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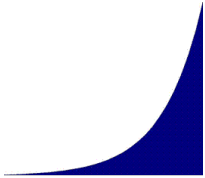
From the start of 2022, the market took investors on a wild ride. Stocks nosedived as the market digested the Fed setting a more aggressive tightening campaign to curb inflation that hit a 40-year high. Bond yields shot higher as prices fell, which in turn sparked profit-taking in higher growth stocks as future earnings discounted at a greater rate resulted in lower asset valuations. Just as markets began stabilizing, Russia invaded Ukraine, sending oil and grain prices soaring, which dragged other commodities higher on production cost increase assumptions. The slide in bond prices was the worst in years, and the stock market fell more than 10% from its high. By the end of the quarter, however, U.S. stocks had staged a strong recovery, recouping roughly 2/3 of its losses, while bonds had their worst quarter in 20 years.

Our Kirwan Capital Strategy portfolios lost 0.36% for the quarter**, versus the market as measured by the S&P 500 ETF*, which finished with a loss of 4.62%. The quarter's performance leaves our average compound annual return after fees since Jan 1, 2013 at 14.62%, which would have turned a \$10,000 investment into \$35,336 in 9 ¼ years. Among our holdings, Kroger led the way on an earnings report and forecast that beat analyst estimates, sending the stock up 27% for the quarter. Berkshire Hathaway and Molson Coors also appreciated at a rate in the high teens. Sleep Number led to the downside, losing over 33% as investors feared a post-pandemic slowdown, and Starbucks ended the quarter off nearly 22% as employees began to unionize and Howard Shultz returned to again take the reigns at the coffee giant.

After several periods without much activity, we finally made some moves during the quarter, selling Kraft Heinz and Mondelez while paring others including Pepsi, JP Morgan, General Mills, Wells Fargo, and Enbridge. These sales enabled us to purchase two names with a stronger growth profile in Equifax and Yum China. Both stocks had fallen significantly from previous highs and have the potential for strong long-term growth.

Equifax has been a member of a triumvirate of credit reporting bureaus for years. Not only are there only three companies in the U.S. to choose from when determining a person's credit history, the Government agencies *require* a credit report from all three! Given that most mortgages are agency compliant, using Equifax (and the other two) is essentially required for a mortgage lender. The business that I'm even more excited about, however, is their workforce solutions segment, which allows an end user to verify a person's employment and income. Equifax has built a database of 535 million employment records and does not currently have a close competitor in offering these services. In addition, given the sensitive nature of these records and the need to persuade businesses to share them, I believe that the first mover advantage in this field is significant, and the runway for growth is very long.

Yum China is the largest restaurant operator in China with its Taco Bell, KFC, and Pizza Hut brands. It has suffered from severe Covid-19 restrictions in China since the pandemic began, with much of the country is currently on lockdown once again. It also lost value as investors fled to avoid collateral damage from the country's heavy handed regulatory crackdown (which has since waned) on technology and other powerful industries. Finally, in a stroke of poor fortune, within weeks of our purchase, the SEC warned of the possibility of Chinese domiciled firms whose shares are listed in the U.S. being forced to delist due to a rule requiring the ability to inspect audit files which are covered by a Chinese law that doesn't allow the files to be shared. While this law has been in effect for years, the current political climate led to the announcement at this inopportune (for us) time. The Chinese regulator has since announced it is currently working on a compromise with its U.S. counterparts. While delisting wouldn't change anything regarding our ownership of the company, many



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institutions are not allowed by their bylaws to hold foreign stocks, thus the fear of more narrow ownership in the future. On the other hand, given the current severe discount and the long runway for growth (they still plan to add over 1000 restaurants in 2022 alone), the potential for gain in this holding is likely greater than any other business we own, in my opinion. I will keep an eye on the evolving situation and navigate the waters with safety foremost in mind.

While a downturn at some point is inevitable and becomes more likely if long-term interest rates continue to go higher, a good bit of risk is currently priced into the market, creating an opportunity for positive investment returns if the Fed can stick a soft landing. In any event, a long-term view should allow us to smooth out the peaks and valleys while continuing to accumulate wealth.

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.