



GRAYCELL SMALLCAP

PRUDENCE • PATIENCE • PERFORMANCE

MARCH 2016

www.GraycellAdvisors.com

Portfolio

	Name	Symbol	Added to Portfolio	Current Price	Action
1	1-3 Year T-Bond ETF	SHY	Jan-16	\$84.96	Maintain
2					
3					
4					
5					
6					
7					
8					
9					
10					

Portfolio Performance

	YTD 2016	2015	2014	2013	2012
Graycell Smallcap	1%	15%	8%	97%	96%
Russell 2000 Index	-9%	-6%	4%	37%	15%
S&P 500 SPY ETF	-5%	-1%	11%	30%	13%

Positions Closed this Month

	Name	Symbol
1		

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Portfolio Update

It pays to stay on the sidelines. You may not be accruing returns, but more importantly you will not be losing money. We have remained in Cash for much of the second-half of 2015, and remained in that position entering 2016. This helped us avoid another sharp selloff being experienced in the broader market. During January, the Graycell Smallcap Portfolio was up 1% (+0.51% to be exact) as a result of its investments in government T-bonds (SHY). The smallcap benchmark Russell 2000 was down -9% during the same period.

As we enter February, we believe the market is now close to a bottom, and the worst of the correction appears to be over. Of course, this is our opinion and we will be willing to adapt and revise our opinion as market conditions evolve. It may be time to freshen up our target list of good prospects, but still not time to runback into stocks. The newsletter is driven by our models, which suggest remaining in Cash for February as well. We consequently remain in safer, cash-like investments, and are fully invested in 3 year T-Bonds (SHY). We believe being conservative and safe is a prudent move at this point.

	Graycell Smallcap	Russell 2000 Index	S&P500 SPY
3-Year (2013-15)	142%	34%	43%
\$10,000 Portfolio	\$24,240	\$13,374	\$14,331
5-Year (2011-15)	378%	53%	63%
\$10,000 Portfolio	\$47,760	\$15,331	\$16,253
10-Year(2003-15) *	12,368%	83%	53%
\$10,000 Portfolio	\$1,246,835	\$18,312	\$15,279

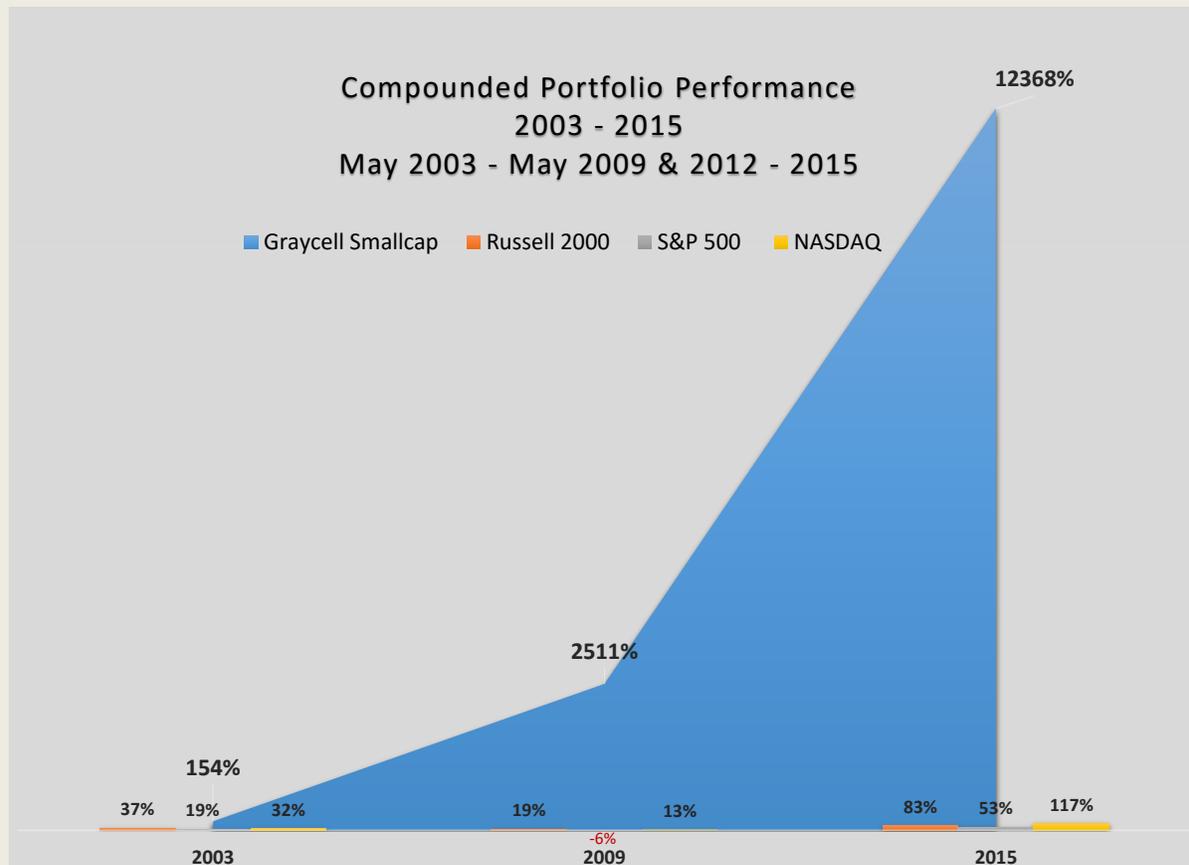
"If you do fundamental trading, one morning you feel like a genius, the next day you feel like an idiot...by 1998 I decided we would go 100% models...we slavishly follow the model. ...And that turned out to be a wonderful business."

Jim Simons, Founder
Renaissance Technologies
\$64 billion Hedge Fund Manager

* May 2003 - May 2009 and 2012 - 2015

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During the above period, Graycell Smallcap portfolio was up over 12,000%, compared to its smallcap benchmark Russell 2000 performance of 83% over the same period. The other major benchmark indexes also trailed heavily with the Nasdaq Composite up 117%, and the S&P500, up 53%. The performance period is from May 2003 to May 2009, and thereafter from 2012 to 2015. A \$10,000 starting portfolio tracking the Graycell Smallcap model would have surged to \$1.25 million over a period of less than 10 years. This compares to the same portfolio invested in the Russell 2000, growing to ~\$18,000, and a portfolio invested in S&P 500 growing even less to ~\$15,000.

How did we do it? We follow a carefully developed and calibrated system, and we stick to it. Discipline and Consistency are important keys towards building Wealth.

Please note that model historical performance for all periods is hypothetical and will vary when we revise and change models without any notice. Additional details on the performance can be viewed on the website.

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About

We aim to use disciplined systematic investing using models to outperform the market. My name is Tarun Chandra, and I'm the editor of our quantitative model portfolio service. Of course, I can't do anything without my team, and I work with them to put out the newsletters for our subscribers. I was an Analyst on Wall Street on the Buyside and Sellside for 8 years. Thereafter, I worked with technology services companies in a Strategy and Finance role. For many years I've been working on quantitative models. We believe this targeted smallcap product, can tap into the potential of the smallcap market, 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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