



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 | |
| | | |

GRAYCELL SMALL CAP™

December 2019

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 |

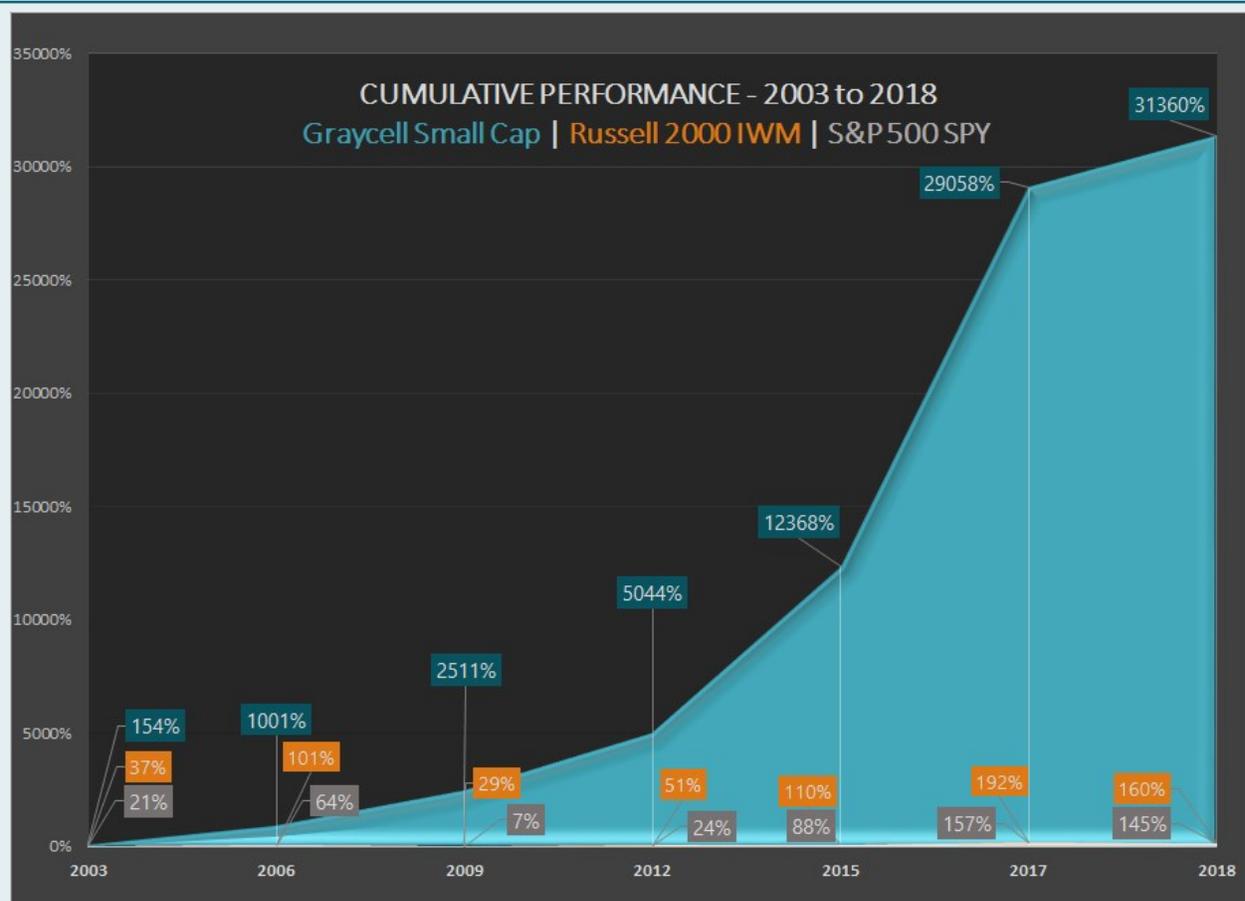
"If you do fundamental trading, one morning you feel like a genius, the next day you feel like an idiot...by 1998 I decided we would go 100% models...we slavishly follow the model...and that turned out to be a wonderful business."

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

GRAYCELL SMALL CAP™

December 2019



[Click for enlarged version](#)

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.

GRAYCELL SMALL CAP™

December 2019

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.

Contact Us

support@GraycellAdvisors.com

GraycellAdvisors.com

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

Graycell Advisors, and its affiliates, officers, employees, families, and all other related parties, collectively referred to as 'Graycell' or 'we' or 'it,' etc., is a publisher of financial information, such as the Prudent Biotech, the Graycell Smallcap, and the Prudent Healthcare model portfolios. We are not a Registered Investment Advisor (RIA). The information contained herein does not constitute investment advice. It does not reflect the specific investment objectives or needs of individual investors. Past performance is not indicative of future results, which may vary. All stock and related investments have a degree of risk, which can result in significant or total loss. In addition, the healthcare and small cap sectors are characterized by much higher risk and volatility than the general stock market. Historical performance figures provided are hypothetical, unaudited, and intended for illustrative purposes only. Only you can determine its use for your situation. You alone are responsible for your investment decisions. The use of the information herein is at one's own risk. This is not an offer to sell or solicitation to buy any securities and we will not be liable for any losses incurred or investment(s) made or decisions taken/or not taken based on the information provided herein or not provided or not made available in a timely manner. We also cannot guarantee the accuracy and completeness of any information furnished by us. All content and information are provided on an "As Is" basis. Nothing contained in any materials should be construed as a recommendation to buy or sell securities. We may or may not have existing positions, and may acquire or dispose of positions during the month in the stocks mentioned in our reports. Our models are proprietary and can be changed or revised based on our discretion at any time without any notification. Subscribers and investors should always conduct their own due diligence with any potential investment and consider obtaining professional advice before making an investment decision. This information is also provided in Terms & Conditions at the time of Sign Up.