



13000 CR 348
St. Joseph, MO 64505
Missouri 816-385-5266
Nebraska 402-212-0519
Toll Free 888-666-8117
pk@kirwancapital.com
www.kirwancapital.com

October 11, 2018

While international stocks languished during the 3rd quarter on tariff concerns, currency moves, and political and economic disruptions, the stock market on the home front spent much of the quarter in record territory, hitting new highs regularly. Investors continued to show their affection for growth stories, driving Apple and Amazon both to \$1 trillion valuations. Even so, there were brutal reminders of growth stocks' limitations as Tesla took a wild ride when Elon Musk considered taking it private only to back away, and Theranos, the once promising Silicon Valley startup that tried to disrupt the blood-testing market faded into oblivion. Continued strength in the economy during the quarter emboldened investors, as the unemployment rate reached lows not seen since 2000, and while the Fed continued to raise interest rates, they remain at fairly low levels historically.

Our Kirwan Capital Strategy portfolios gained 4.16% for the quarter** versus our benchmark*, which finished the quarter with a gain of 7.65%. Our average compound annual return after fees since Jan 1, 2013 is 14.35%, which would have turned a \$10,000 investment into \$21,610 in 5 3/4 years.

As has been the case in some previous periods when the market was very strong, we underperformed the index during the quarter due mainly to our relatively lower volatility. Our cash and arbitrage positions with low market correlation created a drag as the market was sharply higher. This is not unexpected, as our strategy tilts toward outperformance in poor markets vs. strong markets.

Again our moves made during the quarter were minimal. We continued to add to our General Mills position, and near the end of the period we sold off small amounts of Mastercard and Amazon as they had both made huge runs. We used this money to buy Molson Coors Brewing Company (TAP). TAP is trading nearly 50% off its highs from around 2 years ago, at around 11x this year's earnings estimates. It is the second largest brewer in the United States, owning all Coors and Miller brands, and is growing internationally while expanding into new drink categories as beer sales shrink in developed markets.

As I write this letter, the Dow Jones Industrial Average has fallen around 1300 points in two days. As I listened to the pundits discuss the "carnage" experienced today, I observed how the discussion made me feel like I should sell everything to avoid a further "bloodbath". When I look at the prices of our stocks however, today would have been a better time than any in the last few months to buy nearly any of them, when listening to the media had me wanting to buy nearly every day. This is why we try to buy when others are fearful and sell when others are greedy. Thanks again for your trust, and I wish you all the best.

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. In addition, transactions noted may or may not have been made for all accounts.