Rowan Street CAPITAL, LLC

Rowan Street Performance vs. the S&P 500

	The Fund* (A)	S&P 500** (B)	Relative Results (A) - (B)
Q3 2020	14.9%	9.1%	5.8%
2020 (Year-to-date through Sep 30)	38.3%	5.6%	32.7%
2018 - Sep 30, 2020	85.1%	32.5%	52.6%

* Gross of fees. Please see your individual statements for the Net results.

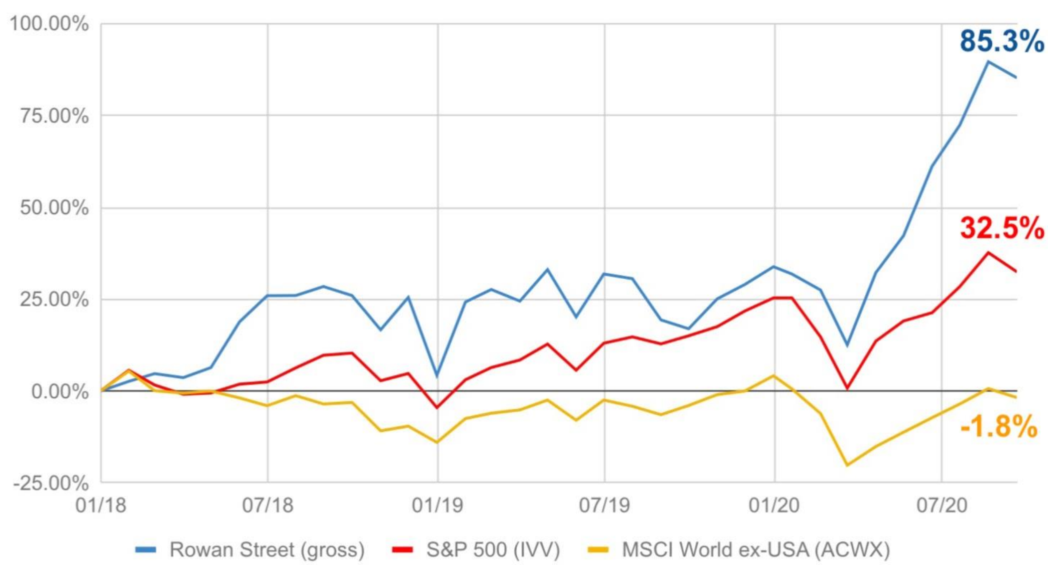
** iShares Core S&P 500 ETF (IVV) tracks an index composed of large-cap U.S. Equities

October 30, 2020

Dear Partners,

We had another very successful quarter. Rowan Street recorded a return of +14.9% (gross), compared to +9.1% for the S&P 500 Index. This brings our 2020 year-to-date return to +38.3% (gross) compared to +5.6% for the S&P 500. Since 2018 (fully invested period), our fund has returned +85.3% (gross) vs. +32.5% for the S&P 500. On an annualized basis, this equates to +25.1% per year vs. +10.8% for the S&P 500.

Investment Performance (Dec 2017 - Sep 2020)



Note: IVV and ACWX performance numbers include dividends reinvested

You should have received your 09/30/2020 account statement from HC Global Fund Services, which shows the value of your interest in the fund, as well as your YTD net returns for 2020 and since inception.

One of our favorite quotes by Blaise Pascal is *"All of humanity's problems stem from man's inability to sit quietly in a room alone."* We believe that a big portion of our success could be attributed to inactivity. We are somewhat the polar opposites to what you may see from many Wall Street fund managers. Majority of investors crave and do a lot of acting and not a whole lot of thinking. We spend most of our time reading and thinking about companies, industries, business models, management teams, incentives, company cultures and capital reinvestment. We pull the trigger only very rarely! If we have one to two ideas per year, we consider that to be a very productive year. We strongly believe that activity is the enemy of returns, and we are quite comfortable doing nothing until there is something to do.

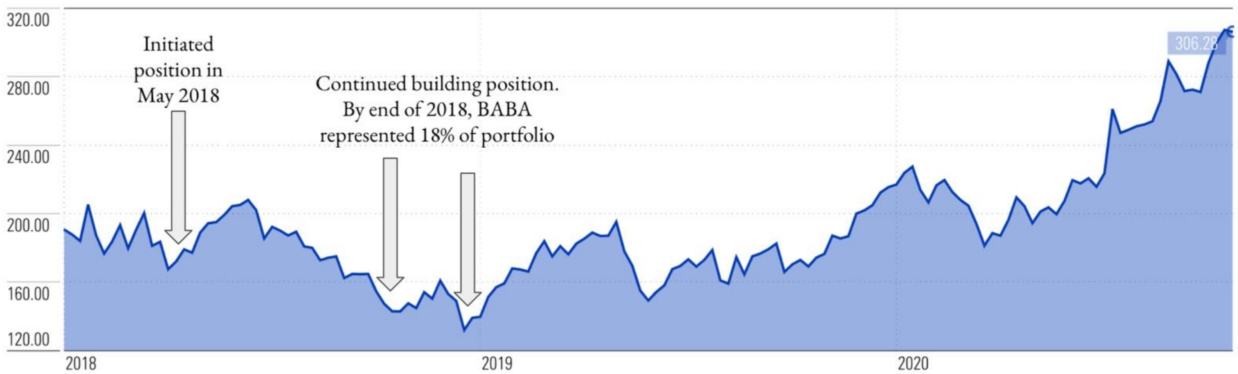
In 2020, we only had two new ideas. One that we added in March when the stock market suffered the worst decline since the financial crisis of 2008, and another one that we just added very recently (and we are quite excited about the long-term prospects of this business). However, the majority of our outperformance this year was driven by the seeds we planted back in 2018. We added these companies to our portfolio opportunistically when Mr. Market casted a negative cloud on them. Here is what we wrote in our 2018 year-end letter:

> *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.*

Since then, these investments have done incredibly well, exceeding our original return expectations. Mr. Market has caught up to the improving fundamentals of these businesses and repriced them back to their intrinsic values, in our opinion. What delights us even more, is that the economic values of these businesses are still growing at 20-30%.

Alibaba (BABA)

We first initiated a position in Alibaba back in May of 2018, and continued adding to our position as the stock continued slipping for the rest of the year as the company fell victim to a broader slowdown in Chinese economy as well as trade tensions with the U.S. Additionally, an earnings miss and a guidance cut, along with the broader market sell-off in December of 2018 cooled off the stock to $130 per share. At that price, we thought the stock was a 'steal' and added aggressively, building out our position to ~18% of the overall portfolio (please see below). Only two years following our investment, the stock has doubled in price as compared to the S&P 500 advance of +27% over the same time period.



We have included a detailed write-up on Alibaba in the Appendix at the end of this letter for those of you that are interested.

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Thank you again for your confidence and trust in our investment discipline. We appreciate the opportunity to create value and to grow your family capital alongside ours. We are currently open to new, thoughtful partners who appreciate our investment approach. If you know someone who you think would be a good fit for our strategy and Rowan Street Capital, please have them reach out to us.

As always, should you have any questions or comments, we would be very happy to hear from you. We look forward to reporting to you again at the end of 2020. Stay healthy and safe!

Best regards,

Alex and Joe

APPENDIX
Alibaba Investment Thesis

Our initial interest in the company was sparked by the book "**Alibaba: The House That Jack Ma Built**", which we had a pleasure of reading back in 2016. We had since followed the company for about two years before our initial investment. Patience is in our DNA!

The book refers to the "Iron Triangle" (E-commerce Edge, Logistics Edge and Finance Edge) as a key factor in making Alibaba such a dominant player in China's e-commerce market. But it is the charisma of the company's founder -- his "Jack Magic" -- that bound together the people and capital who would build on these foundations.

Alibaba's integrated ecosystem connects and controls the whole value chain of branding, broadcasting, sales conversion and sharing. That's very different from how it works in the U.S., where internet giants such as Amazon, Facebook and Alphabet are individually dominant in certain parts of the value chain, but not in the complete manner that Alibaba has achieved. None has an ecosystem that connects the entire marketing and commerce value chain from branding, broadcasting and sales conversion. Alibaba connects the entire value chain.

Demographics and Urbanization

China’s $5.5 trillion domestic consumption market is driven by two massive demographic forces:

(1) The emergence of the middle class of over 300 million people living in large cities. This affluent middle-class population is almost as large as the entire U.S. population and their consumption needs and wants are approaching developed market levels. There is a strong desire of these consumers to upgrade the quality of products they buy, especially the pursuit of brands and imported products. Alibaba’s T-mall platform benefits tremendously from this ongoing trend, and we believe it will continue to be the leading choice for consumers looking for quality and consumption upgrade.

(2) The second massive demographic trend is the rise of urbanization, affecting third, fourth and fifth tier cities. Other than the major metropolitan areas like Shanghai, Beijing and Shenzhen, China has more than 150 cities with a population of at least 1 million people. In aggregate, these lower-tier cities and the surrounding townships have more than 500 million people with a consumption economy of $2.3 trillion. What is happening is the lower-tier cities are urbanizing very fast, with a projected 300 million people that will move from rural areas into these cities over the next 10 years. The economy of these smaller cities will grow faster than the major metropolitan areas. We’ve seen projections that retail consumption from the lower-tier cities and townships will triple from $2.3 trillion today to nearly $7 trillion by the year 2030. That is a compounded annual growth of more than 10% over a long period of time.

We believe that Alibaba is uniquely positioned with a capability to capture opportunities of both the growing middle class in metropolitan areas and urbanization of lower-tier cities.

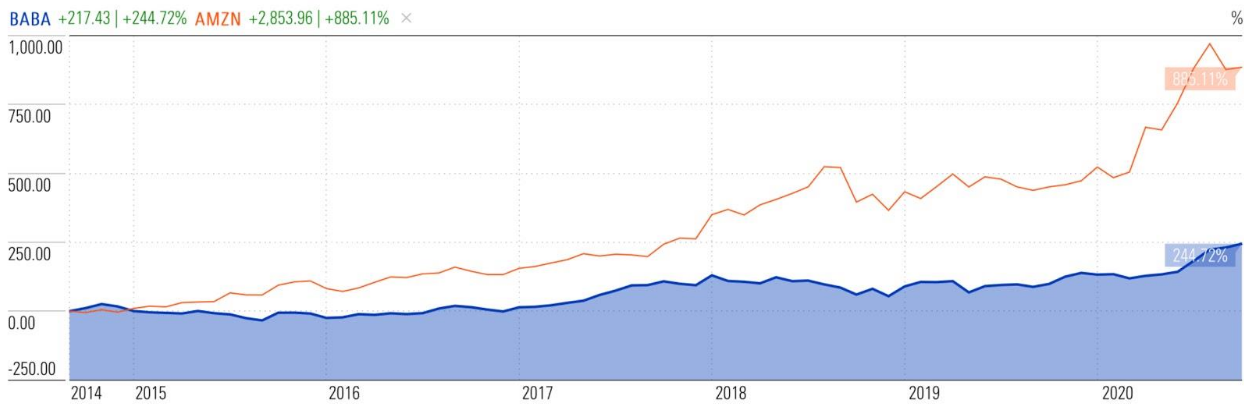
Rapid Pace of Digitization

Over the past 10 years, digitization of the Chinese economy has been driven by smartphones. Because of the convenient and always-connected nature of mobile devices, more and more users are spending more and more time connected to the Internet. This is giving the digital service providers like Alibaba a great feedback loop to understand user trends so that they can rapidly and continuously improve their services. Under all-in mobile strategy, Alibaba has become the leading player in digitizing commerce. They have developed the most sophisticated AI algorithms to serve consumers on its platform, which results in ever-improving user experience as well as increasing monetization opportunities.

Over the next 10 years, digitization of the economy will be further accelerated by the advent of 5G connection and proliferation of IoT (Internet of Things) devices. This will have far-reaching implications for all industries and processes, including public services, manufacturing, supply chain distribution, product development and marketing. By developing these essential technologies of a more digitized world, such as data technology, cloud infrastructure and machine intelligence, Alibaba is very well positioned to help businesses succeed through its new infrastructure for commerce.

Result Since IPO

Alibaba went public in 2014, priced at $68, but the stock first began trading at $93 (9/19/2014). Since then the stock is up 230% in 6 years or 22% per year. This is a very plausible result as compared to the S&P 500. But in comparison, Amazon did an astounding 885% over the same time period or 46% per year (see below).



What happened? Did Amazon grow that much faster than Alibaba?

FY 3/30	BABA Revenues in USD	AMZN Revenues
[illegible]	[illegible]	[illegible]
2013	$5,178	$61,093
2014	$7,876	$74,452
2015	$11,431	$88,988
2016	$15,171	$107,006
2017	$23,741	$135,987
2018	$37,540	$177,866
2019	$56,152	$232,887
2020	$71,985	$280,522
2021E	$97,500	$346,387

Nope. As you can see from the table above, revenues at BABA grew 9x since IPO in 2014 vs. only 3.8x for Amazon over the same time period.

So why such a huge difference in stock performance? A few factors are at play here. But a huge one is paying too much at IPO, even for an outstanding company like Alibaba. There was a ton of hype around Alibaba's IPO and investors were paying 25x revenues at the time. Since then the multiple had contracted to ~8x revenues (2020E) while Amazon P/S multiple has increased by 2.5x from 2x revenues to 5x.

One of the reasons why we think Amazon's multiple has expanded can be explained by its gross margin expansion (from 29% in 2014 to low 40s% recently). Meanwhile, Alibaba's gross margins have contracted quite a bit from 70% in 2014 to ~45% recently. Alibaba has always been a digital marketplace, which does not own the inventory of the merchandise sold, and that merely connects buyers and sellers together. On the other hand, Amazon is a re-seller that owns the inventory and supply chain of its merchandise and sells directly to the customer. Over the past several years, Alibaba's revenue mix shifted towards direct sales businesses such as T-mall and New Retail, which have increased the cost of inventory, while Amazon has made leaps towards connecting buyers and sellers directly. Amazon Cloud (AWS) has also helped boost its overall margins while AliCloud is still very early in the ballgame and not yet profitable.

Another reason for BABA's multiple contraction is the trade war and ongoing political cloud that still casts over Chinese companies while U.S. tech companies get a very healthy premium.

Even though Alibaba's stock has nearly doubled from our cost basis, we continue to be optimistic on its long-term prospects. Despite the uncertainties in macroeconomics and geopolitical environment, there is one thing we can be certain of -- the world is moving towards digital-first and digital everything. In the past two decades, Alibaba has developed a comprehensive infrastructure and capabilities built on digital technology for business, financial services, logistics, cloud computing, and big data to prepare for this new era. Alibaba's management believes that their infrastructure and capabilities will play an important role in enabling all industries to embrace digital transformation and the customers to embrace a digital lifestyle.

<u>Recent Milestones</u>

Alibaba has reached some impressive milestones this year. Despite COVID-19, they have achieved $1 trillion GMV (Gross Merchandise Value), which was a strategic goal set 5 years ago. Their scale has now reached 1/6 of China's total retail sales ($6 trillion). User growth in China has reached 780 million - one out of every two Chinese are now buying on Alibaba platform. They have also been very successful in penetrating Lower Tier cities in China as 70% of user base growth came from lower tier cities.

Management's long-term vision remains very ambitious (just like the $1 trillion GMV goal has been in the past): 2 billion global consumers, 100 million jobs created on its platform and 10 million profitable SMEs (small and medium-sized enterprises) enabled by Alibaba's digital ecosystem. We would not bet against them considering their track record.

<u>AliCloud</u>

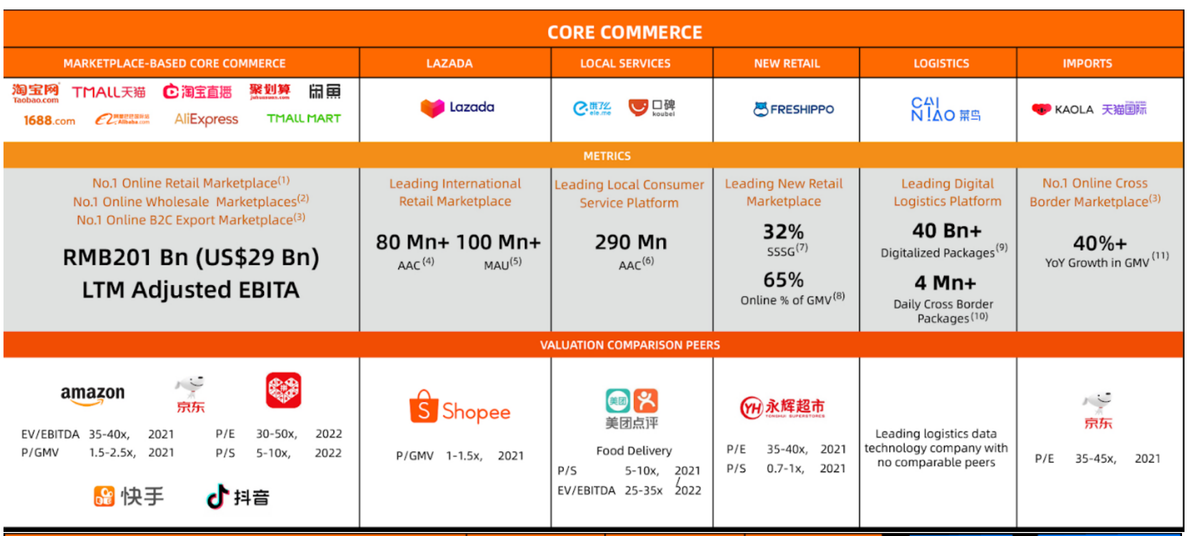
We are also very excited about Alibaba's Cloud business. The China cloud market is going to be somewhere in the $15-20 billion total size range, and the U.S. market is currently about 8x of that. So, the China market is still in its very early stages. Management expects, based on what they have seen from their customers as well as observing the entire market growth, that China's cloud market is going to be a much faster-growing market than the U.S. market.

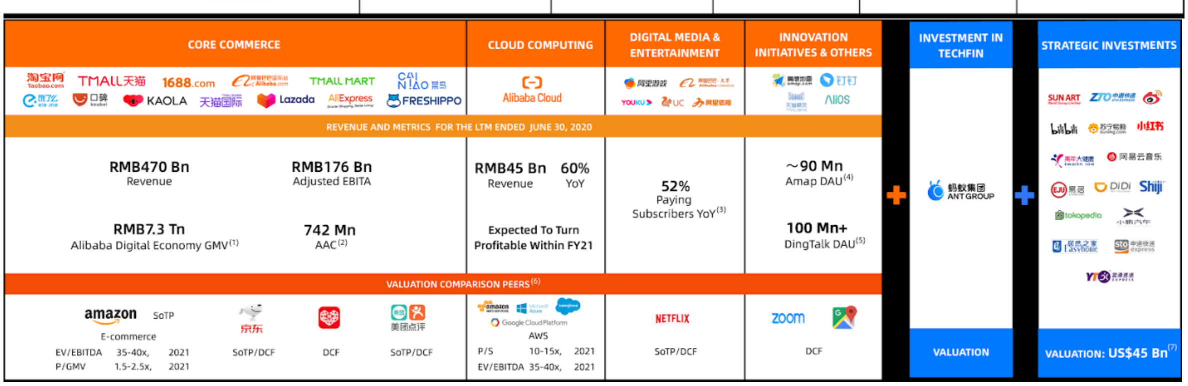
According to IDC (July 2020), Alibaba Cloud was the largest public cloud service provider in China, as measured by market share for IaaS (Infrastructure as a Service) as well as PaaS (Platform as a Service) for the quarter ended March 31, 2020. If we compare AliCloud (~$1.8B in revenues) to AWS ($10.8b in revenues), the former is still about 6x smaller than the latter. However, AliCloud is currently growing at 2x the rate of AWS (60% vs 29%). AWS business is very profitable, earning ~30% operating margins, whereas AliCloud is in the heavy investment mode and is still losing money. Management expects AliCloud to turn potable in 2021 fiscal year. As its scale grows, we expect AliCloud to be increasingly profitable, potentially approaching its core commerce operating margins over time. We think that Mr. Market does not currently appreciate the long-term potential of the AliCloud business.

Valuation Framework

Alibaba recently had its investor day. Management discussed how the current market value of the company is only reflecting the value of their core commerce businesses and not giving any value to other businesses with very high growth. As you can see below, their marketplace-based core commerce business generated $29 billion in adjusted EBITA over the past 12 months. That business is still growing at 35%+, which is astounding for a company of Alibaba's size. If we were to assign a 25x multiple, core commerce would be valued at $725 billion. Now, what is their Cloud Computing Business worth of which we wrote above? What is their stake in the Ant Group worth (currently valued at $313 billion) that will soon go public on the Hong Kong exchange? How about all their strategic investments that are currently valued at $45 billion? Digital Media and Entertainment business?

We believe the odds are still in our favor to earn long-term double-digit compounded returns from our Alibaba investment even from current market levels.





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.