

## Volatility and the Market

The market was able to extend the strong finish it had to 2023, beginning the year with a phenomenal first quarter that saw the S&P 500 notch multiple record highs. February saw the index cross a critical threshold, closing above 5,000 for the first time in history as all 11 sectors posted gains for the month. March rounded the quarter off with another month of gains for the S&P, pushing it even farther into record-high territory. In contrast to last year, when the Magnificent 7 were driving the majority of upside for the index, the performance so far this year has been a bit more inclusive.

Reviewing sector performance, the leaders for the quarter were Telecommunications (+15.82%), Energy (+13.69%), and Information Technology (+12.69%). The worst performing sectors this quarter were Real Estate (-0.55%), Utilities (+4.57%), and Consumer Discretionary (+4.98%). The only sector without a positive return for the quarter was Real Estate, which came on the heels of a Q4 where it led all sectors in performance.

Looking back on the economic data for the quarter, inflation has continued to trend lower but has been stuck just above the desired level between 3-4% for the last eight months. Unemployment stayed under 4%, though we saw an uptick from 3.7% to 3.9% during the quarter while the labor force participation rate stayed flat. Throughout the quarter, all eyes were on the Fed and the economic data driving their interest rate policy decisions. Expectations regarding the number of rate cuts this year fell throughout the quarter.

## Shelton Equity Income Strategy

During the first quarter the Equity Income Portfolio outperformed the CBOE BuyWrite Index (BXW) by 2.78%, delivering a gross return of 8.80% (8.43% net) compared to the BXW return of 6.02%. The strategy generated 1.59% cash flow from option premiums and 0.39% from dividends during the first quarter, delivering 1.98% total cash flow for the quarter (1.61% net).

Our strongest performers this quarter were Applied Materials Inc (AMAT), Hartford Financial Services Group Inc (HIG), Tapestry Inc (TPR), DaVita Inc (DVA), and NRG Energy Inc (NRG). We continue holding all the above, though we have begun to selectively allow AMAT to be called away.

Our underperformers for the quarter were Apple Inc (AAPL), Cognizant Technology Solutions Corp (CTSH), Lamb Weston Holdings Inc (LW), Cisco Systems Inc (CSCO), and Microchip Technology Inc (MCHP). We continue to hold all the above with the exception of MCHP, which we have begun transitioning out of the portfolio.

## What We See Moving Forward

As we make our way into 2024 all eyes are on the Fed, looking for them to deliver a soft landing and begin cutting rates. This year also brings a presidential election in the US, and market participants will be keeping an eye on myriad geo-political risks to assess the potential for them to spill over and impact the market in the US. With the conflict in Israel and Ukraine ongoing, and US-China tensions remaining elevated with more import and export restrictions than this time last year, we expect volatility to rise from the low level it started at in 2024. In a year with so much going on and the market already rallying to new record highs, we believe the Equity Income strategy is well positioned to take advantage of, and capitalize on, the volatility and uncertainty.

### IMPORTANT INFORMATION

*Option trading is not suitable for all investors. Prior to buying or selling an option, a person must receive a copy of Characteristics and Risks of Standardized Options. Copies of this document may be obtained from your Investment Advisor, from any exchange on which options are traded or by contacting The Options Clearing Corporation, One North Wacker Dr., Suite 500, Chicago, IL 60606 (1-800-678-4667). All analysis and projections depicted herein are for illustration only, and are not to be representations of generalized Shelton Equity Income performance or expected results. Past performance is not a guarantee of future results. Supporting documentation for any claims, comparisons, recommendations, statistics or other technical data will be furnished upon request to Shelton Capital Management. Investing involves risk, including possible loss of principal. The information contained in this document is given on a general basis without obligation and on the understanding that any person acting upon or in reliance on it, does so entirely at his or her own risk. Any projections or other forward-looking statements regarding future events or performance of countries, markets or companies are not necessarily indicative of, and may differ from, actual events or results. This information is intended to highlight views of the authors at the time created and not to be comprehensive or to provide advice. These views are subject to change at any time based on market and other conditions. Data and other materials appearing that are provided by third-parties are believed by Shelton Capital Management to be obtained from reliable sources, but Shelton Capital Management cannot guarantee and is not responsible for their accuracy, timeliness, completeness or suitability for use. For a complete list of portfolio strategy investments and their respective contribution for the preceeding 12 months, and the methodology for calculating contributions, please call 1-800-955-9988. INVESTMENTS ARE NOT FDIC INSURED OR BANK GUARANTEED AND MAY LOSE VALUE.*

## Strategy Management

### Shelton Capital Management

Founded by Richard Shelton in 1985, Shelton Capital is a privately owned investment management firm with over \$5.1 billion AUM (3/31/2024). The firm offers its investment management through a series of open-end mutual funds and separately managed accounts (SMAs).

### Barry Martin, CFA

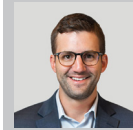
Senior Portfolio Manager



Barry Martin, CFA, joined the firm in 2008 and is a Portfolio Manager for Shelton Capital Management's Option Overwrite Strategies. Prior to joining Shelton Capital, Barry was Senior Vice President of portfolio management for an investment management firm specializing in option strategies and has been managing options for over 20 years.

### Nick Griebenow, CFA

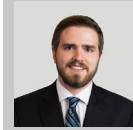
Portfolio Manager



Nick Griebenow, CFA, joined the firm in 2018 and is a Portfolio Manager for Shelton Capital Management's Option Overwrite Strategies. Prior to joining Shelton Capital, Nick was a Senior Derivatives Trader for a large national brokerage firm.

### Jason Goldenberg

Investment Operations Analyst



Jason Goldenberg joined Shelton Capital Management in 2017 and is an Investment Operations Analyst that services all strategies of the Separate Account program.