



PRUDENT SMALLCAP™

PRUDENCE • PATIENCE • PERFORMANCE

DECEMBER 2020

GraycellAdvisors.com

Portfolio

	Name	Symbol	Added to Portfolio	Current Price	Action
1	Celsius Holdings	CELH	1-Jun-20	\$32.69	Maintain
2	Avaya Holdings	AVYA	1-Jun-20	\$19.19	Maintain
3	Protagonist Therapeutics	PTGX	16-Jun-20	\$23.85	Maintain
4	Digital Turbine	APPS	16-Jun-20	\$40.42	Maintain
5	U.S. Auto Parts Network	PRTS	7-Jul-20	\$14.90	Maintain
6	Invitae	NVTA	31-Aug-20	\$50.06	Maintain
7	eXp World Holdings	EXPI	5-Oct-20	\$54.15	Maintain
8	Plantronics	PLT	5-Nov-20	\$28.26	Maintain
9	SunPower	SPWR	5-Nov-20	\$23.16	Maintain
10	Pacific Biosciences	PACB	9-Nov-20	\$15.43	Maintain

Portfolio Performance

	2020	2019	2018	2017	2016	2015	2014
Graycell Small Cap	+54%	+27%	8%	37%	71%	15%	8%
Russell 2000 (IWM)	+11%	+25%	-11%	14%	19%	-6%	4%

Positions Closed This Month

	Name	Symbol
1	No Position Closed	

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Portfolio Update

It took the whole year, but smallcap stocks finally came-to-life in November. The mitigation of election risk and material progress on vaccines boosted the market. The broader market responded sharply with major indexes gaining around 10% during the month. Smallcap indexes raced higher, leaping 20%.

The renewed vigor in small caps is due to the expectation of a stronger and durable economic growth next year, as an expected national pandemic strategy and a ramp-up in vaccinations will combine to forcefully mitigate the economic upheaval from the pandemic. Anything good for the US economy is good for smallcaps, as discussed in greater detail in our [blog post](#), and should deliver an earnings surge as 2021 matures. After strong vaccine results, the market will focus on the next year, and move beyond the near term economic outlook which continues to darken due to the rampaging disease.

The smallcap breakout finally eclipsed the highs set over two years ago in August 2018. This bodes well for the market as it broadens out the rally beyond sectors like technology. The sharp market rise during November has placed it in a highly overbought zone, a level not witnessed in a long time. This may impact near-term performance as the market settles down possibly into a consolidation phase. Historically, December has been the most frequent positive month.

During November, the Prudent Smallcap gained +30%, and the Russell 2000 index (IWM) rose +20%. For 2020, the Portfolio is up +54%, and the Index is up +11%. After a long-delayed smallcap thrust higher, the Portfolio remains fully invested, but there can be intramonth adjustments based on how soon the overbought situation resolves itself. We wish you a very Happy and Healthy Holidays!

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

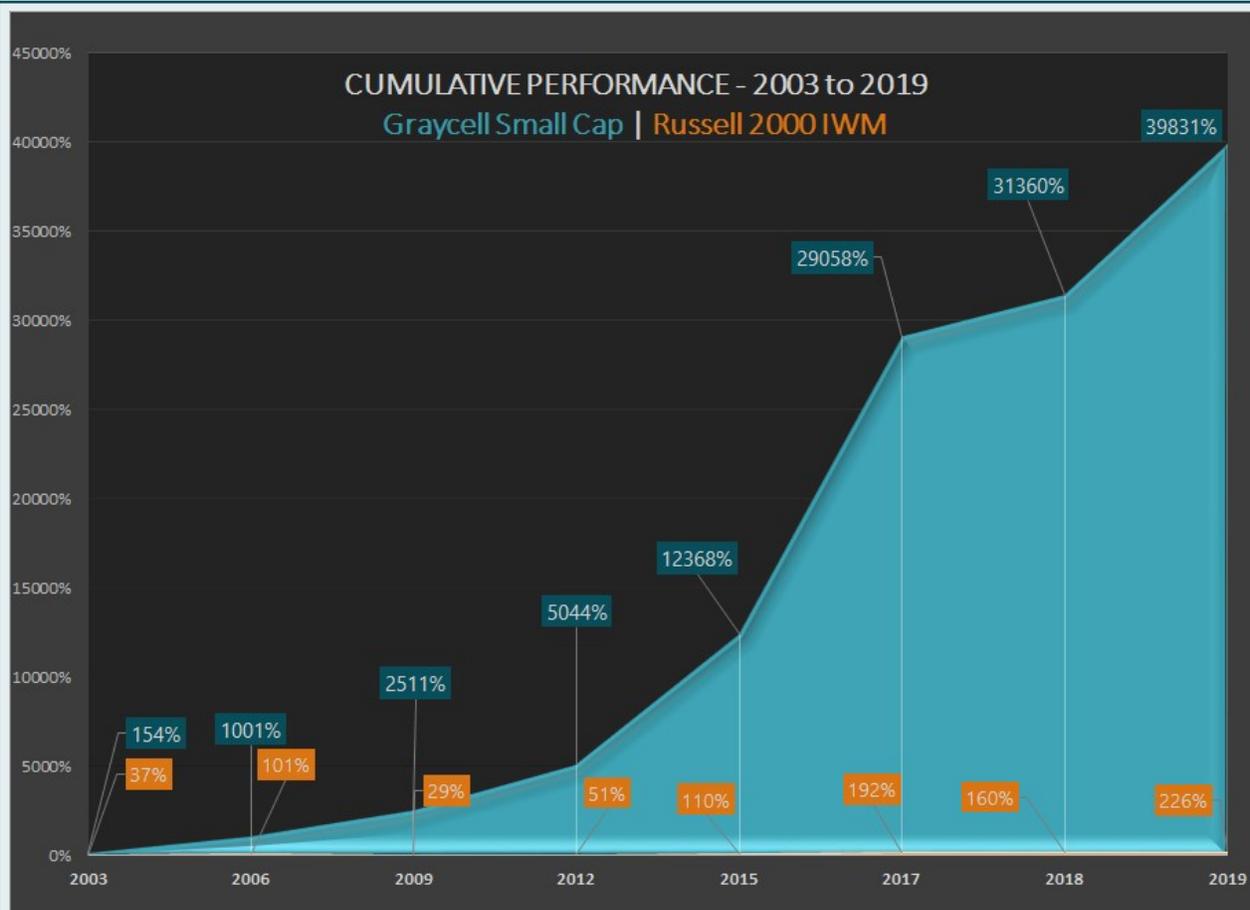
"If you do fundamental trading, one morning you feel like a genius, the next day you feel like an idiot...by 1998 I decided we would go 100% models...we slavishly follow the model...and that turned out to be a wonderful business."

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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The issue is published during the first 3 business days of each month

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