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The prominent investment themes from the 2nd Quarter continued into the 3rd, producing volatile trading but little movement overall, resulting in gains of less than 2% for the S&P 500 Index. The U.S./China trade conflict captured investors' attention and seesawed markets, while the Federal Reserve lowered rates for the 2nd time this year. That, combined with slowing global economic growth, produced an inverted yield curve, which has historically been a harbinger of economic downturns. This knowledge produced selling that contributed to the volatility we saw during the period. Non-U.S. stocks once again lagged the U.S, as the global economy remained focused on the trade dispute and continued to grapple with below average growth and waning investor confidence. While energy sector prices fell on a combination of high supply and lower forecast demand, precious metals surged on a push for safety.

Our Kirwan Capital Strategy portfolios gained 2.31% for the quarter**, versus the market as measured by the S&P 500 ETF*, which finished with a gain of 1.76%. For the year to date, we have earned 21.68% versus 20.40%. Our average compound annual return after fees since Jan 1, 2013 is 13.49%, which would have turned a $10,000 investment into $23,489 in 6 3/4 years.

The one material transaction we initiated during the quarter was selling Phillips 66. While I continue to believe PSX is a good company, I think there are headwinds the company will face long term, as electric cars continue to gain share of the road and stricter efficiency standards take effect. Since the stock has done well for us over our holding period and I feel it was trading near fair value, I chose to bolster cash and await future opportunity. We also took a minor amount of profits off the table in Visa and Starbucks after nice gains, and took some Apple profits in accounts with an outsized position, but for the most part we are simply staying the course and continuing to enjoy the fruits of owning great U.S. companies.

As the economic expansion grows long in the tooth, I remain attuned to the possibility of an economic contraction in the U.S., and if the inverted yield curve does correctly foretell a downturn, we will be better positioned with the bit of cash we now hold. Currently, however, the highest quality companies are trading at a premium, making opportunities scarce. Patience and a risk averse stance is the prescription that I think will likely offer the greatest long term reward in this environment.

Thanks again for your trust, and I wish you the best as we round out the year.

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.