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After a rough start to the year and falling over 19% through the selloff following the "Liberation Day" announcement, the stock market climbed, with a bit of volatility in October and November, to finish the year with gains of over 17%. The Magnificent Seven and technology related companies continued to drive the market higher for the 3rd consecutive year. The Fed cut rates several times during the year as inflation pressures showed signs of stabilizing and the economy proved resilient with strong consumer spending. International stocks outperformed the U.S. for the first time in years, boosted by a depreciating dollar. Precious metals were also big winners, with silver increasing in value by nearly 150%, while gold gained 64%, as central banks dumped dollars and purchased metals. Bitcoin lost over 6% over the same time frame, surprising considering both precious metals and cryptocurrencies are valued for their counterbalance to currency devaluation.

Our Kirwan Capital Strategy portfolios gained 1.50% for the quarter**, versus the market as measured by the S&P 500 ETF*, which finished with a gain of 2.66%. The quarter's result leaves our average compound annual return after fees since Jan 1, 2013 at 13.06%, which would have turned a $10,000 investment into $49,377 in 13 years.

Our top performers during the quarter were Yeti, Alphabet, LVMH, and Rentokil Initial. In fact, Alphabet finished the year up over 65% as fears of a Justice Department breakup order were not realized, and concern over AI disruption of their search business turned into AI optimism. Yeti and LVMH recovered from lows in discretionary and luxury goods sales resulting from reduced disposable income and sharp reductions in Chinese luxury purchases respectively. Rentokil finally began making meaningful progress on improving the integration results of the Terminix acquisition. Our biggest losers were Chewy, Equifax, Kroger, and Costco, with all but Equifax landing on this list for the second quarter in a row. After many years of cooperation, Equifax and the other credit bureaus are now in the midst of a tussle with credit score provider Fair Isaac, which has cast uncertainty on the pricing power of the bureaus. I expect cool heads will prevail and avoid mutual value destruction and the credit bureaus will hold their ground as they control the data, which is an extremely valuable asset. Once again, we remained very staid during the quarter, and the only significant move we made was selling Sleep Number as its price more than doubled from the low set earlier this year.

Sadly, at the end of the year, Warren Buffett stepped down from running Berkshire Hathaway at the ripe old age of 95. Taking the reins at the young age of 63 is Greg Abel, who has been with the firm for more than 20 years, when Berkshire bought a majority stake in Des Moines based Mid-American Energy, of which Greg was President. One of the biggest questions for shareholders heading into this new era is what Greg will do with the growing cash hoard Berkshire maintains in its coffers. The company has been a net seller of stocks for 12 straight quarters now and has refrained from buying its own shares for 5 consecutive quarters, growing its cash holdings to an astounding $358 Billion under Warren's direction. It would appear Mr. Buffett does not feel the market is priced attractively, which is important to note considering his track record. This outsized cash position contributed to Berkshire's stock price lagging the market this year, and as such, our holding in Berkshire helped contribute to our relative underperformance. This situation reminds me of another time when Berkshire underperformed significantly: the end of the internet boom in 1999, after which Berkshire proceeded to beat the market by nearly 20 points a year for the next 3 years. I

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am not predicting this as a likely future outcome, but merely exhibiting the ebbs and flows of the risk-on/risk-off behavior that dominates stock market movement and how it affects conservative versus speculative results.

I have learned immensely from Mr. Buffett over the years, as he has always been extremely public regarding his way of thinking about investments and evaluating businesses, and uncanny in his ability to explain things in an easy to understand manner. Tens of thousands of people flocked to Omaha every year for decades to hear him discuss business matters in his open and insightful way, and his wit and wisdom will be sorely missed.

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.