

January 2020 update for Radius Capital Management

PERFORMANCE AT A GLANCE

Portfolio/Index	January Return	YTD Return To 1/31/2020
Radius 100 (100% stock mutual funds)	0.7%	0.7%
Radius Index 100 (100% stock ETFs)	-1.2%	-1.2%
U.S. Stock Benchmark (Vanguard S&P 500 Index Fund)	-0.0%	-0.0%
Balanced Risk Max (target risk/volatility same as S&P 500)	2.0%	2.0%
Radius Bond (100% bond mutual funds)	2.4%	2.4%
Radius Index Bond (100% bond ETFs)	2.1%	2.1%
Bond Benchmark (Vanguard Total Bond Index Fund)	2.1%	2.1%

Stock market returns in January varied widely by style (Growth vs. Value) and size (Large, Mid, and Small Caps). While the S&P 500 was mostly unchanged for the month, Large Cap Growth started the year off with a bang, posting a gain of 3.1%. Small Cap Value, however, stumbled to a loss of 3.4%. This wide discrepancy – not just for the past month but for the past ten years – is concerning. A quotation attributed to Mark Twain reads: “History Does Not Repeat Itself, But It Rhymes.” This is often true for the stock market as well. At the end of January 2020, Large Growth stocks (as represented by the NASDAQ index) enjoyed the best 1-Month, 3-Month, 6-Month, 1-Year, 3-Year, 5-Year, and 10-Year returns of all major stock indices. This was also the case in early 2000, when the NASDAQ composite peaked at just over 5,000 in late March. Three years later, it had lost 75% of its value. It took the index almost 15 years to recoup its losses and get back up to 5,000. While I am not predicting a repeat of the 2000-2003 Large Growth meltdown, I do caution that Large Growth stocks are currently overvalued relative to historic valuation metrics and other market segments. If a significant percentage (>33%) of your portfolio is in Large Growth, now may be a good time to rebalance your portfolio and move into more Blend and Value positions. Bonds rallied in January, with all bond segments posting gains. The Vanguard Total Bond Index was up 2.1% in January and long-term government bonds surged 7.3%.

MARKET CHARACTERISTICS

Stock market volatility [§]	Below Average (monthly avg. = 14, month end = 19)
Business Cycle Phase	Late Expansion (eighth out of nine “innings”)
Dominant Investment Style (active vs. passive)	Mixed

[§] 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	Jan. RAR	Bond Market Segments	1-Mo. Return	Jan. RAR
1	Large Growth	3.1%	28%	Intermediate Corporate	2.3%	10%
2	S&P 500	(0.0%)	19%	Long Corporate Bond	4.6%	10%
3	Mid-Cap Growth	1.2%	17%	Short-Term Corp Bond	1.0%	9%
4	Foreign Large Growth	(1.0%)	16%	Total Bond Index	2.1%	7%
5	Small Growth	(0.4%)	13%	High Yield Bond	0.1%	6%
6	Large Value	(2.5%)	11%	International Bond	2.0%	6%
7	Mid-Cap Value	(1.7%)	10%	Long Government Bond	7.3%	5%
8	Small Value	(3.4%)	3%	Intermediate Government	2.2%	5%
9	Foreign Large Value	(4.4%)	2%	Short Government	0.6%	4%

LONG-TERM PERFORMANCE THROUGH 1/31/2020

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 +310% (7.7% annualized) vs. a cumulative return of +249% (6.8% 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 +247% (6.7% annualized) vs. a +214% return (6.2% 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 1/31/2020

For S&P 500*, Bond Index*, Radius¹ 100, 60, & 20 Portfolios
Index² 100, Balanced Risk^{2,3} Max, Plus, and Basic 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 Basic ²	Radius 20 ¹
			Jan. 2001	Aug. 2014	Oct. 2019	April 2015	Jan. 2001	April 2015	Nov. 2003
Inception Date			Jan. 2001	Aug. 2014	Oct. 2019	April 2015	Jan. 2001	April 2015	Nov. 2003
% in Stock Funds	100		100	100	42	30	60	22	20
% in Bond Funds		100	-	-	83	64	40	52	80
% in Real Estate					21	15		12	
% in Commodities					18	19		14	
Total			100	100	164	128	100	100	100
Net Cumulative Returns (net)									
2020 YTD	0%	2%	1%	-1%	2%	1%	1%	1%	2%
1-Year	22%	10%	17%	15%	27%	16%	14%	13%	11%
3-Year	50%	14%	30%	32%	47%	24%	22%	19%	14%
5-Year	78%	15%	37%	50%	44%	22%	26%	20%	14%
10-Year	265%	43%	138%	203%	224%	128%	91%	84%	51%
Since 1/1/2001	249%	134%	310%	287%	1244%	621%	247%	286%	167%
Net Annualized Returns									
3-Year	14%	5%	9%	10%	14%	7%	7%	6%	5%
5-Year	12%	3%	7%	8%	8%	4%	5%	4%	3%
10-Year	14%	4%	9%	12%	12%	9%	7%	6%	4%
Since 1/1/2001	7%	5%	8%	7%	15%	11%	7%	7%	5%
Risk Measures									
Beta	1.00	-0.02	1.00	1.05	0.57	0.45	0.61	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%
Correl. to S&P	1.00	-0.11	0.88	0.96	0.55	0.58	0.85	0.60	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:

- ¹ 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.
- ² Returns for the Index portfolio prior to 8/2014, the Balanced Risk Basic 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.
- ³ The Balanced Risk Plus and Max portfolios invest 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, NASDAQ, Russell 2000), bond (20+ Year Treasury Bond), commodity (gold, oil), and real estate 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 broad-based passive market indices and holds them for at least one year to avoid short-term capital gains.
- **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.

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.

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