

Rowan Street Q3 2025 Letter

From Good to Great: Why We Reallocated from Spotify to Tesla



ALEX KOPEL
OCT 23, 2025



Share

Dear Partners,

Our fund was essentially unchanged in the third quarter (+0.22%), bringing year-to-date returns through September 30, 2025, to +20.4% net of fees. In comparison, the S&P 500 gained approximately +14.8% year-to-date.

Over the past three years, we've enjoyed a remarkable run, compounding capital at approximately +54.2% annually (net), delivering a +266% cumulative return — more than doubling the S&P 500's +24.9% annualized gain over the same period. These are rare numbers — and while we don't expect this pace to continue indefinitely, they illustrate what's possible when our investment philosophy is applied with discipline, patience, and conviction.

Our performance wasn't driven by fads or short-term tactics, but by a disciplined adherence to a process refined through years of experience, mistakes, and reflection. Today, we manage what we believe is the strongest and most focused portfolio in our history — anchored by a small group of exceptional businesses led by world-class owner-operators who allocate capital with skill, integrity, and long-term vision.

Year	Gross	Net *
2015 (Inception March 15)	0.4%	0.4%
2016	10.7%	7.4%
2017	8.4%	6.3%
2018	4.3%	-1.2%
2019	28.3%	26.9%
2020	65.4%	48.2%
2021	-19.3%	-20.3%
2022	-61.1%	-61.2%
2023	103.2%	102.6%
2024	57.0%	56.6%
2025 (as of Sept 30)	24.5%	20.4%

Compounded Annual Return as of September 30, 2025:

1 Yr	37.0%	32.4%
3 Yr	56.2%	54.2%
5 Yr	8.3%	6.3%
10 Yr	12.7%	10.0%
Since Inception	12.1%	9.2%

* Net of fund expenses and pro-forma performance fees. Rowan Street Capital does not charge fixed management fees.

When Conviction Matters Most

Three years ago, in our [Q3 2022 letter](#), we wrote about the importance of staying disciplined through uncertainty — of owning exceptional businesses and letting time and compounding do the heavy lifting. At the time, markets were dominated by pessimism, and our focus on long-term ownership felt almost contrarian.

But those who have been with us through the years know that moments like 2022 are when conviction matters most. Every time we've pounded the table — when fear was highest and sentiment most negative — it has ultimately proven to be a great opportunity for long-term investors in Rowan Street. When we take a strong stand like that, it's usually worth paying attention — and, for those able, adding to their investment alongside us.

What has unfolded since then is a powerful reminder of why we invest the way we do. The patience and conviction that felt uncomfortable in 2022 became the foundation for one of the most rewarding periods in our partnership’s history.

Our Portfolio: Long-Term Compounding in Action

Listed in the table below are our core holdings, sorted by their weighting in the portfolio (from highest to lowest). These positions represent the businesses in which we have the highest conviction and alignment with exceptional owner-operators.

Core Portfolio Holdings: Performance Summary

Rank		Company Name	Date of Purchase	Holding Period (Years)	% Realized	Total Return	Total Return Multiple	Internal Rate of Return (IRR)
1		Meta Platforms Inc	April 2018	7.5	0%	316%	4.2x	22%
2		Shopify Inc	Feb 2022	3.6	0%	151%	2.5x	22%
3		Tesla Inc	Feb 2025	0.6	0%	76%	1.8x	22%
4		Spotify Technology SA	May 2018	7.4	85%			11%
5		Topicus.Com Inc	Mar 2021	4.6	0%	113%	2.1x	11%
6		Netflix Inc	Dec 2019	5.8	0%	229%	3.3x	22%
7		Dino Polska SA	Jun 2024	1.3	0%	30%	1.3x	22%
8		Adyen Unsponsored Netherl	Aug 2023	2.1	0%	115%	2.2x	4%
9		Trade Desk Inc	Mar 2020	5.6	0%	182%	2.8x	22%

Note: IRRs are calculated on a cash-weighted basis, incorporating all capital invested, realized proceeds (if any), and the market value of remaining shares as of September 30, 2025. Spotify (SPOT) represents a partially realized investment — approximately 85% of the original position has been sold.

Meta Platforms (META) has been our largest holding for several years and remains one of the best examples of what long-term ownership in an exceptional business can deliver. Since our initial purchase more than seven years ago, Meta has compounded over 21% annually — a testament to its enduring competitive advantages, operational excellence, and the compounding power of time. We’ll keep our commentary brief here, as we’ve discussed Meta extensively in [prior letters](#) — its journey illustrates the benefits of patience, conviction, and alignment with a world-class founder-operator.

Shopify (SHOP) has been in our portfolio for just over three years and has compounded at 29% annually. It has also been our best performer in 2025, driven by operating leverage, margin expansion, and renewed investor confidence in its long-term growth prospects. Shopify continues to strengthen its ecosystem through product innovation, deeper merchant integration, and new AI-driven tools — including a recent partnership with ChatGPT — all under the guidance of a founder-led management team that remains laser-focused on durable, long-term value creation.

Tesla (TSLA) is our newest idea, which we'll discuss in detail later in the letter. Since initiating the position earlier this year, it has appreciated roughly 76%. While we've only owned it for seven months and it's too early to determine what kind of IRR it will ultimately deliver, Tesla embodies exactly the type of founder-led, competitively advantaged business we aim to own for many years.

Spotify (SPOT) has been part of our portfolio for more than seven years — a holding period that we aim for when we make an initial purchase. While we've sold approximately 85% of our original position over time, Spotify has delivered a long-term internal rate of return (IRR) of roughly 13%. Our IRR calculation reflects the true, compounded weighting of capital — incorporating all capital invested, proceeds from partial sales, and the current market value of remaining shares. At one point, Spotify represented more than 20% of the portfolio, but over time we concluded that the strength and durability of its moat did not justify such a large weighting. Much of the realized capital from those trims was redeployed into new ideas such as Adyen, Din Polska, and most recently Tesla, which we'll discuss later in this letter. Today, Spotify remains a meaningful 7.8% position — a level more consistent with our view of its competitive advantages and long-term prospects.

Topicus (CVE:TOI), which we've owned for about four years, has compounded at roughly 18% annually. A European spin-out of Constellation Software, Topicus embodies the same disciplined, decentralized model — acquiring niche vertical market software businesses with recurring revenue, high returns on capital, and str

cash generation. It's a steady, capital-light compounder that quietly builds long-term value year after year.

Netflix (NFLX) has been in our portfolio for over five years and has compounded at 23% annually. The past three years have been especially telling. When the stock collapsed in 2022 amid fears of saturation and rising competition, we stayed patient, confident in the company's pricing power, global scale, and unrivaled content engine. Since then, Netflix has proven its resilience, reigniting growth through paid sharing, advertising, and improved content efficiency. It's a powerful reminder that truly exceptional businesses often emerge from temporary doubt stronger than before.

Dino Polska (WSE:DNP), added in 2024, has already gained around 30% since our purchase — a strong start for a business we expect to grow steadily for many years. Dino operates a fast-growing, vertically integrated grocery chain in Poland, combining local store ownership with centralized distribution and private-label sourcing. Its moat lies in cost efficiency, local scale advantages, and ownership of key assets — enabling Dino to deliver low prices profitably while deepening loyalty among Polish consumers. We see it as a classic Rowan-style compounder: simple, focused, and built for long-term value creation in a still underpenetrated market.

Adyen (ADYEY), acquired in 2023, has compounded at an exceptional 44% annualized rate so far. We initiated our position during a period of extreme pessimism, after the stock collapsed nearly 50% on fears of slowing growth and margin compression. In view, the market overreacted to short-term headwinds, missing the deeper story: Adyen is the only global payments platform built entirely in-house for the most complex enterprise merchants — a unified architecture that gives it a structural advantage competitors can't replicate. As fundamentals quickly stabilized and growth reaccelerated, the stock rebounded sharply — rewarding our willingness to lean in when sentiment was darkest. We continue to view Adyen as one of the highest-quality fintech businesses in the world, led by a shareholder-aligned team that thinks long term.

The Trade Desk (TTD), which we first purchased in March 2020 during the depths of the COVID panic, has compounded at roughly 20% annually. In 2025 though it has been our weakest performer, declining more than 50% as the market questioned whether recent growth slowdown is cyclical or more structural in nature. While we continue to admire the business, recent management communication has raised concerns. CEC Jeff Green's handling of the past two earnings calls — marked by vague explanation and a lack of accountability — gave us pause. Exceptional leaders reveal their character in adversity, and this has been his first true test. The position has naturally declined to about 4.5% of the portfolio, and we're content to let performance dictate future weight. If execution improves, it will naturally grow into a larger holding; if not, our low cost basis protects us.

As always, time will be the ultimate judge — our goal is to turn every holding into a long-term compounding engine within Rowan Street's portfolio.

Why This Matters

Collectively, these holdings capture the essence of what we strive to do at Rowan Street — own a small group of exceptional businesses for many years and let compounding quietly do the heavy lifting.

Our IRR framework reflects how we measure success at the individual investment level. If the businesses we own continue to compound at 15–20%+ annual rates, our process is working — even if the fund's overall record hasn't yet fully reflected that compounding due to the higher turnover of our earlier years.

Over time, the power of patience and discipline will close that gap — just as it always does for those who think and act like true owners.

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New Addition: Tesla (TSLA)

In 2025, we made just one new investment — Tesla — during a period of widespread pessimism. Back in March and April, sentiment around the company and its CEO was near rock bottom. Headlines were dominated by controversy, and investors were fleeing what they perceived as chaos. We saw an opportunity.

This is precisely what we do at Rowan Street. Our sweet spot is patiently waiting for moments of dislocation — and stepping in with conviction while others hesitate. It's how we built many of our most successful positions: Meta in 2018 and again in 2022 when sentiment was bleak... Shopify during the 2022 tech collapse... Spotify and Netflix, which we were buying in early 2022 precisely when others — including some of the most respected investors in the world — were throwing in the towel. We applied the same philosophy with Adyen in 2023, after the market overreacted to short-term margin pressure, and again with Dino Polska in 2024, when the stock sold off sharply following a temporary slowdown in revenue growth and margin compression, driven by deflationary food prices and higher marketing expenses.

Each of these investments came from the same discipline — waiting patiently for quality to get mispriced, then acting boldly when it does. This is the essence of how we operate: conviction through dislocation. Tesla is simply the latest expression of that philosophy.

We initiated our position at roughly \$235 per share, investing about 8% of our capital at cost. Since then, the stock has appreciated roughly 75%, and it now represents around 12% of our portfolio — quickly becoming the third-largest position in the fund. While we never anchor our conviction to short-term price moves, that early performance serves as a reminder that markets occasionally offer brief windows of mispricing — and that our job is simply to act with conviction when they do.

We've followed Tesla for years. In fact, we first studied it deeply back in 2020 after reading Ashlee Vance's biography of Elon Musk. I remember being mesmerized by Musk — a rare combination of vision, determination, extreme focus, and relentless work ethic that sets him apart even among the greats like Jobs, Bezos, Gates, and Zuckerberg. His vision often feels as if it came straight out of a science fiction novel and yet, he always finds ways to make it real.

Back then, Tesla was still a car company — capital-intensive, vulnerable to macro shocks, and far from the multi-layered moats it has since built. Our admiration for Musk's brilliance wasn't yet matched by conviction in the business's long-term durability. That patience cost us a tenfold gain. Mr. Market can be a tough teacher — and he charges full tuition, upfront. But it bought us something more valuable: perspective. It taught us that timing and conviction must align — and that a true understanding of a business's moat takes years to mature.

Fast forward to today: Tesla has evolved into one of the most formidable and strategically advantaged companies in the world — combining manufacturing excellence, data dominance, and real-world AI leadership in a way no other company has achieved. What once looked like a car company now resembles a vertically integrated technology and energy platform with multiple self-reinforcing moats.

Tesla's Multi-Layered Moat

1. Manufacturing Scale & Integration — The Foundation

Tesla's manufacturing advantage is the foundation of everything else. The factory it is the product — a masterpiece of vertical integration and engineering efficiency. From gigacasting and structural battery packs to “Dojo-in-the-loop” manufacturing optimization, Tesla builds what no one else can replicate at scale.

Most competitors are still in the “production hell” Tesla survived years ago. The result is a cost structure and speed of innovation that traditional automakers can't match.

This isn't just a car company — it's a manufacturing flywheel compounding know-l and efficiency every quarter.

2. The Data Flywheel (FSD & AI) — Tesla's Brain

With over six million vehicles on the road feeding billions of miles of real-world driving data into Tesla's neural networks, the company has built the largest autonomous-driving dataset on Earth — a compounding advantage that grows stronger every day. Each mile driven improves Tesla's Full Self-Driving system, which makes the cars safer and more capable, attracting more drivers, generating more data — the essence of a flywheel.

Tesla's proprietary AI stack, powered by Dojo, processes an ocean of video data to train neural networks that handle the unpredictable situations human drivers face daily. Unlike competitors relying on synthetic data or geofenced testing, Tesla learns in the real world, from the real world.

To understand the economics, consider utilization. A typical car is used only 10 hours per week out of 168 — roughly 6% of the time. Once fully autonomous, that same vehicle could operate 50 to 60 hours a week, delivering passengers by day and cargo at night. As Musk put it: "A car that used to sit idle 90% of the time can now work for you while you sleep. That increase in utilization could represent the largest asset value increase in human history."

Tesla's advantage isn't just data — it's approach. Competitors like Waymo rely on expensive sensor suites and low-volume production, which makes their systems economically unscalable. Musk noted: "Waymo's cars cost four or five times more to make and are produced in tiny quantities. Tesla's cost 20–25% as much and are made in the millions."

That's why Tesla's AI improves exponentially faster. Every car on the road is a data-gathering node that makes the system smarter.

Tesla has even solved the hardest edge cases — driving toward direct sunlight, in fog or at night — using a “direct photon count” approach that bypasses traditional image processing. As Musk explained, “We can see in what appears to be the blackest of night, and through fog, probably better than the average person.”

This combination of scale, cost efficiency, and technical mastery gives Tesla a moat few companies in history can match.

3. Distribution & Ecosystem Lock-In — The Network

Tesla’s direct-to-consumer model keeps its brand and customer relationships unmediated by dealers. Its global Supercharger network — now becoming the standard even for competitors — adds another layer of lock-in. Every Tesla on the road is a connected device receiving over-the-air software updates, FSD upgrades, and API-based integrations. This creates network effects and switching costs that compound over time.

4. Brand & Aspiration — The Emotion

Tesla isn’t just an automaker; it’s a cultural symbol of progress and innovation. Like Apple, it evokes status and emotional connection — customers don’t just buy a Tesla; they join a movement. That kind of brand power is rare and deeply durable.

5. Platform Optionality — The Future

Tesla’s final layer of advantage lies in its expanding platform. Full Self-Driving and a future robotaxi network could transform every Tesla from a depreciating asset into an income-producing one. Energy storage and Megapacks extend the business into the global power grid, while Optimus — Tesla’s humanoid robot — pushes its AI and manufacturing capabilities into entirely new industries. Musk has stated that ~80% of Tesla’s value will be Optimus humanoid robots, and that he believes Optimus will be the biggest product of all time by far.

Crucially, Tesla's decision to operate its own robotaxi network — instead of partnering with Uber — further strengthens that moat. It's classic Musk: vertically integrate everything that matters. Uber's business model depends on paying human drivers, and it captures roughly 75% of every fare, while Tesla's robotaxis eliminate that cost entirely. Without drivers, Tesla's cost per mile collapses, allowing it to offer cheaper rides while earning superior margins.

For context, Uber today has about six million active drivers and couriers globally — translating to only a few million cars on the road at any given time, most of which sit idle for roughly 90% of the week. Once autonomous, Tesla's vehicles could operate 10 to ten times more hours per week — say, 50 to 60 hours instead of 10 — effectively turning 400,000 robotaxis into the capacity of two million traditional vehicles. Combine that with zero driver costs and no 25–30% platform fee to Uber, and the economics tilt decisively in Tesla's favor.

By controlling the full stack — manufacturing, software, and network — Tesla keeps the economics, pricing power, and customer relationship entirely in-house. That vertical integration gives Musk freedom to experiment with ultra-low pricing, even the point of making car ownership unnecessary. His goal isn't to participate in Uber's model — it's to make it obsolete.

If Tesla executes on this vision, it could become one of the most valuable companies in history — perhaps, as Musk said, “worth more than the next five companies combined.” That may sound audacious, but so did reusable rockets, mass-market EVs, and landing boosters on drone ships — until he made them real.

Most great companies have one primary moat. Tesla is building at least five, all reinforcing one another. That's why it could become one of the widest and most durable competitive moats of our era — more akin to a modern-day Standard Oil or Apple than to a traditional automaker.

In Tesla, we see the rare combination of visionary leadership, structural advantage, and compounding potential that defines the investments that built Rowan Street.

Reallocation from Spotify to Tesla

In the first half of 2025, we continued trimming our Spotify position and reallocated the proceeds into Tesla. Spotify remains a strong founder-led compounder and continues to execute well. However, at current valuations, much of Spotify's expected growth and margin expansion already appear well reflected in the stock. While we continue to hold a core position in Spotify, we view its competitive advantages as relatively stable rather than expanding meaningfully — especially when compared to the scale and optionality of Tesla's opportunity set.

Tesla, by contrast, stands out as one of the most exceptional businesses of our time led by the most extraordinary entrepreneur of our lifetime, whose vision and relentless execution are driving breakthroughs across autonomy, AI, energy, and robotics. We established the majority of our position back in March and added further in mid-August as our conviction continued to deepen.

We've owned Spotify for more than seven years and have developed a deep understanding of its business, its moat, and its management. It remains a very good company — but Tesla is a truly great one. In our view, Elon Musk is building one of the widest and most consequential moats in business history, and that's exactly the kind of opportunity that deserves to sit at the center of our portfolio.

Looking Ahead

At Rowan Street, our goal has never been to attract the most investors — only the right ones. We're building something rare in today's markets: a focused, high-conviction, and deeply aligned investment partnership designed to compound capital over decades, not quarters.

Our edge has always been temperament — patience when others rush, conviction when others doubt, and discipline when others chase. The partners who choose to join us understand that great results require time, trust, and alignment. Compounding works best when everyone at the table shares the same long-term mindset.

As we enter the next chapter of our journey, our ambition is not necessarily to become very big — though we certainly wouldn't mind if our fund (and our wallets) grew along the way. The real goal is to keep refining what makes Rowan Street special: deep alignment, trusted relationships, and exceptional long-term results.

If you share our philosophy — if you think in decades, value simplicity over noise, and believe in the quiet power of long-term ownership — we invite you to grow with us. The next chapter of Rowan Street will be written alongside our partners — thoughtful long-term investors who share our values and belief in what we're building together.

Thank you for your continued trust, partnership, and patience. It is a privilege to grow your capital alongside our own.

Warm regards,

Alex & Joe

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