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In the face of the highest Treasury rates in nearly two decades, increasing AI concerns around spending and safety, and ongoing geopolitical tensions, the markets managed to finish the quarter slightly higher. The equity market's third quarter rise masked sharp underlying swings among sectors, as the AI-fueled rally lost steam. Market leadership shifted as software rebounded, semiconductors lost some froth, and AI leaders bounced back. Energy stocks outperformed as tensions in the middle east kept oil prices elevated. Additionally, the war has added upward pressure to inflation by raising the cost of shipping products from the Middle East.

Our Kirwan Capital Strategy portfolios lost 0.05% for the quarter**, versus the market as measured by the S&P 500 ETF*, which finished with a gain of 2.38%. The quarter's result leaves our average compound annual return after fees since Jan 1, 2013 at 12.42%, which would have turned a \$10,000 investment into \$48,546 in 13 3/4 years. Our top performers during the quarter were Microsoft, Apple, and Nvidia, (AI related) while our biggest losers were Casey's, Rentokil, and Alimentation Couche-Tard, two of which are convenience store operators who have had strong runs over the past several years.

We recently added DoorDash to our portfolios as AI disruption fears hit on-demand platform stocks and knocked \$100 a share off the share price. The company appears to have a long runway for growth ahead, as on-demand delivery currently constitutes a low percentage of total grocery, retail, and dining dollars, and the business is accelerating as younger consumers embrace grocery and retail delivery. DoorDash is pushing hard into these categories through aggressive dealmaking with retailers, and into autonomous delivery through agreements with drone and robotics companies. In addition, the company is planning to scale its recently purchased campus ordering and pickup technology beyond the 450 colleges and universities now served, planning to deliver to stadiums, hotels, and large-scale entertainment venues. The company has been consistently gaining share of the food-delivery market in the U.S. and now handles nearly 2/3 of this business. Concerns regarding AI disintermediation of digital businesses are overblown in the case of DoorDash in my opinion, as it now costs the company \$4 less to deliver an order than it did in 2020, due in large part to the physical moat created by its Dasher network, which compounds with density.

As the AI trade continues to push ever higher, a huge concentration risk has been created. The top 10 companies in the world by market cap are all AI related and make up over a third of the market's value. While we've seen pullbacks like the August 2024 decline, the DeepSeek disruption in January of '25, the AI loser trade in February this year, and the recent selloff around safety concerns sparked by comments from Anthropic's CEO, each pullback has faded. This action reinforces the notion that betting against AI is risky and timing the market is difficult, but that doesn't mean the risk has faded.

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* 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.