

Rowan Street Q1 2026 Letter

Volatility Is the Price of Admission



ALEX KOPEL
APR 18, 2026



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Share

Dear Partners,

The first quarter of 2026 gave investors plenty to worry about. Rising tensions in the Middle East pushed oil prices higher, inflation concerns resurfaced, and the long-anticipated pivot to lower interest rates continues to be postponed. Markets, never short on imagination, have begun spinning familiar narratives: that expensive money punishes growth, that AI's promises may exceed its near-term returns, and that the safer bet lies in energy, cyclicals, and businesses whose cash flows arrive sooner rather than later. There is also a growing fear that AI itself may disrupt entire categories of existing software businesses — rendering yesterday's winners obsolete overnight.

We will not pretend these concerns are frivolous. They are not. When the cost of capital rises, the arithmetic of investing genuinely changes — a dollar earned a decade from now is worth less today than it was in a world of cheap money. That is not opinion; it is math. And we have always believed in taking math seriously.

But here is what we have also learned, after watching markets swing from greed to panic across many cycles: the headlines that feel most urgent are rarely the ones that determine long-term outcomes. The businesses that compound wealth over decades do so not because they were spared from difficult environments, but because they were built to endure them. We have spent the past decade building a portfolio of exactly that kind.

None of what we are seeing today is new. Different costumes, same play.

Performance in Context

During the first quarter, Rowan Street declined 19.8%, compared to a 4.3% decline for the S&P 500. That is not a result we enjoy reporting. At the same time, it reflects the more concentrated approach we take and is not unusual for portfolios built around a smaller number of high-conviction investments.

We invest in a focused group of businesses that we believe can compound value at attractive rates over long periods of time. In the short term, their stock prices can be more volatile—particularly in environments like the one we are experiencing today,

where interest rates are higher and investor focus has shifted toward businesses with nearer-term cash flows.

Rowan Street is designed for long-term compounding volatility or closely tracking a benchmark. As a result from year to year.

We have seen this before.

In early 2022, we went through a similar period when even as the underlying businesses continued to perform that the portfolio was, in many ways, in one of the st despite the decline in stock prices.

That did not feel obvious at the time. What followed performance ultimately reasserted itself. The fund re +56.6% in 2024, and +11.1% in 2025.

As Benjamin Graham observed:

"In the short run, the market is a voting machine, but in the long run, it is a weighing machine."

A Post-Quarter Update

We are writing this letter in mid-April, approximately two weeks after quarter-end. Since March 31, markets have moved sharply — and our portfolio has recovered approximately half of the first quarter decline. Based on our internal estimates as of April 17, year-to-date performance stands at approximately -10%, compared to the official quarter-end figure of -19.8%. *We note that this mid-month figure is an internal estimate only, has not been verified by our fund administrator, and reflects only a partial month.*

We share this not to suggest the difficult period is behind us — it may not be. We share it because it illustrates precisely the point we are making throughout this letter. The fundamentals of the businesses we own have not changed. Their competitive positions, earnings power, and long-term prospects remain intact, in our view. What changed was the price multiple. This is what long-term ownership of exceptional businesses actually looks like. Price and value diverge. Sometimes dramatically. The investors who benefit are those with the temperament to remain focused on the underlying businesses, not the day-to-day movements of their stock prices.



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Volatility is the Price of Admission

The table below shows the annual returns of our largest holdings by portfolio weight as of March 31, 2026 and illustrates a simple reality of long-term investing: even exceptional businesses experience significant volatility. We have included an April 17 column to reflect the meaningful recovery in our portfolio since quarter-end, as discussed in the Performance section above. The figures reflect annual stock price returns and do not represent Rowan Street Capital fund performance or returns achieved by the fund on these positions.

Ticker	Company Name	Own Since	Own							2026	
			2019	2020	2021	2022	2023	2024	2025	As of 3/31	As of 4/17
META	Meta Platforms	April 2018	57%	33%	23%	-64%	194%	66%	13%	-13%	6%
TSLA	Tesla Inc	Feb 2025	26%	743%	50%	-65%	102%	63%	11%	-17%	-9%
SHOP	Shopify Inc	Feb 2022	187%	185%	22%	-75%	124%	37%	51%	-26%	-17%
CVE:TOI	Topicus.Com Inc	Mar 2021			83%	-39%	30%	29%	7%	-28%	-18%
TSE:CSU	Constellation Software	Jan 2026	53%	30%	43%	-9%	55%	37%	-26%	-24%	-18%
NFLX	Netflix Inc	Dec 2019	21%	67%	11%	-51%	65%	83%	5%	3%	7%

Source: Rowan Street Capital LLC, Morningstar

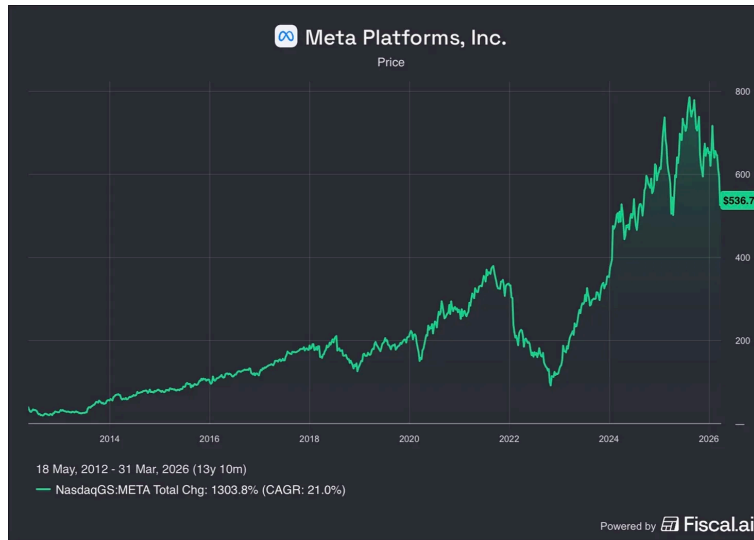
The April 17 column tells its own story — and it is the same story this letter is built around. This is what long-term ownership actually looks like in practice. Not a smooth upward line — but a recurring series of gains, losses, and tests of conviction. Drawdowns of 30%, 50%, even 75% are not unusual. They are a recurring feature of owning exceptional businesses — not anomalies.

Everyone describes themselves as a long-term investor. Very few are willing to endure what that actually looks like. Volatility is the price of admission.

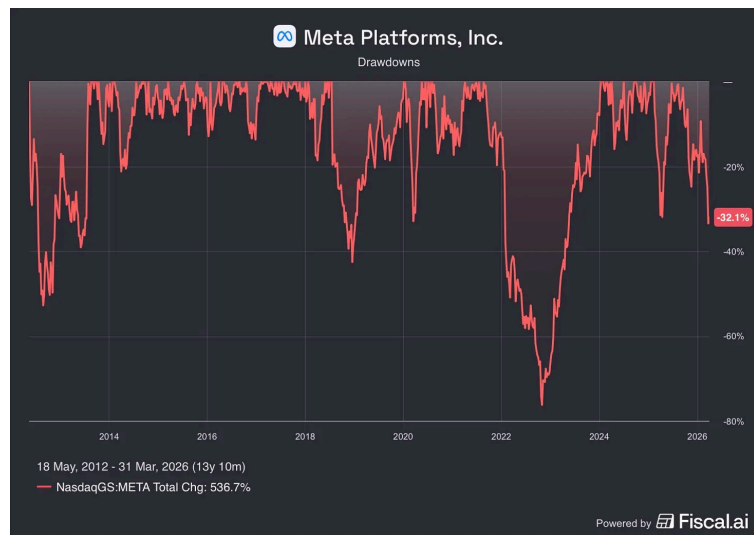
The charts that follow bring this pattern to life across three of our largest holdings — Meta Platforms, Tesla, and Shopify. Different businesses, different drawdowns, same lesson.

Meta Platforms (META)

Meta has delivered a cumulative return of approximately 1,300% since its IPO, or about 21% annually. The path to those returns, however, has been anything but smooth.



Over the past decade, the stock has experienced numerous drawdowns of 30% or more, several declines of 50% or more, and, most notably, a decline of nearly 80% in 2022.



These periods were not isolated events — they were a recurring feature of owning this business. And yet for those who remained focused on the underlying fundamentals, the long-term outcome has been exceptional.

We believe today represents one of the most compelling opportunities in Meta we have seen since 2022. Please read our full analysis below — including our views on the AI spending debate, the recent legal setbacks, and why we believe the market may be repeating a familiar mistake.



Meta Platforms: When Price and Value Diverge

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Tesla (TSLA)

Tesla provides an even more striking example—not just of volatility, but of how disproportionate long-term outcomes can be relative to the experience along the way.

Since its IPO in 2010, the stock has delivered a cumulative return of approximately 22,000%, or about 41% annually. Looking at that result today, the path can appear almost inevitable. In reality, it was anything but.



There were multiple periods along the way where the stock declined sharply—on numerous occasions by more than 50%, and once by over 70%—often accompanied by shifting narratives around the business. At different points, the concerns ranged from questions about the company’s survival, to valuation, to increasing competition, founder behavior and execution risk.

Each of those moments felt uncertain in real time. And yet, for investors who were able to remain focused on the long-term trajectory of the business, the outcome has been extraordinary.

The biggest winners rarely feel comfortable to own.



While Tesla has demonstrated this pattern over many years, our ownership of the business is still relatively recent.

We outlined our investment thesis in detail in our [Q3 2025 letter](#), and our view remains unchanged. From here, our role is not to predict short-term movements, but to remain disciplined and allow the long-term economics of the business to play out.

Shopify (SHOP)

Shopify has been an exceptional business over time, compounding at over 40% annually since its IPO.



The path to those returns, however, has been far from smooth, including several sharp drawdowns and a decline of more than 80% in 2022.



We experienced this firsthand. After initiating our position in early 2022, the stock declined by an additional ~50%. We believed the drawdown reflected multiple compression, not fundamental deterioration. The business continued to grow revenues, expand its merchant ecosystem, and strengthen its competitive position. The price was broken. The company was not.

It did not feel good. The best opportunities rarely do.

What followed was a long and uncomfortable period of patience before payoff. The stock rebounded 124% in 2023 — and yet we were still underwater on our investment. It was not until 2024 — when Shopify generated over \$1 billion in operating profit for the first time and the stock gained another 37% — that we finally got our capital back and began generating real returns. The stock then rose 51% in 2025, making it our best performer of the year.

Three years of patience. Three years of watching the business execute while the stock tested our conviction repeatedly.

More recently the stock has again declined meaningfully — down 26% at quarter-end, though it has since recovered to approximately -17% as of mid-April. There is nothing unusual about that. It is the same pattern, playing out again.

Shopify is a clear example of why patience — especially through periods of valuation compression — is often required before fundamentals are fully reflected in stock prices. In our experience, the returns in businesses like Shopify are earned by those willing to endure periods when stock prices and business performance temporarily move in opposite directions.

Underlying Business Performance

Despite the recent decline in stock prices, the underlying businesses we own continue to perform well. Based on current estimates, our portfolio companies are expected to grow revenues at approximately 18% annually and earnings at approximately 21% annually over the next several years. These figures represent a weighted average across a group of businesses operating in different industries and geographies.

In our experience, periods like this — when price and value diverge — have consistently provided the most attractive investment opportunities.

In our [Q2 2025 letter](#), we wrote that our edge does not come from predicting short-term market movements, but from our willingness to own a concentrated group of high-quality businesses and remain focused on their long-term compounding potential.

That principle is far easier to articulate when markets are rising than when they are declining. Periods like the one we are experiencing today are when that discipline is tested — and, in our view, when it matters most.

Portfolio Update: Constellation Software

During the quarter, we initiated a position in Constellation Software (TSE: CSU), funded by the sale of the remainder of our Spotify position. Constellation is one of the most exceptional capital allocation platforms in the public markets — a company that has compounded shareholder capital at approximately 28% annually since its 2006 IPO by systematically acquiring and operating mission-critical vertical market software businesses. The stock has recently declined approximately 50% from its highs, creating what we believe is a rare entry point into a business of this quality. For those interested in a detailed discussion of our investment thesis — including our views on the AI disruption narrative and the recent leadership transition — we have published a full write-up on our Substack.



Our Investment in Constellation Software Amid Elevated Uncertainty

ALEX KOPEL • APR 10

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The Opportunity Today

We want to be direct with our partners and with anyone considering investing alongside us for the first time.

We have been here before — not just as observers, but as participants with real stakes. In 2021-2022, when our portfolio declined sharply we remained focused on the underlying businesses and their long-term prospects. We wrote at the time that we believed the portfolio was in one of the strongest positions in its history. Few wanted

to hear it. Even fewer wanted to invest. What followed was a cumulative net return of approximately +252% over the subsequent three-year period (2023–2025).

We are not promising a repeat. No honest investor can make that claim.

But here is what we can say with conviction: the businesses we own today are stronger than they were in 2022. Their competitive positions are deeper, their earnings power is greater, and their long-term opportunities are larger. In many ways, we believe this is the strongest and most focused portfolio we have built since our inception in 2015 — a small group of exceptional businesses that have each been tested through adversity and emerged with their competitive positions intact or strengthened.

And yet their stock prices have declined meaningfully from recent highs. In our view, the gap between what these businesses are worth and what the market is willing to pay for them today is as wide as it has been since that period.

We have invested a significant majority of our personal net worth alongside yours. We earn nothing unless our partners make money. That is not a marketing line — it is the structure we chose deliberately on day one, because we believe it is the only honest way to manage other people's capital.

Periods like this are never comfortable. They were not comfortable in 2022, and they are not comfortable today. But in our eleven years of managing capital through euphoria and despair, one lesson has proven itself repeatedly: it is precisely in these moments — when prices are low, sentiment is poor, and patience feels unrewarded — that the most important long-term returns are made.

To our existing partners — thank you for your continued trust and patience. We have been here before, and we remain as convicted as ever in the businesses we own together. If your circumstances allow, we believe adding to your investment at current levels represents one of the more compelling opportunities we have seen since 2022.

To those considering investing alongside us for the first time — if this way of thinking resonates with you, we would welcome the opportunity to partner over the long term.

Best regards,

Alex and Joe

About Rowan Street Capital

Rowan Street Capital is a long-term, concentrated investment partnership founded in 2015 by Alex Kopel and Joe Maas. We are patient owners of a carefully selected group

of exceptional businesses, investing alongside founder-operators and management teams who build durable value over time. We charge no fixed management fees — our compensation is tied directly to the performance of our partners' capital.

If our way of thinking resonates with you, we invite you to follow our work on Substack and explore our full investment philosophy at rowanstreet.com.

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