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The bull market continued in the first quarter of 2024, even in the face of "higher for longer" interest rate expectations and stubborn inflation readings. Stocks gained over 10%, taking 12-month returns to just shy of 30%, a spirited rebound after roughly a year of losses. Returns were bolstered by strong corporate earnings and an endless appetite for AI plays, as darling Nvidia continued to report voracious demand for its microchips and the stock gained over 80%. Bond market performance, meanwhile, was dented by the prospect of the Fed delaying rate cuts to the 2nd half. The yield curve remains inverted, but rarely does that continue to be mentioned as a harbinger of economic contraction, as short-sighted traders have for the most part already discounted such warnings. The regulatory approval of ETF's that can own Bitcoin spurred a more than 60% rally in the quarter for the cryptocurrency, while geopolitical concerns and "flight to safety" buying from the Chinese consumer set gold and silver on a rally that has continued to gain steam into April. Returns for the "Magnificent 7" are now significantly more dispersed, with NVDA and META charging higher, while TSLA and AAPL both endured significant declines during the period.

Our Kirwan Capital Strategy portfolios gained 6.48% for the quarter**, versus the market as measured by the S&P 500 ETF*, which finished with a gain of 10.38%. Our cash holdings and large Apple position cost us versus a red-hot market rally. The quarter's result leaves our average compound annual return after fees since Jan 1, 2013 at 12.83%, which would have turned a $10,000 investment into $38,892 in 11.25 years. Among our holdings, Nvidia, Kroger, and Amazon were our biggest winners during the quarter, while Chewy, Apple, and Alimentation Couche-Tard were a drag, after performing nicely in the past. (Alimentation doubled over the prior 2 years and Apple was up over 50% during the last year). Activity during the quarter was almost nil, with all moves relating to minor rebalancing or to facilitate money flows.

I noted in my last letter that heading into 2024, recession, inflation, and interest rates were the most important considerations for the market. While many have discounted the risk of recession at this point, inflation remains persistent, which is forcing the Federal Reserve to keep interest rates high. While many have discounted the recession risk over the last few months, a few market participants that I respect have voiced their concern as recently as last week that recession risk remains.

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.