



GRAYCELL SMALL CAP™

PRUDENCE • PATIENCE • PERFORMANCE

DECEMBER 2019

GraycellAdvisors.com

Portfolio

	Name	Symbol	Added to Portfolio	Current Price	Action
1	Natera	NTRA	Jun-2019	\$36.49	Maintain
2	Cardlytics	CDLX	Jul-2019	\$56.05	Maintain
3	Lattice Semiconductor	LSCC	Aug-2019	\$18.89	Maintain
4	Everquote	EVER	Sep-2019	\$35.21	Maintain
5	Assembly Biosciences	ASMB	Nov-2019	\$16.22	Maintain
6	Limelight Networks	LLNW	Nov-2019	\$4.27	Maintain
7	Crocs	CROX	Nov-2019	\$34.90	Maintain
8	Kodiak Sciences	KOD	Nov-2019	\$29.60	Maintain
9	Triumph Group	TGI	Nov-2019	\$27.71	Maintain
10	Momenta Pharma	MNTA	Nov-2019	\$16.80	Maintain

Portfolio Performance

	2019	2018	2017	2016	2015	2014	2013
Graycell Small Cap	+5%	8%	37%	71%	15%	8%	97%
Russell 2000 (IWM)	+21%	-11%	14%	19%	-6%	4%	37%

Positions Closed This Month

	Name	Symbol
	No Positions	

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Portfolio Update

Last month we had noted that small caps may be entering their most favorable period of the year. The small caps did perform with vigor during the month, along with the broader market which recorded new highs. Small caps still have to achieve that milestone, suggesting there remains a path to higher smallcap returns as it makes progress towards its all-time high. A confluence of favorable macro events of lower interest rates and stabilizing economic data have created a benign backdrop. And with this backdrop in place, strong earnings and diminishing US-China trade tensions provided the impetus for stocks to surge higher.

The final month of the year typically leans positive. But it was just 12 months ago last December, when the markets witnessed a vicious decline, rare in its sharpness, making it the worst December in stock market history since the early 1930s. The risks that existed at that time - a rate hike policy, trade tension with China, a government shutdown, and fear of a 2019 recession - have either faded away, like the rate hike policy, or have since diminished, like the US-China trade war. However, in this fluid geopolitical moment, if there is an adverse surprise it can most likely be on the trade front, with the next tariff hike set for Dec 15. In the meantime, badly lagging sectors like the healthcare & biotechs are benefiting from greater investor interest due to reasons cited in the post, [Healthcare on the March](#).

During November, the Small Cap portfolio gained +6% and the Russell 2000 (IWM) small cap index rose +4%. For the year, the model portfolio is up +5% and the Russell index is up +21%. The risk environment is favorable & the portfolio remains fully invested. After a 2-month runup, there can be a pause or a mild pullback. But the reasons for a favorable market are likely to remain intact. The year has been difficult, and we expect to learn, adjust, & move forward. We wish you a joyful festive season!

Actual Published	Graycell Small Cap	Russell 2000 IWM	S&P 500 SPY
3-Year (2016-18)	152%	24%	30%
\$10,000 Portfolio	\$25,232	\$12,382	\$13,009
5-Year (2014-18)	211%	24%	49%
\$10,000 Portfolio	\$31,121	\$12,424	\$14,941
14-Year (2003-18)*	31360%	160%	145%
\$10,000 Portfolio	\$3,146,025	\$25,974	\$24,489

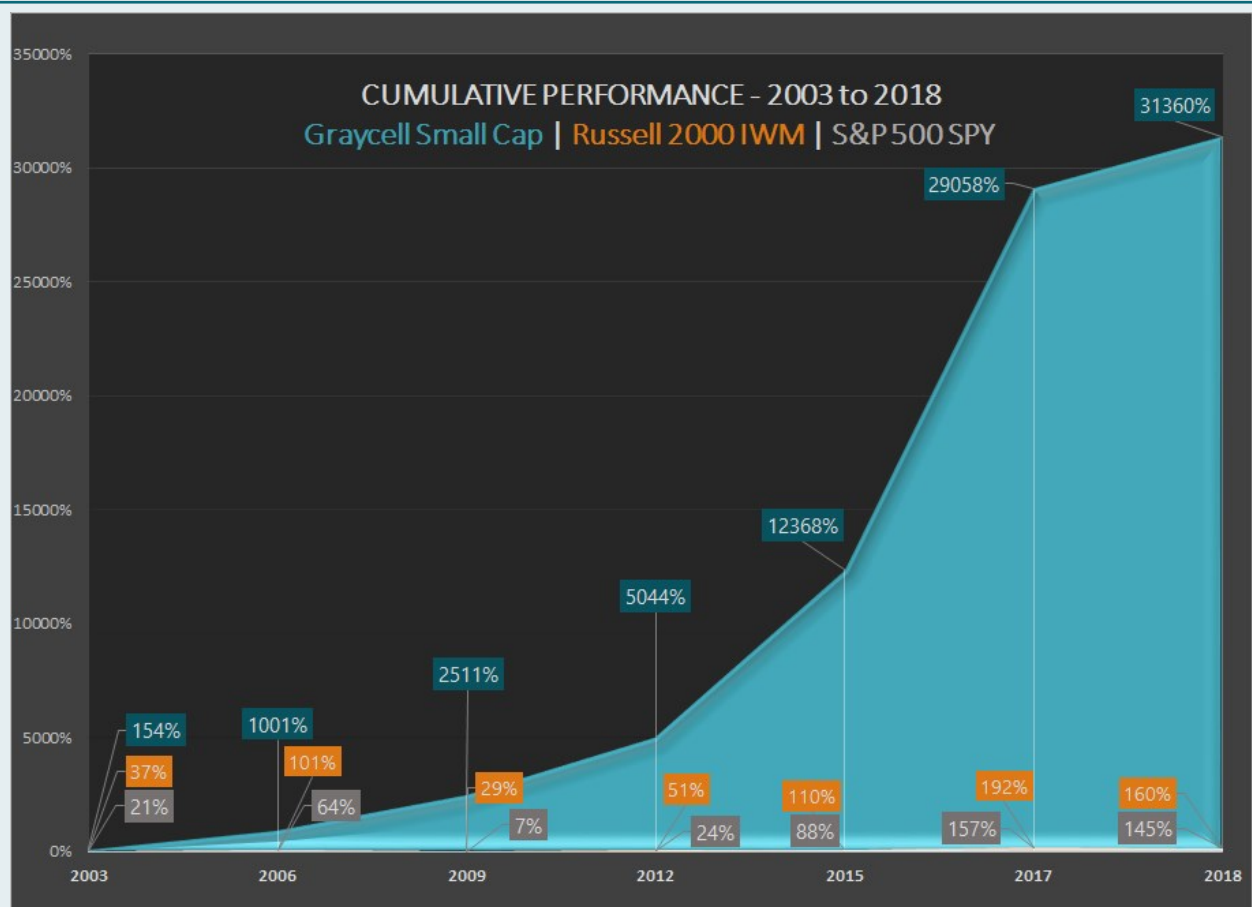
"If you do fundamental trading, one morning you feel like a genius, the next day you feel like an idiot...by 1998 I decided we would go 100% models...we slavishly follow the model...and that turned out to be a wonderful business."

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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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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