

May 2019 update for Radius Capital Management

PERFORMANCE AT A GLANCE

Portfolio/Index	May Return	YTD Return To 5/31/19
Radius 100 (100% stock mutual funds)	-4.9%	11.6%
Radius Index 100 (100% stock ETFs)	-6.6%	6.7%
U.S. Stock Benchmark (Vanguard S&P 500 Index Fund)	-6.4%	10.7%
Balanced Risk 75 Portfolio (target risk/volatility vs. S&P = 75%)	0.0%	9.0%
Radius Bond (100% bond mutual funds)	1.7%	4.3%
Radius Index Bond (100% bond ETFs)	1.8%	3.8%
Bond Benchmark (Vanguard Total Bond Index Fund)	1.8%	4.9%

The S&P 500 started the month at an all-time high, but quickly turned on concerns surrounding US-China trade tensions. As a result, U.S. and international stock markets posted their first negative month since December 2018, with the S&P 500 declining 6.4% and the international index (MSCI EAFE) down 5.5%. US Treasury yields fell (driving bond prices higher), with markets now anticipating more than 3 Federal Reserve interest rate cuts by the end of 2020. The benchmark bond index gained 1.8% in May. Radius Portfolios performed well over the month, with the defensively-positioned Balanced Risk 50 and 75 flat or up slightly as a result of their exposure to traditionally safe-haven assets such as Gold and Long Term Treasury bonds. The Index 100 portfolio performed in line with the S&P, and the flagship Radius 100 was down only 4.9% (vs. 6.4% for the S&P). The US is in the late phase of the business cycle, characterized by tighter labor markets, slowing retail sales growth, declining business and consumer confidence, and a flattening (or inverted) yield curve. As such, we will continue to monitor our portfolios carefully. Despite the recent volatility, we believe one should remain invested for the long term in line with one's risk tolerance and investment time horizon. That said, we currently prefer asset classes that are higher in quality and liquidity.

MARKET CHARACTERISTICS

Stock market volatility [§]	Average (monthly avg. = 19, month end = 17)
Business Cycle Phase	Late Expansion (eighth out of nine "innings")
Dominant Investment Style (active vs. passive)	Mixed (appears to be moving from Passive to Active)

[§] 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	5/31/19 RAR	Bond Market Segments	1-Mo. Return	5/31/19 RAR
1	Mid-Cap Growth	-5.0%	5%	Intermediate Corporate	1.5%	8%
2	Large Growth	-6.3%	3%	Total Bond Index	1.8%	7%
3	S&P 500	-6.4%	0%	Long Corporate Bond	3.4%	7%
4	Foreign Large Growth	-5.1%	0%	Intermediate Government	2.1%	6%
5	Small Growth	-12.2%	-2%	Worldwide Bond	1.2%	6%
6	Large Value	-6.3%	-4%	Long Government Bond	6.7%	6%
7	Mid-Cap Value	-7.2%	-8%	Short-Term Corp Bond	0.7%	3%
8	Foreign Large Value	-5.6%	-11%	High Yield Bond	-1.1%	2%
9	Small Value	-8.1%	-12%	Short Government	0.9%	2%

LONG-TERM PERFORMANCE THROUGH 5/31/2019

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 **+261%** (7.2% annualized) vs. a cumulative return of **+194%** (6.0% 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 **+214%** (6.4% annualized) vs. a **+177%** return (5.7% 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 5/31/2019

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	Radius 100 ¹	Index 100 ²	Balanced Risk 75 ^{2,3}	Radius 60 ¹	Balanced Risk 50 ²	Radius 20 ¹
Inception Date			Jan. 2001	Dec. 2018	Mar. 2015	Jan. 2001	Mar. 2015	Nov. 2003
% in Stock Funds	100		100	100	28	60	22	20
% in Bond Funds		100	-	-	84	40	60	80
% in Real Estate					4		3	
% in Commodities					21		16	
Total			100	100	137	100	100	100
Net Cumulative Returns (net)								
2019 YTD	11%	5%	12%	7%	9%	8%	7%	5%
1-Year	4%	7%	-2%	-2%	2%	1%	2%	3%
3-Year	39%	7%	21%	34%	15%	13%	12%	6%
5-Year	58%	14%	28%	48%	21%	19%	20%	10%
10-Year	264%	43%	143%	222%	169%	97%	97%	55%
Since 1/1/2001	194%	121%	261%	213%	417%	214%	207%	149%
Net Annualized Returns								
3-Year	12%	2%	7%	10%	5%	4%	4%	2%
5-Year	10%	3%	5%	8%	4%	4%	4%	2%
10-Year	14%	4%	9%	12%	10%	7%	7%	4%
Since 1/1/2001	6%	4%	7%	6%	9%	6%	6%	5%
Risk Measures								
Beta	1.00	-0.02	1.00	0.98	0.50	0.62	0.33	0.20
Max Drawdown	-51%	-4%	-57%	-49%	-29%	-38%	-18%	-13%
Std. Deviation	14%	3%	16%	14%	11%	10%	7%	5%
Correlation to S&P	1.00	-0.11	0.88	0.99	0.65	0.85	0.69	0.63

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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 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** (Multi-Asset 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.

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