

October 2019 update for Radius Capital Management

PERFORMANCE AT A GLANCE

Portfolio/Index	October Return	YTD Return To 10/31/2019
Radius 100 (100% stock mutual funds)	0.6%	19.4%
Radius Index 100 (100% stock ETFs)	1.9%	16.8%
U.S. Stock Benchmark (Vanguard S&P 500 Index Fund)	2.2%	23.0%
Balanced Risk Max (target risk/volatility same as S&P 500)	0.4%	28.5%
Radius Bond (100% bond mutual funds)	0.0%	7.6%
Radius Index Bond (100% bond ETFs)	0.0%	7.5%
Bond Benchmark (Vanguard Total Bond Index Fund)	0.2%	8.8%

Historically, October has been a turbulent month for stock markets, but the announcement of a potential trade agreement between the USA and China, a last-minute BREXIT deal and a 0.25% interest rate cut from the Federal Reserve Bank (the Fed) all provided support to stock markets. Investors traded into higher-risk assets such as stocks and away from bonds – resulting in the S&P 500 reaching an all-time high at the end of the month. The S&P 500 gained 2.2% during the month, while the MSCI EAFE Index gained 3.6%. The S&P has performed extremely well and is up a whopping 23% year-to-date, despite economic data suggesting that the economy is losing momentum. Soft manufacturing data and falling consumer confidence numbers, together with weaker year-on-year job growth, resulted in Real GDP growth declining to 1.9% in Q3 and prompted the Fed to cut interest rates for a third time. While we believe that the near-term recession risk is low, we remain concerned regarding the pace and length of the current stock bull market and continue to monitor our portfolios carefully. Attempting to “time the market” has historically produced poor results and we therefore firmly believe that one should remain invested for the long term in line with one’s risk tolerance and investment time horizon. We maintain our preference for asset classes that are higher in quality and liquidity – and have positioned our portfolios accordingly.

MARKET CHARACTERISTICS

Stock market volatility [§]	Below Average (monthly avg. = 15, month end = 13)
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	10/31/19 RAR	Bond Market Segments	1-Mo. Return	10/31/19 RAR
1	Foreign Large Growth	3.6%	14.9%	Worldwide Bond	(0.6%)	10.5%
2	Large Growth	2.5%	10.1%	Long Corporate Bond	0.1%	9.7%
3	S&P 500	2.2%	9.3%	Intermediate Corporate	0.5%	9.3%
4	Mid-Cap Growth	1.8%	8.0%	Total Bond Index	0.2%	8.3%
5	Large Value	1.9%	7.4%	Long Government Bond	(1.1%)	7.5%
6	Mid-Cap Value	0.4%	5.3%	Intermediate Government	0.2%	6.1%
7	Foreign Large Value	3.3%	4.4%	Short-Term Corp Bond	0.3%	6.0%
8	Small Growth	1.5%	2.2%	Short Government	0.3%	3.6%
9	Small Value	1.7%	-0.1%	High Yield Bond	0.6%	2.7%

LONG-TERM PERFORMANCE THROUGH 10/31/2019

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 **+287%** (7.4% annualized) vs. a cumulative return of **+227%** (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 **+232%** (6.6% annualized) vs. a **+199%** return (6.0% 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 10/31/2019

For S&P 500*, Bond Index*, Radius¹ 100, 60, & 20 Portfolios
Index² 100, Balanced Risk^{2,3} Max & Plus, and Balanced Risk Portfolios²

	S&P 500	Bond Index	Radius 100 ¹	Index 100 ²	Balanced Risk Max ^{2,3}	Balanced Risk Plus ^{2,3}	Radius 60 ¹	Balanced Risk ²	Radius 20 ¹
Inception Date			Jan. 2001	Aug. 2014	Oct. 2019	April 2015	Jan. 2001	April 2015	Nov. 2003
% in Stock Funds	100		100	100	33	20	60	16	20
% in Bond Funds		100	-	-	86	84	40	66	80
% in Real Estate					16	9		7	
% in Commodities					32	14		12	
Total			100	100	167	127	100	100	100
Net Cumulative Returns (net)									
2019 YTD	23%	9%	19%	17%	29%	17%	15%	14%	10%
1-Year	14%	11%	10%	6%	30%	16%	9%	13%	8%
3-Year	51%	10%	29%	36%	43%	20%	20%	16%	10%
5-Year	66%	16%	30%	42%	52%	27%	22%	22%	14%
10-Year	256%	42%	132%	209%	211%	122%	88%	82%	50%
Since 1/1/2001	227%	130%	287%	268%	1181%	594%	232%	275%	159%
Net Annualized Returns									
3-Year	15%	3%	9%	11%	13%	6%	6%	5%	3%
5-Year	11%	3%	5%	7%	9%	5%	4%	4%	3%
10-Year	14%	4%	9%	12%	12%	8%	6%	6%	4%
Since 1/1/2001	6%	5%	7%	7%	15%	11%	7%	7%	5%
Risk Measures									
Beta	1.00	-0.02	1.00	1.05	0.57	0.45	0.62	0.32	0.20
Max Drawdown	-51%	-4%	-57%	-52%	-30%	-24%	-38%	-17%	-13%
Std. Deviation	14%	3%	16%	16%	15%	11%	10%	8%	5%
Correlation to S&P	1.00	-0.11	0.88	0.96	0.55	0.58	0.85	0.60	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 1/2001. 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 8/2014, the Balanced Risk and the Balanced Risk Plus prior to 4/2015, and the Balanced Risk Max portfolio prior to 10/2019 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 and Max portfolios invests part of their 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** (Active Market-Correlated Momentum): Seeks to invest in the mutual funds that have the best risk-adjusted returns over the past 1-year.
- **Index Strategy** (Passive Market-Correlated Momentum): 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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