

Volatility and the Markets

The market carried the weakness of the first quarter into the second, selling off far enough to hit bear market territory after having finished the first quarter with a late rally. After significant downside in April, the market had a volatile May that saw the S&P touch bear market territory but managed to end the month nearly flat. The quarter finished with a choppy June that brought the S&P down further into a bear market. Energy stocks continued their phenomenal run through May - driven in large part by the war in Ukraine - before seeing a significant reversal in June that brought the sector back to near the level it had been in March. Headlines this quarter continued to be dominated by inflation and the war in Ukraine.

Reviewing sector performance, all 11 sectors finished the quarter in the red. The leaders in the second quarter were Consumer Staples (-4.62%), Utilities (-5.09%), and Energy (-5.29%). The worst performing sectors this quarter were Consumer Discretionary (-26.16%), Telecom (-20.71%), and Information Technology (-20.24%).

Looking back on the economic data for the quarter, the unemployment rate remained below pre-pandemic levels and inflation remained at multi-decade highs. One notable change was the cooling of the housing market, which after an incredible two years of growth during the pandemic era is finally showing signs of a slowdown.

Equity Income Performance

During the second quarter the Equity Income Portfolio underperformed the CBOE BuyWrite Index (BXM) by 0.16%, returning -11.08% compared to the BXM return of -10.92%. The strategy generated 2.27% cash flow from option premiums and 0.44% from dividends during the quarter, bringing the year-to-date cash flow total to 4.72%. Our strongest performers were Progressive Corp (PGR), Conagra Foods Inc (CAG), Gilead Sciences Inc (GILD), Merck & Co Inc (MRK), and Monster Beverage Corp (MNST). We continue holding positions in all the above except for GILD, which we have started transitioning out of the portfolio.

Our underperformers for the quarter were Mosaic Co (MOS), Walt Disney Co (DIS), Live Nation Entertainment Inc (LYV), News Corp (NWSA), and General Motors Co (GM). Of these we continue to hold DIS but have been allowing the other names to be sold and moved out of the portfolio.

What We See Moving Forward

Moving forward, we expect to see volatility remain elevated, held up by the continuing war in Ukraine as well as recession fears and rate increases domestically. Whether the Fed can bring inflation to heel without slowing the economy enough to put us in a recession... only time will tell. With expectations of volatility and choppy market movement, we feel the Equity Income strategy is a good place to have one's equity exposure.

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 \$3.2 billion AUM (6/30/2022). The firm offers its investment management through a series of open-end mutual funds and separately managed accounts (SMAs).

Barry Martin, CFA 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.