

## Volatility and the Market

Following a first quarter that saw the S&P 500 set new records, the market started off with a quick pullback in April before continuing its record setting upward trajectory. The quarter started off with persistent inflation data and a higher-for-longer rates narrative providing a headwind. Following a rocky April, markets resumed their upward trend in May with a few mega cap names leading the charge. More than half of the upside in the S&P 500 during May came from just 4 mega cap stocks - namely Nvidia, Apple, Microsoft, and Alphabet - which helped the Tech sector gain 10% during the month. June saw a continuation of what we got in May, with mega caps pulling the index upward. While the S&P 500 saw over 15% upside through the first half of the year, the S&P Equal Weight was only up by about 5%.

Reviewing sector performance, the leaders for the quarter were Information Technology (+13.81%), Telecommunications (+9.38%), and Utilities (+4.66%). The worst performing sectors this quarter were Materials (-4.50%), Industrials (-2.90%), and Energy (-2.42%). With the mega caps driving a disproportionate amount of the upside in their sectors, Information Technology is up 28.24% year-to-date, closely trailed by Telecommunications which is up 26.68%.\*

Looking back on economic data for the quarter, much of the economic data that came in was below expectations. We saw the unemployment rate tick up to 4% and continued disinflation. Expectations regarding the number of rate cuts this year fell throughout the quarter, with most market participants revising their expectations to just one rate cut in 2024.

## Shelton Equity Income Strategy

During the second quarter, the Equity Income Portfolio underperformed the CBOE BuyWrite Index (BXM) by 0.16%, delivering a gross return of 1.33% compared to the BXM return of 1.49%. Year-to-date the strategy is still outperforming the BXM, delivering a gross return of 10.26% (9.51% net) compared to the BXM at 7.59%. The strategy generated 1.33% cash flow from option premiums and 0.41% from dividends during the second quarter, bringing the year-to-date cash flow up to 3.72% (3.01% net).

Our strongest performers this quarter were Apple Inc (AAPL), NetApp Inc (NTAP), Alphabet Inc (GOOGL), NRG Energy Inc (NRG), and Applied Materials Inc (AMAT). We continue to hold all of the above, though we have been selectively letting some shares be called away when deemed appropriate.

Our underperformers for the quarter were Fortinet Inc (FTNT), Cardinal Health Inc (CAH), Steel Dynamics Inc (STLD), Trimble Navigation (TRMB), and Lamb Weston Holdings Inc (LW). We continue to hold all of the above with the exception of STLD, which we have been transitioning out of the portfolio.

## What We See Moving Forward

Moving into the second half of 2024, all eyes are on the Fed as the market tries to gauge how many rate cuts we will see this year, if any. The second half of the year will also bring the presidential election to the forefront, with market participants trying to position themselves as well as possible based on the expected policies of whichever administration ends up holding the reigns. Additionally, the geopolitical risks we have been watching this year have yet to abate and could add to market volatility. In a year with so much going on and the market repeatedly 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.

\*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 \$5.3 billion AUM (6/30/2024). 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

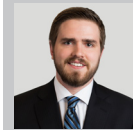
Portfolio Manager



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.