10-Year Anniversary Letter: The Rowan Street Story

A decade in retrospect is more than just a milestone—it's a time to see patterns of conviction, and of the ability to stay the course when everyone around you suggests otherwise. This letter reflects on how Rowan Street Capital's long-horizon, quality-focused approach has aged. We've made mistakes, learned fundamental lessons, and refined our investment philosophy through both strengths and setbacks.

On this special occasion, we don't just want to look back—we want to distill the essence of our journey into actionable insights for our partners. This letter shares the lessons, the mistakes, the principles we live by, and the path we're charting for the decade ahead.

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The Birth of Rowan Street

Back in 2014, after more than a decade managing over $10 billion in assets for high-net-worth clients at top-tier Wall Street firms, I made the most consequential decision of my career: I walked away from the stability of my Fortune 500 position to launch a boutique investment firm from scratch. Its salary. No guarantees. Just a deep conviction that we could build something different.

But the road to Rowan Street was planted much earlier. Back in 2002, working Robert Engstrom's CFO, Marcus Hight gave me the opportunity—one clerk's position—to learn exactly what I wanted to do with my life.

Of course, that clerk's desk was not the conventional start to an hotshot career trajectory. It also didn't come with capital, connections, or any discount to success. I was a nearly bankrupt student who had borrowed heavily to attend an ivy-league school, and I was hired into an entirely new and untested field of Robert's strategy.

Fast forward to 2014, and I was ready to launch something a startup, to be honest. I reconnected with Jim Moore, whom I'd met years earlier while pursuing the CFA designation. Jim had been managing his family's capital for years, and we had developed a mutual respect for each other's analytical rigor, long-term thinking, and, most importantly, talk about the kind of fund we'd love to run someday.

One evening, over drinks (winter ambitions fueled the power of a good cocktail), we decided over the Manhattan to what would become Rowan Street—on the back of a napkin, no less.

A week later, I quit my job, cashed out my savings, and started my wife Jen in Kansas Rowan Street officially opened its doors with two people, one dream, and a shared belief that the market's focus on quarterly stock-chasing and accelerated trading had created a strategic void ripe for the taking.

Fund goal: Systematically beat the S&P by compounding at 15% annually.

Our time horizon: Five years.

Our edge: Patience and compounding.

Thank you! Jim Moore, Jen Moore.

Our first investors, Jim and Jen, deployed capital and gave us institutional backing, a necessary step for any emerging manager who wants to be taken seriously. Without them, we would have given our first meetings to family and friends, which would have been a much harder way to start.

We had no incredible deal flow. No edge. No Bloomberg terminal. No analysts. We operated out of a spare bedroom. I was the fund's first new-to-operations, drawing annual reports from the dusty warehouse. Rowan was a living, breathing, paper-and-pen operation. It was more hard work than anything else. Every dollar mattered, and we operated like fund with the same discipline we applied to our investments.

2015–2017: The Formative Years

In the early years, our focus was on fundamental research, building relationships, refining our process, testing our investment framework, and learning our discipline. We were disciplined in our approach, but they were tentative, we had to learn, we had to grow.

During this time, we invested in a number of high-quality businesses, many of which turned out to be exceptional long-term performers.

- Bank of America (BAC) – In-store purchase
- Breking Holdings (Ticker: Private) – A.K.A.
- Dick's Sporting Goods (DKS) – A.K.A.
- Fiserv (FISV) – A.K.A.
- Nike Inc. (NKE) – A.K.A.
- Walt Disney (DIS) – A.K.A.

While we had good cases for great businesses, one key lesson from this period unfolded very quickly: we learned to miss our measurements notes and focus on what really drives long-term compounding.

Lesson #1: Ignore the Noise – Focus on What You Can Control

When we first started Rowan Street, we made a common but costly mistake—one that nearly derailed the fund before it even gained traction. We spent too much time and too much mental bandwidth worrying about what we couldn't control.

In 2015, Wall Street was full of strategists who had the market wrong on its large bet. The prevailing consensus was that interest rates would rise and therefore to "play it safe" meant being left out. Bonds were yielding so little yield, investors were forced into Reaching Holding Dividends. It was a tight equity market, quite high valuations, and many people were sitting on the sidelines waiting for a pullback of company-by-to-town. But, about a year, 12th, we really learning that an economic slowdown or a market correction could hit at any moment, and that waiting for perfect conditions was a guaranteed way to miss the long-term. That was the lesson we needed to learn.

That experience shaped three core tenets of Rowan Street's investment philosophy:

> *"Your money may have been for investments preparing for correctness, for waiting on analyst consensus, than from focus from the ground with conviction."*

We had those words before running Rowan Street, but investing isn't truly learned from books—experience is the real teacher. It was strong to understand a lesson intellectually, being through it. We felt the pain of missing out, and we felt the discipline required to stay focused on what we could control, and don't forget.

From that point on, a guiding principle was born: Ignore market predictions and stay focused on the fundamentals. Macro forecasts, interest rates, what the market is doing—all of it is noise. What we do know is how to identify high-quality, well-run businesses that are compounding capital at double digits over the long-term. That, we can do. That's the edge we focus on, and that's what we stick to.

Lesson #2: The First Rule of Compounding – Don't Interrupt It Unnecessarily

At the beginning, we will approved and a clear, value investing mindset, but a lifter for 10 years, that's where it approaches intrinsic value. As soon as a stock reached what we thought was "fair value," we would sell and move on to the next idea. It felt disciplined, it felt rational, and it felt like a solid formula. But over time, I gradually realized I was making a costly error: I was cutting winners too early and I was paying for it.

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Compounding is the most powerful force in finance. The longer a high-quality business stays in the game, the more it can reinvest at high returns, and the more shareholders benefit. But every time we sell a winner early, we interrupt that process. We lock in gains and miss the subsequent compounding that drives real wealth creation.

The mistake wasn't in the analysis—the businesses we sold were still good businesses. The mistake was in the impulse to "lock in a win." In the long-term, it's the winners that pay for the losers, and cutting them short means we don't have enough of them to offset the losers.

Now, we let winners run. We trim when a position becomes too large, or when valuation gets stretched, but we don't sell just because a stock has hit our estimate of fair value. We ask: Is this still a high-quality business with a long runway? Is the management team still allocating capital well? If the answer is yes, we hold. This approach has cost us some "perfect" exits, but it has also allowed us to compound capital at a much higher rate than if we had kept selling too early.

Lesson #3: When Your Thesis Is Right, Bet Big

Many of these investments weren't just high-growth tech plays; they were the modern equivalents of Walt's Cinderella castle—high-quality, cash-flow-generating businesses with durable moats. The realization changed our approach. We stuck with companies with strong, long-term tailwinds, and we started allocating more capital to our highest-conviction ideas.

Lesson #4: The Art of Building a Business – Relationships, Culture, and Patience

Another hard-earned lesson during this period was learning how to build investment partnerships the right way—finding the balance between conviction and patience. Earlier in our career, we had seen firsthand how short-term pressure could distort decision-making, leading to rushed investments, hasty exits, and missed opportunities. I vowed that we would never let that happen to us. We would make an impact even if we were single. Other times we'd just wear a stupid grin a single day, not every—before the company ever found out about it.

Through experience, we learned that even if everything looks great on paper, time needs to confirm the thesis. If a business truly compounds at double digits over the long-term, it will reward patience. Rushing to exit a position to meet a short-term target or to lock in a gain can cut short the compounding that drives real wealth creation. We learned to stick with our thesis, but we also learned to be flexible when the facts changed. If a company's compounding value or competitive advantage begins to fade, we should be able to admit Michael Jordan to jump shots with someone else on the team because he has become, or impact on the team.

Lesson #5: The Power of Saying NO — Finding Excellence and Letting It Compound

One of the most valuable lessons we learned during this period was the power of saying NO. Early on, we felt pressure to chase every idea, to stay busy, to show that we were actively working. The temptation to chase that momentum is strong, but we learned that saying "no" to good ideas allowed us to focus on the best opportunities. Not every idea was bad, but we had to ask: Is this the best use of our time, capital, and attention? If the answer was no, we had to be willing to walk away.

Saying no also forced us to stay disciplined, to wait for the right pitches, and to trust that the best ideas would eventually come to us. Over time, this approach helped us avoid distractions and focus on the opportunities that truly mattered.

2021–2022: The Defining Challenge – Discipline Under Pressure

Every long-term investment journey faces a defining moment, a period that tests whether the strategy, the mindset, and the conviction actually hold up when it matters most. For us, that moment came in 2021–2022. It was the most challenging period we had faced since the fund's inception, and it ultimately proved to be the most clarifying.

The market was euphoric. Speculative trading was rewarded, while quality was ignored. Companies with strong fundamentals underperformed, while weak businesses with compelling narratives soared. Our portfolio was caught in the middle. We had to stick to our process, even when it felt like the world was moving in the opposite direction. This period tested every piece of our framework—our patience, our conviction, our willingness to be different, and our ability to stay the course when everyone around us was questioning our approach.

Lesson #6: Stick to Your Process – Even When It Hurts

Quality companies underperformed, and our portfolio was no exception. We had to stick to our process, even when it felt like the market was rewarding the wrong things. We had to trust that the companies we owned were building long-term value, even if the market was pricing them as if nothing mattered.

This period reinforced a critical lesson: Short-term pressure can distort decision-making, but it doesn't change the fundamentals of great businesses. The temptation to chase momentum or abandon a strategy that isn't working is strong, but the best results come from staying the course and letting the compounding work.

Lesson #7: Conviction Matters – But Flexibility Matters Too

Conviction is essential, but so is flexibility. We had to be willing to admit when a position wasn't working as expected and reassess whether the thesis still held. Sometimes, the right decision was to exit a position, even if we still liked the company, because the opportunity cost was too high. This period reinforced that balance: conviction gives you the courage to stay the course, but flexibility ensures you don't stay in a bad position for too long.

Lesson #8: Volatility Is Not Risk – It's Opportunity

Volatility is not the same as permanent capital loss. The market may price a stock as if it's worth less today than it was last week, but that doesn't mean the underlying business has become less valuable. In fact, volatility often creates the best opportunities—when high-quality companies are temporarily mispriced, we can add to our positions at better prices and improve our long-term returns.

Lesson #9: Patience Is Still the Edge

In a world where everyone is chasing the next big idea, patience is still one of the most powerful edges we have. We don't need to be the smartest person in the room or the first to spot a trend. We just need to be willing to hold high-quality businesses long enough for their compounding to work its magic.

Lesson #10: Surround Yourself with Partners, Not Just Capital

Building a fund isn't just about capital—it's about the people you surround yourself with. We've been fortunate to have partners who understand our process, trust our judgment, and stay the course with us. Their support has been a key part of our success, and we don't take it for granted.

Looking Ahead: The Next Chapter of Rowan Street

As we reflect on the past decade, one thing is clear: investing is a lifelong pursuit. The markets will keep evolving, new ideas will emerge, and the world will change in ways we can't predict. But our core principles—patience, discipline, and a focus on quality—will remain the same.

Looking ahead, we plan to continue refining our process, learning from our mistakes, and staying curious about how the world is changing. The goal isn't to be perfect, it's to be better than we were yesterday.

Thank you for your trust, your partnership, and your support. We wouldn't be here without you, and we don't take that for granted. We look forward to the next chapter and to sharing it with you.

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Our journey so far has reinforced what we've always believed: patience, discipline, and long-term ownership are true game-changers in this business. We've weathered cycles of euphoria and despair, learned from our missteps, and strengthened our investment process along the way. What has never changed is our unwavering commitment to compounding our capital alongside our investors – we've always had our own money in the fund, right next to yours. We will always be in the same boat.

We are profoundly grateful to our partners—both old and new—who have entrusted us with their capital and shared our vision. It takes a rare kind of investor to stick with a long-term strategy when the market tempts you every day with short-term noise. Your trust and patience have allowed us to do what we do best: focus on the long term, ignore the distractions, and invest in truly exceptional businesses.

Looking ahead, we feel more confident than ever about the road before us. The principles that guided us through the highs and lows of the past ten years will continue to serve as our foundation for the next ten and beyond.

What Investors Can Expect from Rowan Street

After a decade of managing capital through all kinds of market environments, we have a deep understanding of what we are good at—and what we are not. At the risk of sounding redundant,

- We have no edge in predicting the economy, the Fed's next move, or the stock market's short-term direction.
- We're not adept at calling exact market bottoms or tops.
- We don't trade frantically, nor do we use leverage, options, shorting, or complex hedges to try to time the market.
- We don't rotate between sectors or chase whatever's "hot" at the moment.

Where we do have an edge is in identifying greatness. Our strength lies in recognizing exceptional businesses run by exceptional owner-operators, buying them at fair prices, and then getting out of their way to let time and compounding work their magic. We are very good at being patient, being disciplined, and saying 'NO' to almost everything that doesn't fit our very strict investment criteria.

Wall Street analysts are incredibly smart—many can build more elaborate models or have deeper knowledge of minutiae. But we understand something they sometimes overlook: human nature. Investing isn't just about numbers; it's about temperament. It's about having the discipline to hold onto great businesses when others are panic-selling, and the restraint to ignore the hype when greed is running wild. As Buffett once said:

> *"To invest successfully over a lifetime does not require a stratospheric IQ, unusual business insights, or inside information. What's needed is a sound intellectual framework for making decisions and the ability to keep emotions from corroding that framework."*

We don't consider ourselves the smartest investors in the room. We just try to be consistently not stupid. We've spent years refining our decision-making framework, and we trust it. That's why we can remain greedy when others are fearful, and fearful when others are greedy. After all, we've always been wired that way.

The Next 10 Years

Our goal remains unchanged: to build enduring wealth by compounding value over the long term, hand-in-hand with you. We will continue to do what we've always done—find great businesses, buy them at fair prices, and let time do the rest. It's not flashy. It's not easy. And at times, it can feel excruciatingly slow. But it works.

As we begin the next decade of Rowan Street, we believe we're entering a period that could offer some of the most attractive opportunities we've seen in years. With fear once again gripping the markets, many exceptional businesses are trading at prices that, in our view, significantly undervalue their long-term potential. These are the moments when our approach shines—when patience, discipline, and a willingness to go against the crowd can really pay off.

For those who share our long-term mindset and believe in the power of compounding, we invite you to stay the course—or consider joining us on this journey.

The best is yet to come.

Warm regards,
Alex & Joe

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