



PRUDENT SMALLCAP™

PRUDENCE • PATIENCE • PERFORMANCE

JANUARY 2021

GraycellAdvisors.com

Portfolio

	Name	Symbol	Added to Portfolio	Current Price	Action
1	Celsius Holdings	CELH	1-Jun-20	\$50.31	Maintain
2	Avaya Holdings	AVYA	1-Jun-20	\$19.15	Maintain
3	Digital Turbine	APPS	16-Jun-20	\$56.56	Maintain
4	eXp World Holdings	EXPI	5-Oct-20	\$78.63	Maintain
5	Plantronics	PLT	5-Nov-20	\$27.03	Maintain
6	SunPower	SPWR	5-Nov-20	\$25.64	Maintain
7	Pacific Biosciences	PACB	9-Nov-20	\$25.94	Maintain
8	Solid Biosciences	SLDB	4-Jan-21	\$7.58	New Buy
9	BJs Restaurants	BJRI	4-Jan-21	\$38.49	New Buy
10	Magnite	MGNI	4-Jan-21	\$30.71	New Buy

Portfolio Performance

	2020	2019	2018	2017	2016	2015	2014
Graycell Small Cap	+87%	+27%	8%	37%	71%	15%	8%
Russell 2000 (IWM)	+18%	+25%	-11%	14%	19%	-6%	4%

Positions Closed This Month

	Name	Symbol		Name	Symbol
1	Protagonist Therapeutics	PTGX	3	Invitae	NVTA
2	U.S. Auto Parts Network	PRTS			

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Portfolio Update

Smallcap stocks continued their scorching run from November, racing higher and outperforming the larger caps and the broader stock market. The smallcap stocks were a significantly lagging segment of the market, with negative returns heading into November. The last-minute burst catapulted the index to a high-teen gain for the year. As 2020 slips into the rear-view mirror there are not many fond things it will be remembered for; but investors will fondly remember it as the year some key indexes broke out after a lengthy, multi-year consolidation. Smallcap and biotech indexes are a couple of such examples. Smallcaps still have much ground to cover and 2021 can perhaps provide an opportunity where the segment leads.

In an early stage of a new bull market, the best gains come in the first years when there is the least resistance to an uptrend. Smallcaps can perform like cyclicals as they are highly sensitive to the US economic outlook. And that outlook will get significantly better with each passing month after the first quarter. The month of Feb will likely experience the peak of this dark and slow-motion tragedy. The earnings surge from the second quarter onwards should support and boost valuations. However, bull markets also have sharp pullbacks, and smallcaps are not insulated, particularly after the strong results of the last two months. The Senate election can go either way and there are merits/demerits for both outcomes. The result on Jan 5 can create monthly volatility, but not change the uptrend for the year.

During December, the Prudent Smallcap gained +21%, and the Russell 2000 index (IWM) rose +6%. For 2020, the Model Portfolio was up +87%, and the Index up +18%. The Portfolio remains fully invested, but there can be intramonth adjustments based on how the overbought situation resolves itself. We wish you a very Happy and Healthy New Year!

Actual Published	Graycell Small Cap	Russell 2000 IWM	S&P 500 SPY
3-Year (2017-19)	87%	28%	50%
\$10,000 Portfolio	\$18,744	\$12,770	\$14,969
5-Year (2015-19)	267%	48%	70%
\$10,000 Portfolio	\$36,704	\$14,831	\$16,972
15-Year (2003-19)*	39831%	226%	216%
\$10,000 Portfolio	\$3,993,104	\$32,570	\$31,560

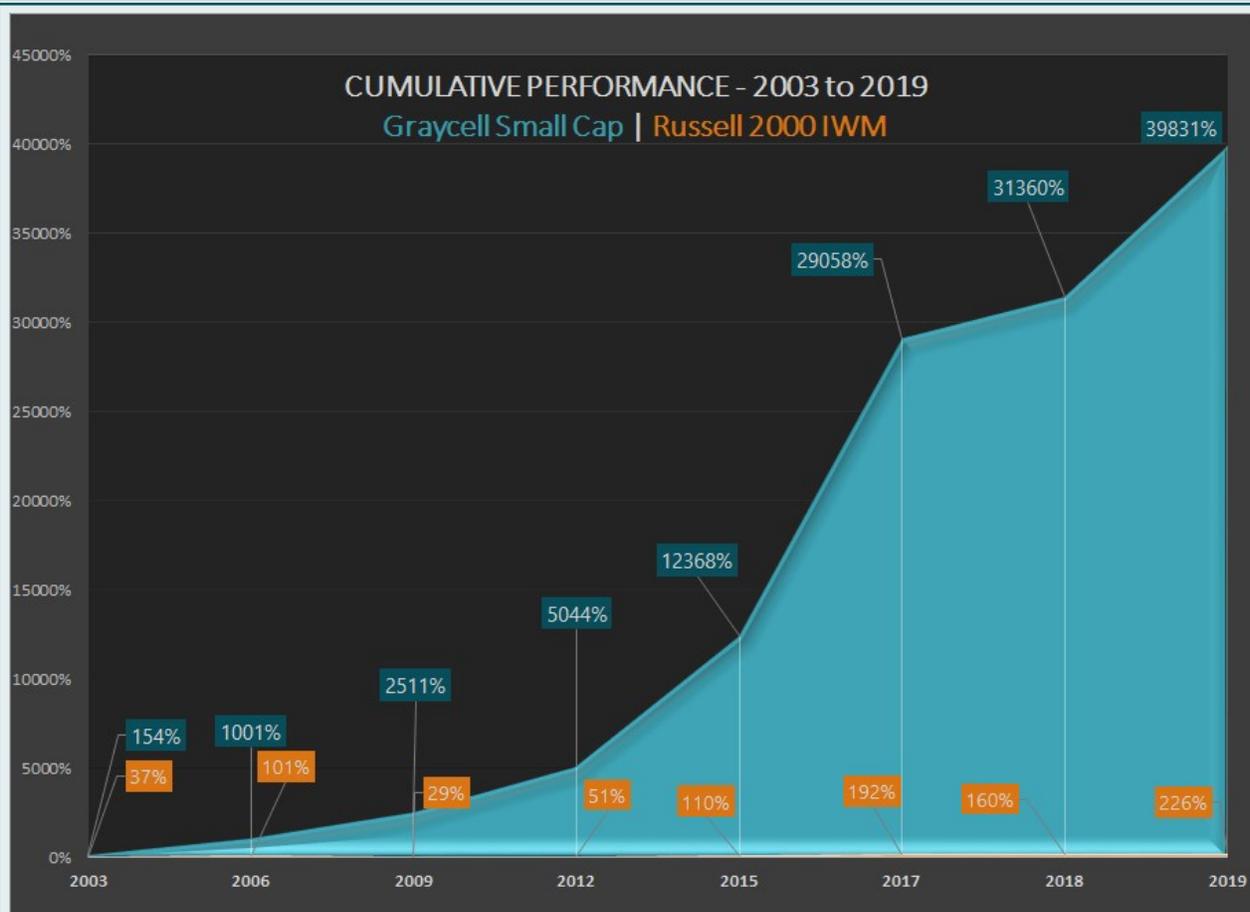
"If you do fundamental trading, one morning you feel like a genius, the next day you feel like an idiot...by 1998 I decided we would go 100% models...we slavishly follow the model...and that turned out to be a wonderful business."

Jim Simons, Founder of hedge fund, Renaissance Technologies

* Period from May 2003 to May 2009, and 2012 to 2018 | Smallcaps are \$200 million - \$3 billion marketcap

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[Click for an enlarged version of the chart](#)

During the period 2003 to 2017, the Graycell Small Cap portfolio was up over 29,000%, compared to its small cap benchmark Russell 2000 index performance of 192% over the same period, and the other major benchmark index S&P 500 also trailing heavily at 111%. The performance period is from May 2003 to May 2009, and thereafter from 2012 to 2017. A \$10,000 starting portfolio tracking the Graycell Small Cap model would have surged to over \$2.9 million over an actual period of less than 10 years. This compares to the same portfolio invested in the Russell 2000 growing to \$29,225, and when invested in S&P 500 growing even less to \$25,660.

How did it happen? We follow our quantitative system, and stick to it. Discipline, Patience and Consistency are important keys towards building Wealth.

Please note model historical performance for all periods is hypothetical with no trades placed, unaudited, based on our past newsletters, will vary when we revise and change models without any notice, and is not indicative of future performance.

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About

We pursue disciplined systematic investing using quantitative models, aiming to outperform the market. My name is Tarun Chandra, and I am the Editor of the model portfolio service. I was an Analyst on the Buyside and Sellside for 8 years. Thereafter, I worked with technology companies in a Strategy/ Finance role. I have been working on model investing for many years, and believe this targeted product can tap into the potential of the Small Cap segment while managing and surviving its volatility.

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