

Item 1 Cover Page



MCELHENNY SHEFFIELD
CAPITAL MANAGEMENT

FIRM BROCHURE

MCELHENNY SHEFFIELD CAPITAL MANAGEMENT, LLC

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This brochure provides information about the qualifications and business practices of McElhenny Sheffield Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at (214) 922-9200. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about McElhenny Sheffield Capital Management, LLC is also available on the SEC’s website at www.adviserinfo.sec.gov.

March 31, 2017

Item 2 Material Changes

This is an annual update to our brochure. Since our last annual update to our brochure dated March 31, 2016, there have been no material changes. This updated brochure should be read in its entirety. Pursuant to SEC rules, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our business' fiscal year.

This disclosure brochure filing will either be delivered, or offered for delivery, to clients. A copy may also be downloaded from the SEC's website at www.adviserinfo.sec.gov.

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Item 4 Advisory Business

A. Principal Owners and Background

McElhenny Sheffield Capital Management, LLC (“**MSCM**” or the “**Adviser**”), a Texas limited liability company, is wholly owned by its founder, Bruce M. Fraser Jr. and his family. Mr. Fraser (the “**Principal**”) is the managing member of MSCM. MSCM was founded by Mr. Fraser in 2000 and has its principal place of business in Dallas, Texas.

B. Types of Advisory Services

The Adviser currently provides investment management services primarily through separately managed accounts (the “**Accounts**”) for individuals, high net worth individuals, businesses and other institutions or entities, including as a sub-adviser to other investment advisers (collectively the “**Clients**”).

C. Tailoring of Advisory Services

The investment strategy of each Account is tailored to the objectives of the respective Client. Pursuant to the respective investment management agreements between the Adviser and the Clients (“**IMA**”), the Adviser has investment discretion with respect to the Client Accounts. However, such discretion is limited based on the particular investment objectives, preferences, guidelines and restrictions outlined in each Client’s Investment Management Agreement.

D. Wrap Fee Programs

The Adviser does not participate in wrap fee programs.

E. Assets Under Management

As of December 31, 2016 the Adviser had \$204,700,000 in assets under management all of which it manages on a discretionary basis. However, the discretionary authority is subject to limitations set forth in each Client’s IMA. The Adviser does not currently manage assets on a non-discretionary basis.

Item 5 Fees and Compensation

A. Our Compensation

1. Management Fee

Our standard IMA provides for a management fee (“**Management Fee**”) of up to 1.75% per annum of the value of the account subject to the IMA (the “Client Account”). One-twelfth (1/12) of the annual Management Fee will be debited against each Client Account at the beginning of each month. The Adviser may, in its sole discretion, reduce or waive all or any part of the Management Fee at any time. Management Fees are negotiable.

2. Performance Fee

Our standard IMA does not provide for a performance fee. For clients selling or writing options, the Adviser may charge a quarterly performance fee, subject to a high water mark. With respect to that strategy, performance fees will be based on the net option premium income generated in the client’s portfolio during the quarter. The performance fee will apply to closed and expired positions only. If the net option premium income results in a net realized loss for the quarter, that loss will be netted against future option premium income before a subsequent performance fee is assessed on such future option premium income. In situations where the Adviser is providing sub advisory services to an adviser that charges its clients a performance fee, the Adviser will receive a percentage of the performance fee received by the primary adviser. The performance fee charged by the primary adviser may be as much as 20%, of which the Adviser will receive a percentage. Clients may prefer this performance fee approach on an option selling program when they do not want a fee charged unless additive income/gains are achieved with the option program being deployed."

The Adviser may, in its sole discretion, waive all or any part of the performance fee at any time.

Performance fees are negotiable based on the strategy.

Clients will only be charged a performance fee if they meet the definition of “qualified client” as defined in Rule 205-3 under the Investment Advisers Act of 1940.

B. How Fees Are Collected

The Adviser will direct the custodian of each Client Account to withdraw funds to pay the Adviser’s fees.

C. Other Fees or Expenses

Client Accounts will bear their own expenses, including but not limited to, transaction, exchange, wire transfer, and margin interest expenses.

D. Advance Payment

Management Fees are payable in advance. If a Client terminates the advisory contract prior to the end of the billing period, the Adviser will refund any prepaid fee on a prorated basis. The

amount of the refund will be calculated using the value of the Client's investment on the last day of the immediately-previous billing period.

E. Compensation for Sales of Securities

Neither MSCM nor any of its supervised persons accept compensation for the sale of securities or other investment products.

Item 6 Performance-Based Fees and Side-By-Side Management

As explained above, the Adviser may receive performance-based fees with respect to certain strategies. The Adviser manages both accounts that are charged a performance fee and accounts that are not charged a performance fee. The Adviser may have an incentive to favor accounts that are charged a performance fee; however, the Adviser believes this does not create a conflict of interest because accounts that are charged a performance fee are not using the same strategy as those that are not charged a performance fee.

Charging a performance fee may create an incentive for the Adviser to make investments that are riskier or more speculative than would be the case in the absence of a fee based on the performance of the Account.

Item 7 Types of Clients

MSCM provides investment management services to individuals, high net worth individuals, businesses and other institutions or entities, including retirement plans such as individual retirement accounts, primarily through separately managed accounts over which MSCM has discretion. The Adviser also serves as a sub-adviser to other investment advisers. Clients may include individuals, high net worth individuals, corporations and other businesses, trusts, or other entities. The Accounts will be managed in accordance with the investment objectives, guidelines, restrictions and other information provided by Client to the Adviser in the Suitability Questionnaire, which is included in the IMA. MSCM, in its sole discretion, may manage Client Accounts with different objectives, higher or lower fees and different fee structures than what is described in this brochure.

Clients are required to complete and submit an investment management agreement and suitability questionnaire.

MSCM may charge clients a performance fee with respect to certain strategies, such as MSCM's covered call program for concentrated position management. However, to comply with SEC Rule 205-3, MSCM will only charge a performance fee to "qualified clients."

A client is a "qualified client" if it meets any of the following criteria:

- (a) the client, after entering into the contract, has at least \$1,000,000 under the adviser's management;
- (b) the adviser reasonably believes, immediately prior to entering into the contract, that the client has a net worth (which, in the case of a natural person, may include assets held jointly by the client with his or her spouse) in excess of \$2,000,000;

- (c) the client is a “qualified purchaser” as defined under Section 2(a)(51)(A) of the Investment Company Act of 1940;
- (d) the client is an executive officer, director, trustee, general partner, or person serving in a similar capacity, of the adviser; or
- (e) the client is an employee of the adviser (other than an employee performing solely clerical, secretarial or administrative functions) who, in connection with his or her regular functions or duties, participates in the adviser’s investment activities, provided that such employee has been performing such functions or duties for or on behalf of the adviser, or substantially similar functions or duties for or on behalf of the adviser for at least twelve (12) months.

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

A. Analysis and Strategies

MSCM provides investment advisory services to the Accounts based on the investment objectives, guidelines, restrictions and other information provided by Client.

The overall objective in managing the Accounts is to seek to achieve capital appreciation by investing in and trading securities consisting of equity and equity related securities that are publicly traded on U.S. exchanges. MSCM will invest its Client’s accounts in a wide range of securities and other financial instruments including, but not limited to, exchange listed and over-the-counter equity securities, preferred stocks, convertible securities, exchange-traded funds, warrants, rights, options, corporate and municipal debt securities and U.S. government securities. Accounts managed by MSCM may own long positions and sell short positions.

The Adviser uses a variety of methods for analyzing and designing Client portfolios including fundamental analysis and standard risk assessment tools. The sources used for financial analysis and research include financial publications, prospectuses, annual reports and internet data sources.

B. Material Risks

All investments in securities include a risk of loss of a Client’s principal investment as well as any previously realized or unrealized profits. Stock and bond markets fluctuate substantially over time. In addition to market risk, certain other risk factors may affect the performance of the Clients Account over time including: interest rate risk, inflation risk, currency risk, liquidity risk and sociopolitical risk among others. Each Client may bear one or more of the following risks:

Macroeconomic Risks: Fluctuations in interest rates may cause investment prices to fluctuate. The inflation rate may increase, causing a decrease in purchasing power. Returns will be affected by general economic and market conditions such as economic uncertainty, commodity prices, currency rates, changes in credit availability, and changes in laws and many others.

Sociopolitical Risks: Natural disasters (such as earthquakes or weather), acts of war, terrorism and armed conflicts may negatively impact portfolio and asset values.

Market Risks In General: The Adviser's strategies are subject to market risk, including, but not limited to, changes in the regulatory environment, "flights to quality" and "credit squeezes." The particular or general types of market conditions in which losses may be incurred or unexpected performance volatility may be experienced cannot be predicted, and the Adviser's strategies may materially underperform other investment funds or accounts with substantially similar investment objectives and approaches.

Discretion; Investment Judgment. The Adviser has broad discretion with respect to the investment program of the Client Accounts the Adviser manages, which involves assets that will be affected by various business, financial market, or legal uncertainties. Profitability depends to a great extent upon correctly evaluating these uncertainties in order to assess the future course of the price movements of securities and other investments. There can be no assurance that the Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the value or return on investments. In addition, changing market and economic conditions may lead to investor losses.

Competition. The investment management industry, in general, and the markets in which the Adviser trades are extremely competitive. In pursuing its trading methods and strategies, the Adviser will compete with investment firms, including many of the larger investment advisory and private investment firms, as well as institutional investors and, in certain circumstances, market-makers, banks and broker-dealers. As a result of such competition, market opportunities in which the Adviser's investment strategy seeks to capitalize may be short-lived or disappear and profit potential may be materially reduced. There can be no assurance that the Adviser will be able to find suitable opportunities consistent with its investment approach.

Investment Due Diligence and Research; Reliance on Corporate Management and Financial Reporting. In certain instances, due diligence information available to the Adviser at the time of an investment decision may be limited, and the Adviser may have neither access to adequately granular information nor adequate time to analyze the information necessary for a complete evaluation of the investment opportunity. It is also possible that the due diligence and research conducted may not reveal all the relevant facts and information that may be necessary to evaluate such investment opportunity. In the worst-case scenario, information may be manipulated or fraudulent. The Client accounts could incur material losses as a result of the misconduct or incompetence of such individuals and/or a substantial inaccuracy in such information.

Reliance on Key Persons. The Client accounts are substantially dependent on the services of the Principal. In the event of the death, disability, departure or insolvency of the Principal or the complete transfer of his interest in the Adviser, the management of the Client accounts may be adversely affected.

Item 9 Disciplinary Information

MSCM has no legal or disciplinary events that are material to a Client's or a prospective Client's evaluation of this advisory business or the integrity of the management to disclose.

Item 10 Other Financial Industry Activities and Affiliations

A. Broker-Dealer Registration

Neither MSCM nor the Principal is registered as broker-dealer or registered representative of a broker-dealer, nor does it have any pending application to register.

B. Futures and Commodities Registration

Neither MSCM nor the Principal is registered as a futures commission merchant, commodity pool operator, commodity trading advisor, or associated party of any of those, nor does it have any pending application to register as such.

C. Related Persons

MSCM has a related person, Elkhorn Capital Partners, LLC ("*Elkhorn*") that is a sponsor and manager of real estate investment vehicles. Elkhorn is wholly owned by the Principal and is only open to investors who have a close relationship with the Principal. Although Elkhorn is in the business of investing in real estate and MSCM is in the business of investing in securities, certain conflicts may arise between Elkhorn and MSCM concerning the allocation of time and effort on the part of the Principal between Elkhorn and MSCM.

Although the Principal has a material financial interest in Elkhorn, the Principal does not dedicate a material amount of his business time to Elkhorn. Clients may invest in real estate partnerships sponsored by Elkhorn, however, neither MSCM nor any of its related persons actively solicit or refer Clients to invest in Elkhorn. See Item 11 for additional information.

D. Conflicts of Interest

MSCM is not compensated for recommending or selecting other investment advisers for its clients. MSCM also has no other business relationships with any advisers that create any material conflict of interest.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

A. Code of Ethics and Personal Trading Policy

MSCM has adopted a code of ethics and personal trading policy (“**Code of Ethics**”) that complies with SEC Rule 204A-1 and applies to all of its partners, officers, directors (or other person occupying a similar status or performing similar functions), employees, and investment adviser representatives as well as to any other person who provides investment advice on behalf of the Adviser and who is subject to the Adviser’s supervision and control (collectively, our “supervised persons”). MSCM prohibits our supervised persons from using or attempting to use their position at MSCM to obtain improper benefits for themselves or any other person.

MSCM’s Code of Ethics permits our supervised persons to invest for their personal accounts, subject to certain guidelines and restrictions. All personal securities transactions by our supervised persons must be conducted in accordance with the requirements of MSCM’s Code of Ethics. Among other things, MSCM’s policies require that certain personal securities transactions by supervised persons be approved in advance by MSCM’s compliance department. Supervised persons must report certain personal securities holdings upon employment and periodically thereafter and arrange for certain duplicate confirmations and account statements to be sent to MSCM’s compliance department.

MSCM’s Code of Ethics prohibits supervised persons from trading while in possession of information concerning trades for Client Accounts, also called “front-running”.

MSCM has also adopted policies and procedures designed to prevent supervised persons from being unduly influenced in their decisions by receipt of gifts, entertainment or other inducements by third parties, such as trading counterparties, vendors or investors. MSCM will provide a copy of its Code of Ethics to any investor or prospective investor upon request.

B. Outside Activities

MSCM supervised persons are required to disclose any outside business activities that may create a conflict of interest between the supervised person’s interests and those of MSCM’s Clients.

The Principal has a material financial interest in Elkhorn, which sponsors and manages real estate investment vehicles, however, the Principal does not dedicate a material amount of his business time to Elkhorn, and neither MSCM nor its related persons solicit or refer Clients to invest in real estate partnerships sponsored by Elkhorn.

C. Personal Trading

By reason of MSCM’s or its related person’s business or investment activities, such may acquire confidential information or otherwise be restricted in their investment activities, and, in such event, MSCM and such related persons may not be free to act upon such confidential information. Due to such confidential information or restrictions, MSCM may not initiate a transaction for an account that MSCM may otherwise have initiated, and the Client Account may, as a result, be required to maintain a position that it otherwise might have sold, or be required to refrain from acquiring a position that it otherwise may have acquired.

D. Participation or Interest in Client Transactions and Personal Trading

Subject to satisfying MSCM's Code of Ethics and other applicable laws, supervised persons of MSCM may trade for their own accounts in securities that are recommended to and/or purchased for Clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our supervised persons will not interfere with (i) making decisions in the best interest of Clients and (ii) implementing such decisions while, at the same time, allowing supervised persons to invest for their own accounts.

Item 12 Brokerage Practices

A. Selecting and Recommending Broker-Dealers

MSCM is authorized to make the following determinations in accordance with each client's objectives and restrictions without obtaining prior consent from the client: (1) which securities or instruments to buy or sell; (2) the total amount of securities or instruments to buy or sell; and (3) the executing broker or dealer for any transaction.

MSCM typically recommends to clients that they establish their securities account(s) ("**Accounts**") with TD Ameritrade Institutional ("**TD Ameritrade**") or through the Raymond James Investment Adviser Division ("**RJ IAD**"). MSCM recommends these qualified custodians based on reputation, financial strength and stability, and the efficiency of execution provided by their affiliated broker dealers. MSCM believes that using a broker-dealer affiliated with these custodians allows for MSCM to achieve best execution for its Clients, but there is no guarantee that this results in the lowest cost.

In choosing these affiliated brokers to execute trades, MSCM may consider a number of factors, including, for example, net price, reputation, financial strength and stability, efficiency of execution and error resolution, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future and other matters involved in the receipt of brokerage services generally.

MSCM is not affiliated with TD Ameritrade or RJ IAD. TD Ameritrade and RJ IAD offer various services to MSCM, which may include custody of securities, trade execution and clearance and settlement of transactions. MSCM may receive some benefits from TD Ameritrade or RJ through its participation in the program, which may benefit some or all Clients of MSCM.

1. Research and Other Soft Dollar Benefits

MSCM does not currently receive or anticipate receiving research or other soft dollar benefits from brokers or third parties in connection with Client securities transactions. If in the future the Adviser does use "soft dollars," it will only do so within the so-called 28(e) safe harbor.

2. Brokerage for Client Referrals

MSCM does not receive client referrals from a broker-dealer or third party. Thus, MSCM does not have an incentive to select or recommend a broker-dealer based upon its interest in receiving client referrals. Instead, MSCM will recommend a broker-dealer based upon its Clients' interest in receiving the most favorable execution as well as other factors.

3. Directed Brokerage

MSCM does not permit Clients to direct brokerage away from their Account.

B. Aggregation of Orders

When possible, MSCM will aggregate the purchase or sale of securities for various Client accounts. When trades are aggregated, the average execution price will be applied to each participating Client Account. Additionally, this aggregation should lead to lower transactional costs, thereby saving the Clients money.

Item 13 Review of Accounts

A. Review of Client Accounts

The Principal or another management person of the Adviser will periodically review the Client Accounts for risk, performance, and suitability.

B. Frequency of Review

Such review will be done on a quarterly basis.

C. Content and Frequency of Regular Reports

The custodian of the Accounts will provide the Clients with monthly unaudited performance information.

Item 14 Client Referrals and Other Compensation

A. Other Compensation

No person, other than each Client, provides an economic benefit to MSCM in exchange for providing investment advice or other advisory services to such Client.

B. Third Party Solicitors

MSCM has not entered nor does it plan on entering into any agreement with a solicitor that provides for compensation to be paid to such solicitor for referring Clients to MSCM.

Item 15 Custody

MSCM may be deemed to have custody of Client Accounts because MSCM is authorized to direct the custodian of the Account to withdraw funds to pay MSCM's fees. All Client funds and securities are maintained with a qualified custodian. MSCM participates in the TD Ameritrade and RJ IAD platforms and typically recommends to Clients that they establish their brokerage account(s) at TD Ameritrade Institutional or a broker-dealer affiliated with RJ IAD. TD Ameritrade and RJ IAD are independent and unaffiliated SEC-registered broker-dealers and FINRA members. TD Ameritrade and RJ IAD offer various services to independent investment advisors, which may include custody of securities, trade execution and clearance and settlement of transactions.

The assets of each Client Account shall be held by the broker-dealer or other entity designated and appointed by Client as custodian of the Account (the "Custodian") pursuant to a custody or account agreement that is mutually acceptable to Adviser and Client. The Custodian shall at all times be responsible for the physical custody of the assets of the Account; for the collection of interest, dividends and other income attributable to the assets of the Account; and for the exercise of rights and tenders on assets of the Account. Adviser shall not be responsible for any loss incurred by reason of any act or omission of Custodian.

Adviser may issue such instructions to Custodian as may be appropriate in connection with the settlement of transactions initiated by Adviser.

Clients will receive brokerage statements no less than quarterly from the Custodian of their Accounts, TD Ameritrade or RJ IAD. Clients should carefully review those statements and, if applicable, compare those statements to any statements or reports you receive from us.

Item 16 Investment Discretion

Subject to any limitations set forth in the IMA and only during the term of IMA, MSCM shall have full discretionary power and authority, without prior consultation with or notification of Client, to buy, sell (including short sales), exchange, convert and otherwise trade in securities of every kind and nature, including, without limitation, equities, bonds, notes, debentures, trust receipts, financial futures contracts, over-the-counter derivative instruments, commodities, commodities futures, exchange traded funds, securities of foreign issues (including American Depository Receipts) and other securities of whatever kind or nature of any person, corporation, government or entity, whether readily marketable or not, and rights and options relating thereto, including put and call options written by the Account or by others, on margin or otherwise, for such prices and on such terms as MSCM, in its sole discretion, deems advisable and in the best interests of Client.

Client shall furnish Adviser with all additional powers of attorney and other documentation, if any, necessary to appoint Adviser as agent and attorney-in-fact with respect to the Account, but such powers shall not be construed to authorize Adviser to take any action not authorized by this Agreement. Notwithstanding the foregoing, Adviser is NOT granted the power or authority to (i) buy, sell, exchange, convert or otherwise trade investment instruments in any other account of Client, (ii) buy, sell, exchange, convert or otherwise trade investment instruments in the Account other than as provided in this Agreement or (iii) transfer any funds or investment instruments from the Account to any other account.

Item 17 Voting Client Securities

It is the Adviser's policy not to vote proxies with respect to proposals submitted for approval by shareholders of companies whose shares are held in Client accounts. Each Client will receive all proxy statements directly from the custodians and may contact the Adviser to discuss any such proxies or other corporate initiatives.

Item 18 Financial Information

A. Prepayment of Fees

MSCM does not require or solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance.

B. Potential Financial Impairment

There is currently no financial condition which is reasonably likely to impair MSCM's ability to meet its contractual commitments and to provide services to its Clients.

C. Bankruptcy

MSCM has never been the subject of a bankruptcy petition.