

Market Review

Contributors to Return

During the fourth quarter of 2024, the Shelton Sustainable Equity Fund resulted in a -6.69% return relative to the MSCI ACWI of -1.24% and the S&P 400 Mid Cap Index of 0.33%. The Fund's greatest contributors to return were Net Power Inc, ON Holding, and Valmont Industries. The greatest detractors from returns for the quarter were Enphase Energy, First Solar Inc, and Hannon Armstrong.

Overall, the impact of allocation across sectors was significant in terms of decreases in the information Technology, Industrials, and Financial sectors, whereas we saw modest positive returns in the Consumer Discretionary sector.

Data Centers and AI:

"Tech, Tech, Tech Until the Singularity" - Gary Sernovitz, The Counting House, 2023.

Most of the data center buildout is happening in the US with roughly 12% of total US power expected to go to data centers by 2030 (up from 4% in 2023). The power mix that will fuel this will be a mix of nuclear (SMRs), natural gas, and renewables and batteries, regardless of whether or not government subsidies go away (e.g. The Inflation Reduction Act). There are however, bottlenecks around interconnection that have inhibited new power growth in the US with expectations to clear up into 2028/2029. The hyperscalers (e.g. Microsoft, Amazon, Google) have been demanding more clean power but intermittency issues mean that natural gas will continue to be a part of the energy mix until more nuclear can be built. All in all, the market is expecting a 3% load growth in electricity demand, 40% of which is potentially coming from the AI component data center demand. According to current state-level data, the states where data centers are most frequently being built and are in highest demand are Virginia, Texas, Oregon, Arizona, and California (particularly Silicon Valley). Northern Virginia is considered the leading location due to its robust infrastructure and low energy costs, often referred to as "Data Center Alley."

Here "goes" the Sun ?

Inflation Reduction Act (IRA) uncertainty remains the biggest challenge to sentiment around renewables. While many of the solar companies have been building out a domestic supply chain for 10% domestic content investment tax credit adders, many of the sub-components are imported, which should increase manufactured costs for the group. But, data center growth necessitates more power, including renewables. US data center power demand is expected to grow at a roughly 21% CAGR through 2030.

We are expecting an industrial manufacturing recovery in 2025, driven by lower interest rates, lower corporate taxes, and deregulation. This should drive higher industrial capex, with spending typically following sentiment by one to two quarters. Pro-business policies should build on the megatrends already in place from government (CHIPS, IRA, IJIA) investment.

"I will have no man in my boat, who is not afraid of a whale," said Starbuck. Moby Dick, H. Melville, 1851

The average age of the global liquefied natural gas (LNG) carrier fleet is aging, with many vessels needing to be replaced in the coming years. According to S&P, over 20% of the global fleet is fit for retirement based on age. The International Maritime Organization (IMO) is introducing new environmental regulations that the shipyards must adhere to, necessitating new, more efficient, less emissions intensive vessels.

And now, back to Maslow:

The fertilizer market has seen increase in demand over the past year with strong demand outstripping struggling supply, due to outages from Russia, Iran, and China. We remain committed to seeing through the Agriculture sector. Upstream, we see ammonia demand expected to grow over 50% over the next decade driven by fertilizer and industrial chemicals use cases as well as emerging growth verticals such as blue/green ammonia, ammonia as marine fuel, and ammonia in power generation particularly in Asia (Korea, Japan). And downstream, we continue to see the expansion of consumer demand, more nutritious products and humanely grown animal proteins. This is all in the context of increasing investor pressure around the impact of biodiversity on agriculture, both from an ethical standpoint and due to its direct impact on business operations. Companies are beginning to understand that biodiversity loss can lead to resource scarcity, disrupt supply chains, and pose financial risks. Corporate efforts toward biodiversity conservation continue to grow with over 20% of companies now making explicit commitments to address biodiversity loss.

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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.



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.

4Q 2024 Shelton Capital Management: Sustainable Equity Commentary

Fund Performance

Average Annual Total Returns

	4Q24	YTD	1YR	3YR	5YR	10YR
NEXTX	-6.69%	-2.54%	-2.54%	-10.02%	9.85%	8.83%
NEXIX	-6.63%	-2.28%	-2.28%	N/A	N/A	N/A
MSCI ACWI IMI (net)*	-1.24%	16.37%	16.37%	4.90%	9.66%	9.00%
S&P 500 Composite Stock Index*	2.39%	25.00%	25.00%	8.91%	14.49%	13.07%
S&P MidCap 400 Index*	0.33%	13.89%	13.89%	4.82%	10.29%	9.65%

*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. Expense ratios: NEXTX: 1.25% (gross & net) | NEXIX: 1.00% (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 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