



# PRUDENT SMALL CAP™

PRUDENCE • PATIENCE • PERFORMANCE

JANUARY 2022

GraycellAdvisors.com

## Portfolio

	Name	Symbol	Added to Portfolio	Current Price	Action
1	Celsius Holdings	<b>CELH</b>	1-Jun-20	\$74.57	Maintain
2	Timken Steel	<b>TMST</b>	5-Apr-21	\$16.50	Maintain
3	Max Linear	<b>MXL</b>	1-Aug-21	\$75.39	Maintain
4	Grid Dynamics	<b>GDYN</b>	30-Aug-21	\$37.97	Maintain
5	LSB Industries	<b>LXU</b>	11-Oct-21	\$11.05	Maintain
6	Axcelis Technologies	<b>ACLS</b>	1-Nov-21	\$74.56	Maintain
7	Arlo Technologies	<b>ARLO</b>	27-Dec-21	\$10.49	Maintain
8	MeiraGTx Holdings	<b>MGTX</b>	27-Dec-21	\$23.74	Maintain
9	Fluor Corp	<b>FLR</b>	27-Dec-21	\$24.77	Maintain
10	A10 Networks	<b>ATEN</b>	3-Jan-22	\$16.58	New Position

## Portfolio Performance

	2021	2020	2019	2018	2017	2016	2015
Graycell Small Cap	+29%	87%	+27%	8%	37%	71%	15%
Russell 2000 (IWM)	+13%	18%	+25%	-11%	14%	19%	-6%

## Positions Closed This Month

	Name	Symbol
	No Position	

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## Portfolio Update

Small cap stocks experienced a rough December as uncertainty from the new COVID variant and a shifting interest rate dynamic. It was unfortunate timing, as small cap indexes had just broken out in November from a lengthy, almost year-long, consolidation. The broader market also felt the initial tremors from such uncertainty, but overcame those quickly as the S&P 500 advanced to a new high with a gain of 4% for the month. The Nasdaq Composite gained 1%.

While 2021 was not a robust year for small caps as the segment lagged the broader market, this year may turn out to be a strong one and patience can be well-rewarded. Small cap stocks are highly sensitive to domestic economic growth. Any time there is a resurgence of the pandemic, it leads to a spike in economic uncertainty. The crests-and-troughs of the pandemic have affected the small cap performance. Each wave of the COVID variant though has a positive side-effect as well, for it boosts vaccination rates and immunity amongst those infected. Thus, the next wave is less disruptive. Entering 2022, the US economy is much better positioned, then at the same time last year, in overcoming the pandemic related disruption. However, small cap index valuations are still at levels that existed around March 2021. With greater economic certainty entering 2022, small caps can leverage off their 10-month consolidation and enter a period of sustained rally this year.

In December, the Prudent Small Cap portfolio gained 2% and the Russell 2000 Index (IWM) was neutral. For 2021, the model portfolio gained 29% and the index rose over 13%. A new position is being added to the model portfolio, which will now be fully invested. Intramonth adjustments are possible based on the evolving market situation. We wish you and yours a healthy, happy, and prosperous New Year!

Actual Published	Graycell Small Cap	Russell 2000 IWM	S&P 500 SPY
<b>3-Year (2018-20)</b>	156%	32%	43%
<b>\$10,000 Portfolio</b>	\$25,589	\$13,189	\$14,299
<b>5-Year (2016-20)</b>	498%	84%	95%
<b>\$10,000 Portfolio</b>	\$59,841	\$18,375	\$19,491
<b>16-Year (2003-20)*</b>	74512%	285%	267%
<b>\$10,000 Portfolio</b>	\$7,461,197	\$38,544	\$36,692

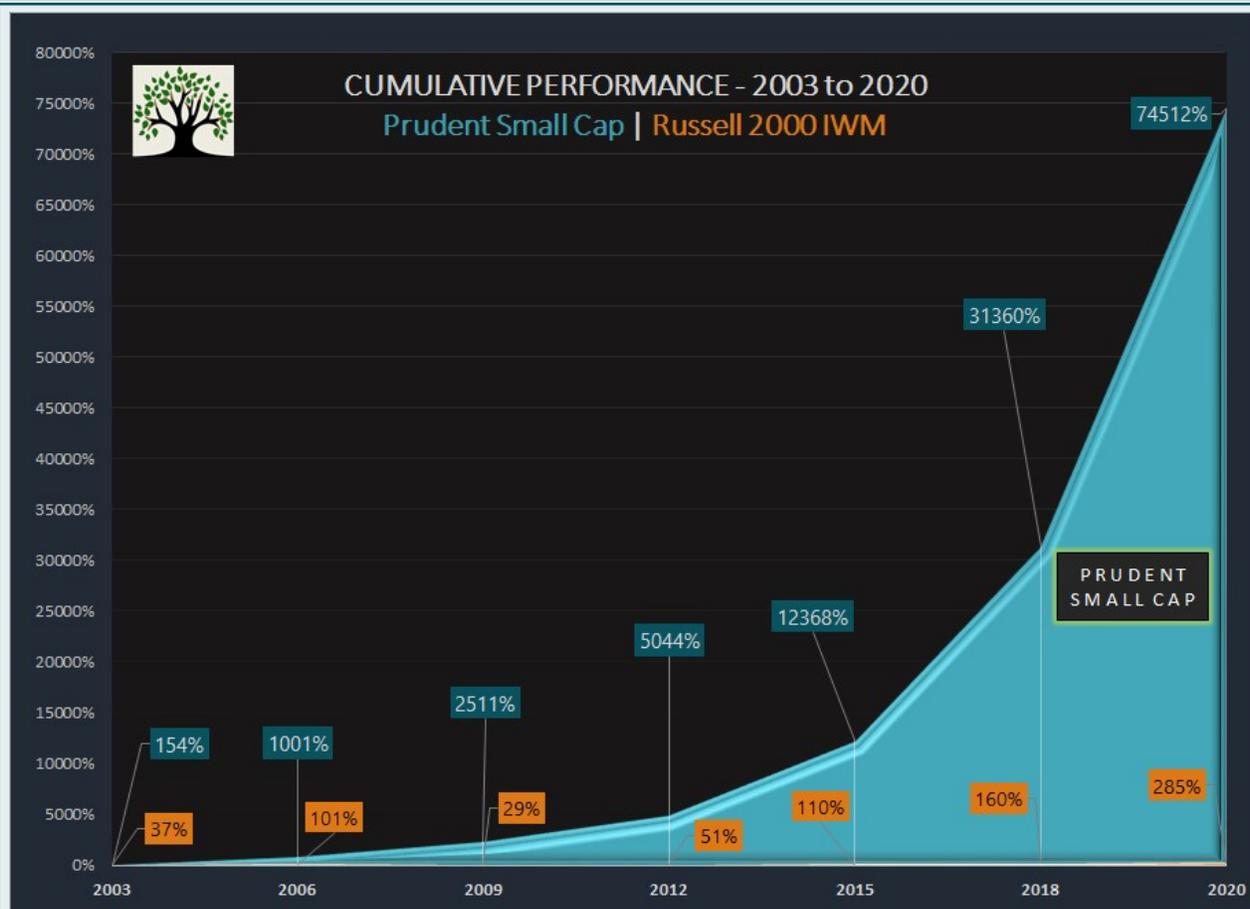
"If you do fundamental trading, one morning you feel like a genius, the next day you feel like an idiot...by 1998 I decided we would go 100% models...we slavishly follow the model...and that turned out to be a wonderful business."

Jim Simons, Founder of hedge fund, Renaissance Technologies

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

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

During the period 2003 to 2020, the Prudent Small Cap portfolio was up nearly 75,000%, compared to the leading small cap benchmark Russell 2000 index performance of nearly 300%. This period is from May 2003 to May 2009, and thereafter from 2012 to 2020. A \$10,000 starting portfolio tracking the Prudent Small Cap model would have surged to \$7.5 million over this period, compared to a Russell 2000 index invested portfolio growing to \$39,000.

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 that 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 Buy-side and Sell-side 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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