Dashboard | November 2026
The Three Layers of Risk Management

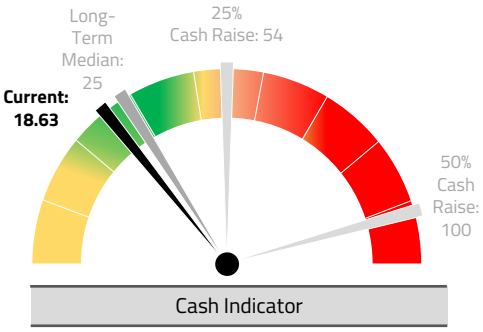
Our **Cash Indicator** methodology acts as a plan in case of an emergency. This is analogous to the multiple safety systems in a modern automobile, which includes an airbag. Importantly, each of these systems work together to potentially help smooth the ride.

We manage risk within our **strategic, long-term allocations** based on diversification across equity, fixed income, and alternative assets and a focus on more attractive relative values.

We manage risk **tactically over the short-term** by investing across a broad array of themes and asset classes including cash. We can either invest opportunistically or defensively depending on the environment.

Cash Indicator: Markets are pricing in a moderate level of risk.

October 31, 2026



Our proprietary Cash Indicator (CI) provides insight into the health of the market by monitoring the level of fear using equity and fixed income indicators. This warning system is designed to signal us to either a 25% or 50% cash position to potentially protect principal and provide liquidity to reinvest at lower and more attractive valuations.

The CI remains well below levels that suggest significant caution. However, the CI has elevated recently from very low levels that had us concerned about market complacency. The current level reflects a healthier amount of market skepticism in our view.

Strategic View: Though equity markets are near all-time highs, strong fundamentals suggest continued gains.

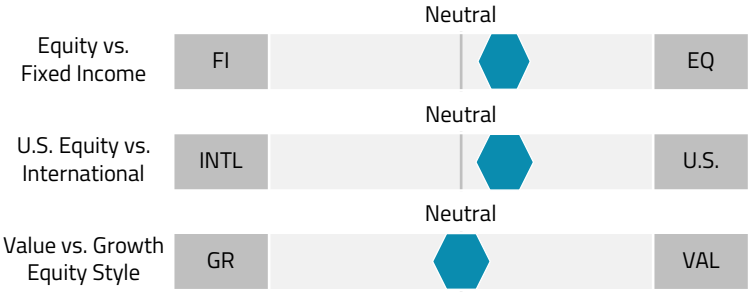
Equity Valuations: Increased corporate earnings continue to support equity valuations and suggest market upside over the long term.

Equity Favorability: We expect the U.S., propelled by innovation and relatively strong fundamentals, to lead global equity markets. The U.S. is likely to spearhead productivity growth, which can drive profitability and push equity markets higher, even with slower jobs growth.

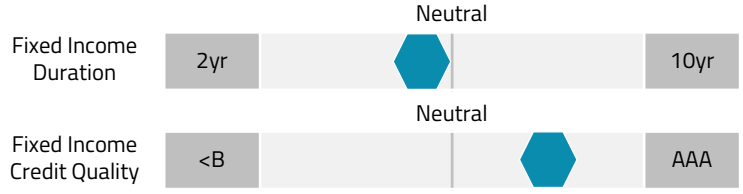
Fixed Income Valuations: Long-term bond yields have declined somewhat but still look quite attractive.

Fixed Income Favorability: Our allocations are positioned to generate attractive current yield while protecting against the risk of credit deterioration. We are finding attractive opportunities to lock in current income levels in the belly of the yield curve and leaning into higher long-term interest rates through investment grade corporate bonds, mortgage and asset-backed securities, and taxable munis.

Equity Favorability



Fixed Income Favorability



Shelton Active Allocation Solutions

SHELTON CAPITAL MANAGEMENT

Tactical View: We favor a broad array of domestic equity, as well as investment grade intermediate fixed income.

In consideration of the maturing business cycle and the current interest rate environment, we have tactically shifted away from cyclical businesses whose profits rise and fall with the economy in favor of those that grow earnings more steadily. These shifts reflect more diversified holdings in health care, financials, and technology, and a bit more to our core value and growth holdings. Technology and health care are our two largest sector overweights as we expect those sectors to lead earnings growth next year. We also locked in today's higher bond yields by slightly extending duration with our recent changes.

Equity	***U.S.*** » **financials***, **health care***, momentum, **technology*** ***Global*** » dividends, **emerging markets xChina***
Fixed Income	defined-maturity core fixed income, **multi-sector fixed income***, **taxable munis***
Alternatives	equity option overlay strategies, multi-sector real return

***areas that we are tactically emphasizing**

Global Broad Outlook: We expect the U.S. to lead global economic growth despite headwinds.

Area	U.S.	Europe	Japan	Emerging
Monetary	Restrictive	Neutral	Neutral	Mixed
Fiscal	Supportive	Neutral	Supportive	Mixed
Leading Economic	Directionless	Directionless	Strengthening	Softening
Equity Valuations	Fairly Valued	Fairly Valued	Fairly Valued	Fairly Valued
Overall	**Cautiously Optimistic**	**Mixed**	**Cautiously Optimistic**	**Cautiously Optimistic**

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