SHELTON CAPITAL MANAGEMENT

NEXTX
Shelton Green Alpha Fund

Quarterly Commentary
As of June 30, 2022

Market Review

Though not inevitable, the probability of a U.S. recession increased in Q2 with the Fed significantly increasing interest rates to tame rising inflation. Although inflation hurts the economy, so does fighting it, and a slowdown in some sectors is already visible. At the end of Q2, the Commerce Department confirmed that the U.S. economy shrank 1.6% in the first quarter, downgrading their previous prediction. Commerce's report also showed that consumer spending rose at a much reduced 0.2% rate from April to May, and May to June it shrank outright, seemingly in response to inflation, but also possibly in response to the nonstop news narrative of an impending recession. Reductions in spending have led to retailers reporting they are experiencing inventory buildups, and some have planned price reductions as a result. In this we see the first inklings of inflation moderation.

On the growth side, rebounding sectors like hospitality and travel have had a hard time hiring employees fast enough as people return to restaurants, airports, and hotels. Evidently, the spending increases in May were for experiences rather than material goods, and amid the May-to-June spending slowdown, travel and leisure continued to grow. Unemployment is still at record lows and wage growth has doubled from 2019, which one would expect with two job openings currently available for every unemployed person. In addition, the end of Q2 saw data indicating that manufacturing supply chains are getting back on track in key industries like semiconductor manufacturing—another potential deflationary influence. The economic picture is far more complex than a 'looming recession,' and the next 12 months could turn out to be very surprising in any number of ways, no doubt both boosting and detracting from stock market valuations.

In energy, the recent spike in oil and other fossil fuel prices has pushed a more rapid increase in renewable and clean energy development. Data shows that investment in global energy—mostly in clean energy—is projected to increase by 8%, reaching $2.4 trillion in 2022 alone. Although these trends are encouraging, they are nevertheless insufficient to fix either the current energy crisis in Europe (and elsewhere) or the climate crisis. The IPCC report released on April 4th made special effort to warn the world that the transition to renewables has been underfunded—to the extent that the COP26 agreements will be difficult to meet. The gap between written pledges and financial investments to meet those pledges is significant and ultimately must be addressed. As awareness of this disconnect advances, we expect the emergence of further catalysts in the energy sector.

During the first half of 2022, most major global indexes, including the MSCI ACWI IMI and the S&P 500 Index, benefitted from exposure to fossil fuels suppliers and producers, which rallied for most of the period. The portfolio management team believes that fossil fuels are in the throes of a long-term pattern of demand (therefore price) destruction, and that their current rebound is a temporary condition that will be repeated less often, as the economic transition to sustainable energies and transportation is further established.

What all this signifies is that we can and should continue to expect the unexpected. For us, that means remaining fully invested in our long-term thesis of transition from existing economics to Next Economics™. In the face of all the complexity occurring amid and contributing to the current bear market in equities, the fund held up relatively well during Q2. Although our portfolio underperformed our own stated benchmark, the IMI, we did realize outperformance versus leading growth indexes, which generally share our lack of exposure to fossil fuels.

Likely due in part to the interest rate pressure here in the States, U.S. companies generally underperformed foreign domiciled companies year-to-date. The Shelton Green Alpha Fund has greater exposure to U.S. companies compared to the MSCI ACWI IMI. Furthermore, our exposure tends to consist of companies exhibiting high growth characteristics; meaning that year-to-date, the portfolio experienced the dual negative impact of exposure to more U.S. companies, as well as ones that are growthy and thus out of favor in the market. In the portfolio, U.S. exposure detracted a whopping 5.2% from returns relative to the MSCI ACWI IMI.

Fund Management

Garvin Jabusch
Portfolio Manager

Prior to co-founding Green Alpha with Jeremy Deems in 2007, Garvin worked at Forward Management, LLC where he managed the Sierra Club Stock Fund and the Sierra Club Equity Income Fund. Before Forward Management, Garvin served as Vice President of Strategic Services at Morgan Stanley where he contributed to such projects as the integration of European acquisitions and the disposition of Morgan Stanley Online. Garvin holds an MBA in international management and finance from the American Graduate School of International Management (Thunderbird).

Jeremy Deems
Portfolio Manager

Prior to co-founding Green Alpha, Jeremy was CFO of Forward Management, LLC, the investment advisor to the Forward Funds and Sierra Club Mutual Funds. He was responsible for all areas related to finance, operations, and human resources. Jeremy was also a co-portfolio manager on the Sierra Club Stock Fund, alongside Green Alpha co-founder, Garvin Jabusch. In addition, Jeremy was the CFO of ReFlow Management Co., LLC, an innovative liquidity management tool for the mutual fund industry. Jeremy holds an MBA in Finance and B.S. in Business Administration, Honors Concentration in Financial Services from Saint Mary's College of California. He was a licensed Certified Public Accountant from 2001 to 2016. Jeremy is also an independent Trustee and Audit Committee Chairman for several mutual fund trusts, consisting of funds managing in excess of $20 billion in client assets, spanning the open-end, exchange traded and closed-end fund marketplaces.

Fund Recap

For the first half of 2022, the Shelton Green Alpha Fund returned -23.91% vs. its benchmark, the MSCI All Country World Investible Market Index (MSCI ACWI IMI), which returned -20.44%.

The sectors that detracted the most from the portfolio's returns were Technology and Health Care.

- Technology was down across subsectors, as the secular rotation away from growth and toward perceived value and "safety" continued its pattern from Q1. Losses were led by the portfolio's exposure to leading companies in the semiconductor value chain, including the world's most productive and advanced foundries, chip designers, and vertically down to packaging and device fabrication. Software and hardware leaders added to declines, although more modestly.
- In Health Care, losses were primarily from exposure to the Biotech and Pharma industry, followed by the Medical Equipment and Devices industry. Here again, broad rotation away from growth played a meaningful role in the pullbacks.

Fund Recap (continued)

Top contributing sectors to the portfolio's returns were Energy and Communications.

- In Energy, gains were led by a global provider of mono- and polysilicon wafers and ingots upstream of the Solar PV Manufacturing industry, and a top global maker and distributor of finished solar PV panels and modules.
- In Communications, gains were provided by a leading green data center builder and manager.

Fund Performance

Average Annual Total Returns

	2Q22	YTD	1YR	3YR	5YR	Since Inception
NEXTX	-16.90%	-23.91%	-30.54%	22.25%	15.86%	14.62%
MSCI ACWI IMI (net)[1]	-15.83%	-20.44%	-16.52%	5.97%	6.70%	7.50%
S&P 500 Composite Stock Index[1]	-16.11%	-19.97%	-10.64%	10.57%	11.29%	12.18%

[1]It is not possible for individuals to invest directly in an index. Performance figures for an index do not reflect deductions for sales charges, commissions, expenses or taxes.

Total returns include changes in share price and the reinvestment of income dividends and all capital gains distributions. Performance figures represent past performance and are not a guarantee of future results. The investment return and the principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost; current performance may be lower or higher than the performance data quoted. For more current month-end Fund performance information, please call our office at (800) 955-9988.

IMPORTANT INFORMATION

Shelton Green Alpha Fund's environmental focus may limit investment options available to the Fund and may result in lower returns than returns of funds not subject to such investment considerations. There are no assurances that the Fund will achieve its objective and or strategy. Investing in securities of small and medium sized companies, even indirectly, may involve greater volatility than investment in larger and more established companies.

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INVESTMENTS ARE NOT FDIC INSURED OR BANK GUARANTEED AND MAY LOSE VALUE.

Investors should consider a fund's investment objectives, risks, charges and expenses carefully before investing. The prospectus contains this and other information about the fund. To obtain a prospectus, visit www.sheltoncap.com or call (800) 955-9988. A prospectus should be read carefully before investing.

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