



Dear Friends and Partners,

During the second quarter of 2025, Crossroads Capital Investment Partners, LP (the “Fund”) appreciated by 36.9% net of all fees and expenses, bringing the YTD returns through the end of Q2 2025 to 26.1% net. On a five-year basis the partnership has returned 19.0% and 15.8% net. Since inception the partnership has compounded at 21.1% and 17% net.

As of June-end, 2025 the Fund’s total non-delta adjusted gross and net exposure stood at 92.7% and 68.2%. Additional information on both the current portfolio and our historical gross and net returns is available at www.crossroadscap.io.

Returns vs. Relevant Indices¹

	2Q FY25	5-Year (Annualized)	Since Inception (Annualized)	Since Inception (Cumulative)	Gross Relative Outperformance (Annualized)
Crossroads (Gross)	44.0	19.0	21.1	469.6	--
Crossroads (Net)	36.9	15.8	17.0	315.8	--
Russell 2000 Value (IWN)	4.5	12.2	7.5	93.1	13.6
MSCI World Small Cap (ZPRS.DE)	2.3	9.9	7.8	97.9	13.3
S&P 500 Total Return (^SP500TR)	10.9	16.6	14.6	246.0	6.5

The second quarter of 2025, much like the first, was marked by significant swings, just the good kind this time. While ongoing tariff uncertainties and geopolitical tensions in the Middle East weighed on markets early on, strong corporate earnings and a rebound in large-cap stocks won out, propelling the broader indices higher, with the S&P 500 up 10.9% by quarter end. Small caps lagged, as the Russell 2000 rose only 8.5%, highlighting the continued dominance of growth-oriented names. The Russell 2000 Value did even worse, generating a return of 5% for the quarter.

In short, “[Groundhog Day](#)” remained in Q2, as any hope of a small-value-led regime change early in the quarter quickly gave out. And yet, despite these headwinds, we’ve once again managed to find warmth amidst the ongoing small-cap value winter. As far as when the long-awaited reversion in relative performance ultimately takes place, we don’t have a clue. The more important point, at least from our perspective, is that it hardly matters. Small company stocks continue to offer an unusually fertile hunting ground for outsized risk-adjusted wealth creation, and to be perfectly candid, that will likely never change. And if it did, and we woke up tomorrow in an upside-down world where small caps became perfectly efficient, the belle of the stock market ball – well, we’d change ponds and start fishing where the fish are.

In fact, one of the few things we can say for sure about the future is we will always go where the bargains are. Large or small, “value” or “growth,” information technology or consumer staples. Arbitrary distinctions and categories, across the board – all of them. All those distinctions are secondary to the only question that matters: can we reliably figure out what the asset is worth and pay a lot less? Yes? Great! We’re just going to do more of that; if that’s the case, we’re going to be ok regardless. And that’s because one of the many benefits that comes from refusing to give into the arbitrary handcuffs of a style box-driven approach is that Crossroads is free to adapt and evolve as the world changes around us. Unlike the “mid-cap” “biotech” manager operating in the throes of a secular bear – or bull – market (take your pick), when the world changes, we can move on.

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.



This is the beauty of Crossroads' conservative and opportunistic approach to event-driven value investing in high-quality businesses positioned to benefit from structural transformation (read: value-unlocking change). Indeed, over a 36+ month time horizon, short-term noise evaporates, and share prices advance (or retreat) independently based on developments at the individual company level, i.e., our investments should do well irrespective of market sentiment and/or prevailing economic conditions as long as we've done the work right on the front end.

While easier said than done, the combination of downside protection implicit in the price paid, demonstrated growth, and hard catalysts means our process should lead to much greater market recognition, institutional ownership, and stock price appreciation in the fund's underlying investment portfolio.

Which brings us to another point worth highlighting before we dive into today's letter. Namely, how we have not only substantially outperformed our benchmarks for 9 years and counting, but we've done it in a highly differentiated way, under the worst possible conditions. Better yet, our gross relative outperformance from inception through quarter end was generated in its entirety without owning a single name in the S&P500² or any of the mega-cap tech growth darlings responsible for the lion's share of the market's returns in the last decade.

Considering the increasingly passive, correlated, and index-driven nature of equity markets today, putting up superior relative and absolute performance without owning *any* of the mega-cap technology equities that have propelled the major indices is a difficult feat, to say the least, and as such, it's something we are all immensely proud of at Crossroads. And while an increasingly distorted index captures most of the headlines these days, we stand as a testament to the idea that exceptional individual stock opportunities abound beneath the surface in all market environments. It's important to never lose sight of that fact.

And who knows, concentrated value investors like Crossroads crushed it during the '99-'03 carnage – while the index-driven distortions of that era dragged the broader market into the abyss. Admittedly, the differences between that period (following the collapse of the dot-com bubble) and the present moment make any comparison relatively specious, but it does show what's possible should a regime change take place where small company value investing finds its way back into the sunlight after 15 years in the dark.

In any case, now for some customary cold water after an all-around fantastic quarter; as a reminder, quarterly – or even annual – returns have little to no bearing on our absolute and relative performance over the long-term. While we believe our core positions remain “coiled springs,” building energy through growing earnings power that is in the early stages of being released in full, the reality is anything can happen over the short term. It's true we expect several value-unlocking catalysts to drive our shares materially higher in the near term, but a commonsense corollary of lacking a reliable crystal ball is that evaluating the Fund's investment performance over anything less than a multi-year timeframe is a relatively pointless endeavor.

As such, we ask you to view our performance through the lens of a long-term business owner, just as we do. This is particularly important with a fundamentals-based concentrated value strategy like ours, where “long-term” means 5 to 10 years rather than 6 to 12 months. This may sound quaint in a stock market era like the present, but the best opportunities rarely come wrapped in comfortable packages – rather, they come disguised as problems that everyone else is running from.

Before turning to our quarterly commentary, we'd add a related and equally important truth: in investing, as in nature, it's often the seeds planted during the harshest winters that yield the most spectacular spring blooms. With time what emerges is not a random wildflower meadow (indexation) but a secret garden of sorts – one holding meticulously

² Technically we did make a small profit owning a few shares in META for less than a quarter years ago, but the impact to our PnL since inception has been immaterial at less than \$1k .



selected flowers compiled in pursuit of creating something far more beautiful than the sum of its individual holdings. The trick, we think, is to tend not just to cultivating individual plants but a proverbial “secret garden” where each position is carefully grafted, pruned, and nurtured to bear fruit in its own season as part of a larger, more beautiful orchard.

A pursuit, we’d add, that simply wouldn’t be possible without the trust and support of such a wonderful group of like-minded, bargain-hunting limited partners who see the world just as we do.

Quarterly Market Commentary

From Liberation to Lucidity

“The main purpose of the stock market is to make fools of as many men as possible.” - Bernard Baruch

As we pen this update in mid-September, with Q3 nearly complete and the Supreme Court set to hear tariff challenges in November, the second quarter of 2025 proved to be nothing if not a masterclass in market resilience and psychology. Where Q1 left us deep in the throes of mu, Q2 was equally as confounding as it showed us something profound: markets don’t merely adapt to uncertainty – they actively consume it and, more often than not, become more robust and resilient in turn.

With that in mind, the quarter began exactly where April left us: in the eye of the tariff storm. The S&P 500 had tumbled nearly 20% from its February highs following Liberation Day, with the VIX spiking to levels not seen since the depths of the financial crisis. Yet by quarter’s end, the index had not only recovered but also notched fresh all-time highs, posting a remarkable 10.9% gain for the period. The Nasdaq’s performance was even more striking – an 18% quarterly surge that erased its dismal showing in Q1.

What changed? In short, everything and nothing. The tariff sword still hangs over global trade – with rates reaching an average effective rate of 9.75% in July and country-specific rates ranging from 15% to 50% for various trading partners, we are not in the clear just yet. Nonetheless, the Supreme Court will hear constitutional challenges in November, while negotiations continue globally aimed at managing the current framework. Yet the market’s reaction tells a different story entirely. Where Q1 saw panic selling at every headline, Q2 witnessed something approaching indifference. The natural reaction to a dynamic such as this is simply and quite rationally, What gives?

It’s a great question, and the mechanics of this transformation in sentiment are worth examining. If you recall, April’s initial tariff announcement sent shockwaves precisely because it exceeded all expectations – the administration’s formula for “reciprocal” rates initially pushed average tariffs toward 27%, the highest since the 1930s. But as the year progressed, a pattern emerged: announce, negotiate, moderate, repeat. Extensions and modifications became regular features, deadlines shifted repeatedly, and markets began to understand that the administration’s bark, while considerable, was proving more flexible than its initial bite. To the point that the rallying cry for the Q2 reversal came in the form of the “TACO Trade” and its resulting meme-ification (for those unfamiliar, “TACO” is shorthand for “Trump Always Chickens Out”).



More importantly, the underlying economy demonstrated notable resilience. GDP growth rebounded sharply in Q2, with Treasury estimates pointing to 2.3% annualized growth after Q1's 0.5% contraction. The labor market held firm, with unemployment remaining near historic lows at 4.1%. Most crucially, inflation – the Fed's primary concern – moderated through much of the quarter before ticking up to 2.7% in June, well below the dire predictions of tariff-induced price spirals painting the headlines.

The corporate earnings picture proved equally reassuring. While Q2 EPS growth of 6.4% marked the slowest pace since early 2024, it handily beat the 4.9% expected at the quarter's start. Technology companies, initially the hardest hit by tariff fears, led the recovery with robust results across the board. Alphabet's 14% revenue growth and 19% earnings jump epitomized the sector's resilience, while the broader Communications Services sector rallied even harder, posting 34% earnings growth for the quarter.

Perhaps most tellingly, the Federal Reserve maintained its cautious stance throughout the period, holding rates steady at 4.25-4.50% despite mounting pressure from the administration. Chair Powell's measured approach – waiting for “more clarity on the outlook” – provided an anchor of stability that markets came to appreciate. The central bank's updated projections, pointing to just two rate cuts this year, were met not with disappointment but with relief that policy remained predictably data dependent.

Meanwhile, Congress delivered the “One Big Beautiful Bill” – a \$3.4 trillion tax and spending package that President Trump signed on July 4th with considerable fanfare. The legislation permanently extends the 2017 tax cuts, eliminates taxes on tips and overtime, and boosts defense and border spending while trimming \$1.5 trillion from other programs. While economists debate its long-term fiscal implications, markets welcomed the certainty it provided and the growth stimulus it promises.

What strikes us most about Q2 is how thoroughly it vindicated our Q1 thesis about the temporary nature of our states. Where COVID-induced uncertainty lasted mere weeks in 2020 before policy responses became clear, the tariff-induced variety proved similarly ephemeral once market participants recognized the administration's negotiating patterns. By quarter's end, even as deadlines approached and rhetoric intensified, volatility had collapsed back toward normal levels, with the VIX settling into the teens.

This is not to suggest the challenges have disappeared. Global growth forecasts continue to be revised downward, with estimates now calling for just 2.34% worldwide expansion this year. Trade tensions remain elevated, and ongoing tariff negotiations represent a real inflection point for global commerce. European negotiations may have yielded a framework deal, but the specifics remain murky, and China's willingness to maintain the current arrangements is far from guaranteed. The cloud of chaos that gathered in Q1 could very well return, in other words.



Yet Q2 teaches us something valuable about modern markets: they are remarkably efficient at processing political noise and extracting the signal that matters – underlying economic fundamentals. Corporate America adapted to the new environment with impressive agility, front-loading imports where necessary, adjusting supply chains where possible, and maintaining capital investment plans despite the uncertainty. Consumer spending held up better than expected, employment remained robust, and inflation proved more manageable than the most pessimistic scenarios suggested.

The sector rotation that defined the quarter – from defensive value stocks back to mega-cap growth and technology – reflects this newfound confidence in the economy’s ability to navigate the policy environment. The “Magnificent Seven” tech giants, having fallen 15.7% in Q1, rebounded 21% in Q2 as investors rediscovered their secular growth stories. Artificial intelligence enthusiasm returned with a vengeance, driving semiconductor stocks up over 30% for the quarter based on strong demand. The Crossroads portfolio, which we naturally view as the best of both worlds, did a fair bit better, as already noted up top.

Perhaps most importantly for the quarter's recovery, international markets demonstrated that the tariff wars, while disruptive, need not be economically crippling. European stocks posted strong gains despite facing higher U.S. duties, while emerging markets actually outperformed their developed counterparts. The global economy, it seems, has developed something approaching immunity to trade war rhetoric, proving yet again that it’s the surprises that throw markets for a loop. A great reminder that it’s always the “unknown unknowns,” i.e., the risks, facts, or possibilities that are not only unknown to us but also completely unanticipated, that investors should fear the most. It’s also why eternal vigilance against risk is so central to the investment process at Crossroads; it’s why we always make a point to emphasize humility and the enduring value of an investment strategy and overall process that prioritizes resilience, adaptability, and – above all – survival as cardinal virtues. To finish first, first one must finish.

In any case, as we look toward Q3, we find ourselves in a markedly different position than three months ago. Where Q1 ended with maximum uncertainty and Q2 began with maximum volatility, we now face a more familiar investment landscape. Yes, the administration’s trade policies remain unpredictable, and yes, a myriad of consequential risks worth monitoring remain. However, we’d argue the salient takeaway today is that markets have learned to price in tariffs and Trump-related uncertainty, with corporations having adapted their operations accordingly – as a result, the underlying economy has proven more resilient than many feared.

The mu state, it turns out, was not a permanent condition but a temporary adjustment period, much as we surmised the last time we wrote to you. As things stand today, having worked through the initial shock of the administration’s trade policies, markets now appear capable of distinguishing between meaningful policy changes and mere negotiating theater. This is key and represents a critical evolution in how investors process political risk in the Trump era, where the line between policy and performance art has become increasingly blurred.

Quarterly Investment Activity Update

As already noted, the Partnership delivered strong performance in the second quarter. In descending order, the largest Q2 contributors were Nintendo (34%), AST SpaceMobile (34%), Magnite common equity/LEAPs (17%), Nebius Group (16%), and Vistry (3.0%). Our biggest detractor for the quarter came from the successful exit of our long-running but relatively small investment in Energy Transfer (-7%), funds that were reallocated towards better opportunities already present within the Partnership’s portfolio. Company A (-3%), Melrose (-2%), and two broad market macro hedges (-2%, -2%) round out the losers for Q2. We exited our relatively recent investment in Melrose in the quarter as well, and for much the same reason we sold our remaining stake in Energy Transfer, i.e., superior bargains in names we liked better and already owned.

Most crucially, our conviction remains unshaken that fundamental analysis and long-term value creation remain the dominant drivers of long-term returns, even in highly politicized markets defined by generationally narrow leadership



like the current one. It also makes sense to quickly highlight that the companies that thrived in our portfolio this quarter – whether in the technology, video gaming, or communications sectors – did so not because they successfully navigated the political environment or benefitted from the perpetual bid of passive fund flows, but because they delivered fundamentally via idiosyncratic drivers and good execution at the individual company level.

Granted, we have no doubt the recovery in the broad market and sentiment reversal-related tailwinds helped, but we think the more important point is how Mr. Market’s ultimate rationality, temporarily obscured by the fog of trade war, reasserted itself with characteristic force in Q2 just as the fundamental event paths of our core holdings played out in line with our expectations.

In other words, when everything comes together like it did in Q2, good things happen to the mark-to-market value of our portfolio, but that’s hardly an excuse to avoid keeping our eyes firmly fixed on what matters over the long term. After all, in most cases (a) the returns generated this quarter were earned by analysis and decisions we made years ago, and (b) most of our excess returns above the indices came from fundamentally driven announcements at our individual holdings, so businesses demonstrating operating and financial returns well above consensus. The clearest example being Nintendo and news related to sales reports of the Switch 2.

Turning to our [long-running investment in Nebius Group](#), which delivered the strongest performance of the Q2 contributors, increased by over 162%. This barn-burning re-rate was driven not only by strong AI infrastructure demand but more importantly, the increasingly clear view that NBIS has a “right to win” in the space as both the lowest cost producer for its services and one that offers a superior full-stack tool kit for its customers.

Despite this and several positive developments at non-core subsidiaries (and our shares more than tripling as of September), we believe NBIS continues to trade at a substantial discount relative to its normalized economics and long-term prospects as well as what we deem to be inferior peers. For now we’ll simply state that in the long run, a business will get the shareholders, and the valuation, it deserves. With that in mind, we continue to look forward to the day when a proper appreciation of what CEO Arkady Volozh is building is properly discounted into the company’s equity. Until that point, we’re more than happy to continue to hold.

[Our position in FTAI Aviation](#) is in a similar boat and exemplifies how markets often fail to recognize the impact of cyclical improvements on companies with high operational leverage paired with diminished capital requirements. Even more so when that business is undergoing a qualitative transformation, as FTAI is. And yet, despite analysts expecting 42% revenue growth for Q2, the market continues to value the stock as if a broader commercial aviation recovery is somehow uncertain or temporary. We think that’s pretty silly and therefore added to our position near the quarterly lows.

Looking forward, the company's focus on an aging fleet of CFM56 and V2500 engines ensures it's well positioned to benefit from the global aviation industry's continued recovery while also maintaining substantial idiosyncratic torque towards an increasingly capital-light, high-margin business model – one characterized by recurring revenues and a more durable moat. While up substantially relative to our average cost, the disconnect between what we believe FTAI’s fundamental value is and the market price suggests highly attractive risk-adjusted returns for some time to come.

The path ahead, as always, remains uncertain when it comes to the macro future. The difference Q2 made is that we now face the future with considerably more clarity about how markets function in this “new normal.” Better yet, the tools that have served us well in previous cycles – disciplined valuation analysis, a relentless focus on business fundamentals, an emphasis on catalysts, and a patient, highly opportunistic approach to capital allocation – continued to prove their worth. As we’ve learned repeatedly over the years, the market’s capacity to climb walls of worry is matched only by its ability to teach us humility about our predictive powers.



Indeed, we're reminded yet again that (a) fortune favors the prepared mind, not the prophetic one, and (b) what matters is not forecasting every twist in the policy landscape but building resilient portfolios for the long run that are also capable of thriving regardless of which way the political or macroeconomic winds blow. Likewise, the best sailors aren't those who predict the wind – they're the ones who know how to adjust their sails and adapt in a way that allows them to handle whatever may come, just as it is with respect to everything we do at Crossroads.

Notable Positions

Nintendo (“NTDOY, 7674”):

Our thesis on Nintendo, the Godzilla of video gaming, is quite simple. Armed with its Apple-like iterative hardware model and software-based ecosystem, as well as a growing active player base and ever-increasing digital sales, the company should generate substantial earnings growth that is decoupled from the “boom-bust” console cycles of old.

As a reminder, we've held Nintendo for six years and counting, drawn initially to its absolute and relative undervaluation and fortress balance sheet, alongside its artistic culture, iconic intellectual property, consistent ability to generate high returns on capital, and historic transition from cyclical earnings to secular growth – attributes, mind you, that remain as we type despite how far the current heavyweight champion of the video game industry has come. And yet, despite all its recent success and a 39.8% return in Q2, we believe the market continues to undervalue the long-tail potential of franchises like Mario and Zelda in an expanding digital entertainment landscape, to say nothing of Wall Street's still amusing takes on next-gen hardware and software sales.

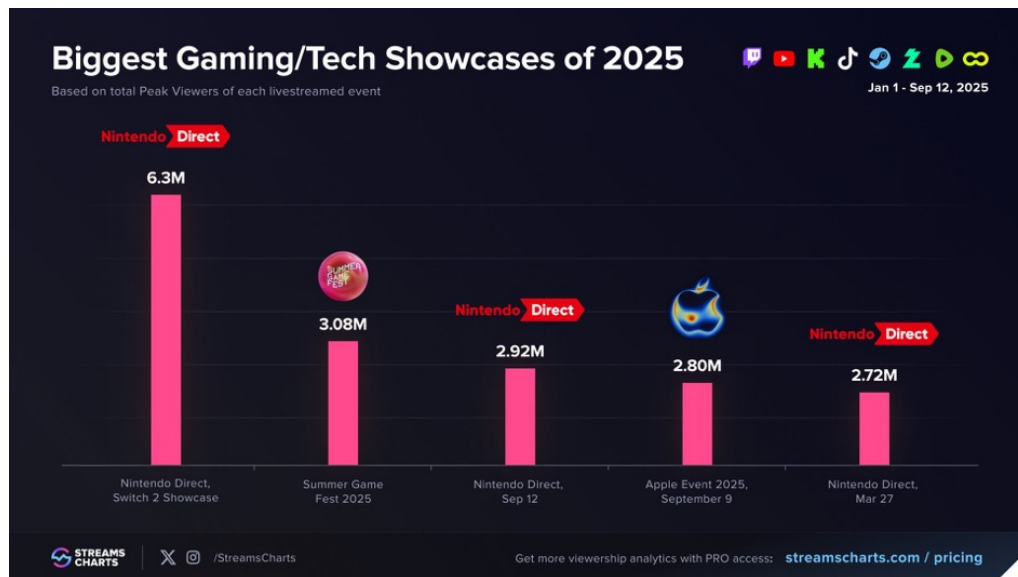
We'll get to all that shortly, but what should be immediately obvious right out of the gate is Nintendo delivered a blockbuster quarter on August 1st, powered by the Switch 2's record-breaking launch. Results that, yet again, have validated both Nintendo's hybrid Apple-like console strategy and our larger investment thesis, while also demonstrating the company's pricing power and a level of global market penetration with no historical parallel. To be frank, even the “negatives” had a silver lining in Nintendo's latest report, as the temporary margin compression that hit Nintendo's financials should revert sharply as the hardware/software mix normalizes over time and the installed base effect kicks in.

In any case, with the launch of the Switch 2, Nintendo began the final stage of its ongoing business model transformation. With an active playing base of 130 million+ users, the largest and most diverse integrated hardware/software ecosystem in all of gaming, over 34 million NSO subscribers, and an industry-leading (historically under-monetized) IP library that continues to shine, getting new life in a rapidly expanding number of movies, theme parks, retail stores, general merchandise licensing, and (we strongly suspect) a whole new crop of blockbuster games from its biggest franchises. In short, the future is bright and should only get better over the next several years at an absolute minimum.

With the official launch of the Switch 2 behind the company, Nintendo has embarked on a new era that should see massive and consistent growth that consensus estimates continues to miss. This remains true, even today, after the single best console launch in the history of the industry. As noted in our Q1 commentary, our anticipation of blowout Switch 2 sales starting in June proved to be an understatement. Turns out the Big N sold over 3.5 million Switch 2 consoles in the first four days after its June 5th release date – and a semi-mind-blowing 5.82 million units over the 25-day period through June-end – making it the fastest-selling video game console in not just the company's history, but the industry's. And not by a little, but by a lot. In fact, to do it proper justice, it's fair to say Nintendo's new console was one of the most successful product launches in the history of consumer products and the entertainment space more generally.



If that sounds a bit bold, consider the following chart comparing views of Nintendo's last few "Nintendo Direct" showcases relative to other consumer product events in tech and video gaming more generally:



And yes, you're reading that right. Nintendo's showcases are now garnering more eyeballs than even the almighty Apple, the most successful consumer products company on Planet Earth. In fact, the Switch 2 Direct more than doubled the viewership of Apple's annual event for its latest iPhone, the company's first major iterative upgrade for the iPhone family in several years.

To properly comprehend the scale of the record-breaking launch, the Switch 2's release was so dominant it:

- More than doubled every previous console launch record
- Sold more units in 4 days than most popular consoles sell in 2-3 months
- Generated more hardware revenue in one month than any console in history
- Achieved the highest software attach rate for a non-bundled \$80 game in history

We could go on and talk about a myriad of separate topics based on a debut like this, most of which have nothing to do with the hardware itself, but the future it enables. But rather than get off topic, it's interesting to note that Nintendo's Switch 2 broke the all-time console sales record for the US, Japan, and many countries in Europe, like Spain and the UK, by a mile. The torrential sales pace to date highlights the immense level of latent consumer demand for Nintendo's hardware as well as the immense global appeal of the Switch platform's brand.

So, rather than wax poetic about how the Switch 2 not only obliterated multiple launch records but also set a series of new benchmarks likely to stand the test of time or bore you with what the headlines made clear some time ago, we'll simply trust you get the point: so far, so good. And yet, with few exceptions, Wall Street's deluded hardware takes continue. To say the same thing in a slightly different way, while the sell side is now reporting that the quarter was a beat relative to consensus, raising their already raised guidance, with the latest consensus run rate implying a sales pace of ~20m+ units vs. the 18.5m FY consensus estimate heading into the print. Moreover, their rationale for this revised assumption was just as amusing as it normally is, except that this time around it's based on a slide from Nintendo's quarterly presentation that highlighted Switch 2 global "sell-through" was "more than 6 million units" in the first seven weeks after launch.



The thing is, if you don't really do actual analysis and exist mainly to ...actually scratch that, with security analysis this bad, we're not sure what point the majority of the sell side even serves anymore. But back to our larger point, which is that if you deduct the 3.5m units sold in its first four days post-release based on the "sell-through" estimate of "more than 6m" that the street continues to moronically anchor to, you get ~2.5m consoles sold from 6/9 through 7/24. And wouldn't you know, that annualizes at 20.2m units for the fiscal year, as most are now reporting.

High fives all around, gentlemen!

If our sarcasm isn't clear, it should be. What makes this so funny, bordering on shameful, is how much of a classic Nintendo troll the data point underpinning the streets' revised consensus estimate is considering the 5.8m unit "sell-in" figure the company officially provided for the 25 days in June equates to ~96% of its "more than 6m" units sold through July-end figure that the street continues to anchor to when penciling out their revised estimates.

Think about it: Do they really think Nintendo only sold 200k units in the month of July? Personally we have no idea what they were thinking, but what we can tell you for sure is that it's more likely Nintendo sold more than 200k Switch 2 hardware units in the states of Kansas and Missouri in its second month on the market than an accurate reflection of what the Switch 2 sold globally over a four-week period that was defined by demand outstripping supply in almost every market by several orders of magnitude. Come on, people! You're not even trying anymore! Clearly that premise doesn't pass even the most basic of sanity tests, to say nothing of the fact that the relatively reliable real-time data we track with respect to US console sales suggested the sales pace for the Switch 2 in July actually outpaced the torrential sales reported for the US in June.

In any case, why does this matter? Well, as we've already noted, it matters because the true run rate figure obliterated the "new, new" consensus, and of course because the premise was just laugh-out-loud dumb. Much more likely, we think, Nintendo decided to say "over 6m" because it's a rounded-up number that can't be wrong. After all, they've got better things to do, like getting back to work creating high art as the greatest gaming developer of all time. That, and using the "over 6m" figure gave them an out whereby the company didn't have to tip their hands about console sales that took place after quarter-end. And yet the street keeps on swallowing these talking points anyway, hook, line, and sinker, quarter after quarter, year after year.

Now to the real takeaway: to get the actual run rate as of the end of June, the only period where we have official numbers to work with, we'll need to subtract the 3.5m Switch 2s sold over the first 4 days post-launch from the 5.8m units sold through month-end. From here, we're left with 2.3m units sold over the remaining 21 days in June, or ~110k in Switch 2 sales per day. Now we need to multiply that 110k figure by 30 days, which equates to a ~3.3m unit/month run rate. Multiply that 3.3m units by 12 (read: the number of months in a year, lol), and wa la, the implied run rate of Switch 2 hardware sales for the FY is 39.4m units (!!!), so approximately twice the level being reported. Now that's a "raise and beat" that is likely to make peoples necks turn, and yet it was lost because professional analysts apparently can't be bothered to do their job.

At any rate, based on alternative data sets we track, we think the real run rate exiting Q2 will balance out around the same place we've always said it would, so ~30m+ units over its first full 12 months on the market. But wait! There's more!! Doubts about the Switch 2's enhanced hardware and its ability to facilitate third-party AAA developers' desire to bring over their more technically demanding games have been officially obliterated. Again, exactly as we said it would.

Better yet, with the content, features, and visual parity of these titles all on a level playing field for the first time in 15+ years, with day-and-date releases of major third-party titles finding their way to a Nintendo platform for the first time in decades (in most cases), clearly the Switch 2 is doing exactly what we've claimed from the very beginning: proving itself as the ultimate all-in-one gaming machine where gamers can play all the same games they love on Sony and Microsoft's platforms – in true fidelity to their intended gameplay – plus Nintendo games... And not just at



home, but on the go, and at a price point that is far superior to available alternatives. Simply put, the Switch 2 is the best value in gaming, and it's not even close after recent tariffs caused its hardware peers to raise prices, not once, but twice in the case of Microsoft's Xbox Series consoles.

One wonders, quite legitimately today, why anyone outside of a tiny percentage of the competitive gamer set within the larger gaming community will even bother with the inferior value propositions of legacy consoles.

As usual, the most recently reported numbers tell the story better than we ever could. Turns out gamers are buying the Switch 2 instead of PlayStation or Xbox in droves; color us shocked. To be candid, we actually were a bit taken back by the extent of the PlayStation 5's decline, which positively imploded, declining 47% year-over-year in the period since the Switch 2 was launched. We thought PS5 sales would hold up a little better for a bit longer. As far as the ongoing demise of Xbox, hardware sales imploded by 69% in the same period, and we expect these declines to continue until Microsoft eventually pulls the plug on its hardware. Unlike with Sony, this was largely expected, and at this rate, we suspect it won't take Microsoft Gaming long to pull the plug officially, as its latest price hike should only accelerate its rate of decline. As always, time will tell.

We'll wrap by noting that while Nintendo's market share will likely never return to the halcyon days of the early 90s, we suspect that when it's all said and done, the Big N is going to get a lot closer than what most in gaming media would think possible 3 to 5 years hence. For what it's worth, watching high-end gamers and many in the gaming media the world over begrudgingly admit that early Switch 2 ports are not only playable but also just as fun as their PS5 and Xbox Series counterparts over the last several months has been a true joy. A level of joy that should only grow on the road ahead as the Overton Window regarding Nintendo's place in the gaming world gets completely dismantled and Mario and co. retake their rightful place atop the entertainment company throne. This time for good.

AST SpaceMobile ("ASTS"):

"It's the coolest thing I've ever been involved with, and if we pull this off, it's not only going to be the most important thing that we do as a business group in the hundred years that we have been around, but I also think it's going to be thought of as one of the greatest innovations to happen in our generation."

- Adriana Cisneros (CEO of Grupo Cisneros, AST Board Member)

Our second-largest position, AST SpaceMobile ("ASTS"), is a pioneer in space-based cellular broadband that will quite literally change the world should it succeed in its ambitious mission to solve a persistent and universal pain point for mobile users around the globe: eliminating coverage gaps while bringing affordable broadband to billions without basic internet services.

As a quick refresher, AST was founded in 2017 by CEO Abel Avellan before going public as a SPAC in 2021. The company's raison d'être is to "connect the unconnected" by providing uninterrupted direct-to-device ("D2D") broadband coverage to everyday smartphones via the world's first and only purpose-built global low earth orbit ("LEO") network for D2D. In short, the company provides satellite-based cell tower services to wireless carriers around the world through basketball court-sized phased array antennas deployed in LEO, a key globally scalable enabling technology set to redefine wireless connectivity on a global scale.

The emergence of AST represents a pivotal moment in the evolution of not just the company but the entire telecommunications industry, primarily because AST is not merely iterating on existing technology but is introducing a fundamentally new category of service that aims to bridge the digital divide and provide ubiquitous cellular coverage to underserved populations worldwide. Indeed, if we may be so bold, the company isn't just building a satellite

network – it’s constructing the final piece of digital infrastructure that will complete a century-long arc toward universal human connectivity.

While the stock doubled in June, we continue to hold a substantial position at ~15% of NAV³ as our conviction that the company remains grossly undervalued based on normalized economics and long-term potential has only grown since we initially built our position last fall. In fact, pretty much since the day we got involved, AST has achieved several critical operational milestones that we believe have fundamentally altered its risk profile and future cash flow potential for the better. Ergo, the company was a standout performer for the quarter, surging 157% year-to-date and a whopping 122% in Q2 alone.

However, despite its magnificent run,⁴ we remain both heavily invested and highly confident in CEO Abel Avellan and his team’s ability to deliver on the company’s ambitious roadmap. Indeed, even with the equity at ~\$48.84/share (vs. our \$17.91/share average cost⁵), only a tiny fraction of the company’s future growth prospects are currently reflected in its stock price. While the equity appears expensive on near-term numbers, the reality is Mr. Market remains behind the curve despite the massive outperformance of AST’s equity year to date. As I type, our favorite emerging compounder is trading hands at a truly inexplicable 2.75x “steady state” EBITDA, i.e., AST’s normalized earnings capacity once its global constellation is fully operational over the medium term.

We’ll walk you through AST’s nonsensical valuation later in these pages, but another key element of the bigger picture is how the company’s ongoing evolution from narrative to execution is increasingly undeniable. Not only has the underlying physics behind AST’s world-transforming technology been validated – and its “impossible tech” 95% de-risked – but a clear manufacturing cadence has also materialized. With a half dozen satellites deployed, launch contracts in place, and another 40 satellites ready for launch by year-end, AST’s production momentum is set to snowball.

To wit, with its manufacturing cadence set to ramp to 6 satellites/month and a continuous trebuchet of satellite launches beginning imminently, we suspect the company’s catalyst-rich event path should cause sentiment around AST and its valuation to continue to improve in hockey-stick fashion. Better yet, as the process unfolds, it will further validate AST’s next-generation tech while kickstarting both revenue generation and non-dilutive financing in lockstep, as successful execution triggers commercial prepayments and milestone-based funding with its murderers’ row⁶ of ecosystem partners.

Critically, between AST’s \$1.5 billion in cash reserves and the avalanche of prepayments and milestone related cashflow (from leading developed market telcos and US emergency service organizations like FirstNet⁷) set to be unlocked with its BB2 launches over the next 18 months, we see above-average odds the company’s balance sheet is plenty strong to support operations through the critical deployment phase.

Mind you, we aren’t quite ready to declare victory as far as reaching a terminal share count is concerned (this is space after all), but management expects the company will reach cash flow breakeven (prior to growth capex) by the end of Q1 2026, once 25 satellites are in orbit. What we will say is that AST is fast approaching exit velocity and between its ~\$1.5 billion in liquidity, redundancy in its launch contracts, and the deployment of 45-60 satellites by year-end 2026,

³ As of September 25th, 2025

⁴ We’d argue the recent rally is merely the early stages of the market finally beginning to recognize the paradigm shift we identified nearly a year ago, reflecting investors’ recalibration of its valuation to better reflect its actual potential and decreased risk.

⁵ Our net cost basis after accounting for our profits on closed option sales.

⁶ Fellow baseball fans probably recognize the term, but for those that don’t, it’s based on the 1927 New York Yankees, whose batting lineup was so talented and powerful that the hitters “murder” opposing pitchers. Nowadays the term has expanded to describe any exceptionally skilled group in any field.

⁷ In addition to “hundreds of millions” of non-dilutive financings in export credit support from quasi-governmental agencies like US EXIM Bank and similar levels of funding via early defense adoption due to US military and intelligence contract awards.



the company appears not just fully funded but contractually locked in, taking whatever left-tailed dilution risk that remains permanently off the table.

Indeed, AST is rapidly advancing to the second phase of its operational evolution: achieving commercial scale. With phase two commencing, the company's strategic focus shifts to continued execution across three critical objectives: securing additional distribution partnerships, deploying more satellites, and monetizing spectrum access across billions of global subscribers. Simply put, the company is ready with all hands on deck for rapid constellation deployment, and the 12-18 month launch window ahead should not only crystallize AST's collection of multifaceted moats but also provide shareholders with a multitude of immediate de-risking events.

Consequently, AST is now almost exclusively an execution story; it's time to turn the lights on and open the (money) taps. The once widespread bear thesis has quickly withered down to skepticism around the timing, ability, and number of sats required for an operational global constellation. Yes, space is notoriously hard, and this is not an easy task by any means, but we see numerous proof points and execution milestones that make a mockery of the substance of these tired arguments. Nonetheless, with AST set to emerge from "production hell" over the next few months, producing 6 ASIC-equipped BB2s/month, and a beta commercial service beginning in 2026, at risk of stating the obvious – the future is NOW.

Before moving on, we want to quickly state that if any of these claims strike you as a bit bold, bordering on deluded hyperbole, we get it. That was certainly our initial reaction when we were in your shoes. A point of fact that hopefully provides even more of a reason to stick with us for the remainder of this commentary...

For those of you that may have been wondering what took so long this quarter, a new ~70-page deep dive on our AST thesis will soon be exclusively available to our LPs, and will arrive in your inbox shortly thereafter – and a similarly weighty investment presentation where we dive into the more technical aspects of the larger story should follow close on its heels. Going forward, our public commentary and detailed insights on individual positions will largely be reserved for our Limited Partners. Partial, delayed versions of our writeups will be released to our [Crossroads Insights](#) subscribers as milestones are hit.

If you'd like to learn more about Crossroads, our investment process and philosophy, or have access to 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 like-minded investors focused on achieving exceptional long-term performance and look forward to connecting.

Operational Updates and Basic Housekeeping

We are excited to share a few team updates this quarter. In April, we were thrilled to welcome Adam Brass to the investment team after a multi-year courting process. As background, Adam's and my path first crossed years ago, initially Adam came on to my radar as an active member of Value Investors Club, the world's preeminent investment community of professional security analysts. Secondly Adam reached out to me several years back via cold email in what he affectionately likes to refer to as his 'Jerry McGuire letter' describing his frustrations with the industry and outlining the type of firm he wanted to be a part of. My initial thesis was that we may have found another singular talent whose ability to identify emerging trends that align with our value-oriented approach appears to be a natural, bordering on perfect, fit. This hunch has since been verified, again and again, which is to say Adam's addition represents a pivotal moment in our firm's larger evolution.

Against that backdrop, Adam's expertise as a small-cap and special situation generalist, with a particular emphasis on ferreting out value amongst off-the-beaten-path compounders in less trafficked Canadian markets, positions the Fund to capture value in Canada and other structurally inefficient pockets around the world that we've long believed to be



underserved by elite-level fundamental analysis but lacked the added bandwidth to properly exploit. Perhaps more to the point, his arrival signals our ongoing commitment to continuing to expand our ability to systematically mine the overlooked and underappreciated corners of the world where our strategy has historically generated the strongest returns. Adam's arrival has already made a meaningful impact in expanding our idea pipeline and sharpening our diligence process. Welcome aboard Adam!

Next up is something less celebratory and more bittersweet. In July, Daniel Prather departed Crossroads to embark on the same road I chose, starting his own fund in pursuit of building something unique and enduring. While Daniel will soon know the special terror that comes from having your proverbial name on the door (come on in, old friend, the water's warm, ha!), I know he's ready for the challenge. And truth be told, we suspect not much will change in our day-to-day hunt for bargains at Crossroads, practically speaking. After all, nothing changed when he first came onboard officially – at that point, we'd been working together very closely for years – and we suspect the same will be true in the years to come. It goes without saying that we thank him for his contributions and wish him every success in his next chapter.

Looking ahead, we are actively investing in the firm's foundation. In particular, we expect to announce a series of major operational upgrades in client service, reporting, and technology in our Q3 letter. These initiatives are designed to enhance the partner experience, increase transparency in our communications, and establish a more robust platform to support Crossroads' continued growth. We're excited about the momentum underway and look forward to sharing more in the months ahead.

Conclusion

"Fools. Bureaucratic fools. They don't know what they've got there." – Indiana Jones

Long-time readers will likely know of our penchant for quoting great movies, and on that basis alone won't be surprised by our high degree of admiration and respect for the iconic (fictional) movie character Indiana Jones. In *Raiders of the Lost Ark*, Indy's reaction to the Ark being hidden in a warehouse among countless crates illustrates the concept that immense value sometimes sits unrecognized, undiscovered, or misunderstood by those who fail to look deeply or with the right understanding. His entire character is based on seeking treasures in forgotten ruins while others dismiss their value or get distracted by danger and myth. In the opening scene, he extracts a golden idol from a booby-trapped temple – finding value precisely because he dares to go where others won't.

While we are neither as dashing handsome as a young Harrison Ford nor as witty and resourceful as Indiana Jones, we try to find treasure before it's discovered and goes to auction at fair market prices. We believe we have done exactly that with AST SpaceMobile and the entire portfolio for that matter and remain convinced, deep down in our bones, that Crossroad's best days lie ahead. The truth is we're just getting started on this intergenerational adventure.

As always, everyone at Crossroads remains immensely grateful for the opportunity to manage your capital. Thank you for your trust and continued partnership.

Best regards,

Ryan O'Connor



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