



MC ELHENNY SHEFFIELD
CAPITAL MANAGEMENT

Quarterly Update

2Q25 Results, as of June 30, 2025

All MSCM strategy returns are presented net of fees.

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Near Bear Turns into Rapid Recovery

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	14.1%	22.4%	17.4%	11.2%	13.3%	1/1/2017
Sector Rotation	(6.1%)	5.8%	8.9%	8.4%	7.2%	1/1/2017
TPSR	4.2%	14.7%	13.6%	10.3%	11.0%	1/1/2017
Trend X	30.2%	37.1%	33.0%	23.5%	26.1%	5/1/2017
<u>Benchmarks</u>						
Benchmark 60/40	5.5%	11.7%	12.7%	9.6%	9.7%	1/1/2017
S&P 500 Index	6.2%	15.2%	19.7%	16.6%	14.7%	1/1/2017
Nasdaq Composite	5.5%	14.9%	22.7%	15.2%	16.0%	5/1/2017

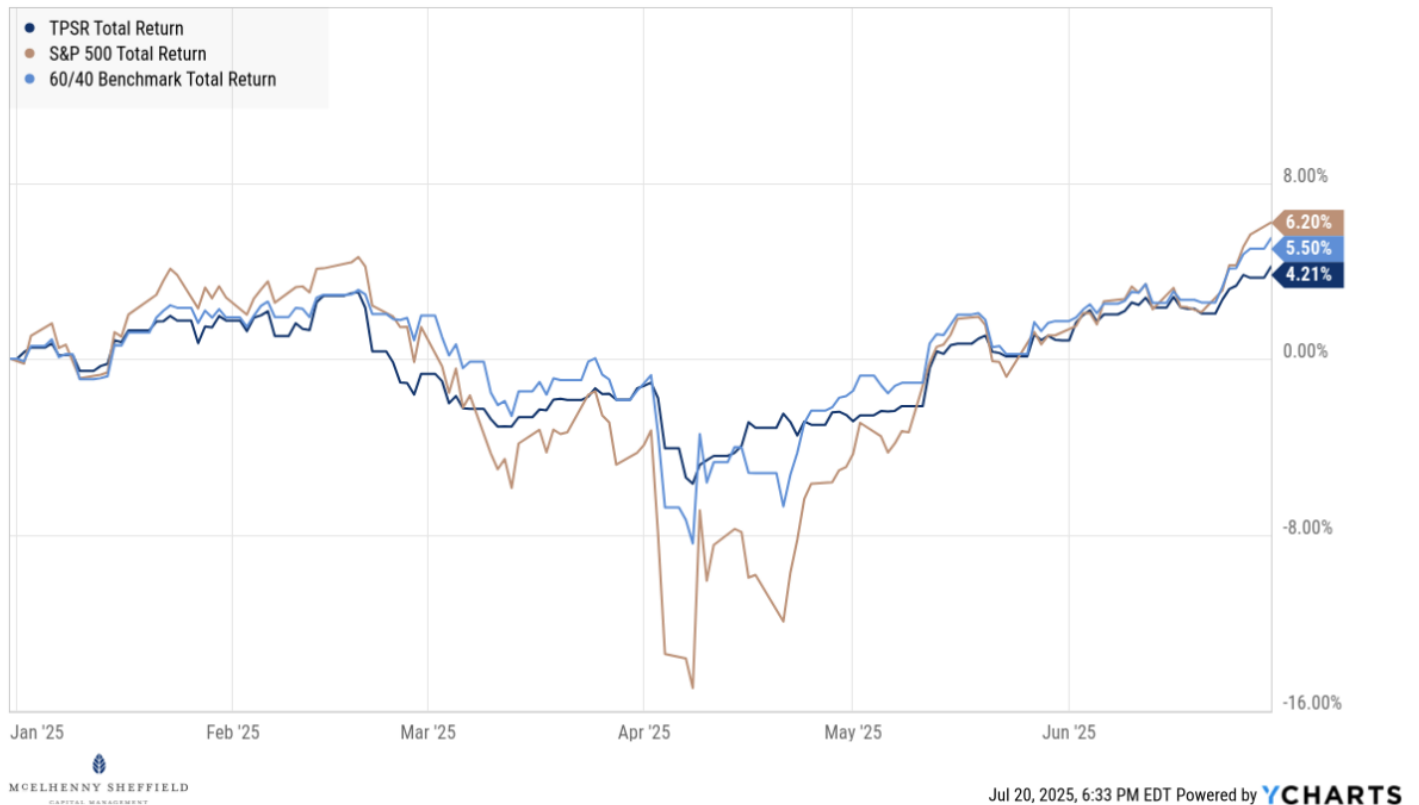
2025 continues to hold surprises for market participants. After dropping 18.75% from February 20th to April 8th, the S&P 500 staged its quickest recovery to new highs, which it hit on June 27th right before the end of the quarter. The S&P 500 has now gained 6.2% YTD while the Benchmark 60/40 is slightly behind at 5.5% in the YTD period.

Market news and investor sentiment can change rapidly at times, and it is comforting to us that we use a rules-based approach that helps take the emotion out of our investment decision making. Having strategies that are rules-based and fully-tactical allows us to pursue a goal of avoiding major losses during market downturns while still participating in market upside during recoveries and bull markets. Avoiding large losses is paramount to investor success.

During the first half of this year, our Trend Plus, Trend X, and TPSR delivered solid relative performance and also provided what most of our clients appreciate from us - downside protection. The defensive positionings of the component strategies allowed our main TPSR strategy to

significantly reduce the drawdown experienced by the market in March and April while still mostly recovering with the market in May and June, as shown in Chart 1.

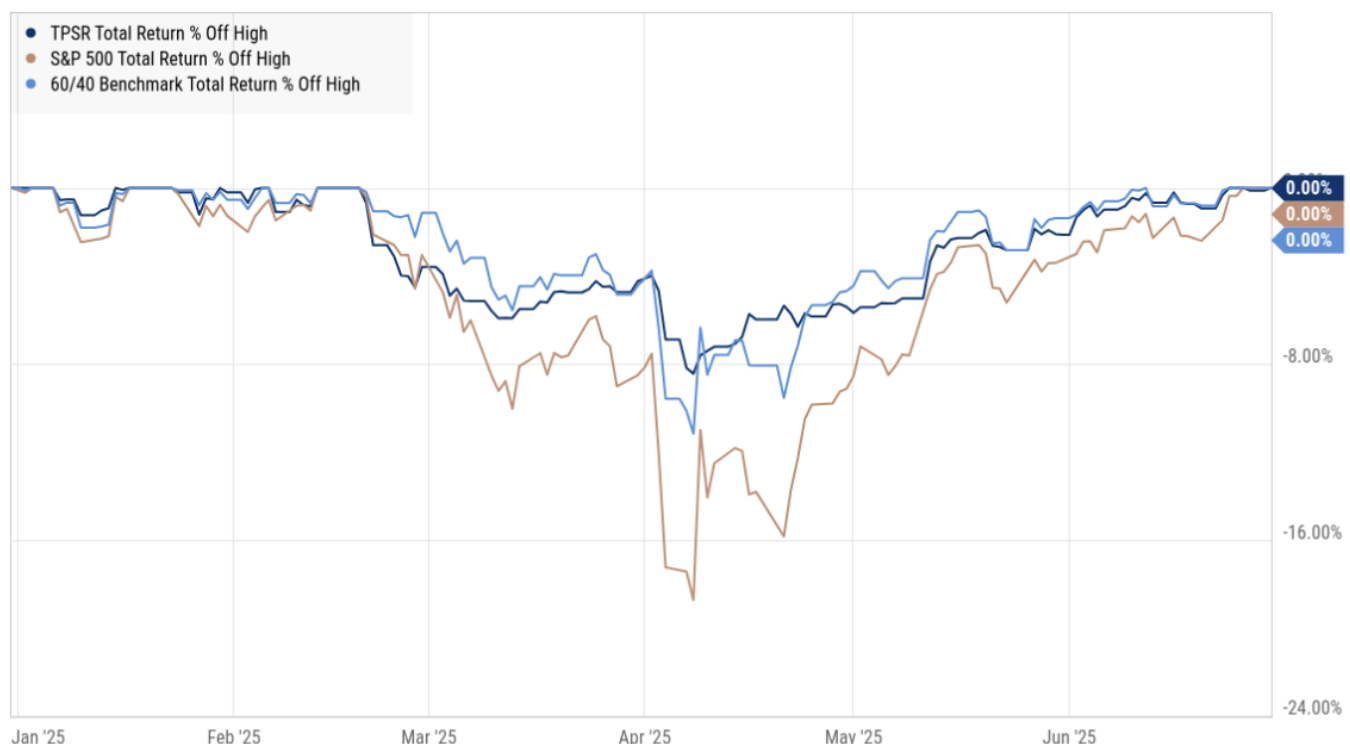
Chart 1: TPSR total returns net of fees compared to market indices, 1st half 2025.



This graph is intended to illustrate the performance of the TPSR strategy from January 2025 through June 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.



This graph is intended to illustrate the performance of the TPSR strategy from January 2025 through March 2025 during changing markets. The performance 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.

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 15.1% during 2nd quarter, beating both the Benchmark 60/40 that only gained 7% and the S&P 500 which was up 10.9%. 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 in May and June, leading to the significant outperformance for the 2nd quarter and also the YTD time period.

Sector Rotation

The **Sector Rotation** strategy was down 5.4% in the 2nd quarter with exposure to Gold, Pharmaceuticals, and Financials. The 2nd quarter positions of Pharmaceuticals and Financials were caught in the market drop in early April until our Macro Monitor signal turned on April 8th, moving the strategy into defensive positions of Gold, short-term US Treasuries, and US Dollar. Our Macro Monitor is, by design, a slower moving trigger that helps to reduce whipsaw trades and unnecessary moves defensive; however, in a significant market pull back like we had in March and April followed by a rapid recovery to new highs that we saw in May and June, the slowness causes the strategy to experience losses during the market decline and then takes longer to re-engage and recover when the market moves higher.

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

The **TPSR** strategy finished the quarter up 5% and is up for the year 4.2%, slightly trailing the Benchmark 60/40 portfolio that is up 5.5% YTD. Trend Plus gains more than offset Sector Rotation losses, which is typically the case in a market environment with a decline followed by a rapid recovery. 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. This blended strategy is designed to be reactive to changing market conditions and will seek maximum participation during strong uptrending markets, although can quickly move defensive to protect capital when market selloffs occur.

Trend X

The **Trend X** strategy was up 42.7% during the 2nd quarter due to avoiding losses and generating positive returns during March and early April when the market dropped, and then quickly reengaging equity positions during May and June to participate in the market's recovery. The strategy is now up 30.2% for the year, far exceeding the performance of the Nasdaq Composite and S&P 500 indices. The strategy has benefited over multi-year periods from maintaining leveraged long positions during strong up trending markets. Trend X is an aggressive trend following strategy that is only available to Qualified Clients, per SEC rules.

Summary

Our philosophy is 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.

TPSR

TREND PLUS

SECTOR ROTATION

TREND X

Along with this letter, we are also providing our recently updated Form ADV, Part 2A Brochure. As a registered investment adviser, we are required to update these disclosure documents on a periodic basis and when certain disclosures are updated. 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.



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Important Disclosures:

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.mscom.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@mscom.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. 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.