SEPARATELY MANAGED ACCOUNT

Shelton Covered ETF Portfolio Strategy

Professionally managed covered call writing on a diversified portfolio of ETFs.

The Process

Shelton Capital allocates based on efficient frontier analysis and offers three asset allocation models to choose from based on a client's time frame, risk tolerance and cash flow criteria. Each model has full asset class representation offered by today's ETF providers such as iShares, State Street, and Vanguard. The models are carefully constructed and monitored to stay current in today's market.

We then evaluate and select what we consider to be the best ETF for each asset class in the portfolio. The selection is based on key attributes such as liquidity, expense ratio, and availability of an options market. We will continue to evaluate each holding to ensure we have the best representation for that asset class.

Combining years of options trading expertise with the latest options valuation technology, we seek to identify the most favorable call writing opportunities and sell the calls on most, if not all, ETF positions. An income stream is generated through the call option premiums collected plus any dividends the underlying ETF may be paying.

We continue to monitor risk and return characteristics for the open positions. As options expire, new options are evaluated and sold as we seek additional premiums to meet the cash flow target.

Three Portfolios to Choose From:

Conservative:

- Objective of this portfolio is stability of capital with moderate growth. With its anticipated low volatility, this approach carries relatively low risk, yet provides a moderate cash flow.

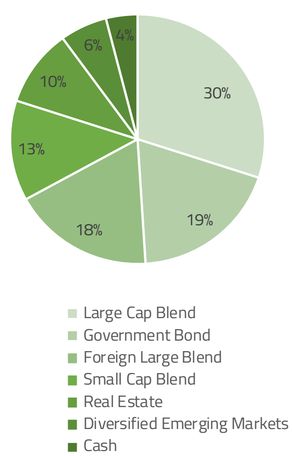
Balanced:

- The focus is long-term capital growth, with a secondary focus on modest cash flow through a mix of fixed-income and growth-oriented ETF's. Balanced Portfolio investors are medium risk investors with a 5 to 10 year time horizon.

Growth:

- Objective is long-term capital growth, although seeking lower volatility through diversification and the use of the covered call writing overlay. Investors will have a longer time horizon than the Balanced Portfolio.

Representative Sample of our **Balanced Portfolio:**



FAQs

- **Which model portfolio is right for me?**

  The process of matching your investment goals and personal profile with an asset allocation mix is based primarily on risk tolerance, time horizon, and other factors. While some clients establish their investment objectives and guidelines on their own, consulting with an advisor may be beneficial to identify the most suitable model portfolio for best results.

- **What happens if one or more of the positions are "called away"?**

  The proceeds are reinvested into the appropriate replacement security as determined by the Portfolio Manager.

The Approach

The strategy seeks to build a fully diversified portfolio of ETFs and writes (sells) covered calls on some or all of those positions to reduce overall volatility while adding incremental income.

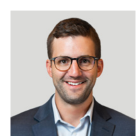
About Shelton Capital Management

Founded by Richard Shelton in 1985, Shelton Capital is a privately owned investment management firm. The firm offers its investment management through a series of 13 open-end mutual funds and separately managed accounts (SMAs).

Barry Martin, CFA
Portfolio Manager

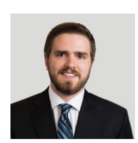
Barry Martin, CFA, is a Portfolio Manager for Shelton Capital Management's Option Overlay Strategies. Prior to joining the firm, Mr. Martin was Senior Vice President of portfolio management for an investment management firm specializing in option strategies and has been managing options for over 20 years. He received a B.S. from the University of Arizona.

Nick Griebenow, CFA
Assistant Portfolio Manager



Nick Griebenow, CFA is an Assistant Portfolio Manager for Shelton Capital Management's Option Overlay Strategies. Mr. Griebenow has extensive knowledge in option strategies and was previously a Senior Derivatives Trader for a large national brokerage firm. He received a B.A. from Colorado State University.

Jason Goldenberg
Investment Operations Analyst



Jason Goldenberg is a Trading Operations Analyst. Mr. Goldenberg has five years of industry experience and previously worked at ALPS Fund Services. He earned a B.B.A. from the University of Colorado, Boulder.

Quick Facts

- Manager has over 20 years of options experience
- Minimum Account - $100,000
- Access to the Portfolio Managers
- Comprehensive reporting

Considerations and Risks

- Covered call strategies limit up side potential for underlying security appreciation and will typically underperform in strong markets.
- Covered call strategies do not protect an underlying security from downside risk. The loss for the client could be the current price of the underlying security less the premium received for the call option.
- Put strategies used for hedging purposes carry the risk of losing the entire premium paid to purchase the option.
- Shares of underlying securities with an option strategy held in a margin account run the risk of being sold if the option(s) is exercised or the need arises to close a losing position.
- Withdrawals, such as systematic withdrawals as part of an income strategy, may result in a declining portfolio value over time.
- The sale of the stock will produce tax consequences for U.S. taxpayers. Each option transaction also produces a tax consequence – when closed.
- An option writer may be assigned an exercise at any time during the period the option is exercisable.
- The writer of a covered call forgoes the opportunity to benefit from an increase in the value of the underlying interest above the option price, but continues to bear the risk of a decline in the value of the underlying interest.
- An option writer may be assigned an exercise that is made based on news that is published after the established exercise cut-off time and that the writer may not have an effective remedy to compensate for the violation of the option market's rules.
- In a strong market advance where the buyback involves an in the money (i.e., an option with a strike price less than the current level of the benchmark index) option, and volatility levels have declined, there may be a "debit" roll, whereby the cash needed to close out the option position exceeds the new sale's proceeds.

SHELTON CAPITAL MANAGEMENT

For more information, visit www.sheltoncap.com

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