Dear Friends and Partners,

During the first quarter of 2025, Crossroads Capital Investment Partners, LP (the "Fund") depreciated by 7.6% net of all fees and expenses. Since inception, and over the last five years, the partnership has compounded at 13.3% and 16.0% net, respectively, substantially outperforming its most suitable benchmarks.

As of March 31st, 2025, the Fund's total gross exposure stood at 87%. Net long exposure was 59%, with 14% of holdings in cash. Our top 10 shorts had a weight of 14%. Additional information on both the current portfolio, as well as our historical gross and net returns, is available at www.crossroadscap.io.

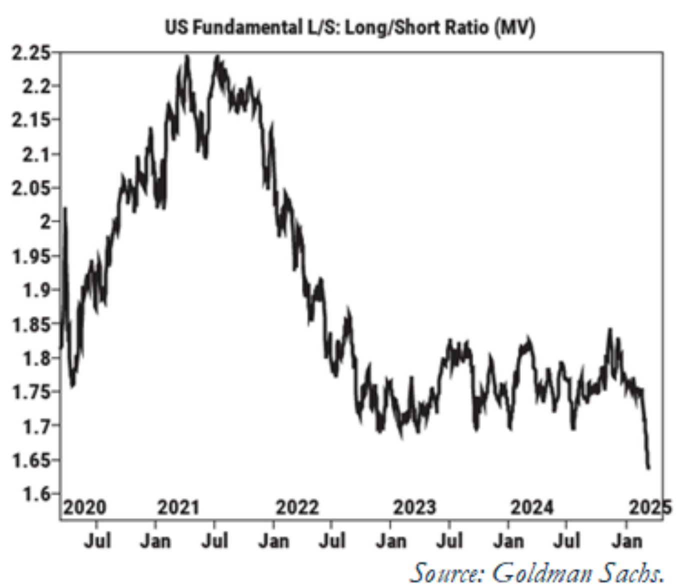
Notably, as of April 24th, the fund recovered modestly from the decline in March and is now down 1.6% YTD, with the S&P 500 down 6.7% YTD and the Russell 2000 down 12.1%.

Returns vs. Relevant Indices[1]*

	1Q FY25	5 Year (Annualized)	Since Inception (Annualized)	Since Inception (Cumulative)	Gross Relative Outperformance (Annualized)
Crossroads (Gross)	**(7.6)**	**19.0**	**16.7**	**291.9**	–
Crossroads (Net)	(7.6)	16.0	13.3	202.2	--
Russell 2000 Value (IWN)	(7.7)	15.1	7.1	83.9	**9.6**
MSCI All Countries World (ACWI)	(0.9)	15.2	10.5	141.9	**6.2**
S&P 500 Total Return (^SP500TR)	(4.3)	18.6	13.7	211.9	**3.0**

As we write this update in late April, only a couple of weeks after "Liberation Day," the first quarter of this year was nothing short of eventful. The calendar turned, and with it came a new administration – a familiar person at the top, but with a reshuffled team and, as we quickly learned, a distinctly different approach.

Through February, markets had settled into a narrative of deregulation and growth, buoyed by robust economic data. Early tariff headlines and news of DOGE job cuts barely registered. The mood shifted in early March, when the administration announced plans for reciprocal tariffs set to take effect April 2nd. Markets, famously allergic to uncertainty, responded in kind with hedge funds slashing equity exposure at a pace not seen since the depths of March 2020. Goldman Sachs now pegs the US Fundamental Long/Short Ratio at a five-year low – lower even than during the initial covid shock, as seen in the chart to your left.



Source: Goldman Sachs.

Regardless, if markets dislike uncertainty, they despise recessions and April 2nd brought both heightened ambiguity and a sharper risk of economic contraction. The following two weeks were a blur of volatility, with headlines and market reactions shifting by the hour. We could go into detail on all the puts and takes but odds are high that what is written here is going to be outdated quickly and thus, this section of our letter is shorter than usual. For now, we find ourselves in a 90-day reciprocal tariff pause (excluding China), as trade negotiations supposedly continue.

* *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.*

If we had to capture the mood right now, we'd say the entire business community – including investors – has been put into a state of "mu." Borrowed from *Zen and the Art of Motorcycle Maintenance* by Robert Pirsig, mu, translated from Japanese as "no thing," is the answer you give when the question itself doesn't fit the situation – when reality is too complex for a simple yes or no, or even a straightforward buy or sell. Said differently, one must un-ask the question and reject that there is only a binary answer. Mu is exactly where we find ourselves: with policy shifting by the day, costs in flux, and the rules of the game up for grabs, most businesses have hit pause. Or in Apple's case, hitting the gas, flying 600 tons of iPhones into the US in a mad dash before tariffs bite.[2] In either case, orders are moved, shipments are held back at ports, capital investments stalled, and supply chains re-examined from top to bottom. Instead of charging ahead or pulling the plug, companies are choosing to wait, reassess, and look for a new way forward. The tariff war hasn't just slowed things down – it's pushed everyone into a holding pattern, searching for answers that match the complexity of the moment rather than forcing a choice that doesn't fit.

We'll detail Crossroads' response to these developments shortly, but it's worth noting this mu state has distinct parallels to the COVID episode five years ago. During COVID, businesses faced an exogenous shock – a hard stop caused by a global health crisis. Supply chains froze, demand plummeted, and uncertainty reigned as policymakers scrambled to attempt to respond rationally with limited and rapidly changing information. The mu state in this instance lasted a handful of weeks as a path out of the crisis became visible.

In contrast, the Trump-induced tariff war represents a self-inflicted disruption, where shifting trade policies and reciprocal tariffs create artificial barriers to growth (and one-time increases in prices). With American industry in a mu state, the question is then "But for how long?", and there lies the crux of the issue. While COVID demanded adaptation to an external crisis, the tariff war is forcing businesses into a holding pattern, leaving them unable to predict with clarity the magnitude of the ultimate impact. Also, this time around the whole world isn't in a "hard" mu state; the pain being felt varies across industries and geographies. To that point, we've already seen exemptions and policy walk-backs. We also know there's little appetite – among policymakers or the public – for unnecessary pain. What makes this backdrop particularly tricky from our seat is that the longer this uncertainty drags on, the more acute the pain is likely to become but also the higher likelihood of a policy reversal.

Ergo, volatility is spiking and markets are swinging wildly as investors attempt to divine a "master plan" by parsing trade headlines that shift hourly. Everyone's trying to figure out what the new rules are – and, more fundamentally, what game we're *actually playing*. While there's ambiguity on just about every variable in this tariff war, one focal point emerges: containing China. How effective that will be is yet to be determined, other than to say the administration's hand continues to weaken by the day. Not ideal, to say the least.

In any case, recall that in last year's annual letter we'd flagged the underappreciated risk embedded in the Mag7's substantial China exposure, noting that while this concentration had been a tailwind in benign policy environments, it left the group acutely vulnerable to China's domestic consumption agenda, geopolitical shocks, and trade friction. The situation remains highly fluid, but a higher level of antagonism between trade partners introduces, in our view, a higher cost of capital and lower valuation multiples for the Mag7 and the broader market by extension.

Before moving on, we should note that the academic consensus on tariffs, led by Douglas Irwin, Dartmouth Economics Professor and author of *Clashing over Commerce: A History of U.S. Trade Policy*, is clear: tariffs have rarely delivered on their promises. We'd point out that while economists are famously terrible at economic prognostication, they usually are quite good at analyzing the past. So, with that information in hand, have tariffs flipped trade deficits to surpluses? Nope. America's industrial boom in the late 1800s? Driven by immigration, capital investment, and westward expansion – not tariffs. The infamous Smoot-Hawley Tariff of 1930? It deepened the Depression as countries retaliated, but no change to trade deficits. While a few economists argue for targeted, strategic tariffs, broad-based protectionism is a blunt tool, more likely to raise costs than to boost productivity or fix trade deficits.

Tariffs, at the end of the day, are a tax – one that falls on imported goods. They're regressive and less efficient than some taxes, but not catastrophic. They don't move the needle much on trade deficits, and their macro impact is more like a larger-than-normal income tax hike than a seismic economic event. The real risk is the uncertainty they inject into the system, not the tariffs themselves. And yet, despite the new potential taxes on consumers, real-time data shows spending and habits are holding steady

[2] https://www.reuters.com/technology/apple-airlifts-600-tons-iphones-india-to-beat-trump-tariffs-sources-say-2025-04-10/

for now. It's early, but the resilience is encouraging, though likely a function of tariff front-running. As with our writing about the tariff situation above, these sentences may have a short shelf life, so we must remain humble and nimble. If growth moderates only slightly and tariff uncertainty fades, the market's recent reset may prove to be an overreaction, with many names in our investment universe now trading at valuations that border on the absurd in either case.

Point being, despite the recent market turbulence and heightened uncertainty from the administration's tariff moves, our conviction in Crossroads' long-term approach has only grown stronger. History shows that while tariffs generate plenty of noise and volatility, their lasting impact on economic growth, trade balances, and equity returns have been mixed at best. Right now, we're in the thick of that noise, with businesses and investors alike in a mu state – waiting, reassessing, and holding back as the rules shift unpredictably. Naturally, we've taken steps to mitigate the portfolio from the most adverse outcomes. But make no mistake: our strategy is built for moments like these. The reality is businesses undergoing real, value-unlocking change are often overlooked, even more so in the heat of market dislocations like what we've just experienced. And from the standpoint of the long-term bargain hunter, this is undoubtedly a beautiful thing. Moreover, by staying anchored to intrinsic value and capitalizing on the disconnect between price and fundamentals, we're able to exploit volatility rather than fear it. After all, we've navigated uncertainty like this before and know that clarity will eventually return. When it does, we're ready to adapt and move forward, confident that our focus on long-term value and disciplined investing will continue to serve us well – regardless of the headlines.

Quarterly Investment Activity Update

Throughout the quarter, we exited some positions in a measured fashion where we saw investment theses falter, as fundamental progress failed to materialize and/or our ground-level network began signaling increased hesitancy and uncertainty. Headlines aside, experience has taught us that certain conditions must be met for value-unlocking circumstances to play out. When those conditions deteriorate, prudence demands action. At the same time, we won't hesitate to add to our highest conviction names aggressively should opportunity knock.

Alas, when all correlations go to one, like we've seen recently, even great companies undergoing real, catalyst-driven change get caught in the downdraft. Or to say the same thing in a slightly different way, in strong markets, most transformation stories are simply overlooked, their complexity ignored by all but the most diligent. Of course, they're ignored until said transition hits with force, usually when earnings inflect upwards and the complexity of the name is simultaneously removed, the twin tailwinds of our strategy. Yet in periods of stress, the market's patience for nuance evaporates, and these names can be punished with particular severity. Forced selling and indiscriminate markdowns create a feedback loop of pessimism, obscuring the underlying progress amidst a sea of temporary noise. This dynamic was clearly on display in the chart presented above: hedge funds, the incremental buyer for many small- and mid-cap names, de-grossed (sold) at the fastest pace seen in the last five years.

Yet when it comes to our highest conviction longs, we believe that what unites them is a set of enduring characteristics: each is anchored by resilient fundamentals and stable earnings power, and each possesses visible, company-specific catalysts that remain firmly on track – even in the teeth of the current uncertainty. These are not fair-weather holdings, in other words. Rather, they are businesses whose value-unlocking transformations continue apace beneath the surface, irrespective of the market's appetite for complexity or risk.

To be clear, during the quarter we opportunistically added a few new names where fundamentals are not only running hot but continue to do so even after this injection of uncertainty. The net effect was only a slight increase in our cash position, but a shift in the portfolio to holdings we believe will do well even in a trade war environment. Conversely, we recognized that some of our holdings were still early in their transformation journeys – and that the direction of the current environment could delay their plans. As such, we made the difficult but necessary decision to trim or exit some of these lower-conviction positions. Should the recent bout of uncertainty deepen, we want to maintain ample liquidity both to defend capital in the near term and to seize opportunity offensively as clarity returns.

As for Crossroads, high level, we've entered our own "mu" state for the time being, more a soft "mu" than a hard "mu" – choosing patience over action, holding back rather than forcing decisions that didn't fit the moment. We recognized that, with policy and sentiment in flux, the prudent course was to wait, reassess, and ensure we were positioned to move decisively when the fog lifts. If anything we believe the quality of our portfolio has increased, holding our highest-conviction names with catalysts we've reassessed and still expect to occur in the near-term. Nevertheless, we're in a soft "mu" state, with elevated levels of short positions in the portfolio and an ample cash position ready to add to the most beaten down small and mid-cap companies as good fortune arises.

Speaking of good fortune, we initiated a new position in FTAI Aviation (FTAI), added heavily to Company Z highlighted in our last quarterly letter, and exited our equity position in Calumet Specialty Products prior to its recent implosion. On Company Z, we're sure some diligent readers are aware of which firm we are referring; we will be publishing a separate deep dive after this letter's publication to our LPs. At some point in the future, we may disseminate the piece more broadly.

Next of course, we need to mention Nintendo, which finally debuted its Switch 2 console in January. With Switch 2 pre-sales set to go live in the US on April 24th – and the device already selling out in the UK and other international markets – we continue to view NTDOY as uniquely positioned for outperformance amidst the uncertainty of the moment. Further, with the Switch 2 launch serving as a catalyst we see both near-term and multi-year fundamental upside. We would only quickly note here that the company's decision not to raise US prices in response to the recent tariff headlines demonstrates a flexible supply chain and a clear focus on maintaining consumer goodwill.

At any rate, with record engagement, a deep software pipeline, and a still-untapped audience for Switch 2 in addition to an enormous amount of latent replacement demand – we see a clear path for sustained operating leverage and upward earnings revisions as pre-order momentum rolls into full-year shipments and game sales. Expect a separate update from us following the initial sales of the Switch 2 later in June.

Now, we'll quickly detail FTAI and CLMT as those were the biggest portfolio changes this quarter.

Calumet Specialty Products ("CLMT")

In our last letter, we issued what was essentially an ultimatum. For reference we wrote, "Calumet's current $15 stock price is nothing short of lunacy as long as management can competently execute the rest of the playbook and, in doing so, rehabilitate the reputation of a C-suite and BoD suffering from several unforced errors and related credibility issues. The 64k dollar question at this point is will the center hold?"

To that last question, the answer was no – and we exited the equity early in the quarter in the low 20s, though we still maintain some exposure via call options. On paper, we saw a clear line of sight to well over $30/share in near-term intrinsic value, but realizing that upside was always going to hinge on management execution – not just in operations, but in clearly communicating a transparent and compelling thesis to the investment community. Post-DOE loan, even after direct coaching from shareholders, management still failed to articulate both the thesis and the underlying facts that would have made it obvious normalized earnings were well above where the street had penciled them in.

As just one example of our exasperation, management's inability to simply and credibly detail that contracted offtake agreements for SAF are at a $1.50–$2/gal premium to renewable diesel – like peers at Darling Ingredients – remains baffling.

Remarkably, the core points of our thesis proved correct: non-core asset sales are complete, and the much-maligned ATM is out of the picture, never having been drawn on. Yet, many who have reached out to us as they start to do the work on the name have asked, "Why can't these guys just be straight with me? What are they hiding? What am I missing here?" Our view is that they're not hiding anything; they simply don't understand what public market investors need to underwrite a position.

Despite our rough words, just because public market investors don't see the value doesn't mean a strategic buyer won't. Large shareholders have constructively engaged with the company and refreshed the board, and we think the best outcome here is a sale – likely one buyer for the core business and another for MRL. Additionally, we still see a credible path to a re-rate into the upper $20s in the near term, contingent on an industry-friendly EPA setting a new RVO limit in the next month or two, which we believe would raise renewable diesel margins from $0.70/gal to over $2.00/gal almost overnight. Cash flows should rapidly snowball from there.

So for those reasons and as noted above, we maintain a small position in long call options to capture any much-needed catch-up in the share price. But, for us, the opportunity cost is too high to continue to hold the equity for the long term, waiting for management to see the light or, more likely, for the firm to get sold. That mindset, of not letting sunk costs dictate future exposure, proved beneficial when FTAI Aviation ("FTAI") underwent its own bout of turmoil early in the quarter.

FTAI Aviation ("FTAI")

Every so often, an external shock creates a rare opening to invest in a high-quality business undergoing a value-unlocking transition, where the predictability of the end game draws us in with conviction. In this instance, a Muddy Waters short report published in January triggered just such an event, sending shares tumbling and sentiment into a tailspin. We entered into a position in the midst of this fallout.

FTAI, once a hodgepodge of transportation assets under Fortress Investment Group, has now executed what we believe is one of the sharpest pivots in the industrial landscape. In the span of a couple of years, FTAI shed both its MLP structure and non-core infrastructure, emerging as a pure-play aerospace platform. Management has built the first leg of their platform around the CFM56 engine – the workhorse of global narrow-body aviation – unlocking value by treating the engine not as a monolith, but as a set of interchangeable, high-value modules. By building the largest pool of CFM56 modules and internalizing MRO, we believe FTAI has created a network effect: the more modules it owns, the more efficiently it can service, repair, and exchange engines across the industry. With OEMs looking at close to a decade of backlog, the aftermarket is expected to have a long tailwind.

Additionally, the company's $4 billion Strategic Capital Initiative (SCI) is now in place, providing the dry powder to acquire aircraft and engine modules, all run through FTAI's own platform for capital-light, recurring earnings. Early estimates show that FTAI could generate over $250 million in EBITDA per $4 billion in capital deployed through the SCI. With SCI deployment, FTAI is positioned to deliver robust, uncorrelated growth – regardless of the macro backdrop. In fact, the tariff rules, as currently written, do not impact FTAI and MRO activity, as of the second week of April, has continued at the same pace as early in the year. If anything, the recent weeks' tariff actions stand to further complicate the aerospace supply chain, aiding the aftermarket players. Lastly, we are expecting FAA approval for FTAI's third (of five) PMA part in the coming months, which should structurally raise margins.

Of course, the market still sees a lessor, and an economically sensitive one at that; we see an emerging aerospace compounder underpinned by a much more stable MRO backdrop, with a capital-light growth vehicle, network effects, and scale that should only deepen as the platform matures. Our kind of set up to be sure.

Notable Positions

Nintendo (NTDOY)

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 de-coupled from the past "boom-bust" console cycles it previously underwent.

Indeed, for the first time ever, the new Switch will slide right into an existing software ecosystem, kickstarting an upgrade cycle from a profit base of nearly $4 billion rather than starting from zero, as it has with every other major console changeover in its multi-decade history in the video game space. With that, Nintendo is set to begin the final stage of its ongoing business model transformation we first laid out to you all the way back in 2019. Better yet, with an active playing base of 129 million users, the largest and most diverse integrated hardware/software ecosystem in all gaming, and over 34 million NSO subscribers, sticking the landing is all but certain. After all, Nintendo has an industry-leading (and 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, and (we strongly suspect) a whole new crop of perpetual first-party live service games in the months and years ahead.

All that said, the company officially debuted the Switch 2 in early January, which should go on pre-sale on April 24th, with delivery sometime in June. With the official launch of the Switch 2, the company is embarking on a new era that should see massive and consistent growth that consensus continues to miss. For example, consider the Switch 2's enhanced hardware, which is allowing developers to bring over more technically demanding games to the Switch platform in true fidelity to their intended gameplay right out of the gate. In other words, unlike the OG Switch era, the Switch 2 will be the first Nintendo console with comprehensive AAA third-party support in decades and is expected to receive major AAA titles such as Activision's *Call of Duty*, Take-Two's *Grand Theft Auto 6*, and EA's *Madden Football* within the new console's launch window. This step-change increase in third-party "system selling" game availability will be further bolstered by the fact that all these games do an excellent job of monetizing in-game microtransactions in a recurring, annuity-like fashion**,** opening Nintendo's ecosystem to not just third-party AAA games but an entirely new cohort of higher-spending gamers.

And that's just one driver of returns. The Switch 2's innovative use of AI (thanks to NVIDIA's DLSS), added mouse functionality, and innovative online chat features should certainly do their part in converting the 100 million + PlayStation and Xbox users still gaming on prior-generation consoles, not to mention the 1.86 billion global PC gamers that will finally have a real (highly compelling) reason to consider a Nintendo console for the first time. If that wasn't enough, the global blockbuster Super Mario movie has the company embarking on the next leg of its journey in visual content, i.e., a multi-film, Marvel-esque "Nintendo Cinematic Universe," with the company aiming to build up to a one-movie-per-year pace over the next five years. New movies for Mario, Zelda, and others are in development. And the company's venues at Universal Parks continue to gain traction, with the Japan and LA locations already open, Orlando opening in May later this year, and Singapore following shortly thereafter.

We anticipate strong Switch 2 sales starting in May/June of 2025 (FY 2026), alongside an impressive lineup of first- and third-party software and higher prices for NSO and all AAA games sold on Nintendo's App Store-like eShop platform. Furthermore, with reports of Nintendo's supply chain preparing 20 million + Switch 2s for sale this year and a $450 per unit price, consensus FY 2026 revenue estimates of ~¥1.9 trillion would be off by almost ¥1 trillion. Incredibly, we think consensus on software is off by an even larger order of magnitude than the streets deluded hardware takes, but more on all that in the next month or so.

For now, it is safe to say that a console release of this importance, plus spring-loaded game sales and a modest valuation of less than 12x normalized earnings (less cash) puts Nintendo's forward risk-adjusted return profile into rarified air over the next three to five years.

Vistry PLC (VTY.LN)

UK homebuilder Vistry Group is transitioning to a pure-play "partnerships" business model that combines the financial and land resources of local authorities and housing associations, the UK central government, and even financial institutions with Vistry to create a capital-light home construction enterprise at the center of a virtuous circle for all stakeholders. Unlike traditional homebuilders, Vistry's "partnerships" model pre-sells over 50% of its homes at affordable prices (mostly to cycle-agnostic local councils or housing associations), shortening cash collection times and considerably reducing the business's cyclicality and interest rate sensitivity. Vistry's shift from a hybrid traditional/partnerships housebuilder to a partnerships "pure play" will not only make it the UK's largest affordable housing manufacturer but will also drastically improve the predictability of its financial and operational results, radically increasing its revenue visibility, return on capital, and earnings potential in lockstep.

The best analogy, valuation comp, and example of expected returns that we see for Vistry is US-listed NVR. For those unfamiliar with NVR, it's a slow-growing, capital-light US housebuilder that's repurchased more than 75% of its shares over the last 30 years. Vistry continues to repurchase its shares as it reaches the late stages of its ongoing business transformation. The company should complete ~17k homes this year and will be delayed in reaching its 20k Partnerships completion and £800 million operating profit targets as part of the issues.

Mind you, we still view both targets as very achievable, as their issues to date have been Housebuilding related, which is in wind-down and ultimately irrelevant to our long-standing thesis. Though the pace of the wind-down is contingent on open market housing sales, the release of this trapped working capital will be material, not to mention a matter of when, not if it can be returned to shareholders. . To that end, the company has stuck to a 40% ROCE,12%+ operating margins and revenue growth of 5%-8% per annum. The UK Labour government has also prioritized affordable housing and should debut a new, larger, funding program in June/July. Moreover, both management and the Board of Directors, as well as the company's major shareholders, continue to show conviction in Vistry as they've been adding to their collective investments meaningfully in the face of recent weakness.

The company has put out a level-headed set of expectations for 2025 with a few key markers to show progress on their delayed transformation into a capital-light homebuilder, namely a reduction in work in progress (WIP) in the second half of the year As Vistry makes both amends and progress in the transformation the discount applied to them should evaporate. At present, the name trades at ~4x EBIT on reasonable 2026 expectations of £500 million in operating profit, while comparable firms trade 3x-4x higher.

Magnite (MGNI)

Magnite is the largest independent programmatic Sell-Side Platform (SSP), an entity that provides technology solutions to automate the purchase and sale of digital advertising inventory on behalf of publishers. The company arose from the merger of The Rubicon Project and Telaria in 2020. It then acquired a CTV competitor SpotX in early 2021 to become the third-biggest CTV SSP, after Comcast's Freewheel and the Darth Vader of the AdTech world, Google. Critically, Magnite stands today as the key enabler of Connected TV (CTV) advertising for streaming platforms, an increasingly crucial revenue source for media parent companies around the world.

The company's contract win with Netflix is proof of its differentiation in the space, and was something we expected after hearing back in early 2023 that Microsoft's Xandr ad tech stack wasn't capable of true CTV ad delivery. The company has impressive incremental EBITDA margins (75%+), and after spending the last few years consolidating its acquisitions, is in a place to capitalize on growth opportunities, generating cash flow far in excess of current market expectations.

Nonetheless, the company trades on a single-digit multiple of this year's estimated EBITDA, with minimal credit applied to Netflix onboarding programmatic advertising. That's strange, if only because we believe the Netflix ad tier is likely to deliver $6 billion in ad spend next year, and half of that may go through Magnite with low-single-digit take rates (3.5 to 5.0%). Should this occur with incremental margins they have shown in the past, the company could see EBITDA rise by over $70 million next year, implying 30%+ growth from Netflix alone. Better yet, with the success of Netflix's programmatic endeavors, other media customers may accelerate adoption of the same type of programmatic infrastructure/services with MGNI that were previously just tertiary monetization activities.

Meanwhile, Magnite DV+, the company's open internet SSP division, should continue its modest growth. However, it also has a potentially massive call option in Google's forced divestment of its ad tech stack (Google Networks). We published our first writeup on the situation in September 2023 before the search trial, highlighting investor complacency about a breakup risk for both search and ad tech trials. With (1) Google's loss in the search trial and (2) there still being an opportunity for the beneficiaries in the ad tech case, we published an update to that thesis in September 2024. The ad tech trial concluded in November and the ruling was delivered on April 17th.

As we contended from the beginning, the judge ruled that Google monopolized the supply side of the display advertising market. With the ruling out of the way, we expect the judge to deliver remedies shortly, which should provide greater clarity to investors who are just now starting to wake up to the thesis we've held for years. As for remedies, as long as the supply side of Google's ad tech stack is separated from the demand side, the resulting breakup would have independent SSPs, like Magnite, able to mop up market share. And as we pointed out previously, for the first time in Google's history, its open internet DSP, DV360, announced direct integration with MGNI DV+ to streamline ad transactions. We saw that action as a canary in the coal mine, lo and behold that assertion proved correct. After remedies in the DOJ ad tech case, the second shot on goal is the Texas ad tech trial with a handful of States Attorney's General, which should start later in 2025.

What are we really playing for? Market share stats usually measure impressions, not revenue. Google's AdX may command over 50% of impressions, but that overlooks the real story: Google keeps the highest-paying inventory for itself, with CPMs up to 50% higher than competitors. When you look at dollars-weighted impressions and add on Google's 90% ad server share – the true opportunity becomes clear, tens of billions generated from their elevated take rates. The focus on impressions hides just how much value Google controls, and how much is left on the table for challengers, the chart below should be self-evident.

Post-Breakup Market Share Scenarios								
	GOOGL SSP	Xandr	MGNI - DV+	PUBM	TRMR - SSP	TripleLift	OpenX	Long Tail SSPs
Revenue ($B)	$20.0	$0.4	$0.3	$0.3	$0.2	$0.2	$0.1	$2.0
Market Share	**85.7%**	**1.6%**	**1.6%**	**1.2%**	**0.8%**	**0.7%**	**0.3%**	**8.6%**
Open Internet Share Ex. Google		11%	10%	8%	5%	5%	2%	N/A
Scenario 1 (20% share loss)								
Incremental Revenue ($B)	($4.00)	$0.1	$0.1	$0.1	$0.0	$0.0	$0.0	$2.0
Total Revenue ($B)	$16.0	$0.4	$0.4	$0.3	$0.2	$0.2	$0.1	$2.0
Market Share	**68.6%**	**1.8%**	**1.8%**	**1.4%**	**0.8%**	**0.8%**	**0.3%**	**8.6%**
Scenario 2 (30% share loss)								
Incremental Revenue ($B)	($6.00)	$0.3	$0.3	$0.2	$0.1	$0.1	$0.0	$2.0
Total Revenue ($B)	$14.0	$0.6	$0.6	$0.5	$0.3	$0.3	$0.1	$2.0
Market Share	**60.0%**	**2.7%**	**2.7%**	**2.0%**	**1.2%**	**1.2%**	**0.5%**	**8.6%**
Scenario 3 (40% share loss)								
Incremental Revenue ($B)	($8.00)	$0.5	$0.5	$0.4	$0.2	$0.2	$0.1	$2.0
Total Revenue ($B)	$12.0	$0.8	$0.8	$0.6	$0.4	$0.4	$0.1	$2.0
Market Share	**51.4%**	**3.6%**	**3.5%**	**2.7%**	**1.6%**	**1.5%**	**0.6%**	**8.6%**

In the event of a breakup of Google's ad tech stack, Magnite stands to see its DV+ market become competitive again and gain share from Google, potentially resulting in 5-10x upside in MGNI's equity and fare more asymmetric upside in the LEAPs. In fact, remedies don't even have to take effect to see a change in earnings prospects, publishers with 80% of their ad revenue tied to Google will be looking to protect that revenue from any internal disruption. Again, this thesis is completely independent from a compelling setup in the stock itself. That's our kind of setup, to say the least.

Operational Updates and Basic Housekeeping

Introduction of an 8% Hurdle Rate

We are pleased to share an important enhancement to our fee structure that reflects our long-standing belief in aligning incentives through true performance. As we first outlined in our 2019 Annual Letter, our philosophy has always been that managers should only be compensated for generating meaningful outperformance. Effective May 1, 2025, we are formalizing this view by implementing an **8% annual hurdle rate.**

Under this structure, incentive fees will only be earned on returns exceeding an 8% threshold – a level chosen to reflect the historical long-term return of the S&P 500 and consistent with the expectations of sophisticated long-term capital. We strongly believe that if we cannot beat the market's historical return, we shouldn't earn an incentive fee. It's that simple. This change underscores our commitment to creating alpha, not just collecting fees, and reinforces the performance-first culture that underpins everything we do.

We will scale back our management fee as assets grow, further reducing any temptation to prioritize AUM growth over returns. As always, the vast majority of our personal capital remains invested alongside yours.

Launch of BVI Mini-Master Vehicle

The firm is pleased to announce the launch of a BVI mini-master structure effective 1 May 2025. This enhancement is more than a legal wrapper; it is the next milestone in our mission to provide partners with a world-class, fully institutional platform.

- **Alignment with global capital.** The new vehicle gives non-U.S. investors a tax-efficient entry point while maintaining the transparency and governance standards of our onshore fund.

- **Flexibility for U.S. tax-advantaged accounts.** ROTH IRAs, 401(k)s, and similar plans can now invest alongside our existing LP base without triggering UBTI or other tax friction.

- **Scalable architecture.** The structure positions Crossroads to accommodate the growing interest we receive from family offices, individual investors, and sovereign entities that require offshore capacity.

We view this launch as another step in compounding structural advantages, the same mindset that guides our security selection. If the vehicle is relevant to your circumstances, or if you'd simply like to understand it in greater detail, please reach out.

In sum, our adaptation this quarter was defined by discipline and readiness. We shifted the portfolio to businesses that should do well in light of tariff uncertainty. And following the end of the first quarter, we raised cash to buffer against further shocks and to ensure we could act from a position of strength. We entered a soft "mu" state ourselves – neither charging ahead nor pulling the plug but waiting for the right questions to be asked and the game's new rules to become clear. And we stayed anchored to our highest-conviction ideas, confident that, when the market is ready to look beyond the next headline, the businesses undergoing real, value-unlocking change will be the first to recover lost ground.

Thank you for your continued partnership as Crossroads Capital evolves into the top-tier investment firm we collectively envision.

Sincerely,

Ryan O'Connor

Founder & Portfolio Manager

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