



Dear Friends and Partners,

During the third quarter of 2025, Crossroads Capital Investment Partners, LP (the “Fund”) appreciated by 6.4% net of all fees and expenses, bringing the YTD returns through the end of Q3 2025 to 34.1% net. On a five-year annualized basis, the partnership has returned 14.6% gross and 12.1% net. Since inception, the partnership has compounded at a rate of 21.4% gross and 17.3% net.

As of September-end, 2025 the Fund’s total non-delta adjusted gross and net exposure stood at 97.2% and 85.4%. Additional information on both the current portfolio and our historical gross and net returns is available at www.crossroadscap.io.

Returns vs. Relevant Indices¹

	3Q FY25	5 Year (Annualized)	Since Inception (Annualized)	Since Inception (Cumulative)	Gross Relative Outperformance (Annualized)
Crossroads (Gross)	7.5	14.6	21.4	512.5	n/a
Crossroads (Net)	6.4	12.1	17.3	342.3	n/a
Russell 2000 Value (IWN)	12.1	14.4	8.7	117.4	12.8
MSCI World Small Cap (ZPRS.DE)	8.0	10.7	8.5	113.8	13.0
S&P 500 Total Return (^SP500TR)	8.1	16.5	15.2	274.1	6.2

Quarterly Market Commentary

Given the tardiness of our Q2 letter, we’re writing to you not long after our last update. The delay was due to our writing a 70-plus-page tome on AST SpaceMobile – and fortunately for us, AST had another positive quarter, as did the broader Crossroads portfolio.

The market, meanwhile, let the good times roll with summer doldrums bringing ideal market conditions, characterized by a lack of perceived headwinds and a corresponding capitulation towards risk assets. Unlike the heightened volatility we saw in 1H25, the S&P 500 resumed its glide path higher, notching gains in July, August, and September, or nearly 8% for the quarter. September added wind to the markets’ sails as the participants exercised what one might refer to as a “Powell put,” cheering on a 25 bps rate cut in mid-September – the Fed’s first since December 2024. Despite adjacent commentary that could be described as *tepidly dovish* at best, that didn’t stop investors from bidding equities higher.

The reaction underscored what’s been true all year: the market’s love language remains liquidity. With inflation comfortably back in a narrow range and economic growth still positive, investors began to believe that perhaps, at long last, the soft landing wasn’t a fairy tale. Rate-sensitive sectors and small caps caught a bid, volatility subsided, and the long-end of the curve eased meaningfully into quarter-end.

We’d previously described the 1st half of 2025 as the following:

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.

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.

In Q3, the market's robustness and resilience referenced above evolved into something closer to *antifragility* – the juxtaposition where systems don't just withstand stress but grow stronger because of it. Markets have a remarkable capacity for adaptation, and one must evolve accordingly. In a similar vein, we believe portfolios best positioned for what lies ahead aren't merely hedged against volatility – they're structured from the bottom up to exploit it. As Taleb reminds us, the goal isn't to be unbreakable or to sidestep volatility altogether – rather, it's to be the kind of investment vehicle that leverages the storm to emerge stronger once the clouds part and the sun rises again.

For investors, the lesson is clear: true long-term compounding requires a process that, at a minimum, not only *withstands* disorder but, more ideally, *benefits* from it – i.e., a portfolio architecture designed to bend without breaking and, in moments of heightened volatility, to gain from the bends themselves. As the Oracle so aptly says, “The market is there to serve you, not instruct you.”

Quarterly Investment Activity

As already noted, the Partnership delivered strong performance in the third quarter of 2025. The largest Q3 individual contributors, in terms of gross percentage contribution to the portfolio's overall gain, were Nebius Group (6.84%), FTAI Aviation (3.11%), and an undisclosed long position (1.28%). Our largest negative contributions came from Nintendo (-3.09%) and Magnite (-0.62%) along with a modest negative performance from a collection of small starter positions that we are actively evaluating for a larger role in the portfolio.

During the quarter the partnership purchased a sizeable holding in a new investment, which ended the quarter among our top five largest positions. The special situation in question is a founder-led B2B software solution focused on the aerospace and defense industry. Further, the investment displays several of the unique nuances that we believe allow for Crossroads to exploit structural mispricings within niche areas of the capital markets that still exist today.

As discussed previously, detailed investment rationale on individual securities will be shared only with our limited partners going forward. For Crossroads LPs, an investment memo articulating our investment rationale will be arriving in your inbox in short order.

Notable Positions

Nintendo (NTDOY)

Nintendo reported another set of strong results, with the Switch 2 sales smashing even our own bullish expectations. On the back of such undeniable momentum, the company subsequently raised its full-year guidance (albeit in laughably modest Nintendo fashion).

Nintendo enters the back half of 2025 with its new flagship platform executing almost flawlessly. The Switch 2 has already cleared over 10 million units sold in its first four months on the market through the end of September, making it the fastest-growing piece of dedicated gaming hardware in history, putting it well ahead of the original Switch, PlayStation 4, and PlayStation 5 at comparable points in their cycles. This acceleration is occurring while the legacy Switch family still contributes meaningful profit and software sales from a massive 100m+ active player base, giving Nintendo a uniquely advantaged dual-platform position at a highly opportune time.

From a fundamental standpoint, the setup into this year's holiday quarter is unusually powerful. As mentioned, management has already raised its full-year forecast for Switch 2 hardware to 19 million units, implying continued strength beyond the current 10.36 million base and signaling a high degree of confidence in supply, demand, and software pipeline execution. If the Switch 2 merely tracks the average of the original Switch's best 3 historical holiday performance, the installed base would exit the year at roughly 21 million units, and if the Switch 2 continues to run

roughly 68–75% ahead of the prior cycle – as recent third-party data indicate – our work suggests this would imply an installed base plausibly in the high-20-million range by the end of the holidays.

Internally our expectations sit between the two scenarios outlined above. Under that lens, with 10.3 million units already sold, a reasonable middle-case holiday quarter implies incremental hardware sell-through of roughly 14–15 million units isn't crazy, which would place the Switch 2 installed base around 24–25 million units exiting this calendar year. While we have underwritten to the low end of the above range, that would give Nintendo a new-generation footprint comparable to where the original Switch stood well into its second year, but in roughly half the time (we'll see where things balance out come February).

Of course, software and ecosystem dynamics reinforce the hardware story and are the far more consequential factors amidst Nintendo's ongoing business model transformation. Nintendo is using backward compatibility and a blended library strategy to monetize both the enormous Switch 1 base and the rapidly scaling Switch 2 install base, with first-party tentpoles like *Mario Kart World* and *Donkey Kong Bananza* already driving strong attach rates and contributing to upward revisions in company-wide revenue and profit guidance. The result is a business that is simultaneously harvesting record-level cash flows from a mature platform while seeding what could become an even larger and longer-lived successor, a combination that remains overlooked by the broader market and underpins why Nintendo remains the Fund's largest position.

AST SpaceMobile (ASTS)

We suspect you've heard enough from us about AST of late, but we wanted to take a quick moment to note the company made significant strides in the quarter toward commercializing its space-based cellular broadband network. For those watching closely, Q3 marked a clear transition from an R&D oriented business to one with a clear focus towards scaled deployment and commercialization. These advancements – focused on manufacturing acceleration, spectrum acquisitions, partnerships, and regulatory progress – continue to position the company for initial service rollout in 2026.

As a reminder, we continue to view AST as a generational investment opportunity. The company is building the world's first satellite network that talks directly to normal smartphones, aiming to erase coverage gaps while bringing affordable broadband to billions. Based on any reasonable estimate of normalized EBITDA (once its constellation turns on), AST's equity remains grotesquely mispriced should it succeed in its mission to bring about the shift from a partially connected world to a universally connected one. In any case, even conservative scenarios on U.S. mobile-only users or a slice of global subscribers support cash flows that make today's multiple on steady-state earnings look cartoonishly low for a business with this moat and growth profile.

Nebius Group (NBIS)

Nebius moved sharply higher after announcing a multi-year AI infrastructure agreement with Microsoft with a contract value of \$19+ billion that effectively exceeded Nebius' pre-announcement market capitalization. The more important point isn't the size of the headline win but the character of the revenue, which provides significant visibility into Nebius' future earnings power.

It's worth pointing out that the GPUs Nebius is running are dedicated to Microsoft's own internal workloads, core AI research, Copilot, and other first-party applications, rather than capacity resold at the edge of Azure. That distinction matters. After all, internal workloads are strategic, budgeted, and tightly linked to Microsoft's product road map; we believe this makes the related cash flows more resilient than third-party, usage-based demand. The structure of this tie-up is closer to an AI infrastructure off-take agreement than a typical cloud contract: long-dated, effectively take-or-pay, and financeable against Microsoft's AAA credit profile. In practical terms, Nebius is using Microsoft's balance sheet to term out project-level funding and lower its cost of capital.

Underneath that new contract win - and the credibility flywheel that flows from it - sits an equally valuable asset in the current environment: power. For those of you keeping score, Nebius has already secured roughly 1 GW of contracted power (with line of sight to 2.5 GW) tied to land, grid interconnects, and defined build programs. Even 1 GW of energized capacity supports almost \$10 billion of annual revenue at very high incremental returns once the initial capex is sunk.

Perhaps more to the point, the Microsoft agreement does two things at once: it pre-sells a meaningful portion of that 1 GW, turning future megawatts into bankable collateral, and it signals to other large blue-chip customers that Nebius is a credible, scaled counterparty for long-term AI infrastructure. The second-order effect is that power and land, not GPUs, become the true bottleneck, and Nebius is steadily locking those in at gigawatt scale.

All of which is to say that even after the move in the share price in Q3, we believe NBIS still trades at an unsustainable discount to the earnings power implied by its contracted power pipeline and the quality of its counterparties. To say nothing of the company's far lower execution risks related to construction and financing or the considerable latent value embedded in Nebius's equity via its non-core stakes in Avride, Clickhouse, Toloka, and TripleTen. Unlike its bare metal peers, Nebius is effectively a diversified AI ETF with multiple subsidiaries, each scaling 100%+ annually, each reinforcing the parent's valuation even as they grow independently. The option value embedded in that parallel compounding is immense.

Looking ahead, our plan remains the same: let Arkady Volozh and his team keep converting contracted megawatts into operating assets that produce durable, high-margin, recurring cash flows, allowing time and the reported numbers, rather than narrative, to close the valuation gap.

Finally, while we can't say definitively that there aren't excesses in the larger AI ecosystem at present, we can say Nebius isn't included amongst them. Nonetheless, the data continues to show that the current AI wave is being funded primarily out of cash, not credit; anchored in industrial logic, not story stocks; and constrained by physics (power, land, and time-to-build), not by a lack of capital nor demand. The mega-cap tech platforms driving this buildout are still generating on the order of hundreds of billions of dollars in annual free cash flow, and aggregate AI capex remains a single-digit percentage of their combined equity value spread over multiple years.

At the same time, there is still no evidence of systemic overcapacity: hyperscalers, enterprises, and sovereigns are all reporting persistent shortages of AI compute and multi-year queues to secure power and interconnects. Valuations for key public AI infrastructure assets and enabling platforms remain grounded in real earnings and contracted demand rather than in detached narratives. In other words, turning the research dial up only reinforces the same conclusion: we are in the early innings of a long, economically rational AI deployment cycle.

FTAI Aviation (FTAI)

Last quarter we wrote the following in regard to FTAI:

“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.”

As a reminder, FTAI captures the most attractive economics in aftermarket aviation not by acting as a passive lessor but by operating as a vertically integrated industrial platform via its Module Factory and Strategic Capital Initiative (SCI). The company's focus on the aging global fleet of CFM56 and V2500 engines leaves it uniquely positioned to capitalize on a market that remains drastically short refurbished engines. Indeed, as the largest natural buyer of used

engines from both aircraft lessors and airlines, FTAI can leverage its significant scale to pass cost savings back to customers, creating an inherent flywheel that we believe should only get stronger with time.

This is because rather than just leasing engines, FTAI utilizes its SCI, specifically through its maintenance centers, to manufacture 'green time' at a structurally lower cost relative to what the OEMs can provide. For readers that are unfamiliar, "green time" in the aerospace industry refers to the remaining usable life on an engine, component, or even an aircraft before it must undergo major maintenance, overhaul, or retirement. It is essentially the flight hours or cycles still available on the asset under its maintenance limits. In other words, by breaking older engines down and rebuilding them using proprietary PMA parts and Used Serviceable Material (USM), FTAI creates serviceable modules (fans, cores, LPTs) that can be swapped in days rather than months.

This creates a unique arbitrage in that FTAP's customers can avoid downtime associated with "shop visits" thanks to its ability to provide immediate, highly visible part availability in a supply-constrained market. Mind you, this generates high-margin 'Aerospace Products' revenue on top of leasing income, driving mid-20s ROEs on an engine platform with decades of aftermarket life. So FTAI isn't merely financing planes; they are monetizing a perpetual inventory of modules at a structurally lower cost via PMA parts, effectively acting as a high-velocity utility for flight hours that bypasses the broken OEM supply chain.

Going forward, the company continues to buy engines at steep discounts to replacement cost, tear them down, and monetize high-value modules into a tight aftermarket where shop capacity and OEM lead times are severely constrained. Crucially, FTAI is not taking residual risk on the whole aircraft; it is arbitraging the dislocation between airlines' need for uptime and OEMs' inability to deliver capacity quickly. As long as its business model transformation continues and global ASKs keep grinding higher and supply chains stay tight, FTAI's "engine factory" looks less like a cyclical lessor and more like a tollbooth on flight hours. Exactly what you'd expect from a dominant platform company capable of aggregating demand by offering a novel and defensible solution to a highly valuable problem – and at a cost that is vastly cheaper, quicker, and superior to existing alternatives.

Ultimately, we believe that FTAP's asset-light expansion and module production milestones position it as a top compounder in the aviation space for many years to come. Better yet, market mispricings as flagrant as FTAI don't remain for long, and the market acted to begin narrowing the wide gap between price and value for FTAI during the quarter. We see the continued convergence between both sides of FTAP's business leading to a 1+1=3 dynamic where the visibility around FTAP's multitude of durable competitive advantages, returns on incremental capital, and medium-term earnings power continues to improve.

Process vs. Outcome

Longtime readers of our investor letters know that our highest conviction names rarely change. Enduring conviction isn't built on short-term results or quarterly trends, but on the steady and ongoing accumulation of evidence that a thesis is working as intended.

While it is always gratifying to watch our largest holdings compound at rates well ahead of the broader market as they have done in 2025, it also predisposes our egos towards complacency and self-congratulatory behavior. As such, one of the ongoing points of friction for professional investors is successfully delineating between process and outcome. The former must remain unwavering in quality, effort, and repeatability, while the latter must depict a clear picture to answer the *why* as to *how* specific outcomes occurred.

On that note, we recognize that recent market tailwinds – both thematic and factor-driven – have worked in our favor of late. An +8% quarter for the broader market will do that. After all, a rising tide naturally brings with it an environment that rewards both smaller, less-liquid companies as well as early-stage competitively advantaged "compounders" vying for pole position within new, emerging technologies that have yet to be validated by the



mainstream. Both niche subsets of the market are highly familiar to us at Crossroads, and it would be an act of false bravado to not include pristine sailing conditions as partial rationale for the fund's substantial progress year-to-date. Intellectual integrity requires us not to mistake a friendly wind at our back for flawless navigation.

On the other hand, it's critical that we relay that our confidence that the best is yet to come for our portfolio companies rests not on stock-price momentum but on underlying business progress. And on that note, our companies continue to track toward the fundamental milestones we first underwrote at the time of purchase – it is this process that remains our guiding light in assessing whether the path we envisioned is unfolding as planned. If rapid, short-term advancements in the stock price aren't adjacent to improvements in competitive positioning or earnings power, our probability of maintaining or exceeding the IRR we originally underwrote has likely diminished, and we must act accordingly. Alternatively, when stock advancements are accompanied by continued improvement in the underlying business, this gives us increased confidence in the likelihood and durability of success, and it is best to stay the course, if not increase our position, despite an optically more expensive share price.

In short, while the market has begun to acknowledge the potential of many of our favorite names, we remain focused on the process and what lies ahead: the realization, over time, of outcomes we believed were probable long before they became popular.

Conclusion

While we are pleased with the partnership's results year-to-date, we assure you there are no plans for a victory parade, and we remain highly confident that the partnership's best days are yet to come. We will do this the only way we know how – by maintaining the course, focusing on factors we can control (our process) while doing our best to separate signal from noise.

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,

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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