RADIUS
CAPITAL MANAGEMENT LLC

January 2016 update for Radius Capital Management

PERFORMANCE AT A GLANCE

Portfolio/Index	January Return	YTD Return To 1/31/16
Stock Portion of Radius portfolios (Radius 100)	–5.0%	–5.0%
Stock Portion of Radius Index portfolios (Index 100)	–5.0%	–5.0%
U.S. Stock Benchmark (Vanguard S&P 500 Index Fund)	–5.0%	–5.0%
Balanced Risk 100 Portfolio (target risk/volatility vs. S&P = 50%)	–0.6%	–0.6%
Bond Portion of Radius portfolios	+1.9%	+1.9%
Bond Portion of Radius Index portfolios	+1.9%	+1.9%
Bond Benchmark (Vanguard Total Bond Index Fund)	+1.4%	+1.4%

Despite a rally late in the month, U.S and international stock markets declined dramatically in January, with the S&P 500 down 5.0% and the EAFE international index off 7.2%. This comes on the heels of broad stock weakness in December. Value stocks clearly outperformed Growth, and Large caps did better than either Mid or Small caps. Stock market volatility[1] (as measured by the CBOE Volatility Index or VIX), peaked at 32 on 1/20 and ended the month at its long-term average of 20. In light of this, I am modestly bearish on the stock market over the short/intermediate term and remain cautious as I look further down the road.

Bonds rallied in January as investors sought “safe haven” investments in the face of the stock market declines. With the exception of High Yield, all bond categories posted strong gains, and the volatile long-term government bond was up an impressive 5.2% for the month.

CURRENT RISK-ADJUSTED RETURN (RAR) RANKINGS OF MARKET SEGMENTS[2]

RAR Rank	Stock Market Segments	1-Mo. Return	1/31/16 RAR	Bond Market Segments	1-Mo. Return	1/31/16 RAR
1	Large Value	–4.8%	–8%	Intermediate Government	+1.5%	+2%
2	**S&P 500**	–5.0%	–8%	Worldwide Bond	+1.6%	+2%
3	Large Growth	–5.9%	–11%	Short Government	+0.8%	+1%
4	Mid-Cap Value	–7.0%	–15%	Intermediate Corporate	+1.1%	+1%
5	Small Value	–6.5%	–17%	Short-Term Corporate	+0.5%	+0%
6	Foreign Growth	–7.7%	–18%	Long Government	+5.2%	+0%
7	Mid-Cap Growth	–8.0%	–19%	**Total Bond Index**	+1.4%	+0%
8	Foreign Value	–5.4%	–21%	Long Corporate	+1.4%	–3%
9	Small Growth	–9.1%	–22%	High Yield	–1.0%	–7%

LONG-TERM PERFORMANCE THROUGH 1/31/2016

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 **+178%** (7.0% annualized) vs. a cumulative return of **+94%** (4.5% 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 **+164%** (6.7% annualized) vs. a **+107%** return (4.9% annualized) for its benchmark[3].

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[a] Returns for the Balanced Risk portfolio prior to 3/30/2015 are back-tested (simulated) and not actual returns of Radius accounts.

[1] In general, the higher the market volatility, 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.

[2] The performance numbers are for the corresponding Vanguard stock and bond index funds and the Vanguard Total Intl Bond Index fund (VTIBX) for the Worldwide Bond segment

[3] Radius 60 benchmark = 60% S&P 500 Stock Index and 40% Total Bond Index

Long-Term Performance (net of fees) to 12/31/2015 for S&P 500, Bond Index, Radius 100, 60, & 20 Portfolios and Balanced Risk[a] 100, 75, & 50 Portfolios

	S&P 500	Bond Index	Balanced Risk 100[1]	Radius 100	Balanced Risk 75[1]	Radius 60	Balanced Risk 50[1]	Radius 20
Inception Date			March 2015	Jan. 2001	March 2015	Jan. 2001	March 2015	Nov. 2003
% in Stock Funds	100	-	69	100	63	40	40	20
% in Bond Funds	-	100	83	-	73	60	50	80
% in Commodities	-	-	18	-	16		10	-
Net Cumulative Returns								
2016 YTD	-5%	1%	-1%	-5%	-1%	-2%	-1%	1%
1-Year	-1%	-1%	-13%	-7%	-9%	-4%	-5%	-2%
3-Year	37%	6%	15%	20%	11%	14%	7%	8%
5-Year	67%	18%	51%	34%	40%	28%	30%	20%
10-year	85%	55%	208%	34%	162%	48%	88%	51%
Since 1/1/2001	94%	102%	713%	178%	483%	164%	216%	129%
Net Annualized Returns								
3-Year	11%	-1%	5%	6%	3%	5%	2%	3%
5-Year	11%	3%	9%	6%	7%	5%	5%	4%
10-year	6%	5%	12%	3%	10%	4%	7%	4%
Since 1/1/2001	4%	5%	15%	7%	12%	7%	8%	6%
Risk Measures								
Beta	1.00	-0.02	0.61	1.00	0.51	0.62	0.35	0.21
Max Drawdown	-51%	-4%	-28%	-57%	-25%	-38%	-17%	-13%
Std. Deviation	15%	4%	15%	17%	13%	11%	8%	5%
Correlation to S&P	1.00	-0.10	0.60	0.88	0.60	0.85	0.63	0.64

Benchmarks: S&P 500 Stock Index = Vanguard S&P 500 Stock Index Fund (VFINX)
Bond Index = Vanguard Total Bond Index Fund (VBMFX)

Footnotes:

[a] Returns for the Balanced Risk portfolio 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.

[1] The Balanced Risk 100 and 75 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, S&P Mid-Cap 400, Russell 2000), bond (20+ Year Treasury Bond), and commodity (gold, oil) market indices. Using these leveraged ETFs results in greater volatility and a greater risk of loss.

Other Notes:

- Investment returns since the portfolio inception date reflect the (unaudited) performance of actual investment portfolios.
- 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.
- 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.
- Past performance is no guarantee of future results. There will be periods when the investments lose value and/or underperform their respective benchmark.
- Data Sources: Account statements, Vanguard.com

COMPANY OVERVIEW

Radius Capital Management is a registered investment advisory company specializing in diversified mutual fund portfolios. Radius currently manages over $21 million in 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 the worst performance 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. You can also find an overview of the Radius Risk Adjusted Return Strategy on the website at www.radius-capital.com/docs/RadiusOverview.pdf.

>> Note: This newsletter is also available online at http://www.radius-capital.com/docs/Newsletter.pdf. <<

Regards,

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