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The AI boom flipped the script in the first quarter, punishing stocks that have spent heavily on AI infrastructure or that could be hurt by AI upending long-dominant business models. Then along came the Iran war and surging oil prices which injected a new level of uncertainty into global financial markets, sending stock markets down and bond yields up. By the quarter's end, the war and its anticipated inflationary effect ended expectations for any rate cuts in 2026, driving yields higher. Not all stocks finished lower, however, as after several years of the biggest returns concentrated among a small number of growth companies, lagging sectors rallied as investors rotated out of the previously top performers.

Our Kirwan Capital Strategy portfolios lost 4.59% for the quarter**, versus the market as measured by the S&P 500 ETF*, which finished with a loss of 4.37%. The quarter's result leaves our average compound annual return after fees since Jan 1, 2013 at 12.41%, which would have turned a \$10,000 investment into \$47,110 in 13 1/4 years.

Our top performers during the quarter were Casey's, Kroger, Chevron, Costco, and Hershey. Our Hershey purchase during a cocoa shortage has worked exactly as hoped, and Chevron has been a recent beneficiary of the spike in oil prices. Our largest detractors were LVMH, Microsoft, Chewy, and Equifax, with Microsoft being one of the previous winners that are now being punished over AI concerns. We purchased Mercado Libre and more Microsoft during the quarter and sold Snowflake. Mercado Libre is essentially the Amazon and Paypal of Latin America in one company. They are adding great numbers of clients in notoriously underbanked countries, recently passing 60 million active users. Latin America is still in the infant stages of online shopping, and Mercado Libre is building out the infrastructure to dominate the market. Microsoft is likely hedged against AI disruption more than the market is giving it credit for, and Snowflake is in the middle of a heated competition with Databricks as well as Amazon and Alphabet for business, which I believe will make growth slow to a point where the price appears too high.

As I write this letter, a ceasefire with Iran was recently announced, which sent the market shooting higher. I imagine any news on this front will be the driving force for the market in the near future. In either case, I think incentive will win out and I see higher oil prices being a transitory item.

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). Its 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.