



**2025 Annual Letter**

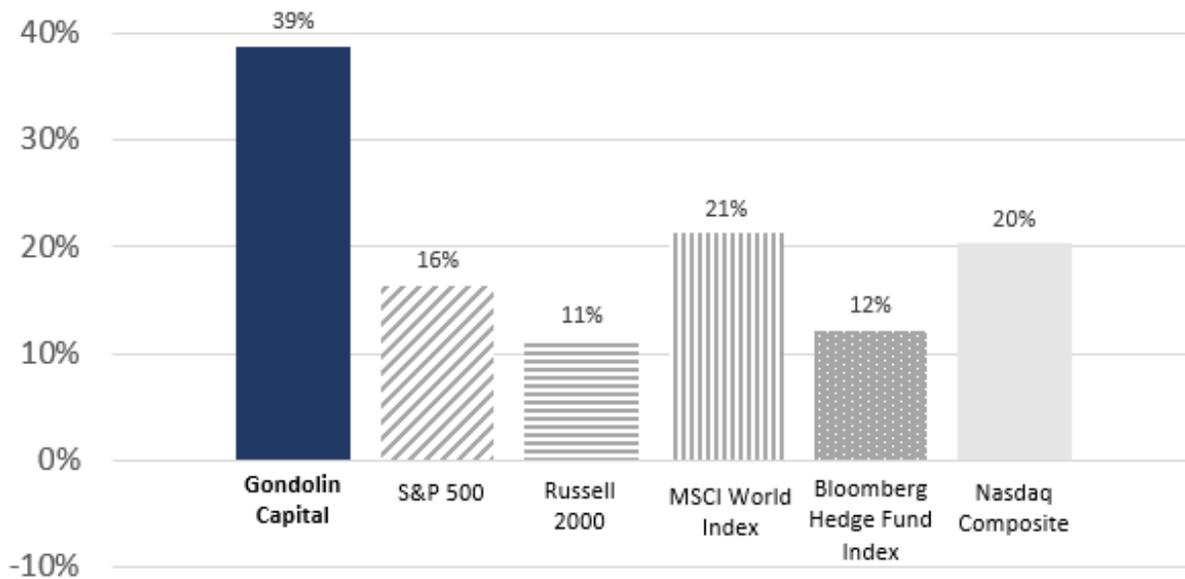
**January 15, 2026**

Gondolin produced returns of 39% in 2025, significantly higher than all other benchmarks. Our annualized net returns are currently averaging 15% per year since inception, compared with 12% for the S&P 500, 2% for the Russell 2000, 9% for the MSCI World Index and 6% per year for the Bloomberg Hedge Fund Index. Gondolin assets under management hit an all-time high of \$7.0M in December 2025.

Returns vs Benchmarks	4Q25	YTD 2025	3 Year	Since Inception (Feb 2021)	Since Inception (Annualized)
<b>Gondolin Capital, LP</b>	<b>1.0%</b>	<b>38.8%</b>	<b>84.4%</b>	<b>93.2%</b>	<b>14.5%</b>
S&P 500 (U.S. Large Cap)	2.3%	16.4%	78.3%	76.4%	12.4%
Russell 2000 (U.S. Small Cap)	1.9%	11.3%	40.9%	11.2%	2.2%
MSCI World (Global)	3.6%	21.3%	68.5%	51.4%	8.9%
Bloomberg Hedge Fund Index	2.0%	12.1%	34.3%	32.1%	5.9%

*Note: Returns as of December 31, 2025*

**Net Returns YTD 2025**





## PERFORMANCE COMMENTARY FOR 2025

During 2025, Gondolin's 39% return was primarily driven by our realized gain in **The Dallas Morning News (DALN)** and our mostly unrealized gains in **Viasat (VSAT)**. We also saw positive contributions from Uber (UBER), Xometry (XMTR), and Green Thumb (GTBIF), while our put options on the broader market realized minor losses over the year, and had a 4% negative impact on performance. In this letter I'll discuss our two largest contributors for the year as well as two of our larger, newer holdings, **ACV Auctions (ACVA)** and **Comcast Corporation (CMCSA)**.

In April 2023, we began acquiring shares in **The Dallas Morning News (DALN)** as the equity value of the business fell to a 20-year low, with a multi-year transition from print news to digital news temporarily hampering revenue growth and profitability. Upon discovery of a valuable real estate asset during the underwriting process, we increased our stake to 5% of all outstanding shares, which comprised roughly 15% of Gondolin Capital's assets.

The Dallas Morning News has been and continues to be one of the most subscribed newspapers in US, and the second largest in Texas – next to the Houston Chronicle. My belief has been that the digital news industry will continue to bifurcate into two products: (1) well-researched, fact-checked news provided through paywall subscriptions; and (2) less-researched, “freemium” news collected and dispersed through social media influencers and other everyday folks.

Dallas News was in the middle innings of this transition to a higher-margin subscription business, as their print newspaper revenues continued to decline 10% each year and their digital news business was growing 10% each year, making it appear as if Dallas News would never grow again. Eventually, the shrinking print business would be eclipsed by the digital news business, leading to positive cash profitability for the first time since 2018.

While waiting for the profitability and growth turn-around to unfold, Dallas News was also sitting on a valuable asset, the details of which were buried in their SEC filings. Management cited an operating property sitting on 1.3 million square feet of owned land in Plano, Texas, where their print newspapers were printed each day. Plano is a high income, fast-growing suburb of Dallas, Texas; in turn one of the fastest growing states in nation.

While there were no mentioned appraisals for the land or buildings, we dug deeper and found that the land alone was likely worth \$10 million, while the building likely worth another \$10 million. Combined with Dallas News' \$20 million in cash, and without any debt, it became apparent that this \$20 million business in public market value was actually worth \$40 million



in intrinsic value. This meant that our \$4 per share in cost was worth \$8 per share; since we were effectively getting a \$1 bill for \$0.50, we bought as many shares as we could.

Over the following year, we took multiple trips to Dallas and engaged the management team directly on the strategic direction of the digital news business and monetization of their real estate assets. There was also the potential for a combination with other leading digital news platforms, like Gannet Media (owner of USA Today) and Hearst Corporation (owner of the Houston Chronicle) to gain scale.

While the management team couldn't discuss any details around strategic engagements with other digital news firms, they were adamant that they would drive maximum shareholder value and sustain their journalist-first approach in the news world – a rarity these days in a world of fake news.

Nearly a year later, Dallas News announced an agreement with The Hearst Corporation to be acquired for \$75 million or \$14 per share. After a brief bidding war between Hearst and a private equity firm, the final purchase price ended up at \$88 million or \$16 per share, roughly 300% over our average cost base.

While such large-weighted, deep value investments will be rare for us, we'll always be on the look-out for these opportunities. The smaller-capitalization space in general is a habitually under-invested, and often over-looked space, less in vogue than the high-flying S&P 500 and "Magnificent 7" businesses that have all the eyeballs and attention spans these days.

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Our longest-tenured position, **Viasat Inc (VSAT)**, saw a similar 300% gain in 2025. In November, Viasat successfully launched their next-generation satellite, called "Viasat-F2", which will have a record-breaking capacity of 1.2 terabits/second. The satellite is now moving into its North American orbital position and undergoing testing. Meanwhile, a sister satellite launch of the same capacity, dubbed "Viasat-F3", will launch in early 2026. The combination of these two satellites, if successful, will multiply Viasat's current broadband internet capacity by 3-4x, in just the span of two years.

The market has recently given some greater appreciation to the success of Viasat's unique geosynchronous orbit strategy as we've now seen a 110% gain from our average cost basis of \$18 per share. We took advantage of 2023's failed deployment of the "Viasat-F1" satellite, with the equity value plummeting 75% (near \$8 per share) at that time on fears around SpaceX's "Starlink" network and Amazon's "Leo" network becoming tough competitors. While these fears are grounded in reality (since both companies will likely be successful),



the industry shouldn't be viewed as winner take all. The most likely outcome is a three or four player race of large providers of satellite-based broadband internet services globally, including Amazon, SpaceX, Viasat, and likely at least one European consortium.

When it comes to home internet, fiber build-outs are extremely expensive, while emerging market continents like Africa and Asia will likely never see much fiber built out at all. Meanwhile, demand for "*internet everywhere, all the time*" continues to grow exponentially. The satellite-internet industry should continue to grow double-digits for at least the next decade, if not longer, from a base of ~\$20 billion in global revenue in 2024 to \$400-500 billion by 2040, according to analysts from Citi Bank, Morgan Stanley, and Roots.

Investing in higher-growth industries is more of an exception, not a rule for our value-based approach, but there is sometimes rare opportunity to be had in buying a well-positioned growth business at a deep value price, which is what occurred with our Viasat investment. We began acquiring shares in early 2021 at a very modest 15x cash flows (when backing out new satellite development costs) and just 1x its annual revenue, a substantial discount to the 20x multiple on S&P 500 earnings and 4x S&P 500 revenues. Since Viasat is the only profitable satellite operator in geosynchronous orbit – as all others will be crowding up the low-earth orbit atmosphere, I view their market position as well-moated, and they continue to win intellectual property litigation cases against potential competitors for in-flight wifi and other satellite wifi-based technologies.

2026 is likely to be a good year for Viasat, but we did trim our position back ~20% in October given the significant run up in value. Our VSAT position is now 12% of total assets in Gondolin, currently still our largest holding. Upon further success of its satellite deployments, we may re-increase our stake over time at the right price.

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In March, we began acquiring shares of **ACV Auctions Inc (ACVA)**, which is currently one of the largest vehicle auction platforms in North America. After a precipitous 50% decline in the equity value following a poor earnings report, ACV became our second largest holding at ~10% of assets.

Each year, there are an estimated 55 million new and used consumer vehicle transactions, according to the Bureau of Transportation Statistics, ACV operates in what is called the "dealer wholesale" market, which accounts for roughly 10 million of these transactions.

Dealer wholesale transactions are vehicle sales that occur from one dealership to another, different from a used retail transaction, e.g., through CarGurus or CarMax, or a used peer to



peer sale, e.g., through Carvana or Facebook Marketplace. When you return your leased vehicle to a dealership, the dealers usually choose to re-sell this vehicle immediately back into the market, for another dealer to clean, repair and re-sell, and instead makes a quick profit, while freeing up valuable parking lot space and avoiding daily vehicle insurance costs.

Founded in 2014, ACV provides an easy-to-use digital platform for dealers to quickly and easily re-sell these vehicles, while also using patented technologies that more accurately assess the value of each traded vehicle. On average, ACV's software platform comes within 1% of the actual re-sale price, allowing ACV to guarantee minimum sale prices for dealers.

At a time when dealership profitability is increasingly challenged, these guarantees have been a lifeline, and ACVA has gone from 0% market share in 2014 to 12% of the market in 2025, a remarkable gain for such a large (\$5 billion), mature industry that already had a consolidated footprint from Cox Automotive (owns Manheim Auto) and ADESA, the latter having been purchased recently by Carvana.

These two established players comprise over half the market, but importantly still maintain mostly a physical auction lot presence around the country, rather than a digital marketplace. Physical vehicle auctions are expensive, time-consuming, and riddled with errors, the latter of which can lead to elevated "arbitration" rates on vehicles sold, in which a buyer challenges the "actual" quality for the price paid, often due to undetected issues with the naked eye.

ACV's cheaper and more efficient technology-driven approach should continue to capture more market share from the physical auctions over time, allowing them to continue double-digit growth for at least the next few years. As their camera detection capabilities improve and vehicle inspection library builds (now over 3 million VINs in their database), ACV is likely to be the market leader in the long-term, with exceptional profitability, strong cash flows, and a net cash balance sheet (no debt) to boot.

In the fall, we were able to obtain ACV's shares at a steep discount to 2024 valuation levels due primarily to wall street earnings estimates being too high for 2025 and 2026. As wall street analysts can be notoriously poor at estimating earnings, and investors notoriously sensitive to such changes in estimates, ACV's equity value fell nearly 80% from 2024's high of \$22 per share, down to nearly \$5 per share. We aggressively purchased shares at these levels, taking the position to 8% of Gondolin's assets by November.

Given the higher growth of the business (>10% per year), the recession-proof nature of the industry, and the fortress balance sheet (\$300 million cash/investments, no debt), we were able to get another higher-growth business at a deep discount, for what I believe could be a value of just 5x its earnings by 2028. *Peers, meanwhile, trade between 15x and 25x earnings.*



Given the higher proportional weighting within our portfolio over such a quick arc of time, I visited the management team (including CEO George Chamoun) at ACV's Buffalo headquarters in December. It was an exciting and fruitful meeting, as management and ACV's head of R&D outlined their vision of expanding their digital marketplace to more dealerships, while adding technological abilities that all aim to more quickly and accurately assess vehicle conditions for dealerships.

One such project, dubbed "Project Viper", will see ACV beginning to manufacture, sell, and grow a subscriber base of physical scanners that will photograph not just the exterior, but also the interior of every vehicle frame. These cameras will utilize a combination of thermal, infrared, and LiDAR sensing technologies to take thousands of high-resolution photos, sort of like an MRI or X-ray, and then stack the data into a database that machine learns the likely condition of each major feature: undercarriage, engine, transmission, tires, etc. While others will copy their approach over the long-term, I believe they can sustain a moat by continuing to layer in their own software to the hardware, like Apple and Garmin.

Following ACV's equity plunge in October, the equity has already risen 80% off its lows and our position now sits at 10% of Gondolin's assets. Our weighted cost of \$7 per share compares well to the current market price of \$9 per share, but my price target is still materially higher than today.

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At the start of 2025, we first began purchasing shares of **Comcast Corporation (CMCSA)**, which is one of the largest cable and media companies in the world. Following a 40% decline in the share price from 2021 to 2023, we began to view shares of Comcast as very attractive as they fell to a record low of just 7x earnings, compared with the broader S&P 500 at 25x earnings. Our Comcast position is now >6% of Gondolin's assets.

There remains a significant amount of pessimism around Comcast's two main businesses, as they are today seen as competitively disadvantaged in each business. In their core cable internet business (Xfinity Internet, ~2/3 of Comcast revenue), fiber optic cable to the home (Verizon, AT&T), wireless towers (T-Mobile, Verizon), and satellite internet (Starlink) have all been gaining market share versus traditional coaxial cable.

These competitive dynamics are very real, but they are grossly overestimated in terms of the long-term impact to Comcast's own business. In fact, despite this heavy competition, Comcast has shed just 3% of its subscribers over the last few years, while recently investing heavily back into its network to bring speeds much closer to fiber cable, as well as recently locking in prices for consumers for up to five years, a first for the industry. These consumer-



friendly actions will likely help Xfinity Internet stabilize in 2026 and re-accelerate growth in 2027 – a major catalyst for the equity.

The other 1/3 of Comcast revolves around their dominant Media and Entertainment businesses: Comcast's NBC Universal is still the second largest film and TV producer in the world (just below Disney) and Universal Destinations is the second largest theme park corporation in the world, with locations in Orlando, Singapore, Beijing, and Hollywood.

Comcast has been late to the game on subscription television streaming, through its streaming app Peacock, and to many investors, Netflix's dominance in streaming revenue appears insurmountable. However, over time, Peacock, Disney Plus, HBO Max (owned by Warner Brothers), Amazon Prime Video and Paramount Plus are all very likely to continue gaining market share versus Netflix in streaming subscriptions, while many of the newer streaming apps have locked up sports rights that extend over the next decade in NFL, MLB, EPL, NHL, NBA, and collegiate athletics across the Big Ten and SEC.

The combined “multi-product” slates of new film, old film libraries, new scripted television, and live sports rights are likely over time to produce the most value for subscribers (*and thus commanding the highest subscription prices*), eventually turning Peacock into one of the largest streaming apps over the next decade.

With Comcast spinning off its declining linear networks business in January, called **Versant Media (VSNT)**, Comcast is likely to get back to growth for the first time since 2022, with acceleration coming likely in 2027. Peacock should continue to scale successfully with recently won NBA rights, a growing film slate, and new scripted television series from writers like Taylor Sheridan (*Tulsa King, Yellowstone*), Tina Fey and Dick Wolf.

Generating >\$16 billion in cash profits each year, Comcast generates the 15<sup>th</sup> highest cash flow out of any company in the US and remains one of the most stable and recession-proof businesses in the world. Once cable internet (Xfinity) stabilizes and growth accelerates in Media/Entertainment, Comcast's earnings per share should see material growth over the next few years, while the equity should trade at a much more appropriate multiple of 12-14x versus just 7x today.



## MARKET OUTLOOK FOR 2026

Looking ahead to 2026 and beyond, I am excited for our newer positions to bring large internal developments to market as well as others that have industries in recovery mode. A handful of our newer, larger investments have faced significant headwinds to their industries over the last few years and many of these should see tailwinds at their back going forward.

The broader economic outlook for 2026, however, remains a mixed and cloudy one, and we're going to remain cautious on what types of business models we buy into and at what price. With the Trump presidency ready to replace Jerome Powell as Chairman of the Federal Reserve in early 2026, the two likely candidates for the job are considered interest rate "doves" that are likely to continue lowering rates, benefiting the housing industry to a large degree. For our part, we added a few housing investments into the portfolio in 2025, such as wood truss manufacturer **Atlas Engineering (AEP CN)**, residential real estate brokerage **RE/MAX, Inc (RMAX)**, and Texas-based homebuilder **LGI Homes (LGIH)**, taking our housing exposure from 6% to 14% of assets.

Despite interest rates likely to keep falling near-term, elevated inflation levels remain a key risk for equity valuations and the broader economy, and we've already witnessed significant rebounds in materials prices in the second half of 2025, including in natural gas, steel, copper, beef, and fertilizer. Elevated US tariffs on exporting nations will continue to add to inflation concerns in 2026. Further, the federal government's excessive multi-trillion deficits continue to remain at extraordinary levels versus history. These remain substantial risks.

Finally, a major propellant for the US economy this past year has been the growth of Artificial Intelligence ("AI") software that requires a significant amount of power from newly developed data center campuses around the country. This data center boom has spurred hundreds of billions of dollars of investment from the major tech companies such as Amazon, Microsoft, and Google, while semiconductor manufacturers like Nvidia, Broadcom, and ARM are benefiting from the exponential demand growth in 2024 and 2025. Gondolin is noticeably absent from participating in this tech boom, but we're watching these industries closely. As every tech boom will continue to be followed by an associated tech bust, we'll be on the look-out for moated businesses that emerge from the new AI-driven landscape when the correction occurs and valuations simmer.



## **FIVE-YEAR MARK COMMENTARY 2025**

As Gondolin approaches its fifth birthday, there is much to reflect on. I am generally happy so far with annualized performance versus major benchmarks but think we can do better over time as new investments mature and an elevated cash position is slowly deployed. Throughout the year, elevated cash levels were a drag to returns, but I continue to believe this cash will be a valuable asset during the next market decline; we're going to remain prudent with where and when it's allocated.

Gondolin will continue to be a highly concentrated portfolio that behaves idiosyncratically from the rest of the stock market, as we look for companies re-investing heavily into their businesses amidst deeply discounted valuations. Maximizing returns, while minimizing risk, will for us entail focusing on only a handful of well-understood businesses that we underwrite more deeply, rather than dozens of smaller, more equal-weighted investments.

In addition, our strategy of continuing to add to our newer positions as equity values go lower will continue to be a foundation of our approach, though this will continue to add volatility to the portfolio over the short-term, as occurred in 2024. Looking back, it was this volatility – and temporarily unrealized losses – that helped drive this year's large gains versus the market, especially as it regards our Viasat (VSAT) and Dallas Morning News (DALN) positions. That is why I find it more appropriate to judge Gondolin's performance over a two or even three-year arc, rather than quarterly or even annually.

Our somewhat unique approach to public equity investing is working, which is to find businesses "flying under the radar" or with such disinterest from the broader investment community that the equities can become remarkably cheap – often times much cheaper than when we first begin acquiring shares. We're going to keep much of the same strategy, but likely have even fewer positions going forward, and with larger weightings.



# GONDOLIN CAPITAL

As of December 31, we are holding 24% cash, 7% short positions in the form of various put options, and the balance (69%) in long equities. Few of our equity investments remain exposed to cyclical downturns, with >75% of our owned positions operating in recession-proof industries, mostly in defensive industrials, rent collectors, and subscription businesses. The largest 10 positions comprise around 62% of the assets.

If you are a limited partner with Gondolin, please email me if you would like a copy of the year-end holdings. Please reach out via email ([aballantyne@gondolincapital.com](mailto:aballantyne@gondolincapital.com)) or by phone (248-719-3843) if you have any questions, would like to discuss recent results, or if you would like to place additional (or new) capital into the fund.

I want to thank everyone for continuing to trust me with your investment capital. Wishing you and your families the best.

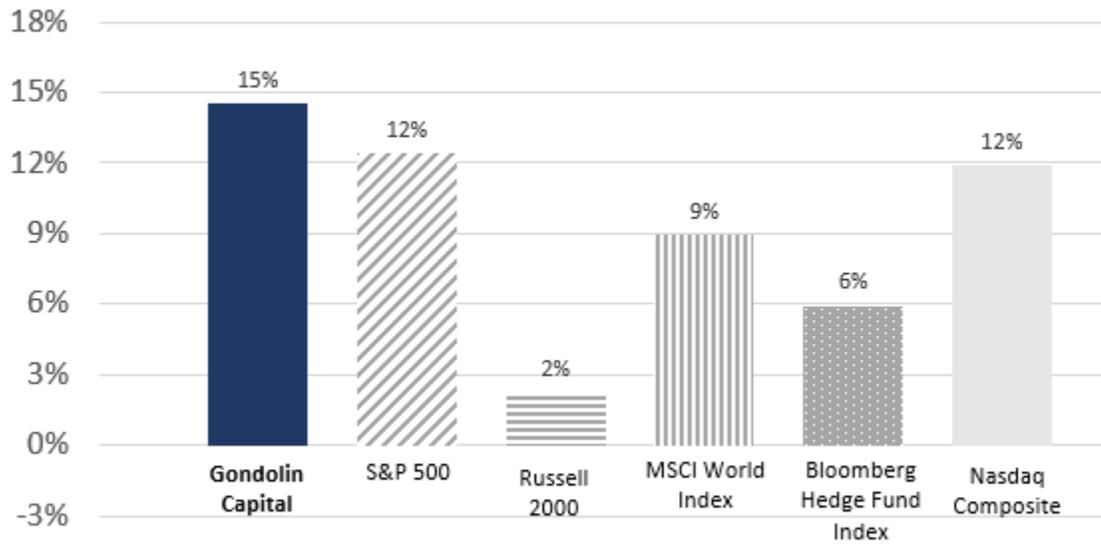
Gratefully,

**Adam Ballantyne**  
**Founder | General Partner**



**Appendix 1**

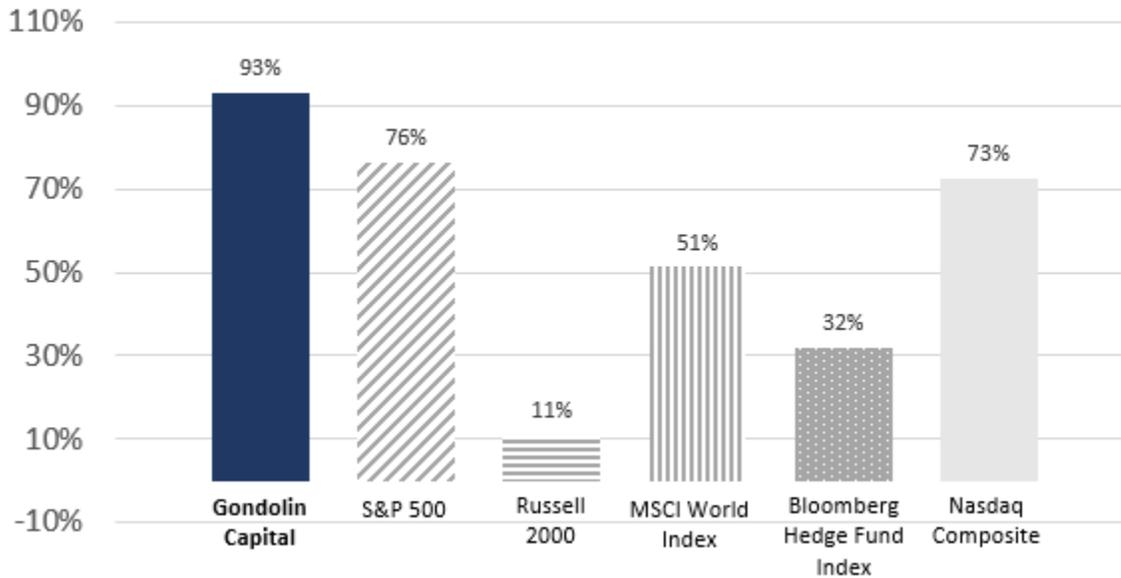
**Annualized Net Returns Since Inception**



Note: Fund inception was February 23, 2021

**Appendix 2**

**Cumulative Net Returns Since Inception**



Note: Fund inception was February 23, 2021



**Appendix 3**

<i>As of December 31, 2025</i>		Date of	\$ Value	\$ Value	Total	% Total
Gondolin Capital Holdings	Ticker(s)	Purchase	At Cost	Current*	Return %	Assets
Viasat, Inc.	VSAT	Feb-21	\$240,593	\$827,454	244%	12%
ACV Auctions, Inc.	ACVA	Mar-25	\$654,243	\$687,081	5%	10%
Comcast Corporation Class A	CMCSA	Jan-25	\$490,526	\$439,084	-10%	6%
Atlas Engineered Products	AEP CN	Dec-24	\$514,840	\$428,351	-17%	6%
Green Thumb Industries	GTBIF	Aug-23	\$288,881	\$391,855	36%	6%
Uber Technologies	UBER	Jul-24	\$268,217	\$334,112	25%	5%
RE/MAX Holdings, Inc.	RMAX	Jul-25	\$352,227	\$330,499	-6%	5%
<i>Other Positions</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	\$1,331,228	<i>n/a</i>	19%
<b>Long Equity Portfolio</b>				<b>\$4,769,664</b>		<b>69%</b>
<b>Short Equity/Put Options Portfolio</b>				<b>\$513,313</b>		<b>7%</b>
<b>Cash (Money Market Funds @ 3% Yield)</b>				<b>\$1,648,072</b>		<b>24%</b>
<b>Total Assets Under Management (AUM)</b>				<b>\$6,931,048</b>		<b>100%</b>

*\*Current Value includes dividends collected*