

**Market Review****Contributors to Return**

During the third quarter of 2024, the Shelton Sustainable Equity Fund resulted in a 5.29% return relative to the MSCI ACWI IMI of 6.84%. The fund underperformed the S&P 400 Mid Cap Index by 1.65%. The fund's greatest contributors to return were Hannon Armstrong Infrastructure, Johnson Controls International, and On Holdings. The greatest detractors from returns for the quarter were e.l.f. Beauty, Sunpower, and Moderna Inc.

Overall, the impact of allocation across sectors was significant in terms of increases in the Industrial, Materials and Consumer Discretionary sectors, whereas we saw the greatest detractors to return coming from the Energy, Health Care and Consumer Staples sectors.

**Risk Assessment<sup>1</sup>**

The overall active risk, the risk above the benchmark risk, associated with the stock-specific attributes, accounted for about 62.2% of the risk. This is an increase in market risk over last quarter and was largely influenced by overweight in the Industrials sector and an underweight in the Financials, Real Estate, and Consumer Discretionary sectors. We maintain our commitment to reduce overall portfolio risk and emphasize our bottom-up approach to stock selection and portfolio construction.

**Election Jitters, China, and Energy**

Markets clearly are risk averse relative to the sustainability theme. Many of the investment themes identified by Morningstar associated with sustainability have seen continued price pressure leading to drawdowns, which begets more pricing downturns begetting more drawdowns. We think the negative implications of the election have been fully priced in at this point and we are committed to our investment theme throughout the election cycle.

China introduced its largest stimulus package since the Covid-19 pandemic in September. The stimulus package boasts both an interest rate cut, mortgage rate cut, and central bank lending program. Before the rally, sustainable transition themed stocks had reached a bottom due to slowing electrical vehicle (EV) growth and lower lithium prices, but the promise of lower rates and policy-driven demand prompted excitement. The stimulus is expected to benefit the sustainable economy, particularly the solar market in China and the global biofuel sector. For the US solar market, a return to normal Chinese supply should not impact US solar but will continue to stimulate the domestic sourced equipment for beneficiaries of the IRA (Inflation Reduction Act). The Chinese government announcing a sustainable aviation fuel (SAF) Pilot, a precursor to a blending mandate is a materially positive development for SAF demand as China represents 8% of global aviation fuel demand, is the fastest growing market globally for SAF and will benefit global biofuel companies.

Growing energy efficiency trends in electrification will advance the timeline for an oil demand decline. Leading this trend is the increasing adoption of EVs with EVs already displacing approximately 1.8 million barrels of oil every day in the global economy. This number is set to contribute between 5 and 10 million barrels per day of oil demand reduction by 2030, double by 2027 and triple by 2029. Despite the long-term energy transition underway in the near-term oil demand for road transportation is anticipated to peak in 2027 followed by declines in global oil demand out to 2050 and electric vehicle demand is set to grow sixfold from 2021 through 2030, with annual unit sales increasing to roughly 40.0 million, from 6.5 million, over that period. As electrification trends grow and EVs continue to displace oil daily, the oil industry has a tough balancing act in managing the risk of stranded assets, while at the same time balancing depleting global demand as the energy transition progresses.

**Fund Management****Bruce Kahn, Ph.D.**

Lead Portfolio Manager

Dr. Kahn has been the lead portfolio manager of the Fund since October 10, 2022. He has 18 years of experience in portfolio management and other responsibilities at Citibank, Deutsche Bank, Macquarie Global Inc., and Sustainable Insight Capital Management. Dr. Kahn earned a Ph.D. in Land Resources from University of Wisconsin, Madison, an MS in Fisheries and Allied Aquacultures from Auburn University, and a BA in Ecology and Evolutionary Biology from the University of Connecticut.

**Derek Izuel, CFA**

Co-Portfolio Manager

Derek Izuel joined Shelton Capital Management in January 2022 and serves as the Chief Investment Officer and Portfolio Manager for the Firm. He has over 24 years of portfolio management experience at Invesco, HighMark Capital and Vitruvian Capital.

**Justin Sheetz, CFA**

Co-Portfolio Manager

Justin Sheetz, CFA is a Portfolio Manager of the Shelton Sustainable Equity Fund. His experience includes 12 years as an Investment Strategist at BlackRock/BGI's Scientific Active Equity Group, 3 years as VP and Equity Analyst at HighMark Capital and 3 years as partner at Vitruvian Capital.

**Elena Chavez**

Portfolio Analyst

Elena Chavez is a research analyst on the Shelton Sustainable Equity Fund. Previously, she was an associate on the corporate credit team at Putnam Investments covering energy, chemicals, and media. She was also part of the ESG team within fixed income at Putnam. Elena holds a B.A. in International Relations and Economics from Tufts University.

**Nicolette DiMaggio**

Portfolio Analyst

Nicolette DiMaggio is an analyst of the Shelton Sustainable Equity Fund and has over six years of investment experience. Previously, she was the co-director of investment research at WTW, working on their equity and index investment research teams for four years. She is also a published author of the financial literacy book series Stock Explore. In September of 2023, Nicolette was named one of the most "Influential Women in Institutional Investing" by Pensions & Investments.

## 3Q 2024 Shelton Capital Management: Sustainable Equity Commentary

### Fund Performance

#### Average Annual Total Returns

	3Q24	YTD	1YR	3YR	5YR	10YR
NEXTX	5.29%	4.45%	13.18%	-9.26%	13.78%	9.33%
NEXIX	5.36%	4.66%	13.47%	N/A	N/A	N/A
MSCI ACWI IMI (net)*	6.84%	17.83%	30.96%	7.43%	11.85%	9.20%
S&P 500 Composite Stock Index*	5.89%	22.08%	36.33%	11.88%	15.94%	13.35%
S&P MidCap 400 Index*	6.94%	13.52%	26.76%	7.42%	11.73%	10.29%

\*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.

<sup>†</sup>These estimates are based on our risk model

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. Expense ratios: NEXTX: 1.23% (gross & net) | NEXIX: 0.97% (gross & net).

#### IMPORTANT INFORMATION

Shelton Sustainable Equity 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.

#### 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](http://www.sheltoncap.com) or call (800) 955-9988. A prospectus should be read carefully before investing.

The Shelton Sustainable Equity Fund is distributed by RFS Partners, a member of FINRA and affiliate of Shelton Capital Management.



For more information, visit [www.sheltoncap.com](http://www.sheltoncap.com)