February 1, 2019

"A military genius is the man who can do the average thing when everyone else around him is losing his mind." — Dwight Eisenhower

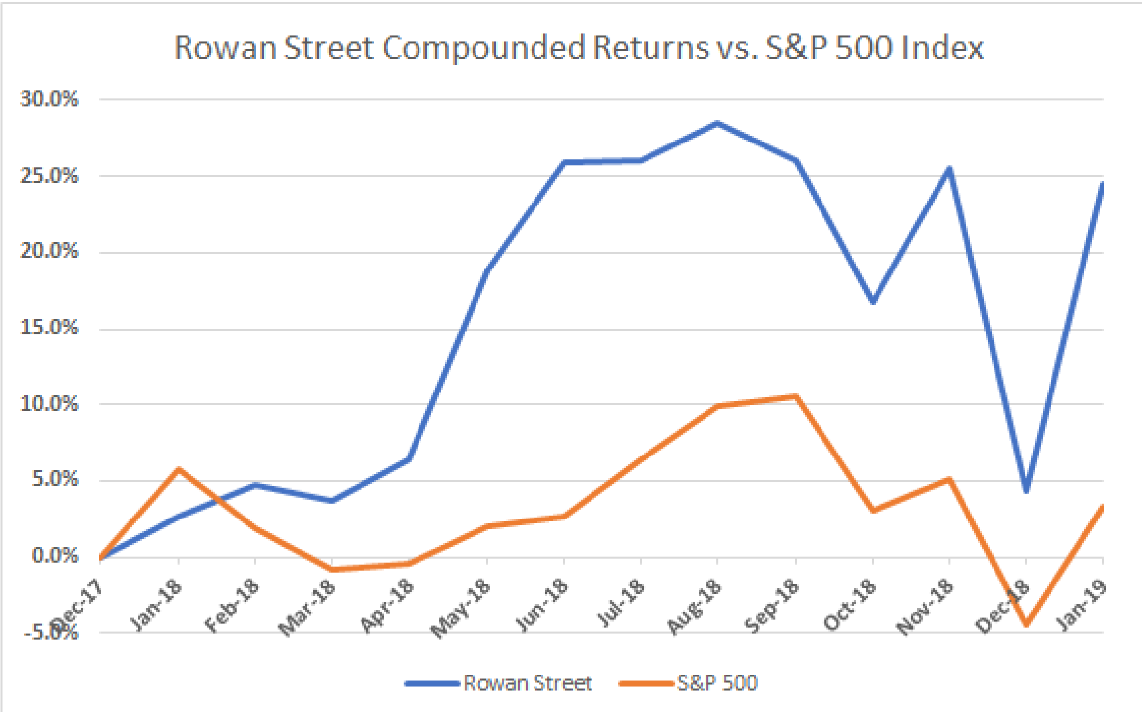
Dear Partners,

What a wild ride! From the worst December since 1931 to the best January since 1987. Past two months have clearly shown why **there are no market timers on the Forbes list!**

In 2018, our fund was down -1.2% net of fees and expenses vs. a decline of -4.4% for the S&P 500. Please check your individual statements as your actual performance may differ depending on the date you became a Partner. If you look at the chart below, 2018 was a negative year for every single asset class with the exception of stuffing cash under your mattress. It was also the first negative year for US large cap stocks since 2008. International developed markets where down -14%, emerging markets where down -15% and most mutual funds and hedge funds lost money in 2018.

ETF	Asset Class	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
SPY	US Large Caps	-36.9%	26.4%	15.1%	1.9%	16.0%	32.2%	13.5%	1.2%	12.0%	21.7%	-4.5%
IWM	US Small Caps	-34.2%	28.5%	26.9%	-4.4%	16.7%	38.7%	5.0%	-4.5%	21.6%	14.6%	-11.1%
EEM	EM Stocks	-48.9%	69.0%	16.5%	-18.8%	19.1%	-3.7%	-3.9%	-16.2%	10.9%	37.3%	-15.3%
EFA	EAFE Stocks	-41.0%	27.0%	8.2%	-12.2%	18.8%	21.4%	-6.2%	-1.0%	1.4%	25.1%	-13.8%
PFF	Preferred Stocks	-23.9%	37.6%	13.8%	-2.0%	17.8%	-1.0%	14.1%	4.3%	1.3%	8.1%	-4.7%
HYG	High Yield Bonds	-17.5%	27.4%	11.9%	6.8%	11.7%	5.8%	1.9%	-5.0%	13.4%	6.1%	-2.0%
LQD	Investment Grade Bonds	2.5%	7.9%	9.3%	9.7%	10.6%	-2.0%	8.2%	-1.3%	6.2%	7.1%	-3.8%
TLT	Long Duration Treasuries	34.0%	-22.1%	9.0%	34.0%	2.6%	-13.4%	27.3%	-1.8%	1.2%	9.2%	-1.6%
TIP	TIPS	-0.5%	7.5%	6.1%	13.3%	6.4%	-8.5%	3.6%	-1.8%	4.7%	2.9%	-1.4%
BND	US Total Bond Market	5.2%	2.9%	5.3%	7.7%	3.9%	-2.1%	5.8%	0.6%	2.5%	3.6%	-0.1%
BIL	US Cash	1.5%	0.3%	0.0%	0.0%	0.0%	-0.1%	-0.1%	-0.1%	0.1%	0.7%	1.7%
EMB	EM Bonds (USD)	-2.1%	15.4%	10.8%	7.7%	16.9%	-7.8%	6.1%	1.0%	9.3%	10.3%	-5.5%
VNQ	REITs	-39.4%	28.0%	28.4%	8.6%	17.6%	2.3%	30.4%	2.4%	8.6%	4.9%	-6.0%
GLD	Gold	4.9%	24.0%	29.3%	9.6%	6.6%	-28.3%	-2.2%	-10.7%	8.0%	12.8%	-1.9%
DBC	Commodities	-31.8%	16.3%	11.9%	-2.6%	3.5%	-7.6%	-28.1%	-27.6%	18.6%	4.9%	-11.6%

However, as a limited partner in Rowan Street Capital (RSC), if you went on vacation to a deserted island for the past 13 months (as of this letter) without access to the internet or any kind of news flow, you would have come back to our fund being up +24.4% (gross of fees). The general market, as measured by the S&P 500 index, was up only +3.3% during the same time period. The chart below shows the volatility that took place in the interim, with a big drop in December and a significant rebound in January, eliminating December losses for our fund. We believe this chart is a more meaningful presentation of the value-creation that Rowan Street has experienced as opposed to just referring to 2018 numbers, which do not tell the whole story.



That significant outperformance over the past 13 months as depicted by the graph above was due to the opportunistic investments that we made back in 2017. In our 2017 year-end letter we wrote:

> We were very fortunate to raise a lot of new capital throughout the year, which is great news for our fund and for all its partners. In fact, we closed the year with 2.4x more capital than we started with, which we are more than pleased with. It so happened that the bulk of new capital came in the summer months, at which time we had opportunistically deployed the new funds into new ideas that, in our view, present significant long term value. As such, these new investments represented over 40% of our entire portfolio and are still in early stages of our investment cycle, thus they have not had the time to contribute to our returns yet, at least not by December 31st (investment performance of companies often does not correlate with calendar year end).

How our 2017 investments played out in 2018

Under Armour (UA): we laid out our investment thesis for UA in the 2017 year-end letter (you can find our past letters on www.rowanstreet.com). It was the biggest contributor to the outperformance in 2018 as the stock was up about 60% as of November.

Tractor Supply (TSCO): we shared our investment rationale on TSCO in Q3 2018 letter. The stock was up 20% as of September, which is when we sold our position as we needed cash in order to take advantage of more attractive opportunities. Overall, we made 70%+ on this position since we first bought in summer of 2017.

Chipotle (CMG): we talked about this investment in Q3 2018 letter. The stock rebounded quickly in 2018 and we sold in August to register an 80% gain.

TripAdvisor (TRIP): the stock was a solid contributor to the outperformance in 2018 as it posted an 85% gain as of November.

Gentherm (THRM): we started building this position in Q4 2016 and added to it in 2017. The stock was a solid contributor to the outperformance as it was up 42% as of end of September. We ended up selling the entire position in Q4 because we needed cash to take advantage of better opportunities presented to us by Mr. Market.

PLEASE NOTE: Even though several of our holdings mentioned above had a pretty quick turnover, this is not our intent. They just happened to discount several years of earnings power into a short period of time. And at the same time, we had much better quality opportunities (four to be exact) that became available to us at very attractive valuations. As you know, we are long term investors and we typically invest with at least 3-5 year investment horizon. However, we will boldly take advantage of opportunities presented to us by temporary market dislocations, which was the case in the fourth quarter of 2018. On average, you should expect us to stay with our positions for 3-5 years or longer.

Our Behavior in December

As we started building out our new positions, December happened. Both the Dow Jones Industrial Average and the S&P 500 had their second worst December on record (only behind December 1931 when the market lost 14.5%) as fear about the trade war, high interest rates and worries about slowing corporate earnings took over investors' minds. It was very frustrating to watch such a great year's performance "evaporate" before our eyes. However, at Rowan Street we try to be as logical and unemotional as possible. Fear is a very strong emotion that can negatively affect investor's judgement, and we are always happy to take advantage of the irrational decisions that take place in the marketplace.

Even though many were spooked by the market volatility in the fourth quarter, at Rowan Street we view volatility as our friend, not our enemy. In fact, assets can fluctuate greatly in price and not be risky as long as they are reasonably certain to deliver increased purchasing power over their holding period. We believe there is no wealth creation without volatility! It is simply the "price of admission" that the market demands you to pay, yet there is so much effort on Wall Street that is dedicated towards minimizing volatility. These efforts are catered towards nurturing clients' emotional well-being while creating an illusion of safety, but almost always come at a huge cost of reducing clients' long term returns.

In the last three months of 2018, and especially in December, Mr. Market has finally given us an opportunity to own businesses that we had dreamed of owning at prices that presented us with some very attractive expected rates of returns. In fact, our internally calculated IRRs (Internal Rate of Return) for the next 3-5 years for these investments are in excess of 20% per annum. We used this difficult quarter to our advantage, and in our view, we entered 2019 with a significantly better quality of companies in our portfolio with much more favorable long term prospects than we've ever had since the funds' inception. Since we are still in the process of building out our new positions, we will be discussing these investments in our future letters.

Thank you again 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,

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APPENDIX

For new investors in our fund, 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.