



During the fourth quarter of 2025, Crossroads Capital Investment Partners, LP (the “Fund”) appreciated by **2.7% net** of all fees and expenses, and **37.7% net** for FY2025. On a five-year annualized basis, the partnership has returned **10.2% gross** and **8.3% net**. Since inception, the partnership has compounded at a rate of **21.2% gross** and **17.1% net**.

As of December-end 2025, the Fund’s total non-delta adjusted gross and net exposure stood at **89.7% and 72.1%**. Additional information on both the current portfolio and our historical gross and net returns is available at www.crossroadscap.io.

Returns vs. Relevant Indices¹

	2025	3-Year (Annualized)	5-Year (Annualized)	Since Inception (Annualized)	Since Inception (Cumulative)	Gross Relative Outperformance (Annualized)
Crossroads (Gross)	47.1	25.6	10.2	21.2	531.7	n/a
Crossroads (Net)	37.7	22.5	8.3	17.1	354.1	n/a
Russell 2000 Value (IWN)	12.4	11.5	8.6	8.8	124.1	12.4
MSCI World Small Cap (ZPRS.DE)	7.4	11.2	8.2	8.8	124.1	12.4
S&P 500 Total Return (^SP500TR)	17.9	23.0	14.4	15.1	284.0	6.1

Q4 2025 and Full Year Market Commentary Update

The last time we wrote to you in Q3, we highlighted a robust market discovering its antifragile footing after a murky 1st half of the year. While October implied a clean follow-through of the liquidity-driven glide path experienced in Q3, November showcased yet again how quickly sentiment can change; as AI bubble shockwaves reverberated across the broader market, Federal Reserve-related uncertainty reintroduced higher-for-longer rhetoric, and positioning became more crowded and decidedly bearish. With the calendar inviting profit-taking and more bearish sentiment, Q4 showcased the market's ever-increasing manic personality but also its almost reflexive ability to metabolize uncertainty rather than recoil from it.

All said, the S&P 500 advanced modestly through year-end, gaining approximately 2.6% in Q4 and rubber-stamping an excellent year with a nearly 18% return for the world’s most widely followed index. Despite these headline numbers, the final weeks of 2025 reflected a market content to consolidate rather than correct into year-end. From our seat the deceleration did not signal structural cracks but rather digestion—a healthy pause to absorb following a year of upwardly repriced expectations.

That in mind, a world dominated by 24/7 perpetual news flow highlights the persistent struggle we face as long-term investors not to be jolted by what will soon be yesterday’s news. We must remain macro-aware, yes—sifting through information to stress-test our mental models and inherent portfolio risks, both implicit and explicit. We do this not to falsely predict the future, but to attempt to see the present as clearly as possible. Regardless, our point is this business at times has the feeling of a man trying to stand upright amidst a herd of “madly rushing horses.” Not that I’m complaining. After all, a PM’s job is, in a real sense, to court that type of chaos head-on—all while holding fast to economic reality to keep one’s bearings. We’d simply add that falling into fads and fashions is easy; staying upright,

¹ Past performance is no guarantee of future results. Unless stated otherwise, returns shown are calculated net of management and/or performance fund fees and net of all years mandate fund expenses. All returns reflect the reinvestment of dividends. Present year returns are unaudited and subject to change. Please see important disclosures at the end of this letter.



focused on operational and financial reality rather than optics in the face of a cacophony of noise is anything but. Yet it is this harder path that turns volatility into long-term opportunity when practiced with appropriate skill and discipline.

On that note, we did see an emerging market dynamic that we won't make a prediction on but would gladly accept: the decelerating outperformance of the Magnificent 7 relative to the S&P 493. While mega-cap growth retained its structural appeal, incremental fund flows into this cohort proved less potent than in years past, and investors appear to be early in the process of questioning the long-held view of 'Mag7 at any price.' Longtime readers of our work know that this is an event we have long been waiting for. As stated in our 2023 Annual Letter (released in April 2024):

“As a reminder, to outperform an index over the long term, a portfolio must not replicate it. Howard Marks made this point in his legendary investment memo Dare to Be Great: “You can’t take the same actions as everyone else and expect to outperform.” Alas, history shows that when successful investment strategies become popular, they rarely remain safe. That’s no small thing considering what’s popular today – the “Magnificent Seven,” and mega-cap tech more generally – have been popular for roughly 15 years straight, thanks to a winner-take-all-trend propped up by the 0% interest rates that defined that epoch. While it appears the combination of strong earnings growth and high levels of systemic liquidity has overwhelmed the gravitational pull of higher interest rates, we’d humbly propose that just because something that worked in an environment where money was “free” has continued to work in the early days of a new regime, that doesn’t mean this will always be the case.”

How does all this affect the small-cap value world? After spending much of the prior cycle as shock absorbers for macro uncertainty, small-cap and value-oriented equities continued their gradual rehabilitation into the end of 2025, with the Russell 2000 outperforming the S&P 500 in the second half. Moreover, as natural beneficiaries of easing financial conditions in a market increasingly willing to look beyond the narrowest leadership cohort, our preferred hunting ground not only managed to hold its own but actually advanced through Q4: Both the Russell 2000 Growth and Value Indices contributed double-digit performance in 2025. We are cautiously optimistic that improved market breadth and an appetite for small caps will continue into 2026, putting the wind at our backs for the first time in, well forever, as far as Crossroads is concerned².

In any case, while we will gladly welcome any year in which our results materially exceed our benchmarks, markets and investors routinely conflate outcome with process. We say that in good times and bad. There was no change in our process that led to excellent returns in 2025 following a relatively disappointing 2024. An arbitrary crystallizing of performance at the end of a calendar year is not a good judge of investment skill. Moreover, our process remains anchored to finding the world's next great growth business at deep discounts to their medium-term earnings power, supplemented by idiosyncratic special situations that lack correlation to broader markets and tend to outperform in downturns. Investing well requires intellectual honesty and an obsessive focus — accepting businesses and markets for what they are, as opposed to what we wish them to be. Indeed, in a market still entranced by the Magnificent 7, we remain content to stand a bit apart, trading fashion for fundamentals and today's noise for tomorrow's compounding. Our task is not to predict the next headline but to uncover and own high-quality cash flows others ignore and let time (and the hard catalysts we've already identified) do the heavy lifting.

Q4 2025 and Full-Year Performance Attribution Update

An uncomfortable truth of active investing is that being right and being rewarded are rarely synchronous. We do not control when the market will come around to our view. Instead, we obsess over our businesses with a goal of knowing each name better than any other investor, full stop. We perpetually assess moat width, growth durability, unpriced strategic optionality and risk-reward. If we continue to do that correctly, performance should take care of itself.

² Naturally given the firm is only 9.5 years old and these trends have been dominant for most of the last 15 years.

While the market rapidly repriced some of our favorite names including ASTS and NBIS, others such as NTDOY and VTY posted much more modest performance in 2025. One of the more counterintuitive drivers of long-term compounding is the willingness to allow winners to continue working. When a business compounds intrinsic value at a high rate, time becomes the most powerful ally of the portfolio. Truncating that process prematurely in order to lock in near-term gains can feel disciplined, but it often comes at the expense of the very asymmetry we seek. Compounding is rarely linear; it accelerates as businesses scale, competitive advantages harden, and optionality becomes visible—developments that occurred throughout the portfolio in 2025.

Quarterly and Full Year Investment Activity Update

Given performance, it is unsurprising that the majority of our positions were additive to the fund's returns. That naturally raises the question: did we sell our winners in order to re-allocate to new and existing names within the portfolio? Given the comments above, you shouldn't be surprised that our top performers in 2025 remain among our highest-conviction names in early 2026.

Our only meaningful detractor was Calumet (CLMT), which we sold following the company's disastrous DOE loan announcement and an unnecessary and, frankly, baffling ATM offering that destroyed our confidence in management. A constructive macro environment provided some reprieve for them as the year closed out, but we lost faith in the team's ability to steward capital going forward.

Despite only small tweaks among our favored names, we remained active as net buyers throughout 2025, adding several new positions across sectors and geographies. While we are not ready to talk about these names publicly, we are very excited about what lies ahead and will share more with our partners in the months to come.

Notable Position Update

Nintendo (NTDOY)

Nintendo delivered yet another solid quarter — this time despite a swirl of concerns around the Switch 2's holiday performance. The noise began with questionable “third-party data” suggesting U.S. holiday sales were running roughly 35% below the original Switch's comparable 2017 period, spooking “investors” and raising questions about whether the \$449 price point was capping demand. Those fears only intensified after Walmart ran Cyber Monday promotional markdowns that were widely — and incorrectly — interpreted as company-led price cuts (Nintendo doesn't discount its hardware). We've decided to save our thoughts on recent concerns on memory pricing for a separate piece, but suffice it to say, the proximate causes behind the latest rounds of false panic in Nintendo's equity almost defy description. For what it's worth, we think author and longtime Barron's contributor Tae Kim captures the dynamic behind the recent selloff perfectly, describing the latest series of head-scratching bear narratives as “Exhibit No. 9,283 on how no one in media and Wall Street does any real research or work and just vibes by creating imaginary narratives and generating pseudo-analysis.” If that reads like hyperbole, we assure you it's not.

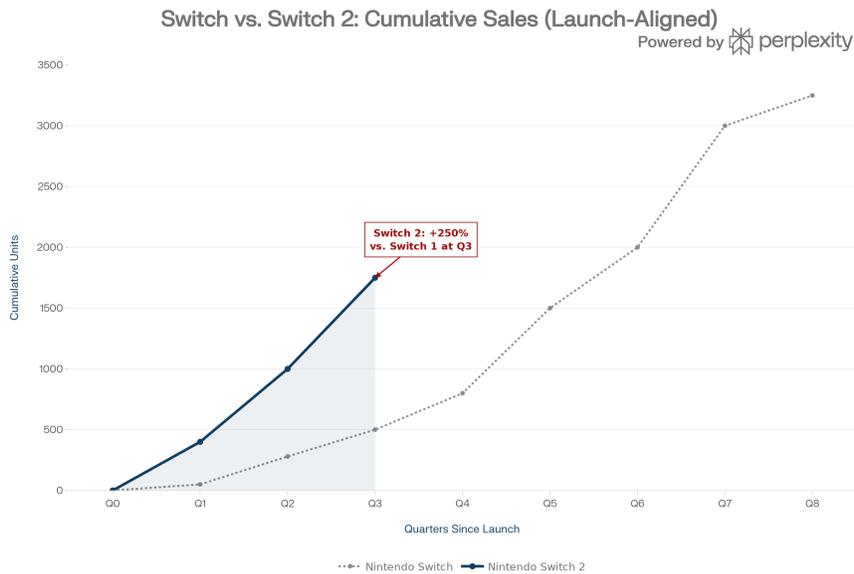
Case in point, this is now the fourth time this cycle that false Nintendo narratives have been proven wrong, a pattern Jefferies analyst Atul Goyal has been particularly sharp in highlighting. Pre-launch, the concern was that pricing was too high and the software lineup was weak — that the Switch 2 would struggle. Reality: Switch 2 sold 3.5 million units in its first four days (Nintendo's fastest hardware launch ever) and set an all-time US launch-week record, hardly the profile of a “struggling” console. In what we'll call “Q1” (Nintendo's fiscal Q1, April–June 2025), tariffs were supposed to crush hardware margins and cause a miss. Reality: net sales came in roughly ¥80 billion above consensus, operating income beat expectations, and the first Switch 2 quarter was a clean upside surprise. In “Q2” (Nintendo's

fiscal Q2, July–September), the story shifted to “sales have slowed” and are “below expectations.” Reality: quarterly revenue grew ~90% year-over-year, first-half net sales more than doubled, Switch 2 shipments hit 10.36 million units, and management raised its full-year Switch 2 unit forecast from 15 million to 19 million while also lifting profit guidance. In “Q3” (Nintendo’s fiscal Q3, the holiday quarter), the new bear case became “weak holiday sales” in a tough macro. Reality: Nintendo generated over ¥806 billion in revenue (up ~192% year-on-year), shipped 7.01 million Switch 2 units in the quarter, took the console past 17 million units in seven months, and reaffirmed its 19 million unit target as external commentators noted that the anticipated holiday slowdown simply didn’t materialize.

Recall the scary headlines mentioned above about third-party data indicating holiday sales were running 35% below the original Switch's comparable 2017 period. Well, “surprise, surprise,” the actual quarterly results told a much more reassuring story: the Switch 2 shipped ~7 million units in Nintendo’s fiscal Q3 (our calendar year Q4), essentially matching the original Switch's first holiday period in absolute terms, and bringing the cumulative installed base to 17.4 million after only 7 months on the market. A truly remarkable accomplishment by any measure.

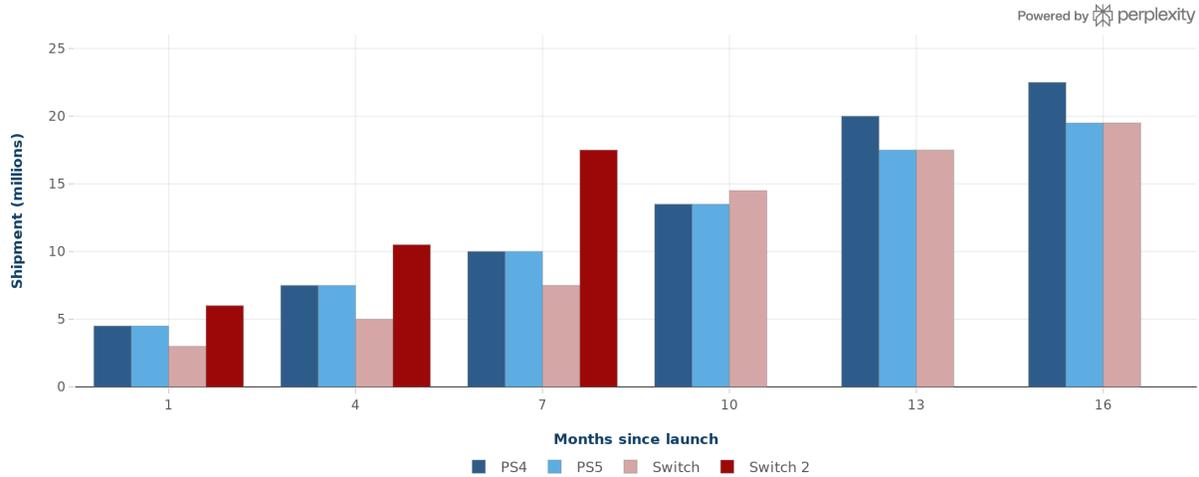
Notably, this result was comfortably ahead of the prior cycle's first calendar year unit sales of 14.86 million, a figure that included an extra three months given the original Switch's March 2017 launch date, not to mention the release of *Super Mario Odyssey*, Nintendo's newest 3D installment of its flagship franchise. The original Switch benefitted from an unusually strong launch year in software, with the release of *Super Mario Odyssey* augmented by Wii-U ports such as *Mario Kart 8 Deluxe* and my personal favorite video game of all time, *The Legend of Zelda: Breath of the Wild*. **This matters because in the video game business software sells hardware rather than the other way around.**

Another comparison to put the Switch 2's performance in proper context: the original Switch sold 17.5 million units in its first 13 months (March 2017–March 2018); the Switch 2 is tracking to exceed 20 million units in just 10 months (June 2025–March 2026). What does that mean? Only that the Switch 2 remains the single fastest-selling console in the history of mankind³.



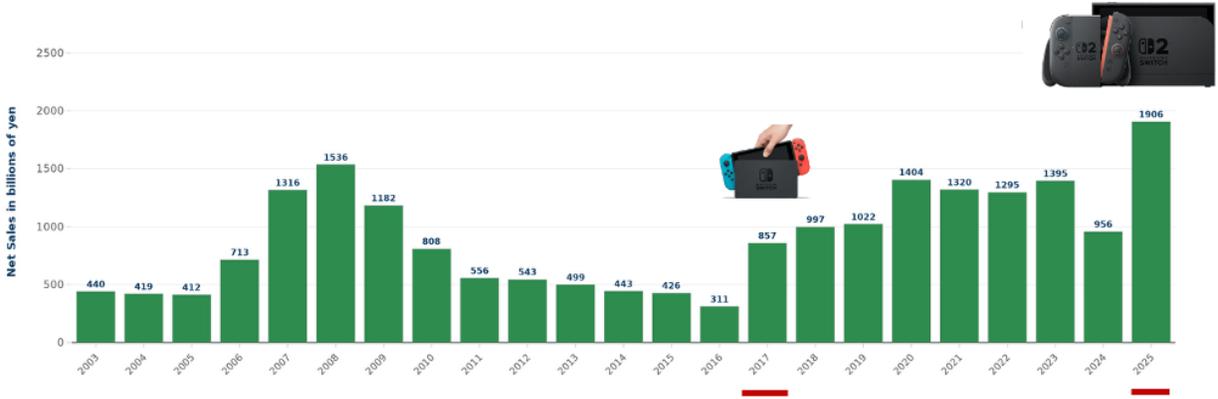
³ For additional perspective, 7 months into the original Switch cycle, hardware sales were 7.6 million units. For the PlayStation 5, hardware sales were 9.2 million units at this juncture. That places the Switch 2’s sales figure 7 months into the cycle at 2.3x and 1.9x better.

Console launch sales (launch aligned)



Naturally, Nintendo absolutely obliterated its prior all-time sales record over the Q1-Q3 period—more than doubling its 2017 comparable despite no holiday 1P “system seller” and three months less time on the market.

Nintendo Net Sales - Fiscal Year Q1 to Q3 (Apr - Dec)



As far as the "weakening Switch 2" narrative, it collapsed under the most recent U.S. data, with the Switch 2 dominating December in both unit volume *and* revenue, securing the #1 platform position for the full year 2025 despite a mid-year June launch—and without meaningful promotional support, contrasting sharply with competitors requiring aggressive discounting. And yet, despite all this undeniable momentum, fear-mongering nonsense based on poorly reasoned guesswork dressed up as reporting seems to have temporarily won the day over the holiday quarter. Luckily narratives don't ship units — Nintendo does — and the scoreboard doesn't lie.

Better yet, software and ecosystem dynamics reinforce the objectively bullish hardware story and are ultimately far more consequential factors amid Nintendo's ongoing business model transformation than temporary headwinds in hardware profitability. Indeed, to fear compression in hardware margins is to comically miss the point — what drives Nintendo's intrinsic earnings capacity isn't hardware but software. In short, with software contributing roughly 90% of Nintendo's operating profit, hardware profits are essentially irrelevant to its bottom line — effectively insulating Nintendo's financial performance even if hardware margin compression does materialize.

To illustrate the point, consider that even under conservative stress-test assumptions — zero inventory, no contract protection, and a full 90% increase in memory costs spread across FY3/27 and FY3/28, partially offset by modest

(10% per year) non-memory cost reductions — the net impact to Nintendo’s hardware profitability is still a rounding error: margins are essentially flat to slightly *better* in FY3/27 and compress by only a couple of points in FY3/28. In other words, the market hasn’t just lost all sense of proportion here — it’s managed to price in a fantasy scenario that the actual math stubbornly refuses to cooperate with.

We’ll share a detailed sensitivity analysis showing the margin impact of memory prices on the bill of materials — with more realistic assumptions around Nintendo’s inventory position and contract protections at a later time. For now, the salient point is that treating the memory cost issue as a structural threat to either normalized profitability or Switch 2 demand rather than as a manageable input risk is analytically indefensible. What matters is ultimately software attach rates and 1P and 3P monetization over the life of the console, not component pricing. Better yet, Nintendo is also actively layering in new sources of high-margin recurring revenue that will dwarf whatever transient hit hardware margins absorb.

Consider Nintendo Switch Online’s (“NSO”) top tier still sits at just \$49.99/year — a price that hasn’t budged once since launch — while PlayStation Plus has climbed from \$60 to \$80 (Essential) and \$120 to \$160 (Premium), Xbox Game Pass Ultimate has tripled from \$10 to \$30/month (\$360/year!), and Sony’s own CFO is now publicly telegraphing further price hikes to “monetize the existing user base.” Nintendo, by contrast, has an enormous pricing umbrella in online services it hasn’t even begun to open up. It’s a matter of when, not if, that happens. Even without the price lever, NSO-related revenue growth should accelerate alongside Switch 2 sales.

Next up is the long-tailed licensing income from its burgeoning movie business. This deeply underappreciated earnings engine has already generated over \$1.36 billion in gross revenue at the global box office from a single film, has a sequel coming within the next couple of months, not to mention a live-action Legend of Zelda film slated for 2027, with a new NCU (“Nintendo Cinematic Universe”) installment landing every year thereafter. The sequel, *Super Mario Galaxy*, is set for release on April 1st, 2026, so we figure now is a pretty good time to highlight the first Mario movie was seen by ~170 million people across theaters worldwide. That puts it in the top 30 most watched films of all time by ticket sales globally — ahead of films like the original *Snow White*, *Mary Poppins*, *The Godfather*, *Avengers: Age of Ultron*, and every other video game adaptation by a wide margin. Post box office, the data is just as impressive. Nintendo’s *The Super Mario Bros. Movie* spent a record-setting 38 weeks on Netflix’s U.S. Top 10 and amassed 80 million views in just the first half of 2024 alone, making it Netflix’s fourth most watched film during that period. Combined, the reach from theatrical and streaming likely exceeds 250 million unique exposures to Mario IP from a single film — a number Nintendo has never had access to from any single product launch in its history.

Keep in mind these films aren’t a cost center — they’re a profit center. The first Mario movie generated roughly \$559 million in net profit on a \$100 million production budget, which means the 250 million+ consumer impressions it delivered to the core gaming franchise came at a negative cost of customer acquisition. In effect, Nintendo has built an infinitely scalable, self-funding marketing engine — one that pays Nintendo to advertise its own games — and it’s about to start compounding annually with every new NCU release.

We mention all of this because the associated network effect on console and game sales is likely to be even stronger this time around — and Nintendo knows it. The company has increasingly timed its biggest game releases to land shortly after major cross-media events, converting cultural momentum into software sales with impressive precision. Moreover, the playbook is already proven: the first Mario movie hit theaters in April 2023, and *Super Mario Bros. Wonder* followed that October — a ~6.5-month gap that drove a 30% year-over-year increase in Mario game sales and a 40% surge in Mario mobile app users. With *Super Mario Galaxy* arriving in theaters on April 1st, the setup for a repeat is obvious. We believe Nintendo will almost certainly launch its next 3D Mario — the single most important title in its Switch 2 pipeline — in October 2026, its historically preferred window for flagship Mario releases. We’d also argue the timing couldn’t be more deliberate. 2026 is Mario’s 40th anniversary, the sequel film will have just primed hundreds of millions of consumers worldwide, and no Nintendo home console has ever gone two holiday

seasons without a new 3D Mario. Every thread points to the same October window — and when it arrives, it will be the largest collision of cross-media momentum and first-party software firepower in Nintendo’s history.

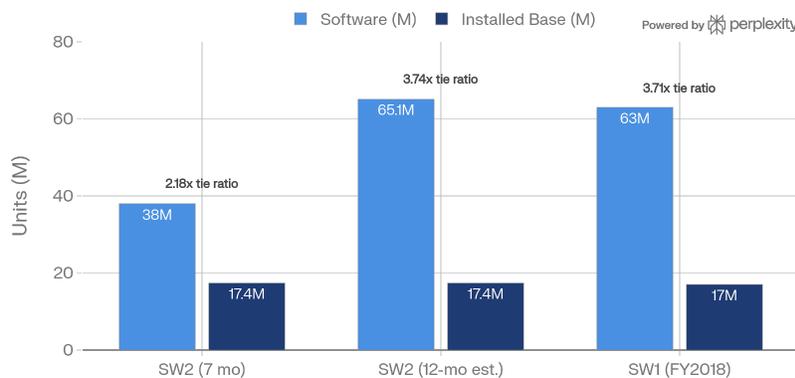
Whatever the future holds, Nintendo is collecting licensing royalties from its film content across both major streaming pipelines (Universal/Illumination animated + Sony live action) on top of its share at the box office, creating durable, recurring (high margin) revenue streams that will compound as the cinematic universe expands. Add in growing royalties from Super Nintendo World (which helped drive Universal’s theme parks to a record \$2.89 billion revenue quarter) and an expanding merchandise and consumer products business, and the trajectory here is unmistakable: Nintendo’s highest-margin revenue streams are accelerating at precisely the moment the market is fixated on the lowest-margin one.

Which brings us back to the most salient point of all when it comes to properly handicapping Nintendo’s business prospects: Software Sales. Recall Nintendo is using backward compatibility and a blended library strategy to monetize both the enormous Switch 1 base and the rapidly scaling Switch 2, with first-party tentpoles like *Mario Kart World* (14.03 million units sold including bundles) and *Donkey Kong Bananza* (4.25 million units) already driving strong attach rates and contributing to upward revisions in company-wide revenue and profit guidance. *Pokémon Legends: Z-A* added further breadth with 12.3 million combined units across both platforms since its October launch, with *Kirby Air Riders* contributing 1.76 million units since its November release. Nintendo's cross-platform December title, *Metroid Prime 4: Beyond*, added another million-plus units. Consequently, 1P software sales are tracking at or above our underwritten assumptions, resulting in a business that is simultaneously harvesting record-level cash flows from a mature platform while seeding what we continue to believe will become an even larger and longer-lived successor. So far so good, in other words.

Another delicious irony: bears were happy to point out how the lack of a true 1P "system seller" in the holiday quarter would result in disappointing software sales. Confronted with the hard data, it turns out Nintendo "only" sold 38 million games for the Switch 2 since release. For those paying attention, this results in a ~7-month tie ratio of 2.2. Meanwhile, the original Switch sold 63 million games with an installed base of ~17 million in its first full year on the market, for a tie ratio of 3.6. Ergo, comparing the two periods on a sell-through basis, the numbers line up almost perfectly: Switch 2's implied 12-month tie ratio of **3.74** essentially matches the original Switch's **3.71**—and again, that's with no 3D Mario, no *Zelda*, and three months less time on the market.

Software Run Rate: Switch 2 vs Switch 1

Source: Nintendo earnings | Crossroads analysis



Ergo, the Switch 2 software story is even more compelling than the surface data would seem to imply. Again, the FY comparable figure for the original Switch benefited from a larger 1P library in its launch year when it hit those numbers, with more time on the market and its three biggest franchises available for sale over the all-important holiday



quarter⁴. The mere fact that the Switch 2's software sales held up so well, i.e., came in right in line with the original Switch despite being available for only 2/3rds the time and having no 3D Mario or Zelda to drive sales (the original Switch had both), speaks for itself. Better yet, the Switch 2's software sales are actually on track to edge out its predecessor, a data point that is not only not bearish but worthy of enthusiastic high fives considering the 1P and 3P AAA “system-sellers” barreling down the Switch 2's software pipeline.

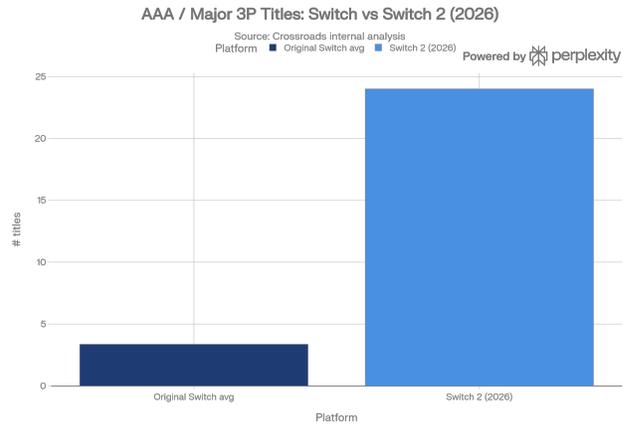
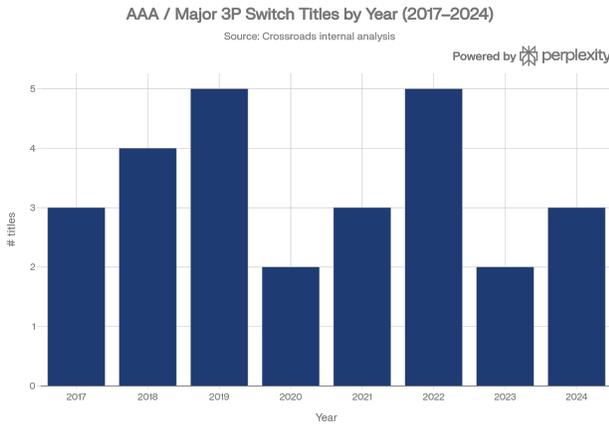
We know how that sounds, but realize Nintendo's forward outlook in 1P software isn't just “good” — it's historically unparalleled. More fundamentally, **we must remember that it's games – not launch hype or input costs – that ultimately drive sustained hardware demand.** It follows that Nintendo's software pipeline is by far the most relevant fundamental leading indicator today. Quite the silver lining considering the company has never had this many 1P AAA franchises (each with 20M+ sales potential) queued up on a record-setting platform that has an installed base of this size. Nintendo is sitting on the richest first-party software pipeline in its history heading into the next 2–4 years of the Switch 2 lifecycle. New mainline entries for 3D Mario, The Legend of Zelda, Super Smash Bros., Animal Crossing, a “next-gen” Pokémon, and a new title from the revered Monolith Soft — we could go on.

And that pipeline extends well beyond traditional single-player tentpoles. Pokémon alone is seeding multiple new recurring-revenue vectors on Switch 2: Pokémon Champions, a live-service competitive battler that will serve as the official VGC software for the Pokémon World Championships starting in 2026, is coming to Switch 2 as both a free-to-start and paid digital offering with cross-platform play across Switch and mobile — a persistent engagement loop designed to keep the competitive community spending year-round. Alongside it, Pokémon Pokopia, the franchise's first cozy life-simulation game (think Animal Crossing meets Pokémon), launches on Switch 2 in March and taps into the enormous casual/lifestyle gaming audience Nintendo has historically monetized better than anyone. Beyond that, leaked internal Game Freak documents point to an open-world Pokémon MMO spanning multiple classic regions — a project that, if greenlit, would represent the single most commercially significant Pokémon release in the franchise's history. And then there's the still-unannounced live-service title hinted at by Nintendo's own Switch Online Playtest Program — a cooperative, server-based MMO developed by Nintendo's internal EPD Group No. 4 that has already been tested twice with tens of thousands of players. Whether it ships as a standalone NSO title, a new IP, or something tied to an existing franchise, the signal is unmistakable: Nintendo is building persistent, always-online experiences designed to drive continuous engagement and recurring monetization in a way it never has before.

In any event, Nintendo has 10+ system-selling franchises (each worth 20–50M units) that have not yet debuted on Switch 2 and long overdue development timelines (5+ years on average). A data point that brings up another essential insight to internalize about the Switch 2 cycle: **Nintendo is deliberately back-loading its biggest franchises to ensure sustained momentum across a 5–7-year lifecycle, rather than front-loading them and creating a mid- or late-generation drought.** A level of strategic patience and foresight that frankly should be applauded rather than criticized.

And all of this ignores what may be the most structurally significant shift of all: the step-change in third-party AAA support. The Switch 2 is attracting major-publisher software at a cadence not seen on a Nintendo platform since the SNES — and that cadence is accelerating. The implications are twofold. First, an avalanche of high-margin eShop platform fees flowing straight to Nintendo's bottom line on every third-party unit sold. Second, and perhaps more importantly, the flood of 3P AAA releases dramatically reduces the burden on Nintendo's first-party studios to carry every quarter. For the first time in decades, Nintendo has a software calendar that fills itself between tentpole releases — meaning each 1P launch becomes an incremental catalyst on top of an already-robust baseline, rather than the sole driver holding up an entire quarter's revenue. Not that Nintendo will need the help, but it fundamentally changes the earnings volatility profile of the business.

⁴ Keep in mind that the Wii-U sold less than 14 million consoles in total, making the Wii-U Mario Kart and Zelda ports synonymous with brand new entries for most original Switch owners. This is particularly true in the case of Zelda: BoTW, which was released at the same time as the Switch version.



To give you an idea of the scale of the 3P AAA increase, keep in mind the original Switch averaged roughly 3–4 major-budget third-party titles per year across its entire lifecycle — and crucially, the vast majority were late ports of games that had launched on PS4/Xbox/PC months or years earlier (Skyrim was 6 years old, Witcher 3 was 4 years old, Doom 2016 came a year late, etc.). The Switch almost never received day-and-date AAA releases because its Tegra X1 hardware simply couldn't run current-gen games without extensive downgrading. By contrast, the Switch 2 already has ~25 major third-party titles confirmed for 2026 alone — many of them day-and-date with PS5 and Xbox (*Resident Evil Requiem*, *Borderlands 4*, *Pragmata*, *007 First Light*, *Indiana Jones*) — representing roughly a 7x increase in AAA third-party volume⁵ in its first full year compared to any single year of the original Switch. In other words, if the Switch got table scraps, the Switch 2 is getting the seat at the head of the table.

The bottom line is that recent fears around game sales at this juncture are an obvious red herring. The bear case in part asks you to believe that Nintendo will not release system-selling bangers (spoiler: they will). Our view is that once Nintendo shows a little skin as far as the full-year game slate, this false narrative will not only shift but shift hard.

In summary, the principal new risks being discussed by the market are input cost pressure from rising memory prices and U.S. tariff exposure, which the market fears will compress per-unit hardware margins and weigh on the stock. Our take is those fears are deeply misplaced, and even if they weren't, with Nintendo's equity down roughly 45% from its August 2025 highs, the bear case has been priced in several times over. So while it's true that higher memory costs *could* be an earnings/gross margin headwind over the medium term as it relates to Nintendo's hardware sales, the idea that this potential headwind changes the structural attractiveness of the Switch 2 cycle or in any way impairs the normalized earnings power of Nintendo's business is silly once basic analytical scrutiny is applied.

A generally myopic sell-side has predictably fixated on hardware margins (irrelevant) and whether Nintendo will raise the Switch 2's price, but this fundamentally misreads the business model. President Furukawa has been explicit: Nintendo views itself as a platform business, stating that "the second and third years of the Nintendo Switch 2 are very important" and that expanding the hardware installed base is the priority because it can "greatly expand software sales," which is where the real margin leverage sits. He characterized the current hardware margin compression as "not a major issue," emphasized that it is "not appropriate to be excessively influenced by short-term trends," and said the company intends to drive cost reductions through mass production rather than price increases. This is precisely the right strategic posture for a platform business entering its scaling phase, and the fact that analysts continue to frame this through the lens of hardware margins rather than a software and digital ecosystem story remains a source of mispricing in our view.

⁵ 3P AAA titles are defined as games from major publishers with large production budgets or that were marquee releases on other platforms.

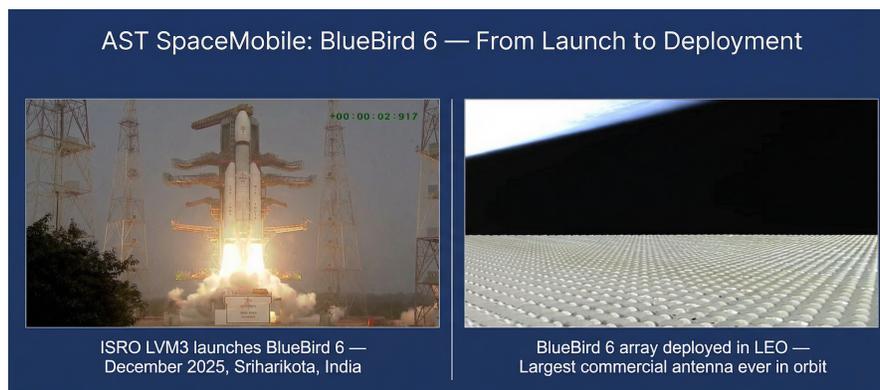
This can be frustrating, no doubt, we'd only remind you that the hidden blessing behind investors losing their bearings like this, at least for those willing to do real work instead of vibing off the headlines, is that this type of thoughtless panic is less a warning sign than a decorative shūgi-bukuro-style invitation. A true gift, really—which is why we've been adding materially to our stake in Q4 and into the new year. In the meantime, keep an eye out for a separate update discussing Nintendo and the ongoing memory upcycle in the coming months that will dissect and quantify all these issues in greater detail; stay tuned.

For now, please realize we believe we have a striking and temporary misalignment: the market value of an iconic 130+ year-old software- and IP-rich franchise is being driven by anxiety over memory chip costs that might trim margins around the edges looking out 12 to 18 months but are unlikely to matter over any 3+ year time horizon, if at all. In Crossroads' view, this is exactly the kind of short-sighted dislocation long-term capital should be leaning into, not running away from. Rain or shine, Nintendo is set to deliver sustained, step-change earnings growth over the next several years and enters 2026 with its new flagship platform firing on all cylinders. The combination of a historically fast hardware ramp and a deepening software library—to say nothing of the many hard catalysts on the horizon like the upcoming Super Mario Galaxy movie or any of its other remaining high-margin, recurring irons in the fire—remains overlooked by the broader market and underpins why Nintendo remains the Fund's largest position.

AST SpaceMobile (ASTS)

During the quarter AST continued its transition from an R&D-oriented startup to a scaleup — a company that has validated its core technology and is now laser-focused on execution: expanding revenue, headcount, and market reach, all in compounding fashion. The milestone horizon has shifted accordingly, away from technological feasibility and toward launch cadence, manufacturing throughput, and expanded commercial agreements — each of which saw meaningful progress through the end of 2025 and into early 2026.

Most prominently, AST launched its next-generation Block 2 satellite, BlueBird 6, from India in late December 2025 and subsequently completed the successful unfolding of its array — the largest commercial communications antenna ever deployed in low-Earth orbit. Spanning approximately 2,400 square feet, with substantial power output (100–120 kW) and designed to deliver peak data speeds of 120 Mbps at up to ten times the bandwidth capacity of BlueBirds 1–5, BB6 brings with it enormous revenue opportunities — both known and unknown — as the constellation scales to an anticipated 45–60 satellites by the end of 2026.



While the unfold milestone might not seem like much to the casual observer, it represents years of innovation and proprietary engineering supported by more than 3,800 patent and patent-pending claims and validates AST's differentiated, vertically integrated manufacturing and technology platform. In other words, with the unfurling of BB6, the final technical unlock has occurred. Incredibly, prior to AST, the only organizations to have deployed an antenna of this size in orbit were NASA and U.S. intelligence agencies. In any case, the next launch — BlueBird 7

aboard Blue Origin's New Glenn rocket — is scheduled for late February, and we anticipate subsequent announcements soon as SpaceX works past some ongoing operations issues and Blue Origin successfully scales its launch operations. The latter situation is where things start to get interesting.

For context, BlueBird 7 is officially encapsulated inside Blue Origin's New Glenn fairing and rolling to the booster at Launch Complex 36, Cape Canaveral. A static fire of New Glenn's seven BE-4 engines is the final major technical hurdle before launch. As already noted, AST is officially targeting late February for liftoff aboard the NG-3 mission — the third New Glenn flight overall and, critically, the first time AST has flown on Blue Origin's vehicle. We want to highlight it because this is a massive operational catalyst: New Glenn's seven-meter fairing is the key to scaling the constellation, capable of carrying up to eight of these 2,400-square-foot Block 2 satellites per flight — roughly double the payload volume of a five-meter-class Falcon 9. A successful NG-3 mission would validate an entirely new launch pipeline for AST and dramatically accelerate the path to 45–60 satellites by year-end.

The exact timing, however, hinges on range politics. NASA's Artemis II — the first crewed lunar mission in over 50 years — was targeting a March 6 launch from nearby Pad 39B at Kennedy Space Center. Because BB7 won't be permitted to launch within days of a major NASA mission, AST effectively needs to get off the pad in the next two weeks to avoid range congestion. If they miss this window, a delay into mid-March or later becomes likely. That said, the Artemis picture has shifted dramatically in AST's favor just in the last week: NASA Administrator Jared Isaacman confirmed on Saturday that a helium flow interruption in the SLS rocket's upper stage will “almost assuredly impact the March launch window,” with the SLS-Orion stack now preparing for a likely rollback to the Vehicle Assembly Building. Artemis II is effectively off the table until April at the earliest. If the rollback is confirmed — and all indications suggest it will be — the range congestion concern largely evaporates, giving AST a materially wider window to complete the static fire and launch. While skeptics have argued it's highly unlikely Blue Origin can complete the static fire and launch within two weeks; we'd note that on NG-2, the gap between static fire and launch was approximately two weeks, and Blue Origin has publicly stated its intention to compress that timeline with each successive flight. Either way, the Artemis delay is a meaningful tailwind.

The timing matters for another reason: AST has a quarterly business update scheduled for March 2. Getting BB7 into orbit before management takes the mic would be a massive momentum driver — transforming the call from a progress update into a victory lap, with two operational Block 2 satellites in orbit and a validated dual-launcher strategy (SpaceX + Blue Origin) in hand.

Given launch cadence is far and away our most important near-term KPI for assessing operating momentum within the business, we took comfort that in December AST disclosed that BlueBirds 8–26 were in various stages of assembly, following an August 2025 update that BlueBirds 7–16 were already in assembly with 8 arrays completed. The implied step-up in WIP inventory, which was subsequently confirmed by the company, is consistent with a production cadence of ~6 sats/month. Given the complexity of space and inevitable delays from launch partners, AST's acknowledgment represents an important achievement and showcases that the business is laser-focused on controlling the controllable from an internal manufacturing perspective.

At any rate, what's followed since we released our long-form analysis on AST has amounted to a rapid cascade of developments that, taken together, paint a picture of a company that has crossed the Rubicon. In October, AST signed a 10-year commercial agreement with STC Group covering the Middle East and North Africa — a deal that included a \$175 million prepayment and brought AST to over \$1 billion in pre-funded minimum revenue commitments across its global partner base. Then in January, AST, AT&T, Verizon, and FirstNet filed a joint ex-parte with the FCC seeking commercial deployment approval for direct-to-device satellite service using Band 14 spectrum — the frequency band used by America's first responder network. AT&T subsequently announced plans to launch a beta satellite service for select commercial and FirstNet users in the first half of 2026, with full commercial launch to follow. As a reminder, between AT&T and Verizon, AST now has commercial agreements with carriers representing roughly two-thirds of the U.S. wireless market — the most lucrative mobile market on Earth.

And that's to say nothing of its bespoke applications for military, AI, and IoT use cases — which are materializing faster than expected. In January, AST was awarded a prime contract position on the Missile Defense Agency's SHIELD IDIQ — part of the broader Golden Dome strategy aimed at building resilient, layered defense against aerial, missile, space, cyber, and hybrid threats. The SHIELD contract positions AST to compete for a wide range of future task orders across research, development, prototyping, and operations of critical national defense systems, with a program ceiling of \$151 billion over ten years shared among awardees. As CEO Abel Avellan stated on the company's most recent earnings call: "We really think that we are very well-positioned with our technology to be an important contributor to the actual goals outlined in the Golden Dome." We think that's an understatement. While it's true that AST will compete against traditional defense primes for certain task orders under the SHIELD umbrella, it's equally true that some of the highest-value contracts, i.e., those requiring resilient, direct-to-device communications from LEO using the largest commercial phased-array antennas ever put into orbit — effectively have no other bidder. We repeat, no other company on Earth has demonstrated these capabilities. That means that for the contracts that matter most, this isn't a competition as much as a sole-source outcome wearing competitive procurement clothing. As it must for any company commercializing a one of a kind technology for the first time.

On the financing front, all this momentum gave AST the leverage to raise an additional \$1.075 billion in convertible senior notes at just 2.25% — a rate that signals genuine institutional confidence — while simultaneously retiring up to \$300 million of higher-coupon existing debt. The capital will accelerate constellation deployment, fund government space opportunities, and support the company's push into AI-related applications.

Perhaps the most telling signal, however, is what's happening internally. As of this writing⁶, 42% of the job postings on AST's career board were created after the \$1 billion convert was announced on February 12 — which was, not coincidentally, right after BlueBird 6 successfully unfolded.

Updated hiring data tells the story:

- After Feb 12: 60 jobs (42% of total)
- Feb 2026: 72 jobs (50.3%)
- Jan 2026: 8 jobs (5.6%)
- Dec 2025: 13 jobs (9.1%)
- Nov 2025: 14 jobs (9.8%)
- Oct 2025: 7 jobs (4.9%)
- Sep 2025: 23 jobs (16.1%)
- Earlier than Sep: 6 jobs (4.2%)

One thing that should be relatively clear is this is not run-of-the-mill staffing for normal operations. Half of all open positions were posted in February alone — a hiring surge that looks far more consistent with a company scrambling to staff up for a major contract win (it may not have been expecting) than with routine constellation buildout. In other words, big things are happening. The BB6 unfold appears to have unlocked a massive internal catalyst, given the rapid expansion underway.

⁶ Hat tip to our friend @justbar23 from the SpaceMob: <https://x.com/jusbar23/status/2025034954258739301?s=20>

**I don't understand \$ASTS
But you're
Wrong about it.**



Which brings us back to the shorts we've been battling since initiating our position. Perhaps our favorite short report comes from September 2022, when a prominent short seller published a 20-page report calling AST "an ambitious, wildly risky science project that has no business (literally) being public," claiming its satellite design was "destined to fail," its management had "uninspiring backgrounds," and that "only the SPAC bubble of 2021 could have managed to change its destiny from being a forgotten zero tucked away in a few venture capital funds into what is rapidly becoming a classic stock promote." Fast forward to today: the "forgotten zero" has won a prime position on America's Golden Dome missile defense architecture, locked up two-thirds of the U.S. wireless market through AT&T and Verizon, secured FirstNet for the nation's first responders, deployed the largest commercial antenna in the history of spaceflight, raised over a billion dollars at investment-grade-adjacent rates, and built a partner base of 50+ MNOs representing nearly 3 billion subscribers worldwide. The connotation of AST as a "meme stock" isn't just outdated — it's embarrassing.

What's more, AST's equity remains unsustainably cheap relative to its steady-state earnings power once its global constellation turns on, to say nothing of its value to a strategic acquirer. As we wrote in *Connecting Dots*, alluding to Indiana Jones, the treasure won't remain hidden forever. Every satellite launched, every contract signed, every spectrum allocation secured removes another layer of wrapping — and the shorts standing outside the temple are running out of time to cover before the crate is fully opened.

Nebius Group (NBIS)

Nebius continues to be viewed more like an AI infrastructure "off-take" platform than an emerging AI-first cloud platform. The Microsoft agreement signed in September 2025 is a five-year commitment worth ~\$17.4B (with options taking total value to ~\$19.4B) for internal workloads and is anchored by dedicated capacity delivered from Nebius' new Vineland, New Jersey data center. This multi-year committed capacity is expected to support incremental capacity buildouts financed with contract-secured debt, priced off the counterparty's credit quality.

In Q4, Nebius added a second hyperscaler contract: a ~\$3B, five-year AI infrastructure agreement with Meta. The contract was explicitly capacity-constrained (not demand-constrained), with Nebius planning to deploy the needed capacity over the next ~3 months.

Through 2026, we expect both hyperscalers to ramp utilization across Nebius's platform. Further growth will be driven primarily by execution, power availability, and access to capital. While all three remain critical, the past year has proven an execution discipline that materially contradicts the market's tendency to view Nebius as a "newcomer."

While industrywide concerns around power availability persist, Nebius continues to demonstrate execution well ahead of peers. Management updated its build trajectory to ~2.5 GW of contracted power by end-2026, that is power already secured, typically at minimal cost, and expects ~800 MW to 1 GW of that capacity to be fully connected by the same timeframe. With ~250 MW already contracted to Microsoft and Meta, this trajectory implies either incremental upsizing by those customers or the addition of new large-scale customers to the Nebius platform over the coming year.

Capital availability is the next variable. Internally, Nebius has substantial flexibility via its recently announced 25 million share ATM program and multiple non-core equity stakes. Externally, debt capital markets remain receptive, though recent signals have been misinterpreted and warrant clarification. We believe public markets over-interpreted the Q4 widening in Oracle CDS spreads as evidence of tightening capital for AI infrastructure. Our research suggests the move reflected increased hedging activity by investors with concentrated AI exposure (including Oracle/OpenAI-linked buildouts), not a withdrawal of capital from strategic AI spending.

Finally, inference demand continues to broaden, and we expect the next generation of models running on NVIDIA's Blackwell and Rubin architectures to further accelerate inference workloads later this year as capabilities improve. Demand remains strong; even older-node GPUs are running at high utilization as customers prioritize throughput and time-to-compute over access to the latest silicon. Inference workloads are scaling in a more continuous, production-oriented manner, which increasingly stabilizes fleet utilization between training cycles.

We continue to view NBIS as trading below the earnings power embedded in (i) its contracted and connected power trajectory and (ii) its roster of blue-chip counterparties scaling to billions in EBIT, with incremental option value from non-core equity stakes (Avride, ClickHouse, Toloka, TripleTen). Underwriting the thesis today requires confidence in management execution, power availability, and capital markets access. Execution is already evident, power has been secured well in advance, and while capital markets are largely outside the company's control, conditions remain constructive.

FTAI Aviation (FTAI)

FTAI Aviation is a leading MRO franchise for the CFM56 and is in the midst of transforming into a capital-light, high-visibility model with its Strategic Capital Initiative (SCI), protected by an irreplaceable competitive advantage in PMA parts. And yet, the market has continued to value the company as a cyclical lessor despite clear operating leverage and a qualitative shift toward a more scalable, capital-efficient industrial model. That perception began to change in Q4.

As a reminder, FTAI captures the best economics in aftermarket aviation not by passively leasing engines, but by operating a vertically integrated platform (Module Factory + SCI) that manufactures "green time" at a structurally lower cost than OEM pathways. "Green time" is simply the remaining usable life on an engine or component before major maintenance; FTAI creates it by tearing down older engines and rebuilding them with proprietary PMA parts and USM into serviceable modules (fan/core/LPT) that can be swapped in days rather than waiting months for shop visits. The result is meaningfully higher aircraft and engine uptime for customers in a supply-constrained market and high-margin Aerospace Products revenue layered on top of leasing, with an increasingly durable flywheel as scale and parts availability compound.

In Q4 2025, FTAI added tangible proof points that reinforced the "exchange over shop visit" thesis and accelerated SCI's capital-light shift. The company signed a multi-year Perpetual Power agreement with Finnair covering 36 CFM56-5B engines to provide engine exchanges in lieu of shop visits, explicitly improving reliability and maintenance cost predictability. FTAI also completed fundraising for its inaugural SCI vehicle at an upsized \$2.0B equity hard cap (vs. \$1.5B target), with stated purchasing power of over \$6B including debt financing, expanding the asset-



management and fee stream while remaining tightly integrated with its maintenance footprint. In addition, FTAI partnered with Palantir to deploy AIP across its global maintenance operations to improve scheduling, inventory optimization, and procurement—driving faster turnarounds and better unit economics as it ramps toward its long-term market share goals. Finally, the company received FAA approval for its Stage 1 HPT blade, the most complex and expensive component in the entire CFM56 engine.

Just before year-end, FTAI announced “FTAI Power,” an effort to repurpose CFM56 engines into aeroderivative gas turbines for data centers (25MW units; production expected to begin in 2026; the company cited over 1,000 engines in its fleet and an ambition to deliver 100+ units annually). This was directionally unsurprising: we have already seen Elon Musk’s xAI rely on on-site gas turbines to power a data center while grid capacity catches up and Boom Supersonic announced it is selling its “Superpower” natural gas turbines into AI data centers (with Crusoe as a launch customer and a backlog exceeding \$1.25B).

Technically, converting a jet engine into stationary power does not require reinventing the machine. The process largely involves removing the fan, converting the combustor and fuel system from jet fuel to natural gas, reconfiguring the exhaust section for stationary operation, and packaging the unit to deliver shaft power to a generator. It is not the most efficient solution, but it is often not the most expensive either. When “time-to-power” is the binding constraint, readily available supply matters most. Importantly, this business line sits incrementally on top of the core MRO franchise and highlights management’s willingness to identify adjacent opportunities and move decisively when opportunity knocks.

With the company executing across its core business while opening new avenues for growth, we are increasingly constructive heading into 2026.

Quarterly Operational Update

We are pleased to report that as of January we have officially onboarded NAV Consulting as our fund administrator. Crossroads and NAV had been working together for the majority of 2025 as we sought to move off of our existing platform. NAV offers Crossroads a much more dynamic and insightful interface, which we will leverage to provide additional transparency and reporting to both our current and potential partners. Beginning in 2026, investors will start receiving statements directly from NAV Consulting.

In addition, we are pleased to share that BDO, a top 10 audit firm, will be conducting the Fund’s annual audit going forward. We view the addition of BDO as another meaningful step in further institutionalizing Crossroads’ back-office platform and reporting infrastructure.



Conclusion

To conclude, 2025 proved to be an exceptional year for the Fund. While we are pleased with the results, we remain acutely aware that periods like this can sow the seeds of complacency. True stewardship of capital is not judged by how portfolios behave over a one-year period but by how they endure—and adapt over time. Our focus remains unchanged: patiently underwriting businesses where we believe the future will look meaningfully different from the past and allowing our winners the time and space to compound. As always, we remain deeply grateful for your continued trust and partnership.

"Won't that be grand? Computers and the programs will start thinking and the people will stop."

– Dr. Walter Gibbs, *Tron* (1982)

Best regards,

A handwritten signature in black ink, appearing to read "Ryan O'Connor".

Ryan O'Connor

To learn more about Crossroads and our investment process and philosophy, or to access our proprietary research and thought pieces going forward, please sign up at www.crossroadscap.io/contact-us and someone from our team will reach out to you. We continue to selectively look to partner with likeminded investors focused on achieving exceptional long-term performance and look forward to connecting.

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