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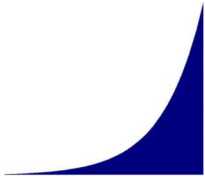
U.S. Equities climbed steadily throughout 2024, with each decline resulting in a powerful rebound to new record highs. After a post-election bounce and subsequent swoon at the end of the year, the S&P Index still managed to finish the year up over 24%. The rally was dominated by the same large-cap tech stocks that have driven the market higher for the better part of 2 years, including Nvidia, which was up more than 10% after ending the 3rd quarter in the red. Earnings continued to grow across sectors in the U.S., helping the American market outperform its global counterparts as Canada, Japan, China, the U.K., and the Eurozone all finished the quarter lower. Among the major segments of financial markets here at home, only long-term Treasury Bonds finished the year in the red, as the yield curve steepened slightly during the 4th quarter after un-inverting during Q3. Oil prices fell as global demand weakened, while gold slipped on dollar strength, although concern over the U.S. fiscal direction led to a strong gold performance for the full year. Bitcoin prices soared after the election, with the most popular cryptocurrency reaching the \$100,000 milestone in early December.

Our Kirwan Capital Strategy portfolios gained 2.76% for the quarter**, versus the market as measured by the S&P 500 ETF*, which finished with a gain of 2.49%. For the full year, our portfolios averaged 23.06%. The quarter's result leaves our average compound annual return after fees since Jan 1, 2013 at 13.34%, which would have turned a \$10,000 investment into \$44,947 in 12 years.

The biggest winners among our top 20 holdings were Snowflake, Amazon, Alphabet, Visa, and Chewy. Our losers included Equifax (which we sold part of early in the quarter), Louis Vuitton, and Sleep Number (which was up 90% the prior quarter). The only meaningful move we made during the quarter was selling a portion of our Equifax holdings and buying Rentokil Initial (RTO). Rentokil, based in the United Kingdom, is the largest pest control company in the world. Founded nearly 100 years ago, it spent much of the last decade shedding non-core businesses and consolidating the locally fragmented pest control business globally through over 200 acquisitions since 2015. Finally, in 2022 it made a transformative move in the U.S. by purchasing Terminix. Difficulty integrating Terminix, however, has weighed on the stock for over a year now, giving us the opportunity we took in October.

Despite traditional economic indicators consistently signaling contraction, higher interest rates and rising unemployment didn't do much harm to the U.S. economy in 2024. Much of this, in my opinion, was a result of strategic moves by the U.S. Treasury to ramp up issuance of short-term Treasury bills and the seemingly endless appetite of Money Market funds to quickly snatch them up, keeping ample cash flowing through the system despite monetary tightening. While returns have been strong and valuations seem stretched, there seems to continue to be an ample supply of naysayers and pessimists warning of excess, which is usually absent at a market top.

As Bitcoin recently traded above \$100,000, crypto has again become the topic of the day. At this point, institutions have joined the party and are now hawking these machinations under the air of legitimacy that government regulation provides. In addition, many pensions, trusts, and public companies are purchasing crypto for their own accounts, some employing significant leverage to do so. The fact that crypto is actually not backed by any productive asset and the value of it is entirely based on what someone else will pay for it in the future has apparently been lost in the mix. The price of Bitcoin growing from less than \$1 to more than \$100,000 has obscured the fact that its intrinsic value is still \$0. One hundred thousand dollars is simply \$99,999 more to lose if multiplied by zero. The Dutch tulip bulb mania in the 1630's lasted for nearly 4 years, peaking in January 1637 when certain tulip bulbs traded for 10,000 guilders, or approximately the price of a mansion on the Amsterdam Grand Canal. Unfortunately (and the part of the story that concerns me the most), it wasn't only the speculators who were ruined by the bursting of the tulip bulb bubble, but the entire Dutch economy went into a tailspin that lasted for years. My fear is that a serious crypto crash



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today would similarly emanate throughout the broader global economy. Now if you are an eternal Bitcoin bull, you may come away from reading this with the notion that Bitcoin could continue to rise to over \$1 million or even \$10 million since this more closely approximates the current price of a mansion in a hoity-toity neighborhood. While these prices are not outside the realm of possibilities, that doesn't make crypto any more an investment than a tulip bulb.

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.