

Market Commentary

Performance Highlights

Throughout the globe, the common theme across all markets was a shift in momentum. That which led markets in the past year or two trails so far in 2025. At the highest level that meant that markets were dragged down by the weakness in concentrated large U.S. growth stocks, and led by just about everything else.

The primary driver of this move has been the threat of a broad tariff program by the U.S. While the market reaction to the tariff program did not directly contribute to the performance during the first quarter, early tariff confrontations and market anticipation did weigh down returns. There have been other key factors affecting the quarter, especially the war between Russia and Ukraine, and commodity prices, but everything starts with the U.S. trade policy. So far, the policy has hurt the country driving it the most – the U.S.

The first quarter of 2025 was marked by notable outperformance of emerging markets (EM) relative to developed markets (DM). The MSCI Emerging Markets Index gained 2.93%, significantly outperforming the MSCI World Index, which declined by 1.68%.¹ This divergence was particularly pronounced in March, where EM beat DM by over 5%.¹ The S&P 500 experienced its sharpest drop since December 2022, declining by 4.28%.¹

Regional Performance

▪ **Latin America (LatAm):** LatAm showed strong recovery in the first quarter, returning 11.48%. This performance was largely driven by strong commodity prices, which supported economies heavily reliant on exports such as Brazil and Colombia. Mexico was particularly resilient in the face of trade uncertainty.²

▪ **Eastern Europe:** Eastern Europe posted the strongest returns worldwide, with the MSCI EM Eastern Europe index up 28.3%. Poland led the way, up 31.58%. The hope for an end to the war between Russia and Ukraine provided a positive sentiment for Eastern European countries, leading to improved market performance.²

▪ **Emerging Asia:** EM Asia lagged behind other regions, with a slight increase of 1.39%. The potential for tariffs created challenges across the region, particularly impacting markets like Taiwan and India. This region was the primary reason EM returns were not stronger in the quarter, falling off in the last two weeks as tariff fears grew.²

Earnings generally followed the price returns across the region, as analysts upgraded forecasts for Eastern Europe and Latin America, while pulling in or holding stable their outlook for Asia Pacific.

Materials and Energy led sector performance, supported by rising commodity prices, while the technology heavy Asia Pacific region weighed on technology performance as well. Within technology, the release of the Deepseek large language model in China unnerved one of the key performance drivers of 2024: AI. Beneficiaries such as software fared well, while concerns over long term growth weakened the hardware and chip manufacturers.

Outlook

We believe there are three key elements necessary for an extended period of outperformance in emerging markets:

1. Better valuations
2. Dollar weakness
3. Global economic strength

Emerging markets have underperformed for the past 15 years, leading to more attractive valuations compared to the U.S. market. Before the last quarter, these valuation differences had reached historic levels.

¹ MSCI, S&P

² MSCI

Portfolio Managers

Derek Izuel, CFA



Derek Izuel, CFA is Chief Investment Officer and a Portfolio Manager of the International Strategies. He has over 24 years of portfolio management experience at Invesco, HighMark Capital and Vitruvian Capital. Derek earned his MBA from the Ross School of Business at the University of Michigan and a B.S. in Computer Science from the University of California at Berkley.

Justin Sheetz, CFA



Justin Sheetz, CFA is a Portfolio Manager of the International Strategies. 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.

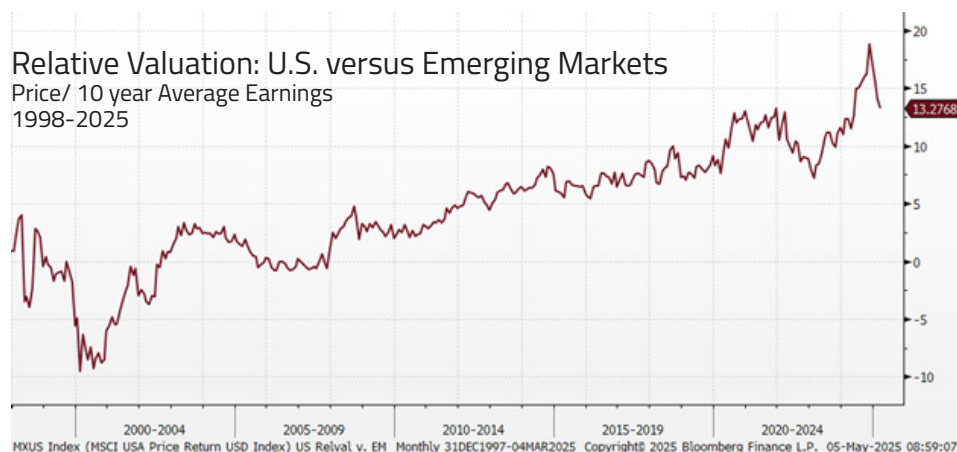
Tony Jacoby, CFA



Tony Jacoby, CFA is an Equity Analyst of the Emerging Markets Fund. He joined Shelton Capital Management in November 2017. Tony earned a B.A. in Economics and an M.S. in Applied Mathematics with an Applied Probability concentration from the University of Colorado Boulder.

1Q 2025 Shelton Emerging Markets Fund Commentary

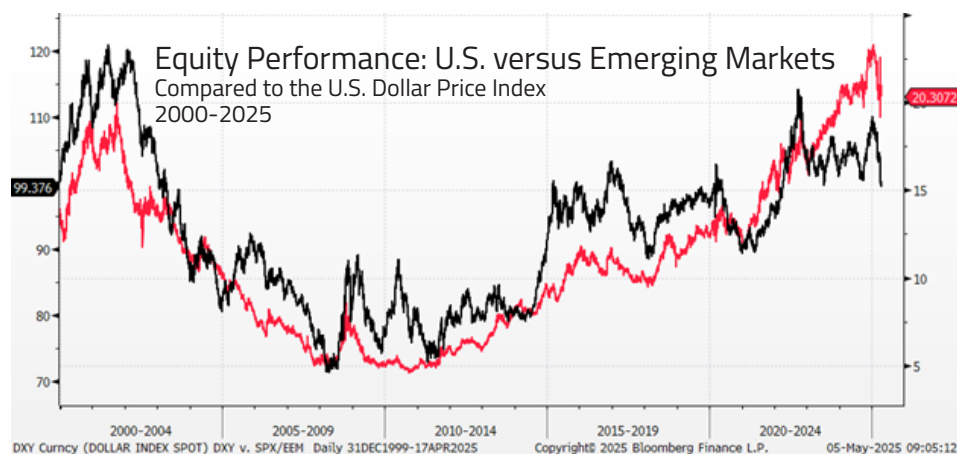
Outlook (continued)



Source: MSCI

The question is what will trigger this gap to close?

The dollar has been strong for fifteen years as well, but volatility and weakness is beginning to show due mostly to trade uncertainty. The last extended rally in EM was 2002 to 2008, driven by a consistently weak dollar.



Source: MSCI

The most uncertain element is the strength of the global economy. EM economies have a higher proportion of cyclical companies and thus are more sensitive to the global economic cycle. While we certainly have better valuations and a weakening dollar, the strength of the global economy remains uncertain. The resolution of tariff negotiations and geopolitical tensions will be pivotal in shaping the future performance of emerging markets.

Continues on page 3

1Q 2025 Shelton Emerging Markets Fund Commentary

Fund Commentary

The Shelton Emerging Markets Fund returned 2.26%, trailing the MSCI Emerging Markets Index return of 2.93% by 0.67%. Our investment process targets stock selection as the main driver of our performance and we attempt to limit the risk that other factors such as country, industry and investment style allocations could affect our performance compared to the MSCI Emerging Markets Index. Allocations to certain countries contributed during the quarter, including a slightly larger weight to stocks in Poland (which includes one of our top performing names - Powszechna Kasa Oszczednosci Bank) and a smaller weight to stocks in Thailand compared to the Emerging Markets Index. Small differences from the benchmark exposure to banks, metals and mining and textiles detracted from performance. During the quarter, larger companies outpaced smaller companies (based on market capitalization) and we have some smaller names in the portfolio. Our positions in EV Carmaker, BYD and Polish bank PKO were among top performing names during the quarter. Positions in India generics Dr. Reddys, and South African insurance firm Old Mutual were not as successful during the quarter.

Shares of BYD had a strong Q1 2025 (+87% gains in US dollar terms) as the company announced strong sales and its "Eye of God" driving assistance system would be included in more of its product line. Analyst upgrades have continued apace with BYD share price increases and we continue to see the shares trading at a discount to our modeled targets. We also note positive hallmarks of stable earnings quality, but they have lessened somewhat during the quarter compared to peers.

The Polish bank, PKO - Powszechna Kasa Oszczednosci Bank, rose 33% on positive earnings news during the quarter including strong net interest margin in the current economic environment. Investors also bet on peace initiatives by the US administration that could lead to a cease fire in the Ukraine and bid up PKO and other Polish assets that have faced downward pressure since the initial invasion. We liked the name based on our modeling of industry analysts' predicted earnings and positive trends in PKO's earnings stability.

Generic pharmaceuticals firm Dr. Reddys Lab lost 17% in US Dollar terms during the quarter. Shares were under pressure during Q1 after the firm released earnings in-line with estimates, but growth and price erosion of certain US and Indian products were highlighted. Offsetting some of the quarter's performance was a large milestone payment for performance from one of its drug partners. We continue to like the positive earnings quality of a large stable firm like Dr. Reddy's Lab as well as its focus on innovation as evidenced by its continued investments in generics and biosimilars research.

South African-based Old Mutual dropped 3.4% in dollar terms during the period. Despite presenting Q1 earnings in-line with estimates earnings guidance, analysts cited guidance softer than peers. The firm also faced several headwinds, including the early retirement of its CEO, and the launch of its bank arm. We continue to assess its modestly stronger earnings stability compared to its peers and the share price discount to our modeled price targets.

IMPORTANT INFORMATION

The stated opinions and views in the commentary are for general informational purposes only and are not meant to be predictions or an offer of individual or personalized investment advice. Such information does not constitute a recommendation to buy or sell specific securities or investment vehicles.

This information and these opinions are subject to change without notice and may not reflect our current views. We believe the information provided here is reliable, but do not warrant its accuracy or completeness. Any type of investing involves risk and there are no guarantees.

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, <https://sheltonfunds.com/wp-content/uploads/2024/05/Prospectus-5.1.24.pdf> or call (800) 955-9988. A prospectus should be read carefully before investing.

It is possible to lose money by investing in a fund. Past performance does not guarantee future results and current performance may be lower or higher than the performance data quoted.

Diversification does not assure a profit or protect against loss

There may be additional risks associated with international investing involving foreign, economic, political, monetary, and/or legal factors. International investing may not be for everyone. 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 issues and not to be comprehensive or to provide advice.

The MSCI Emerging Markets Index captures large and mid cap representation across 24 Emerging Markets (EM) countries. With 1,441 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country EM countries include: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Kuwait, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.

Distributed by RFS Partners, a member of FINRA and affiliate of Shelton Capital Management.

INVESTMENTS ARE NOT FDIC INSURED OR BANK GUARANTEED AND MAY LOSE VALUE.



For more information, visit www.sheltoncap.com