

Dear Adam,

What follows is the October 2024 update for Radius Capital Management. Please let us know if you have any questions or if there are any specific topics you would be interested in learning more about. We would love to hear from you at [info@radius-capital.com](mailto:info@radius-capital.com).

>> Note: This newsletter is also available online at [www.radius-capital.com/radius-capital-management-newsletter](http://www.radius-capital.com/radius-capital-management-newsletter). <<

### Economic Update:

Economic data released during the month was broadly positive. The first estimate of US third quarter GDP (Gross Domestic Product) growth came in at a healthy 2.8% quarter-on-quarter annualized, confirming that the economy continues to grow at an above trend pace. The September labor market report (released in October) exceeded expectations, with non-farming payrolls rising almost twice as much as expected. The unemployment rate fell to 4.1%, and wage growth picked up to 4% year-over-year. The September CPI (consumer price index) report indicated that inflation eased by slightly less than expected but remains on a downward trajectory. Headline CPI rose by 0.2% month-over-month and 2.4% year-over-year, marking the slowest annual increase since early 2021. Core inflation however remained elevated at 3.3%, driven by rising costs in medical care, auto insurance and airline fares. Following the Fed's 0.5% (50 basis point) interest rate cut in September, this sticky core inflation reading highlighted the challenge facing US policymakers if they are to achieve their dual mandate of maintaining a solid labor market alongside price stability. We had an additional 25bp cut last week and a further cut is expected next month, but a strong labor market and resilient inflation has reduced the likelihood of a 50 bp cut at the next meeting.

### Financial Markets Updates:

October was a volatile month for markets, with stocks moving lower after a strong rally during the first nine months of the year. Uncertainty was heightened by the upcoming US election and the potential implications of a policy shift on inflation and interest rates. The S&P500 ended the month down 0.9% with its more moderate and less tech-heavy counterpart the Dow Jones Industrial Average returning -1.3%. Bonds also retreated as interest rates rose on the back of election uncertainty and cooler rate cut expectations.

Stock/Bond	October Return	YTD Return
S&P 500 (~30% Technology)	-0.9%	20.9%
Dow Jones Industrial Average	-1.3%	10.8%
Nasdaq (~55% Technology)	-0.5%	20.5%
Russell 2000 (Small Cap stocks)	-1.5%	8.4%
Total Bond Index	-2.4%	1.9%

### 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 in line with the benchmark during October but were negatively impacted by their relative underweight positive in the heavy weight tech stocks. The Radius Stock Strategy was down 1.2% and the Index Stock Strategy was down 1.5% for the month. The two bond strategies outperformed their benchmark and declined only 0.9% and 1.4% respectively. The Balanced Risk portfolio declined 0.5% in October. Our Cash Management Strategy continues to outperform the short-term interest rates seen in the market and has a current annual yield of 4.4%. **Note: 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.

### Additional Comments

We remain generally positive but cautious in our approach to investing. At Radius, we favor diversification, 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 long-term targeted investment allocations.

## Financial Planning Spotlight: What a Trump Presidency Could Look Like for Investors

Republican Donald Trump's victory in the U.S. presidential election gives him another chance to build on many of his priorities from his first term in the White House. An aggressive approach to trade policy that leans heavily on tariffs is likely to be an area of emphasis, along with deregulation. The biggest question centers on how Trump and Congress will address the impending expiration of significant tax cuts that were passed during his first term as president.

On the campaign trail, Trump voiced his support in extending the Tax Cuts and Jobs Act's (TCJA) lower marginal income tax rates for individuals and tax breaks for businesses. He further endorsed additional tax breaks for individuals and cutting the corporate tax rate from 21% to 15%. Political realities may however temper these proposals somewhat. While corporate tax cuts are good for shareholders (and hence the stock market) the accompanying increase in the deficit will likely put pressure on the bond market as supply increases and yields rise. It remains to be seen how this increased deficit will be funded.

On the inflation front, raising existing tariffs and/or imposing additional levies on imports will likely cause prices to rise. The magnitude will depend on the ability of businesses to pass these higher costs along to consumers, which is hard to predict. Another area to watch is the new president's vow to tighten immigration policies. A tough stance here could result in a negative shock to the supply of workers, tightening U.S. labor markets. Such a scenario likely would have a more sustained inflationary impact. Overall, it's important to be cautious about the long-term implications of the new administration's economic policies. The measures eventually adopted could be very different from those promised during the campaign, and there is a lack of detail about costs and implementation. So uncertainty (and hence market volatility) is likely to remain high in the meantime.

Now is an excellent opportunity to strategically maximize your investments. With inflation cooling and central banks cutting rates, the options available for investors to build diversified portfolios are stronger than they have been for much of the post-Covid period. 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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