October 28, 2018

Dear Partners,

Third quarter was uneventful (flat) in terms of market price movement for our fund's portfolio. As of September 30, our fund was up 26% in 2018 (before fees) versus 10.6% gain for the S&P 500. In terms of portfolio positions, however, our fund has seen quite a bit of activity.

Our guiding principle #9 outlined in the Appendix of this letter, which we highly encourage all of you to read, is *"Do a lot of reading and thinking and not a lot of acting."* In that we are sort of polar opposites to many investors on Wall Street that are inclined to do a lot of acting and not a whole lot of thinking. We strongly believe that activity is the enemy of returns, and we are quite comfortable doing nothing until there is something to do. Well, that "something to do" time came in September and continued well into October. Volatility has increased dramatically in October as concerns about tariffs, trade war and rising interest rates took over investors' minds.

Over the past 12-18 months we have been doing a lot of reading and thinking on a handful of companies. We have been studying their business models, their management teams, their corporate cultures, looking at their competitors, analyzing their financials, and thinking quite extensively about their future prospects. However, all of that behind-the-scenes work has not translated to any portfolio action. Why? Because we did not think that Mr. Market had offered us an attractive price for those businesses that would ensure both a margin of safety (our principle #5) and double-digit long-term, expected returns that we demand from our investments. We have been patient and disciplined and over the past two months, Mr. Market has finally given us an opportunity to own businesses that we had dreamed of owning at prices that present us with some very attractive expected rates of return. In fact, our calculated IRRs for the next 5 years (Internal Rate of Return) for these investments are in excess of 20% per annum.

We can be very patient, but when the opportunity presents itself, we tend to take bold action based on our convictions. This is exactly what we did in the third quarter of this year. We took this opportunity to exit a number of legacy positions that had worked out well for the fund (will go over them one by one later in this letter) and built up sizable positions in companies that we believe are significantly better businesses, with much more attractive future prospects and growth rates. We are still in the midst of

accumulating shares in these stocks for our fund as the volatility persists in the markets, and we will be discussing these positions in our future letters.

So what did we sell and why?

Chipotle (CMG) - Exploiting the market's fear and greed

We are certain all of you are aware of this restaurant chain and many of you have tasted their burritos**.** When we first started the fund in 2015, there was a Chipotle restaurant across the street from the office. I would go there for lunch once or twice a week. I liked it because it was cheap, tasted very good, and I could eat reasonably healthy food there. I could get brown rice, beans, grilled chicken and salsa and it would be a nice meal. I remember I checked on the market cap of CMG when I was standing in line for my burrito and it was close to $20 billion (very pricey with lofty expectations).

Two years later, I had lunch at Chipotle in South Lake Union in Seattle. Still the same price and still just as tasty, but the market cap was now around $9 billion. I thought, now this looks a lot more interesting! The stock was hammered due to concerns about numerous reports on e.Coli and Norovirus outbreaks over a period of 12-16 months, and eventually, in November of 2017, the valuations of Chipotle stock got to very unreasonable levels. At that time, we felt that it had reached a maximum point of pessimism and the odds were heavily on our side to make a double-digit rate of return on CMG stock over the next 5 years.

Our rationale was simple. The fundamental principles upon which Chipotle was built and experienced tremendous success — finding better ingredients, preparing them using classic techniques in front of the customer, and serving them in an interactive format with great teams dedicated to providing excellent dining experience - were still very much intact. We thought the issues impacting the company were temporary and could be solved with a focused management and targeted PR efforts.

Just six months after we started buying shares in CMG, the stock had rebounded 80%, as they hired a new CEO (Brian Niccol) who had a very successful track record at Taco Bell. Same store sales and margins started rebounding and Mr. Market had quickly shifted from maximum pessimism to excessive optimism. The risk/reward had shifted dramatically in a very short period of time, and we decided to sell our position as we thought the market priced-in many years of return in just a few months' period. We reinvested the proceeds in a better opportunity with much more attractive expected returns.

Tractor Supply (TSCO) - Boring business, exciting returns

Our investment approach here was similar to our investment in CMG. Tractor Supply is the largest operator of rural lifestyle retail stores in the US. The company is focused on supplying the needs of recreational farmers and ranchers and others who enjoy the rural lifestyle. It is a boring business, but one that enjoys some strong economics and competitive advantages.

In the summer of 2017, TSCO stock got hammered on concerns about deteriorating same store sales that were impacted by weak energy and agricultural markets, non-normal weather patterns and deflationary concerns. We started buying the stock as our extensive research on the company provided us with confidence on their favorable longer term prospects. Then, in September of 2017, the company issued a business update and revised their outlook downward. The stock took a heavy 17% nosedive that day as Wall Street could not look beyond just a couple of quarters and fear took over. We took advantage of this opportunity to add to our shares at what we thought was a very attractive price. Where we differed here was our mindset of a 100% owner of the business, focused on the prospects of the business for the next 3, 5, 10 years (it's amazing what advantage you can have just by looking past the next couple of quarters).

Just one year following our initial purchase of TSCO stock, market sentiment had completely turned around. The negative impact from the energy and agricultural market started dissipating, same store sales started rebounding, and deflation became less of a concern. The stock rebounded 70% in just 12 months. We still like the company and its management team, but made a decision to sell our shares as we needed the cash to invest in much more attractive opportunities at the time.

Gilead Sciences (GILD)

Gilead Sciences is a research-based biopharmaceutical company that discovers, develops and commercializes medicines in areas of unmet medical need. The company is well-known for its dominant HIV franchise. It also has a solid portfolio of products and pipeline of drugs for treatments of liver diseases, inflammatory and respiratory diseases and cardiovascular conditions.

This investment has not worked out as well for us as the previous two, but we still made money on it. We first started buying the stock in GILD back in the fall of 2016 as Wall Street has been growing increasingly concerned about the company becoming a victim of its own success. The company had made a very successful acquisition of Pharmasset in 2011, which resulted in the FDA approving the drug under the name Sovaldi as treatment for the hepatitis C virus less than two year later. By 2015, this hepatitis C (HCV) franchise had grown to $19 billion in revenues on top of $11 billion in revenues from the

HIV franchise. It was an incredible success story without much competition and the stock had risen by about 450% by the end of 2015 reflecting this success. There was one "problem" for the long term prospects of the business - their hepatitis C drug completely cured most patients in just 8 weeks of treatment. The molecule that was so great for their patients eventually took down their HCV revenues to around $5 billion...and although their revenues from a very successful and growing HIV business had increased to over $14 billion by end of 2017, it was not enough to replace the lost revenues.

Our bet in 2016 was based on the premise of a very solid company culture with a long-term track record of success in treating patients with unmet medical needs. Our rationale was that the HIV franchise was going to continue to grow and be extremely profitable for the company, while HCV business would decline but continue to churn out healthy cash flow to fund future acquisitions. At the time of our purchase, the stock valuation was very cheap (or so we thought) trading at 17% free cash flow yield. In addition, they had $32 billion in cash on the balance sheet, which offered us a significant margin of safety. Two years later, their revenues from the dwindling HCV franchise continued declining, and they had not been able to replace the lost revenues (although they did make a successful, in our opinion, acquisition of Kite Phrama). Our recent decision to sell was due to our growing concern on the deteriorating long-term prospects of the company and its culture. An overwhelming number of company management personnel and its Chief Scientist have left the firm over the past 12 months, and the CEO who has been with the company for over 25 years announced his decision to retire. This position no longer met our investment criteria and we decided to sell and reinvest the proceeds in more attractive opportunities with significantly better risk/reward scenario. In the end, we still netted a small profit in this investment.

Concluding Thoughts

"This Halloween, it's not a Hollywood monster that's bringing the fright to investors: It's a whole cast of scary characters, including trade tensions, tech disappointments, rising interest rates, and wild swings in China's markets. Combined, they helped push the benchmark S&P 500 into the red for the year. Globally, stocks extended their month-long slide." -- Barrons magazine

Our view on all the macroeconomic worries that are "spooking" the markets is the same as it always has been. We think it's worthwhile to repeat what we wrote in our Q1 2018 letter:

> We have no idea what the market is going to do over the next quarter or the next year, and we make no attempt to make such predictions. There is nothing in our record that suggests that we can add any value by making those predictions and trying to time the market (in contrast to an inordinate amount of energy and

resources that is spent on these activities on Wall Street). We remain focused on what we do well -- identifying high quality, well-run businesses that are likely to compound our capital at double-digit rates of return over the long run, and we try to acquire those opportunistically when Mr. Market offers us an attractive price. This approach has proved to be successful for us throughout our investment careers, and we will continue to focus on that because we think it's logical, repeatable, simple and straightforward.

On that note, we are currently finding some very attractive investment opportunities with the recent market downturn. Our current portfolio boasts substantial upside potential over the next 3-5 years with best expected returns that we have seen since we started the fund in 2015. If you have additional capital sitting on the sidelines that you are looking to put to work, this would be an opportune time to do so, as we are aiming to opportunistically add to our existing ideas while they still present good value.

Thank you for your confidence and trust in our investment discipline. We will continue to invest with a long time horizon like it is our own money – because it is. We appreciate the opportunity to grow your family capital alongside ours. As always, should you have any questions or comments, we would be very happy to hear from you.

Sincerely,

Alex Kopelevich, CFA

Joe Maas, CFA

APPENDIX

Over the past 12 months, we saw a large increase in the number of Rowan Street Capital partners. With all these newcomers, it is imperative that we write again (and again) about our distinctive governing principles that guide and define Rowan Street Capital' investment and business decisions. They reflect our commitment and partnership with our clients.

Our Guiding Principles

AT ROWAN STREET WE:

(1) Think like business owners
The over-arching principle of our investment discipline is to approach buying stock as though we were buying the whole business outright and retaining management.

(2) Think long term
When making investment decisions we focus on the long term prospects of the business and look beyond the short-term volatility and market unpredictability. We let volatility work to our advantage as we don't believe volatility equates to risk. On average, individual stock prices fluctuate more than 75% in a 52-week period. We welcome volatility as volatile markets occasionally offer extraordinary opportunities.

(3) Think independently
We do our own original deep research and believe that independence of thought is key to long term investment success. We also believe relying on other's analysis results in paralysis or panic under volatile conditions. Groups (groupthink) have a tendency to reinforce preconceptions and suppress critical thinking.

(4) Stay within our circle of competence
We only focus on businesses that we thoroughly understand. We try not to fool ourselves and are not afraid to put an idea in a "too hard" pile.

(5) Stay curious and always keep learning
We have a very curious mind and strongly believe that if we compound our knowledge every day and go to bed a little smarter than we were the night before, it will significantly add to our compounded returns over time.

(6) Always demand a margin of safety
When analyzing a business, we strive to be conservative and realistic in our assumptions. We are disciplined investors, and purchase stocks only when favorably priced, which protects us from permanent loss of capital.

(7) Avoid leverage

We like to sleep well at night. Leverage can enhance returns, but it can also lead to huge losses of capital from which it can be impossible to recover. You can't win a race if you don't finish, and too much debt can take you out of the game at the worst possible time.

(8) Exercise patience and discipline to only invest in exceptional opportunities

There are no called strikes in investing, so we can wait patiently for the truly fat pitches right in our "sweet spot" before taking a swing. Once an exceptional opportunity is identified, we will make bold rather than timid decisions (meaningful bets) where we see high probability of above average returns.

(9) Do a lot of reading and thinking and not a lot of acting

In that we are sort of the polar opposites to a lot of investors. Many investors do a lot of acting, and not a lot of thinking. We believe that activity is the enemy of returns, and we are quite comfortable doing nothing until there is something to do. *"All of humanity's problems stem from man's inability to sit quietly in a room alone" – Blaise Pascal.*

(10) Eat our own cooking

We believe in having a sizable portion of our net worth invested in our fund. We want our partners' financial fortunes to move in lockstep with ours.

(11) Communicate with our investment partners as candidly as possible

Our guideline is to tell you the business facts that we would want to know if our positions were reversed.

(12) Have a great time and enjoy the journey

DISCLOSURES

The information contained in this letter is provided for informational purposes only, is not complete, and does not contain certain material information about our Fund, including important disclosures relating to the risks, fees, expenses, liquidity restrictions and other terms of investing, and is subject to change without notice. The information contained herein does not take into account the particular investment objective or financial or other circumstances of any individual investor.

An investment in our fund is suitable only for qualified investors that fully understand the risks of such an investment. An investor should review thoroughly with his or her adviser the funds definitive private placement memorandum before making an investment determination. Rowan Street is not acting as an investment adviser or otherwise making any recommendation as to an investor's decision to invest in our funds. This document does not constitute an offer of investment advisory services by Rowan Street, nor an offering of limited partnership interests our fund; any such offering will be made solely pursuant to the fund's private placement memorandum.

An investment in our fund will be subject to a variety of risks (which are described in the fund's definitive private placement memorandum), and there can be no assurance that the fund's investment objective will be met or that the fund will achieve results comparable to those described in this letter, or that the fund will make any profit or will be able to avoid incurring losses. As with any investment vehicle, past performance cannot assure any level of future results.

If applicable, fund performance information gives effect to any investments made by the fund in certain public offerings, participation in which may be restricted with respect to certain investors. As a result, performance for the specified periods with respect to any such restricted investors may differ materially from the performance of the fund. All performance information for the fund is stated net of all fees and expenses, reinvestment of interest and dividends and include allocation for incentive interest and have not been audited (except for certain year end numbers).

S&P 500 performance information is included as relative market performance for the periods indicated and not as a standard of comparison, as it depicts a basket of securities and is an unmanaged, broadly based index which differs in numerous respects from the portfolio composition of the fund. It is not a performance benchmark, but is being used to illustrate the concept of "absolute" performance during periods of weakness in the equity markets.

Index performance numbers reflected in this letter reflect reinvestment of dividends and interest (as applicable). Index information was compiled from sources that we believe to be reliable; however, we make no representations or guarantees with respect to the accuracy or completeness of such data.