Q1 2020 & COVID-19 Investor Update

March 31, 2020

Dear Partners,

The table below shows performance figures for the first quarter of 2020 and the cumulative performance (gross) since the beginning of 2018. Please note that Rowan Street Q1 2020 performance figures are preliminary (to be finalized on April 15th), but should give you a good estimate of how the fund performed.

	Rowan Street	S&P 500
Q1 2020	-15.7%	-20.0%
2018-2020	+12.9%	+0.6%

This is our second market update this month. We usually write to you only twice a year. However, in times like these, we believe that communication is of utmost importance, and it's much better to err on the side of more rather than less.

We are not going to pretend to be virologists or to have any deeper insight into the COVID-19 situation than any of you do. After all, we all read the same news and look at the same statistics. What we do know is that all viruses have an expiration date and that we will figure out a way to get through this and that there is a light at the end of the tunnel. Having said that, we will keep our commentary to what we do know - investments.

What would you do if the stock market shut down for the next 5 years?

We believe it's a great mental exercise for all investors to ask themselves this question. We constantly hear the following: *"I think things will get even uglier. I don't want to invest until we get more clarity with the virus."* That is a natural human response to fear. Through years of evolution, we are genetically programmed to survive, to escape all danger, to make ourselves safer. Although this survival instinct may be vital in avoiding being some predators' lunch on the African savannah, it's a huge enemy to your long-term investment returns in the stock market.

You see, when we get more clarity on the COVID-19 situation, we are not the only ones in the world who will be fortunate enough to have that clarity. When that time finally comes, you can be sure that prices are going to be significantly higher. Stock market is a discounting mechanism, and it usually prices things about 6 to 9 months in advance of them showing up in the real economy.

There is no one that can effectively time the market! If it was truly possible, we would definitely see quite a few market timers top the annual Forbes list. Yet, there are no market timers on the Forbes list. Despite the overwhelming evidence that market timing is a futile strategy and can prove to be very damaging to investors' long-term returns, most people can't help themselves but try to time the market. There are a number of professions on Wall Street such as market strategists and economists that dedicate an enormous amount of energy and resources in trying to predict where the market is headed over the next few quarters. We would describe the value-add of most of their forecasts in the following way: they make fortune tellers look good!

At Rowan Street, we are not in a business of timing bottoms. We are in a business of compounding capital for our investors over the long investment horizon! And the only way for us to accomplish that is by owning great businesses over time and buying them at attractive-to-reasonable prices. Guess what? With the market down by a third (the fastest 30% drawdown in history), the attractive prices are already here! Can they get even cheaper? Absolutely they can. But by focusing on that, we would be completely missing the very essence of why we invest in the first place.

We dug up an old article from the 1970s by Warren Buffett that was published in Forbes and found a timeless quote that very much applies to today. After all, there is one thing that never changes - human nature:

"Investors currently opting for lower equity ratios either have a highly negative opinion of future American business results or expect to be nimble enough to dance back into stocks at even lower levels. There may well be some period in the near future when financial markets are demoralized and much better buys are available in equities; that possibility exists at all times. But you can be sure that at such a time the future will seem neither predictable nor pleasant. Those now awaiting a "better time" for equity investing are highly likely to maintain that posture until well into the next bull market."

How has our portfolio weathered the market sell-off thus far?

In the first quarter of 2020, the stock market suffered the worst declines since the financial crisis of 2008. The S&P 500 index declined by 20% and the Dow plunged by 24% (worst first quarter for the Dow in its 135-year history). All in-all, we have been lucky that a good chunk of our top holdings could be characterized as "stay-at-home-stocks". Names like Alibaba, Spotify, Tencent and Netflix have held up pretty well in the first quarter. We have also been lucky and prudent to not own any restaurants, retailers, travel related businesses, banks or oil stocks that were the hardest hit in this downturn.

In addition to the "luck factor", all the companies that we own are great businesses with solid business models designed to endure these testing times. They all have very clean balance sheets with virtually no debt and were purchased at very undemanding valuations in relations to their long-term intrinsic values.

We want to be very clear, however, that our intent in putting together a Rowan portfolio was not necessarily to only own names that look good during the COVID-19 sell-off. While it's comforting to be outperforming by about 430 basis points in the short term in the first quarter, our focus has never shifted from owning the highest quality, enduring companies, managed by people with exceptional skill, integrity and passion for their business.

In fact, we are actively exploiting the current market volatility to our advantage as it presents us with a unique opportunity to own a handful of companies on our "wish list" at valuations not seen in years. These companies are typically much smaller in market caps than our current core holdings, present a longer runway for future growth and have a much higher probability to become multi-baggers over the next 5-10 years holding period.

A unique opportunity to add to your investment in the fund

We would encourage all limited partners in the fund to add to your current investment, if you have an opportunity to do so. This is one of those times when we have a lot more ideas than we have cash to take advantage of them. There is a very high probability that in 3 years we will look at current times as an incredible buying opportunity. As a reminder, the fund is open at the end of each month for new investments.

We hope that all of you stay healthy and safe. Better times are ahead, and we will come out of this much stronger and better positioned on the other end.

Please feel free to contact us with any questions.

Best regards,

Alex and Joe

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.