



MC ELHENNY SHEFFIELD
CAPITAL MANAGEMENT

Quarterly Update

3Q25 Results, as of September 30, 2025

All MSCM strategy returns are presented net of fees.

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Follow Through on the Quickest Recovery in History

Average Annualized Returns (Net of Fees)

<u>MSCM Tactical</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Inception</u>	<u>Inception Date</u>
Trend Plus	23.7%	30.8%	22.3%	10.6%	14.0%	1/1/2017
Sector Rotation	4.0%	3.8%	13.3%	10.1%	8.2%	1/1/2017
TPSR	14.2%	17.3%	18.3%	10.7%	11.8%	1/1/2017
Trend X	55.6%	77.5%	48.8%	21.8%	27.9%	5/1/2017
<u>Benchmarks</u>						
Benchmark 60/40	11.5%	11.7%	16.7%	9.6%	10.1%	1/1/2017
S&P 500 Index	14.8%	17.6%	24.9%	16.5%	15.3%	1/1/2017
Nasdaq Composite	17.3%	24.6%	28.9%	15.2%	17.0%	5/1/2017

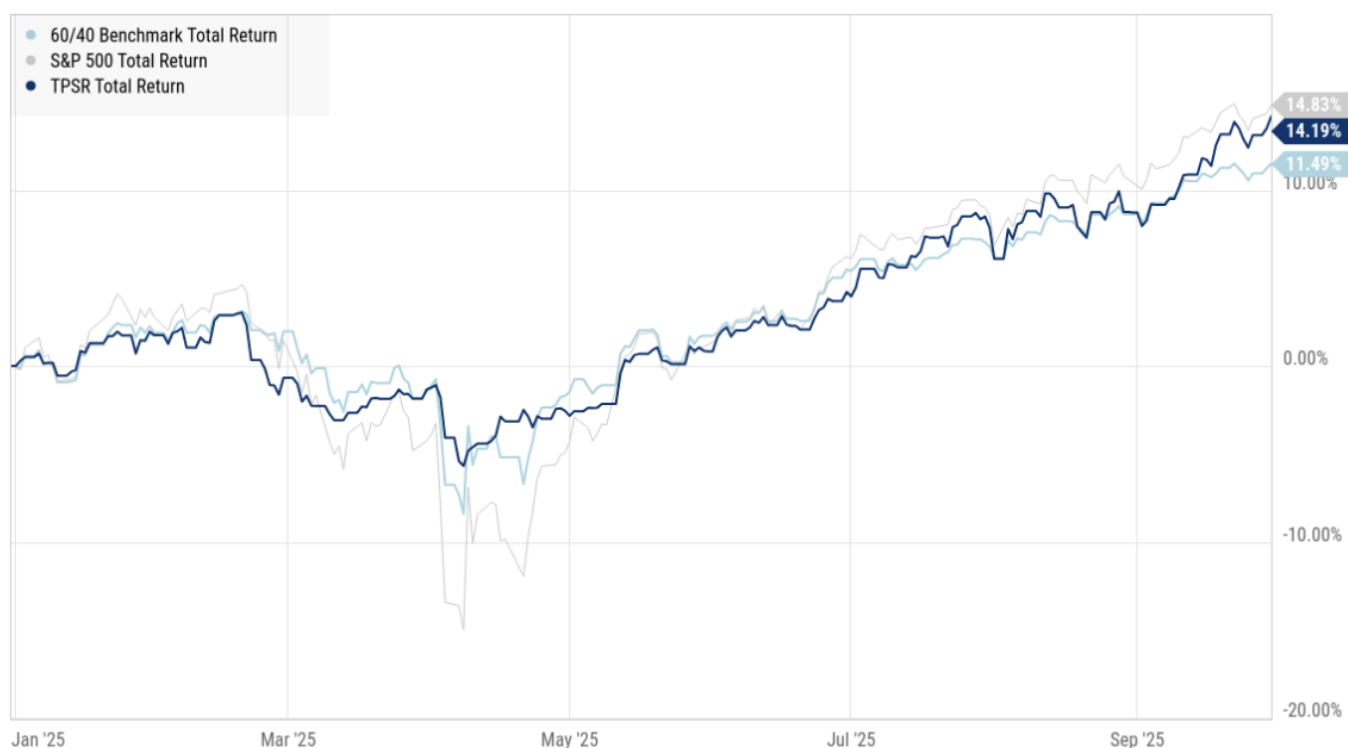
After dropping 18.75% from February 20th to April 8th, the S&P 500 staged its quickest recovery to new highs, which it hit on June 27th right before the end of the 2nd quarter. The 3rd quarter saw a continuation of market strength, with the S&P 500 notching 23 record highs and very low volatility between July and September. The S&P 500 has now gained 14.8% YTD while the Benchmark 60/40 has achieved 11.5% in the YTD period.

The market rise was unexplained by most economists, market pundits, and financial news personalities during the quarter, with most only offering their reasonable explanations in hindsight. The tremendous lack of ability of the so-called experts to predict market movements makes their commentary practically useless. It is just noise and no signal; mere gossip about what the market may or may not be doing with little to no predictive power. This is why we ignore the news and experts and focus on hard data and a quantitative assessment of what the market is actually doing

each day, regardless of what we think or feel may happen in the future. Our quantitative rules-based approach helps take the emotion out of our investment decision-making and takes the guesswork out of our investment positioning.

Our approach can move from protecting capital during downturns to quickly engaging and participating in market upside. The market action in 2025 has shown the benefits of being able to do both. Chart 1 below shows our TPSR strategy achieving less drawdown in March and April during the market drop and then re-engaging quickly to participate in the majority of the market's recovery and beyond.

Chart 1: TPSR total returns net of fees compared to market indices, YTD 2025.



This graph is intended to illustrate the performance of the TPSR strategy from January 2025 through September 2025 during changing markets. The performance presented in the graph for the TPSR strategy will be different than our actual composite returns, as presented in the Average Annualized Return table at the top of this note, due to YCharts using estimates of cumulative returns over time based on the strategy's holdings. See end of Quarterly Update for important disclosures.

While past performance is not necessarily indicative of future results, avoiding major drawdowns is a significant aspect of our risk-managed approach. We prefer not suffering through large losses as we work to compound wealth steadily over time. Chart 2 below shows the drawdowns (% off highs) that the benchmarks and our TPSR strategy have been through so far this year. Drawdowns

are sometimes short-lived with a quick market bounce moving to new highs; however, sitting at the bottom of a 15% drawdown is unsettling because you have no way of knowing if and when the recovery will occur. Experiencing large drawdowns often results in investors panicking, abandoning their investments at the wrong time, and negatively impacting their equity positions. Minimizing that terrible feeling is possibly more important to our approach for clients than just simply achieving desirable long-term returns; by avoiding the emotional toll, our strategies can help clients keep their investment plans on track.

Chart 2: Drawdown of TPSR compared to market indices, year-to-date.



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MSCM Strategies

Average Annualized Returns (Net of Fees)

<u>MSCM Tactical</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Inception</u>	<u>Inception Date</u>
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Trend Plus

The **Trend Plus** strategy gained 8.5% during 3rd quarter, beating both the Benchmark 60/40 that only gained 5.7% and the S&P 500 which was up 8.1%. After losing small amounts in January and February due to whipsaw trades, the strategy successfully avoided the market decline in March and early April, generating positive returns in both months due to defensive positioning in US Treasuries and Gold. The strategy re-engaged in equity positions at the end of April to capture market upside during the 2nd and 3rd quarters, leading to the outperformance for the 3rd quarter and also the YTD time period.

Sector Rotation

The **Sector Rotation** strategy was up 10.8% in the 3rd quarter, beating both the Benchmark 60/40 and the S&P 500 Index. Sector Rotation positioning during the quarter included Aerospace & Defense, Technology, and Industrials, of which the first two drove the outperformance of the strategy over the broad market. While Sector Rotation is playing catch-up on the year, due to being defensive during the 2nd quarter upon our April 4th Macro Monitor trigger, the strategy is designed to capture significant upside during bull markets by attempting to select high-momentum sectors that could outperform the broad market. The current positioning for the 4th quarter is in Biotech, Small Caps, and Consumer Discretionary.

TPSR (50% Trend Plus & 50% Sector Rotation)

The **TPSR** strategy gained 9.5% during 3rd quarter and is up for the year 14.2%, ahead of the Benchmark 60/40 portfolio and just slightly trailing the S&P 500. TPSR blends together our two distinct tactical models, allowing investors to potentially benefit at times when either trend or momentum leads the market higher, or market selling leads us to take defensive positioning. With different risk management rules built into each strategy, the blended TPSR is designed to navigate periods of market turmoil without suffering devastating losses.

Trend X

The **Trend X** strategy gained 19.5% during the 3rd quarter and the strategy is now up 55.6% for the year, far exceeding the performance of the Nasdaq Composite and S&P 500 indices. The strategy has benefited over multiple years from maintaining leveraged long positions during strong up trending markets. Performance of Trend X over the last 3 years has nearly doubled that of the S&P 500 Index. Trend X is an aggressive trend following strategy that is only available to Qualified Clients, per SEC rules.

Summary

Our tactical strategies are driven by our philosophy that losing less during negative market environments is the key to compounding wealth over time. We understand that you do not have to capture all of the upside in strong positive markets if you are successful at reducing the downside. We believe the "math of compounded returns" will allow us to outperform if we maintain focus on risk management and avoiding large losses. While past performance is not necessarily indicative of future results, we believe that using tactical strategies has the potential to deliver a better form of diversification to most traditional allocations (strategic asset allocations or "buy & hold").

We feel strongly that **all investors should have an allocation to tactical strategies** to seek to improve their overall portfolio performance and make it through the tough market environments more successfully. Please contact us if you have any questions about our strategies or how MSCM can play an important part in your investment management plan.

Our strategy sheets, with historical performance results, are accessible through the buttons below, and on our website mscm.net.

TREND PLUS

SECTOR ROTATION

TREND X

Along with this letter, we are also providing our recently updated Form ADV, Part 2A Brochure and Part 2B Brochure Supplement. As a registered investment adviser, we are required to update these disclosure documents on a periodic basis. Please click on the hyperlink provided to access the document. Our Form CRS is also available on our website.

[Form ADV, Part 2A Brochure](#) – Our Part 2A Brochure provides you with narrative disclosure regarding our advisory business and services.

Included within our Part 2A update is a summary of material changes, under Item 2, and our Privacy Statement, under Other Information.

[Form ADV, Part 2B Brochure Supplement](#) – Our Part 2B Brochure Supplement provides information for individuals providing investment advice on behalf of MSCM.



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McElhenny Sheffield Capital Management (MSCM) is a Registered Investment Adviser with the U.S. Securities and Exchange Commission (SEC). Registration does not imply a certain level of skill or training. Important information pertaining to MSCM's advisory operation, services, risks, and fees is set forth in MSCM's current Form ADV Part 2A brochure, a copy of which is available upon request or at www.adviserinfo.sec.gov or www.mscm.net.

MSCM claims compliance with the Global Investment Performance Standards (GIPS®). GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. MSCM has been independently verified for the period January 1, 2017 through December 31, 2024. The MSCM Trend Plus and Sector Rotation Composites have each had a performance examination for the periods January 1, 2017 through December 31, 2024. The Trend X Composite has had a performance examination for the period May 1, 2017 through December 31, 2024. The TPSR Composite has had a performance examination for the period April 1, 2018 through December 31, 2024. The verification and performance examination reports are available upon request by contacting info@mscm.net. Index data is not separately verified and assumed to be accurate. Year-to-date performance returns have not been independently examined for accuracy by the third-party verifier.

Past performance is not necessarily indicative of future results. Investing involves risk. Principal loss is possible. The Trend X strategy uses leveraged ETFs and the use of leverage in a strategy will increase volatility and can exacerbate the movements of the account values in both directions up and down, depending on market movements. All strategy performance results, including investment characteristics, shown in the presentation are net of the MSCM Trend Plus, Sector Rotation, and TPSR strategies'

highest model fee of a 1% annual management fee, applied 1/12th of 1% (0.0833%) each month and net of the MSCM Trend X strategy's highest model fee of a 2% annual management fee, applied 1/12th of 2% (0.1667%) each month, and a 20% performance fee, applied quarterly to the net profits in the account and subject to a "high water mark." The net of fee strategy performance results are calculated by MSCM by deducting the strategy's highest model fee from the gross of fee performance returns. Index and strategy returns are inclusive of dividends and reflect total return (TR). Index returns are not net of advisory fees, the indices are not actively managed, and it is not possible to invest directly in the index. Fees and expenses vary based on custodial relationships, trading costs, management fees, and other factors. Individual client results could significantly differ from the performance results being presented. The performance of client accounts can be more volatile at times and may not be comparable to the performance of any index. The charts, graphs, and index information shown are presented for illustrative purposes and should not be relied on to predict future movements of the market or for guidance on when to invest.

There can be no assurance that the strategy will be implemented as designed, or profitable, or that clients will not lose money. The tactical strategies use a variety of market indicators and stop levels that seek to identify upward or downward trends in the U.S. equity markets. If an indicator or stop level fails to detect significant downturns in the market, the strategy will continue to be exposed to underlying positions that could lose value during such downward periods. Similarly, if the indicators fail to timely identify a reversal of a downward trending market, the strategies will continue to be exposed to defensive Exchange Traded Funds (ETFs) at a time when there is significant appreciation in the equity markets. Either scenario could result in the strategies underperforming other strategies that do not employ these strategies. There can be no guarantee the tactical strategies will correctly or timely identify the industries, sectors, or asset classes that will outperform during a given quarter or that the strategies will correctly or timely identify market trends. The tactical strategies invest in other investment companies and ETFs which result in higher and duplicative expenses. Investing in ETFs are subject to risks that the market price of the shares will trade at a discount to its net asset value ("NAV"), an active secondary trading market will not develop or be maintained, or trading will be halted by the exchange in which they trade. Brokerage commissions will reduce returns. Nothing in this presentation is intended to be relied on as investment, legal, or tax advice. Investors should consult their tax advisor or legal counsel for advice and information concerning their particular situation.

The Standard & Poor's 500® Index (S&P 500) includes 500 leading companies listed on U.S. stock exchanges. The Nasdaq Composite Index (Nasdaq) includes more than 3,000 stocks listed on the Nasdaq Stock Market and, along with the S&P 500 Index, is one of the most followed broad-based stock market indices in the U.S. The Benchmark 60/40 Index (Benchmark 60/40) is a blended index calculated by YCHARTS with a 60% allocation to the S&P 500 Index and a 40% allocation to the Bloomberg Aggregate U.S. Bond Index, a broad-based fixed income index considered to be representative of the U.S. fixed income market. The Benchmark 60/40 represents a traditional "balanced" investment allocation for a U.S. investor of 60% stocks and 40% bonds. Annualized volatility, a common measure of risk, is the standard deviation of monthly returns. Maximum Drawdown reflects maximum peak-to-trough decline in an investment, security, or index over a specific time period, as measured by the difference in the highest value during the time period and the subsequent lowest value during the time period. Alpha is the excess return of an investment relative to the return of a benchmark index. Beta is a measure of a security's or portfolio's systematic risk, indicating its volatility relative to the overall market (e.g., S&P 500 Index). R-squared is the proportion of a strategy's price movements that can be explained by movements in a benchmark index. Sharpe Ratio measures the average return in excess of the risk-free rate per unit of volatility or total risk. Sortino Ratio is like Sharpe but focuses on downside risk. Treynor Ratio measures the return earned in excess of the risk-free rate per unit of systemic or market risk. Calmar Ratio evaluates the return of an investment over the risk of its maximum drawdown.