Rowan Street Capital Fund

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Rowan Street Q3 2026 Letter: The Price of Compounding

top of page ABOUT INVESTMENT PHILOSOPHY GUIDING PRINCIPLES WHO WE PARTNER WITH OUR TEAM INVESTOR LETTERS MENU

CLOSE

GET IN TOUCH Rowan Street Q3 2026 Letter: The Price of Compounding Alex Kopelevich 5 days ago 9 min read Dear Partners, The second half of 2026 has been good to us so far. The Fund rebounded 11% in the third quarter, reducing our year-to-date decline to 12% as of September 30. That recovery has continued into October, and as of October 21, the Fund's year-to-date decline had been reduced further to approximately 7%. Meta has been the largest positive contributor to performance this year, with Shopify also contributing meaningfully to the rebound. Since the beginning of Rowan Street's "Next Chapter" in June 2022, the Fund has gained 183%, equivalent to approximately 28% annualized. This period reflects the investment framework we publicly committed to in June 2022 ; our complete historical track record, including the years preceding that transition, is presented in the Appendix at the end of this letter. Top Five Holdings Below are the historical annual returns of the five largest holdings in our portfolio. As the table illustrates, even exceptional businesses can experience significant stock-price volatility from year to year. The underlying businesses, however, rarely change as quickly as their stock prices suggest. Over time, we believe market prices ultimately follow the performance of the business-even if they take a detour or two along the way. The Long-Term Ownership Scorecard (see table below) reflects how we measure success at the individual investment level. We care less about whether a stock moves smoothly from year to year than about the rate at which our capital compounds over the full period of ownership. The most important measure in the table is the internal rate of return (IRR) . We look for businesses capable of compounding earnings, free cash flow, and economic value at rates north of 15% per year-enough to double their intrinsic value every five years. Over longer periods of time, we expect our investment IRRs to broadly reflect that underlying compounding. When that compounding remains intact, the most important decision is often not what to buy next, but whether we have the patience and discipline to stay with a winner long enough for the outcome to become meaningful. The Price of Compounding Meta is now our longest-held investment. We first purchased shares in April 2018, more than eight years ago. Since then, the investment has appreciated approximately 4.4x, equivalent to roughly a 19% annualized return. Looking backward, that sounds almost uneventful. A 19% compounded return over 8+ years is exactly the kind of outcome long-term investors say they are looking for. Living through it was considerably less comfortable. During our ownership, Meta has repeatedly given investors perfectly good reasons to sell. In July 2018, months after Cambridge Analytica, the stock lost roughly $120 billion in a single day, then the largest one-day loss in market history, and it finished the year down about 40% from its peak. In 2022, it fell more than 75% as Apple's privacy changes hit the ad business, TikTok pulled away younger users, and Zuckerberg kept pouring tens of billions into the metaverse over investors' objections. Many concluded its best days

were behind it. And over the past year, while the broader market rose, Meta fell 29% from its peak as investors decided Zuckerberg was burning hundreds of billions on AI while trailing the frontier. Each time, the verdict was the same: he can't come back from this. Each time, he proved his doubters wrong. Each episode came with its own narrative. And each narrative felt especially convincing while the stock price was falling. That is one of the great paradoxes of long-term investing: the extraordinary return looks obvious only after the uncertainty has disappeared. The historical chart eventually compresses years of doubt, drawdowns, criticism and uncomfortable decisions into a smooth-looking compound annual return. Compounding looks smooth in hindsight. Owning the business while it compounds rarely feels that way. You don't get eight years of compounding without living through eight years of volatility, uncertainty, and moments when selling seems perfectly reasonable. Our position in Meta did not become the largest investment in the portfolio because we continually increased its target weight. It became large because the business compounded, the stock followed, and we resisted the temptation to interrupt that compounding simply because the position had become successful. Traditional portfolio management is often wired for action-the implicit belief that if we are not doing something, we are not making progress. That mindset creates endless reasons to sell or trim successful investments: a position has grown beyond an arbitrary maximum weight, the valuation no longer looks attractive, the stock simply stagnates while another story appears more exciting or offers a higher expected return. But if the original objective is to identify exceptional businesses capable of compounding capital for many years, repeatedly trimming the winners can defeat the very purpose of finding them in the first place. In our last letter, we wrote that Rowan Street's greatest evolution was not becoming better at finding exceptional businesses, but becoming better at owning them. Meta is perhaps the clearest example of what we meant. The Trade Desk (TTD): A Six-Year Post-Mortem If Meta illustrates why we are willing to endure volatility when our conviction in the underlying business remains intact, The Trade Desk illustrates what happens when that conviction breaks. We first purchased The Trade Desk (TTD) in March 2020, investing approximately 3% of the portfolio. We never added additional capital. As the business and stock performed, the position eventually grew to roughly 13% of the portfolio and appreciated approximately 6x at its peak. For several years, the thesis worked. The Trade Desk grew rapidly, gained share in digital advertising, and appeared to possess the three characteristics we look for in a long-term compounder: an exceptional business, exceptional founder-led management, and the ability to reinvest capital at attractive rates. Over time, however, two of those gears began to weaken. In our Q3 2025 letter , we wrote that CEO Jeff Green's increasingly vague explanations and lack of accountability had raised concerns. Revenue growth decelerated for six consecutive quarters, from 25.4% to 18.7%, 17.7%, 14.3%, 11.8%, and ultimately 3.0%, followed by guidance implying an approximately 12% year-over-year decline. Management attributed much of the slowdown to macro pressure, yet competitors selling to many of the same advertisers continued growing rapidly, while third-party industry data suggested The Trade Desk was losing share to Amazon. Our concern was no longer simply that growth had slowed. The evidence increasingly suggested that the company's competitive position was weakening. Management's communication reinforced that concern. On the most recent earnings call, the company disclosed connected-TV growth above 50% in Europe and Asia-markets representing only 17% of revenue-while providing no comparable growth figure for the United States, which represents roughly 83% of revenue and sits at the center of the investment thesis. Nothing stated was untrue. But the architecture of what was disclosed told us something important. On the same call, management

acknowledged that proving incrementality-the measurement that would help demonstrate whether The Trade Desk's premium pricing is justified-was an area where the company had "missed a little bit in the last few years," while declining to reconsider that pricing. To us, that raised a fundamental question: if the premium value proposition is becoming harder to demonstrate to customers, how durable is the moat? Governance and leadership changes raised additional concerns. The company has had four CFOs in roughly fourteen months, including a twelve-year veteran who departed on two weeks' notice the same day the stock fell 39%. In July 2025, shareholders were also asked to extend the founder's supervoting control through 2035. The proxy disclosed that the CEO initially proposed eliminating the sunset entirely; the independent committee countered with seven years; he countered with ten; and the committee accepted. One of the three committee members was named CFO two weeks later and terminated five months after that. We had also flagged concerns around incentives and governance years earlier, including a compensation structure heavily tied to stock-price outcomes rather than underlying business performance. We repeatedly discounted those concerns because the company was executing exceptionally well. In hindsight, that was precisely when they were easiest to overlook. Governance concerns are cheapest to take seriously when results are strong-and often most expensive to revisit once performance has already deteriorated. None of these issues, taken individually, necessarily destroys an investment thesis. Taken together-deteriorating growth, apparent share loss, increasingly selective disclosure, governance concerns we had previously discounted, and a widening gap between management's framing and the evidence-we concluded that two of the three gears in our compounding engine had stopped turning. The moat was the first. We underwrote The Trade Desk as the independent platform that would strengthen its position within the open internet as advertising moved there. Instead, the evidence increasingly suggested that its competitive advantage was weakening and becoming harder to demonstrate to customers. Management was the second, and it was the one that made the decision clear. A business can lose ground to a competitor and recover; we have held through exactly that before. What we cannot underwrite is a management team whose account of what is happening no longer matches the evidence available to shareholders. At Rowan Street, management quality is not simply about intelligence or past execution. We want to own businesses run by people who allocate capital rationally, treat shareholders as partners, and communicate candidly when things go wrong. Once trust in that relationship is broken, the hurdle for continued ownership becomes extremely high. By the second quarter of 2026, The Trade Desk no longer met that standard, and we exited the position. Appendix: The Evolution of Rowan Street We include this section in each quarterly letter because we believe Rowan Street's full track record is best understood in the context of how our investment process evolved over time. Over the summer of 2026, I decided to reread every partnership letter we have published since our founding in 2015 to better understand how Rowan Street had evolved over the past eleven years. Rowan Street's first seven years (2015-2022) taught us that identifying exceptional businesses and capturing their extraordinary compounding are two entirely different skills. One of the most surprising discoveries from this analysis was that our long-term returns significantly understated the quality of our research. We had identified many of the businesses that went on to create extraordinary long-term wealth, yet during those first seven years our portfolio process often failed to capture the full economics of being right. We interrupted the compounding of proven winners, reallocated capital toward ideas with higher modeled expected returns, and allowed our forecasts to determine conviction before it had been earned through years of ownership and business execution.

Most importantly, we underestimated how rare truly exceptional businesses are. Those lessons crystallized in June 2022. At the depths of our largest drawdown, we published a letter titled The Next Chapter . It was a public declaration of how we intended to manage Rowan Street going forward-the businesses we were committed to owning, the capital allocation framework we would follow, and the principles that would guide our decisions. The Next Chapter wasn't the beginning of a new philosophy. It was the moment Rowan Street publicly committed to living by the philosophy it had spent seven years developing. Looking back four years later, perhaps the most encouraging conclusion from this analysis is not simply the returns we generated, but how consistently our actions reflected that philosophy. Whether Mr. Market rewarded or challenged our approach, Rowan Street remained remarkably consistent with the principles it committed to in 2022. Business quality-not modeled expected returns-became the primary driver of capital allocation. Conviction was earned through years of ownership and proven business execution. Successful investments were allowed to compound. The portfolio became a natural expression of those principles. In hindsight, our greatest evolution wasn't becoming better at finding exceptional businesses-it was becoming better at owning them. As always, we remain deeply grateful for the trust our partners have placed in us. We continue to have the substantial majority of our own net worth invested alongside yours. That reflects our conviction - not just in the businesses we own today, but in the investment philosophy and decision-making framework we have spent more than a decade refining. 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 in 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 ensure 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). The methodology used to determine the Top 5 holdings is the largest portfolio positions by weight. The top 5 do not reflect all fund positions. The Top 5 can and will vary at any given point and there is no guarantee the fund will meet any specific level of performance. Net returns presented are net of fund expenses and

pro-forma performance fees. Rowan Street Capital does not charge fixed management fees. Tags: The Trade Desk Q3 2026 long-term investing investment letters compounding Rowan Street Capital Meta Platforms Investor Letter

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bottom of page