

## Volatility and the Market

The first quarter of 2025 was marked by significant volatility in the stock market. After reaching an all-time high in mid-February, the S&P 500 turned around and gave back all those gains and more, ending the quarter down 4.28%. The Nasdaq fared worse, dropping over 8% during the same period. Concerns over inconsistent trade policies, inflation, and unemployment weighed heavily on investor sentiment. The Federal Reserve remained on the sidelines, projecting lower real rates, while geopolitical tensions and policy uncertainty contributed to market turbulence. U.S. tariffs on imports from China and other nations further roiled markets, with retaliatory measures from China exacerbating fears of a trade war. These developments led to heightened volatility and declines across major indices.

Reviewing sector performance, the leaders for the quarter were Energy (+10.21%), Healthcare (+6.54%) and Consumer Staples (+5.23%). The worst performing sectors this quarter were Consumer Discretionary (-13.80%), Information Technology (-12.65%), and Telecommunication (-6.21%).\*

Looking back on economic data for the quarter, inflation remained a focus but stayed slightly under the 3% level, though there is much concern about changes to trade policy pushing it back up. Unemployment showed stability, briefly dipping to 4.0% before edging up slightly to 4.2%. Looking forward, the market is closely watching the Federal Reserve to see how they will respond to economic uncertainty and adjust the path of rate cuts moving forward.

## Shelton Equity Income Strategy

During the first quarter, the Equity Income Portfolio outperformed the CBOE BuyWrite Index (BXW) by 2.76%, delivering a gross return of -0.33% (-0.63% net) compared to the BXW return of -3.09%. The strategy generated 1.90% cash flow from option premiums and 0.36% from dividends during the first quarter, bringing the year-to-date cash flow to 2.26% (1.96% net).

Our strongest performers this quarter were Verizon Communications Inc (VZ), Mondelez Int'l Inc (MDLZ), Coca-Cola Co. (KO), RTX Corp (RTX), and Cardinal Health Inc (CAH). We have been allowing shares of MDLZ to be called away, but continue to hold positions in the others as we still view them as having attractive value relative to peers.

Our underperformers for the quarter were NetApp Inc (NTAP), Nvidia Corp (NVDA), Google Inc (GOOGL), Oracle Corp (ORCL), and Hewlett-Packard Co (HPQ). We continue to hold all but ORCL, which we have begun writing calls aggressively against with the intention of having the stock called away.

## What We See Moving Forward

Looking forward to the rest of the year, the market will be closely watching changes in policy from the incoming administration. With new tariffs already being announced, investors will be monitoring earnings reports and management outlooks to gauge the impact of those tariffs on company financials. The Fed's rate path and expectations for cuts are still a focus, and policies that are seen to impact inflation will be closely scrutinized as we look to complete a soft landing for the economy. The market came into this potential trade war at all-time highs and has already started to react negatively and exhibit far more volatility as tariffs are put into effect. We believe the Equity Income strategy is well positioned to capitalize on the volatility and buffer any pullbacks we may see in the near term.

\*Source: Bloomberg

### 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 preceding 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 \$5.4 billion AUM (3/31/2025). 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

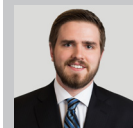


Nick Griebenow, CFA, joined the firm in 2018 and is a Portfolio Manager for Shelton Capital Management's Option

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.