

Volatility and the Market

Following a rocky start to the quarter in July and early August, the market found its footing and rallied to new record highs to finish the quarter strong. This quarter saw much more broad participation in upside driving the new highs, with the sectors dominated by mega cap stocks (IT and Telecom) being among the laggards. Reviewing the mega cap stocks that drove the majority of upside in the first half of the year, NVDA was more or less flat and AAPL saw continued upside while Alphabet and Microsoft both had negative performance. All eyes continued to be on the Fed, which delivered the expected first rate cut at the September meeting. On a year-to-date basis, the S&P 500 is now up over 22% and all 11 sectors are positive for the year.

Reviewing sector performance, the leaders for the quarter were Utilities (+19.37%), Real Estate (+17.17%), and Industrials (+11.55%). The worst performing sectors this quarter were Energy (-2.32%), Information Technology (+1.61%), and Telecommunications (+1.68%). This quarter helped even out the sector performance for the year a bit, with 5 sectors returning over 20% year-to-date and Energy being the only sector with a return of under 10%.*

Looking back on economic data for the quarter, we saw continued disinflation with the inflation figure falling below 3% in July for the first time in just over a year. Unemployment peaked at 4.3% in July before pulling back to end the quarter at 4.1%. Looking forward, the market is expecting to see two more rate cuts by the Fed before year end.

Shelton Equity Income Strategy

During the third quarter, the Equity Income Portfolio outperformed the CBOE BuyWrite Index (BXW) by 2.39%, delivering a gross return of 7.93% compared to the BXW return of 5.54%. Year-to-date the strategy is outperforming the BXW by 5.45%, delivering a gross return of 19.00% compared to the BXW at 13.55%. The strategy generated 1.56% cash flow from option premiums and 0.38% from dividends during the third quarter, bringing the gross year-to-date cash flow up to 5.66% (4.60% net).

Our strongest performers this quarter were RTX Corp (RTX), Ebay Inc (EBAY), Aflac Inc (AFL), Fortinet Inc (FTNT), and Pulte Group Inc (PHM). 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 Applied Materials (AMAT), Alphabet Inc (GOOGL), Merck & Co Inc (MRK), NetApp Inc (NTAP), and Amazon.com Inc (AMZN). We continue to hold all of the above, still believing them to be attractively valued relative to their peer groups.

What We See Moving Forward

Moving into the final quarter of 2024, the market continues to focus on the Fed as it tries to gauge whether we will get any more rate cuts this year and if we can achieve the soft landing we hope for. The fourth quarter will also bring a highly contested presidential election to the forefront, with current polling indicating that it could go either way. The myriad political risks that have been present all year have yet to abate, with October marking one year since the conflict between Israel and Palestine began. 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 \$5.5 billion AUM (9/30/2024). 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

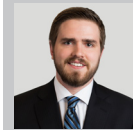
Portfolio Manager



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.