Quarterly Commentary
As of March 31, 2021

Fixed Income

Market Commentary

The first quarter of 2021 was dominated by the rapid increase in interest rates, and the resulting impact on all sectors of the fixed income markets, as well as the knock-on effects in equities and other asset classes. 10-year U.S. treasuries rose from .91% at year-end to 1.74% on March 31. We anticipated that rates would rise because the vaccine rollout would create optimism around the reopening of the economy, and enormous fiscal stimulus combined with all of the savings from unspendable income during lockdowns and the wealth effect of the strong returns in the equity markets would create a tsunami of spending power unleashed into the newly-reopened economy. Importantly, we also focused on the nuanced change in policy goals of the Federal Reserve this cycle; they are not simply focused on the generic historical notion of full employment, but rather on full employment across all ethnic groups and income classes, a subtle but immensely significant change. In order to achieve this objective, they acknowledge that they may have to allow the economy to overcook. Eventually, the market took note of this, and this fear of overshooting is much of what contributed to the rise in interest rates.

With our outlook on rates and the economy, we positioned the portfolio by avoiding or underweighting rate-sensitive securities such as Investment Grade and BB-rated corporate bonds and long-duration municipals, and overweighting securities that would benefit from the reopening of the economy and cyclical recovery. In addition, we hedged the interest rate risk in the portfolio, allowing the credit risk to shine-through at a time when credit quality would be improving dramatically. The result was strong absolute and relative returns for the Fund during the quarter, as illustrated in the table below:

Description	Return (Q1 2021)
Shelton Tactical Credit Fund (DEBIX)	+4.81%
Bloomberg Barclays U.S. Aggregate Bond Index	-3.37%
Bloomberg Barclays U.S. Investment Grade Corporate Bond Index	-4.65%
Bloomberg Barclays U.S. High Yield Corporate Bond Index	+0.85%
Bloomberg Barclays U.S. Investment Grade Municipal Bond Index	-0.35%
Bloomberg Barclays U.S. High Yield Municipal Bond Index	+2.11%
Morningstar Long-Short Credit Fund Category	+1.65%

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.

These returns were driven by favorable asset class and sector allocations, and effective security selection. Portfolio weightings were higher in high yield corporate bonds, and lower in municipal bonds and short positions. Almost all positions generated positive returns during the quarter – the few exceptions were rate-sensitive bonds, for which we hedged-out the rate risk, so viewed in conjunction with their associated allocation of our rate hedges, they were actually not a drag on performance. The top 5 contributors and detractors are listed below:

Top 5 Contributors	Top 5 Detractors
CBL Properties	CalPlant I LLC
Ferroglobe plc	Iron Mountain Inc
Transocean Ltd.	Stanford Hospital
EnVen Energy Corp	Wynn Las Vegas LLC (short)
Rialto Bioenergy Facility LLC	OU Medicine

Portfolio Management

Jeffrey Rosenkranz
Portfolio Manager

Jeffrey Rosenkranz has over 23 years of experience investing in the credit markets, with an emphasis in high yield, distressed debt, and special situations and has worked at firms including Cedar Ridge Partners, LLC, Durham Asset Management, Cooperstown Capital Management and Ernst & Young LLP. He holds an MBA from the Stern School of Business at New York University and a B.A. from Duke University. He is also a Certified Public Accountant.

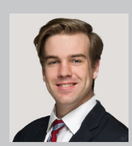
David Falk
Portfolio Manager

David Falk has over 30 years of broad-based fixed income experience as a trader, research analyst and investment banker for firms including Cedar Ridge Partners, LLC, Bear, Stearns & Co. Inc. and Lazard Freres with a focus on the municipal securities market. He is also a Portfolio Manager for the Green California Tax-Free Income Fund and fixed income managed accounts. He holds a Master of Regional Planning from the University of North Carolina at Chapel Hill and a B.A. from Northwestern University.

William Mock
Portfolio Manager

William Mock has over 20 years of experience as a trader and portfolio manager of fixed income and derivatives portfolios, working at Citibank, Societe Generale, and TKI Capital prior to joining Shelton Capital in 2010. He is also lead portfolio manager of Shelton Capital's other municipal and government bond mutual funds. William holds a B.S. in Electrical Engineering from Kansas State University and an MBA from University of Chicago Booth School of Business.

Chris Walsh
Portfolio Analyst



Chris Walsh has over six years of experience analyzing credit and equity markets. He has been with Shelton Capital since November 2016. Chris earned a B.A. in Economics, Villanova University.

Kyle Johnson
CFA - Fund Analyst

Kyle has been with Shelton Capital Management since July 2019. He has nine years of industry experience and previously worked with OppenheimerFunds, ALPS, and an independent RIA. He has a B.S. in Finance with a certificate in Entrepreneurship from Florida State University and is also a CFA® charterholder.

Municipal Bond Commentary

There was a significant amount of activity in the municipal marketplace in the first quarter of 2021 driven by a combination of policy action, market participants' views on economic growth and inflation, and the overall outlook for credit. With the Georgia senatorial election completed, we began the year with Democratic control of the White House and both chambers of Congress. Since the $900 billion stimulus bill passed in December 2020 did not include any direct aid for state and local governments, the new administration went right to work to address this perceived shortcoming and by mid-March had put through its own $1.9 trillion American Rescue Plan which includes $350 billion of direct aid for state and local governments. The next legislative priority is a $2 trillion infrastructure plan. In addition to these borrowing programs other topics of importance for municipal market participants include increases in corporate tax rates and personal tax rates for higher earners, potential repeal of limits on deductions for state and local taxes, potential re-instatement of tax-exempt refunding ability, and consideration of Build America Bonds-style direct federal subsidies for taxable bonds.

Municipal yields ended the first quarter at higher levels than year-end: 0.50%, 1.08% and 1.81% for the "AAA" 5-, 10- and 30-year maturities, respectively. Rates moved higher at several times during the quarter following Treasury market selloffs as market participants more fully embraced expectations for economic growth coupled with increased government spending and related inflation. Despite this rate move overall technical factors remained supportive with a strong demand component meeting a manageable new issue supply. Tax-exempt mutual funds saw total inflows of $31.7 billion against total new issue supply of $102.6 billion of which $75.5 billion or 73.6% consisted of tax-exempt bonds. While we are comfortable characterizing fund flows as supportive overall in the quarter, we also want to make note that they can be somewhat fragile and that future outflows are possible in an environment of more exaggerated Treasury rate moves higher. Such outflows would cause municipal rates to rise, particularly in the absence of buying interest from "crossover investors". These are taxable relative value investors that are attracted to tax-exempt municipal bonds when after-tax yields are compelling. Given the recent richness of tax-exempt bonds relative to corporate bonds and Treasury securities many crossover buyers have been on the sidelines.

The overall outlook for municipal credit continues to improve. Fortunately, the originally projected level of pandemic related revenue shortfalls for many state and local governments has not been realized. While aggregate state government tax revenues for the first three quarters of 2020 are below those for the same 2019 period it is important to note that reported tax revenues for the third quarter of 2020 exceed those collected in Q3 2019 by nearly 20%. The direct funding from the American Rescue Plan provides state governments with $195 billion. For many states, their share of this allocation will exceed their COVID-19 related revenue losses. This ultimately will enable replenishment of reserves and rainy-day funds, continued funding of Medicaid, funding of pension liabilities and deferred capital expenditure programs. At the same time, as the vaccine roll-out continues, and economic activity increases, overall revenues can be expected to continue to grow. Beyond general state and local government borrowers, we see credit improvement related to economic recovery in other selected municipal sectors including transportation and health care.

With respect to the municipal bond portion of the portfolio our objective is to continue to own positions that will provide meaningful total returns. Our challenge is to carefully navigate through an expected continued move to higher interest rates. In this kind of environment, in addition to credit, bond structure also matters. Therefore, we have reduced our overall municipal duration and continue to hold higher coupon positions with shorter call dates.

Corporate Credit Commentary

Corporate credit markets suffered from the rapid rise in interest rates and associated volatility. The duration of the Investment Grade and Aggregate Bond Indices had reached recent historical highs, compounding the risks at the most inopportune time. Despite the volatility, markets remained well-functioning, and the new issue machine kept cranking along, with lower quality companies getting their turn to come to market on the back of swathes of higher quality paper issued in the 2nd half of 2020. These lower-rated issuers consistently outperformed in Q1 both due to the perception of macro risk subsiding and the greater insulation from treasuries offered by higher yields/ lower duration. The returns by rating were -0.16%, +1.16% and +3.58% for BBs, Bs, and CCCs respectively. Investment Grade issuance totaled $450 billion, and High Yield issuance totaled $159 billion. Flows were strong into Investment Grade at $107.6 billion, while High Yield flows suffered outflows of -$4.7 billion. Some investors chased floating rate product, and bank loan funds were finally the beneficiary, after many false-start episodes in recent history. We believe chasing returns in the Leveraged Loan market is misguided, as credit quality there remains poor. We would much prefer seeking out credit risk that is attractively priced, and hedging the interest rate risk, rather than buying investments primarily for their floating rate component.

Outlook

Going forward, as the economy continues its rapid reopening and the roaring 2021s and FOMO kick into high gear, the economic data should improve significantly. The early indications are showing up in last week's highest ISM reading in four decades, and a very strong payroll report. However, we are cognizant that the recovery won't be a straight line higher and there will be some fits and starts. Supply-chain bottlenecks will inhibit production or construction, and more easily transmissible variants will create mini-surges in Covid-19 cases. At some point, the continued rise in yields will reach levels where stepping into higher-quality Investment Grade and BB high yield securities will be attractive. Therefore, we will remain vigilant and tactical in our approach.

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