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The 2<sup>nd</sup> quarter started with a bang as President Trump blindsided investors by announcing tariffs that greatly exceeded expectations, sending the stock market into a spiral that ended with prices falling nearly 20 percent. Then Trump seemingly reversed course and announced a 90-day pause that sent stocks marching to new record highs as the quarter came to a close. Bonds struggled to find gains as the inflationary aspects of tariffs, the exploding budget deficit, and global investors' growing concerns about U.S. government bonds' safe haven status sent yields higher. International stocks continued their 1<sup>st</sup> quarter trend of outperforming the U.S. market, and growth stocks soared while value fell behind. Oil climbed on growing conflict in the Middle East, while cryptocurrencies rose as crypto-friendly legislation moved toward becoming law.

Our Kirwan Capital Strategy portfolios gained 7.88% for the quarter\*\*, versus the market as measured by the S&P 500 ETF\*, which finished with a gain of 10.78%. The quarter's result leaves our average compound annual return after fees since Jan 1, 2013 at 12.94%, which would have turned a \$10,000 investment into \$45,764 in 12 1/2 years. The rapid ascent of the market outshined our slightly more conservative bent relative to the averages.

While several of our holdings made eye-popping gains (Microsoft +32.7%, Nvidia +45.78%, Snowflake +53.1%, and Chewy +31.1%), other holdings such as Apple (down 7.5%), Berkshire Hathaway (down 8.7%), Hanesbrands (down 20.6%) and LVMH (down 13.8%) were a drag on returns.

While we had little activity during the quarter, it was more than has been the norm over the past several years. At the beginning of the quarter, we purchased Yeti and LVMH, as luxury stocks have been declining on deteriorating sales for a couple of years now, and I believe we are in the process of finally finding a bottom. In addition, Yeti has barely tapped international markets to date, but the company has begun investing heavily in this area and is seeing accelerating growth over the past several quarters. Late in the quarter we sold some Starbucks into a bounce based on turnaround hopes with a new CEO and used those funds to buy Pepsi, as that stock had fallen nearly a third from its highs over the past two years.

After the fallout from the steep tariff announcement was exhausted, the market spent the quarter optimistically discounting the ultimate amount and result of the levies and now seems to completely discount the risk of economic stress stemming from such. While I hope the market is correct and the economy powers us through, this could turn out to be a precarious perch we find ourselves sitting on.

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.