kimball Halsey, President and Portfolio Manager
Radius Capital Management, LLC
Tel: (617) 661-4200

DISCLAIMER:

The information provided in this newsletter is not intended as specific investment advice, nor therefore, as a recommendation to buy or sell a specific security or other financial instrument. Investments mentioned in this newsletter may not be suitable for certain investment objectives. For specific investment advice, please contact Kimball Halsey.

Radius Capital Management, LLC only transacts business in states where it is properly registered or notice filed, or excluded or exempted from registration requirements. Follow-up and individualized responses that involve either the effecting or attempting to effect transactions in securities, or the rendering of personalized investment advice for compensation, as the case may be, will not be made absent compliance with federal and/or state investment adviser and investment adviser representative registration requirements, or an applicable exemption or exclusion.