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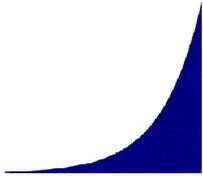
January 14, 2022

U.S. equity markets shrugged off steep pullbacks in late September and again in early December to rise in the final quarter of 2021 and close an uncertain year on a strong note. Meanwhile, strong demand, pandemic-related supply-chain woes, and increasing energy prices drove inflation to its highest levels in nearly four decades, leaving markets on edge awaiting the Fed's policy response. A surge in demand from COVID-19-pandemic lows pushed oil prices to their highest levels in several years, and value stocks finally outperformed growth stocks after lagging them for four years straight.

Our Kirwan Capital Strategy portfolios gained 6.74% for the quarter**, versus the market as measured by the S&P 500 ETF*, which finished with a gain of 11.07%. The quarter's performance pushed our return for the year to over 21% and leaves our average compound annual return after fees since Jan 1, 2013 at 15.10%, which would have turned a \$10,000 investment into \$35,464 in 9 years. Among our holdings, Apple and Microsoft continued to outperform, gaining 25% and 19% respectively, while Sleep Number lost 18%. Regarding activity, we made no material moves during the quarter.

In my last letter, I mentioned my feeling that there are no current investment alternatives that stack up against a portfolio of financially sound, growing companies. Many market participants, citing the vast gains the stock market has produced over the past 10 years and worried about inflation, have commented or written articles questioning whether investors should pull some money out of the market. While this seems intuitive, the obvious flipside is what to do with the money? While you could leave it in a bank, I would argue against it. While conventional wisdom and widely taught economic theory says that a bank savings account is the "safest" place to store your money, I disagree, given today's environment. Top savings account yields are currently below 0.5%. Even a 5 year CD would pay you only 1.0% at the average bank, and you are obligated to leave it there the full 5 years! If inflation were to continue for the next 5 years at a 5% rate (recent readings have been higher than that), and you put \$10,000 in a 5 year CD that pays annual interest, you could withdraw \$10,505 at the end of the period, assuming you reinvested the interest in a savings account paying the same rate. At that time, the amount of goods you could purchase today for your \$10,000 would cost you \$12,762 the day you withdrew your CD money. That means you would have actually lost \$2,257 in purchasing power! If you still didn't know what to do with your dollars and left the money alone, by the end of the 10th year, you would have \$11,022 and the goods that cost \$10,000 when you put your money in the bank would now cost you \$16,288! Conversely, your \$11,022 will buy you \$6,766 worth of today's goods. At that point, you would have lost \$3,233 worth of purchasing power with your original \$10,000 investment. Adding insult to injury, this is not a worst-case scenario, it's a guaranteed interest rate! I'll take my chances with a stock market that has averaged 10% over the course of the last 75 years, most of which experienced far slower money supply growth than what we're seeing in recent times.

I have been asked often over the years about gold as an investment. An ounce of gold could have been purchased on January 6, 1980 for \$633.50. Forty-two years later (January 6, 2022) that ounce would be worth \$1794. Our local jewelry store buys pure gold at a 5% discount to gold content, so you would realistically be looking at closer to \$1700. For comparison, the S&P 500 index stood at 106.81 on Jan. 6, 1980, and closed 42 years later at 4696.05. If you had invested in stocks instead of gold that day in 1980, and were able to match the returns of the S&P 500 index for that time period, your \$633.50 would be worth \$27,853.21! I've had people ask me, "If gold is such a poor investment, why do I hear and see advertisements for gold all of the time?" It's all about the 5% discount a standard gold buyer will offer. Compare \$89.70 on the hypothetical \$1794 worth of



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gold compared to maybe \$7 the standard brokerage account would charge to sell the \$27,000 worth of an S&P 500 Index tracking fund. Those spreads/commissions pay for a lot of advertising space!

Another investment that people often consider is buying a rental home. A house purchased during the same month in 1980 for \$20,000 and appreciating at the average median home price in the U.S. would be worth \$69,109 today, but you would have dealt with interest rates well into the double digits when you initially bought the house (if you borrowed money), as well as renters, repairs, contractors, property taxes, and insurance for those 40 years. This end result seems to pale in comparison to an investment in equities.

Bonds, while better than the payout a bank will provide (keep in mind the bank invests your money in bonds, pays you interest, pays for their buildings, salaries, etc. and still keeps a tidy profit), currently have yields lower than inflation unless you take significant credit risk, so this doesn't look like much of an alternative either.

Finally, in the last year or two, I have gotten asked a lot about Crypto. If you have paid much attention to my letters in the last couple of years, you know that I liken the current Crypto mania to the Dutch tulip bulb mania of the 17th century, and in no way do I consider crypto currencies an investment. Rather, they are purely a speculation that someone at some time in the future will pay you more than the amount you paid, for a claim on nothing other than an imaginary coin. A deed to swampland in Florida or a square foot of moon surface, or naming rights to a yet to be discovered star, are at least claims on *something*! The fact that crypto currencies are currently being traded by many more people, in much higher volumes, and for far higher prices than in the recent past should not obfuscate what you are actually buying.

When you compare the investment asset classes we've touched on here to equities, it really shines a light on the significant advantage equity ownership in American companies has had over the past 42 years, and puts into perspective the cost of not participating. When viewed from this altitude, the daily price fluctuations in stocks that many find unnerving seem infinitesimal.

Sincerely,

Patrick J. Kirwan
President and Portfolio Manager
Kirwan Capital LLC

* The benchmark I use against which to gauge our performance is the SPDR S&P 500 ETF (ticker symbol SPY). It's purpose is to closely track the stocks in the S&P 500 Index. Often cited as a proxy for the U.S. equity market, it is the most heavily traded security in the world. It can thus easily be purchased by any investor, as opposed to the oft quoted S&P 500 Index, which is simply a calculation, and does not include costs of ownership.

** Kirwan Capital Strategy quoted returns are calculated using the quarterly composite average of all accounts using the strategy in aggregate. Due to the individually managed nature of our accounts, not all accounts have similar performance. Factors such as available cash, tax considerations, and timing of previous purchases or sales can effect returns. Transactions noted may or may not have been made for all accounts. Past performance is not indicative of future results and investing entails a degree of risk and potential loss of principal. The Kirwan Capital Strategy uses fundamental analysis in an attempt to measure the intrinsic value of securities with the objective of buying undervalued securities and realizing dividends and capital gains over a long-term (at least one year) holding period.