



Radius Capital management July 2024 Update

Economic Update:

July proved to be a volatile month as markets digested a number of notable economic and political developments. A weaker than expected inflation reading early in the month, combined with weaker US labor market data, reassured bond investors that the Federal Reserve (Fed) will soon begin cutting interest rates. Investors now expect the first Fed rate cut in September and are currently pricing almost three US rate cuts this year, with around 150 basis points (1.5%) worth of cuts by June 2025.

Financial Markets Updates:

The anticipated change in Fed policy prompted investors to rapidly move into Small-Cap stocks, which generally do well when there are interest rate cuts. At the same time, disappointing earnings results from various “big tech” names meant investors grew more skeptical about the potential for future returns from investments in artificial intelligence. This shift led to the largest one-month outperformance of the Russell 2000 (an index that tracks the performance of 2000 Small Cap stocks) versus the tech-heavy Nasdaq 100 in over 20 years. The increased likelihood of interest rate cuts also boosted bonds. The broad bond market index gained 2.3% during the month.

Stock/Bond	July Return	YTD Return
S&P 500 (~29% Technology)	1.2%	16.7%
Dow Jones Industrial Average	4.4%	8.4%
Nasdaq (~55% Technology)	-0.8%	17.2%
Russell 2000 (Small Cap stocks)	10.1%	11.2%
Total Bond Index	2.3%	1.7%

Radius Investment Strategies

- **Radius Strategy** (Active Market-Correlated Momentum): Seeks to invest in the 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 index funds with a focus on tax efficiency and avoiding 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.
- **Cash Management Strategy**: Invests in a range of short term (0-12 month maturity) U.S. Treasury securities with the goal of providing safety and liquidity for investors

Radius Monthly Performance

Both of Radius' two stock portfolios (the Radius 100 and Index 100) performed well in July with the Radius Stock Strategy up 1.8% and the Index Stock Strategy up 0.9% for the month. The two bond strategies returned 1.8% and 1.5% respectively. The Balanced Risk portfolio added 1.8% in July. Our Cash Management Strategy continues to outperform the short-term interest rates seen in the market and has a current annual yield of 5.3%.

Additional Comments

We remain generally cautious regarding the broader economy as a whole and in our approach to investing. We favor solid fundamentals and quality assets when looking at investment opportunities for our clients. Our goal continues to be to manage our clients' savings with a focus on minimizing the inherent downside risks in any investment and to diversify assets across multiple asset types and sectors. We advise investors to remain prudent and maintain their targeted investment allocations.

Financial Planning Spotlight: Updated Tax Brackets

Here is an update regarding the new IRS tax brackets for tax year 2024 — information that can significantly influence your financial decisions in the months ahead. Remember, these adjustments apply to income tax returns **filed in 2025 for tax year 2024**. Take a look at them below.

2024 Marginal Tax Brackets

For the tax year 2024, here's a breakdown of the tax rates from the lowest rate to the highest:

- **10% Tax Rate:** This is for single individuals with incomes of \$11,600 or less and married couples filing jointly with incomes of \$23,200 or less.
- **12% Tax Rate:** This applies to incomes over \$11,600 for single individuals and over \$23,200 for married couples filing jointly.
- **22% Tax Rate:** For singles earning more than \$47,150 and married couples filing jointly earning over \$94,300.
- **24% Tax Rate:** This rate is for single individuals with incomes above \$100,525 and married couples filing jointly with incomes over \$201,050.
- **32% Tax Rate:** This rate applies if you're single and earn over \$191,950 or part of a married couple earning more than \$383,900.
- **35% Tax Rate:** This rate applies to singles with incomes above \$243,725 and married couples filing jointly with incomes over \$487,450.
- **37% Top Tax Rate:** The highest rate applies to single taxpayers earning more than \$609,350 and married couples filing jointly with incomes exceeding \$731,200.

2024 Standard Deduction

The new standard deduction for married couples filing jointly will rise to \$29,200, an increase of \$1,500 from the 2023 tax year. For single taxpayers and married individuals filing separately, the standard deduction increases to \$14,600 for 2024. For heads of households, the standard deduction will be \$21,900 for 2024, an increase of \$1,100 from 2023.

Other Notable Changes for 2024

- **The earned income tax credit amount will jump to \$7,830 for qualifying taxpayers** with three or more children, up from \$7,430 for tax year 2023.
- **The new IRS limit for 2024 FSA contributions is \$3,200**, up from the threshold of \$3,050 for 2023.
- **Taxpayers can give up to \$18,000 each in gifts in 2024** without paying taxes, up from \$17,000 in 2023.
- **The IRS will exempt up to \$13.61 million from the estate tax**, up from \$12.92 million for people who passed away in 2023.

Now is an excellent opportunity to strategically maximize your investments. I'm here to help, so let me know if you have any questions or want to discuss this further.

Warm regards,
Kimball

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Footnotes:

1. **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.
2. S&P 500 Stock Index = Vanguard S&P 500 Stock Fund (VFINX), Bond Index = Vanguard Total Bond Fund (VBMFX)
3. 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.
4. Data Sources: Account statements, Vanguard.com, yahoofinance.com

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