

Investor Report

March 2024



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Executive Summary

The big news during the quarter was the U.S. Securities and Exchange Commission (SEC) approving spot Bitcoin exchange-traded funds (ETFs). This was Bitcoin's best quarter in a year as the network witnessed a surge in trading volume, obviously boosted by the approval of the the ETF's. The rise in quarterly trading volumes is considered by some to signal stronger market engagement and improved market participation. We now look forward to the next milestone event, which is the upcoming Bitcoin halving event scheduled to take place, on or about, 19th April.

In regards to our second largest asset, Ethereum, we paid close attention to the Cancun-Deneb (Dencun) upgrade. The objective being to improve scalability and provide cheaper transaction fees. While layer-2 solutions (any network, system, or technology that works on top of a blockchain to provide extra features and advancements is termed layer 2) offered Ethereum a path to scalability by processing transactions off the main chain, transaction costs remained a hurdle for widespread adoption.



In simple terms the key aim of this upgrade is to make transactions significantly cheaper, paving the way for scalability and mainstream adoption. From a transaction cost perspective, Ethereum needs to remain competitive with other blockchains.

With significantly lower transaction fees, layer-2 solutions on Ethereum will become more attractive to users, which could lead to broader adoption of Ethereum for various applications, such as nonfungible tokens (NFTs) and decentralised finance (DeFi).

We are also watching closely to see whether the SEC will approve (or reject) an Ethereum spot ETF. Applications from 7 companies, which includes Blackrock (the world's largest asset manager) are currently being reviewed by the the SEC.

Ethereum Spot Ethereum ETF		
Applicant	Fund Name	SEC Approval Deadline
VanEck	VanEck Ethereum ETF	23 May 2024
ARK	ARK 21Shares Ethereum ETF	24 May 2024
Hashdex	Hashdex Nasdaq Ethereum ETF	30 May 2024
BlackRock	iShares Ethereum Trust	07 August 2024
Invesco	Invesco Galaxy Ethereum ETF	05 July 2024
Grayscale	Grayscale Ethereum Trust	18 June 2024
Fidelity	Fidelity Ethereum Fund	03 August 2024

Source: CoinEx Research, Bloomberg Intelligence
Data as of 25 March 2024

In regards to other assets in our diversified portfolio, Ripple has entered the stablecoin market with the launch of a digital currency pegged to the U.S. dollar. According to Ripple, the stablecoin will always be backed 1-to-1 by an equivalent sum of assets – U.S. dollar deposits, U.S. government bonds and cash equivalents.

A Ripple stablecoin would also serve a purpose as part of its On-Demand Liquidity product, which aims to settle transactions rapidly between banks and other financial firms using the XRP token as a “bridge” currency.



Cardano also reported the first fiat-backed stablecoin on the Network (Mehen). The introduction of \$USDM is a major step for Cardano, expected to attract new investments and innovations to its ecosystem. With Mehen's debut, Cardano strengthens its position in the blockchain space, bringing a new level of stability and potential growth to its community.

In regards to Chiliz, the new asset in our portfolio, Exaion, a subsidiary of the French state-owned energy company EDF, has officially become a validator on the Chiliz Chain. This development marks a step forward in the convergence of energy expertise and blockchain technology. By leveraging Exaion's knowledge and experience, Chiliz aims to fortify its blockchain infrastructure while expanding its reach into the sports and entertainment domains.

Exaion follows in the footsteps of Paris Saint-Germain (PSG), the iconic French soccer club, which recently joined Chiliz Chain as a validator. PSG's decision to validate transactions on the Chiliz Chain underscores the growing trend of collaboration between blockchain platforms and prominent sports organizations. Chiliz has also joined forces with the prestigious K-League, South Korea's top professional football league. This long-term collaboration promises to transform the fan experience while introducing the “K-League Fantasy” to the Chiliz platform.



Whilst Bitcoin and Ethereum are a core part of our portfolio, the cryptocurrency sector has experienced rapid growth in recent years, driven by technological innovation, the emergence of new use cases and the continuing integration of digital technologies into more aspects of everyday life. We therefore consider investing in a crypto basket, provides an early mover advantage for investors.

We therefore also invest in ‘altcoins’, which is a term used to describe any type of cryptocurrency other than Bitcoin. Investors can choose between thousands of altcoins on the market today. Altcoins may be smaller than Bitcoin, but they have the potential to deliver greater % price moves over time or they can become worthless over time.



Projects with a strong chance of gaining user adoption, have a strong real-world use case and are able to deliver on their roadmap offers the potential for strong returns.

Ethereum Development Activity

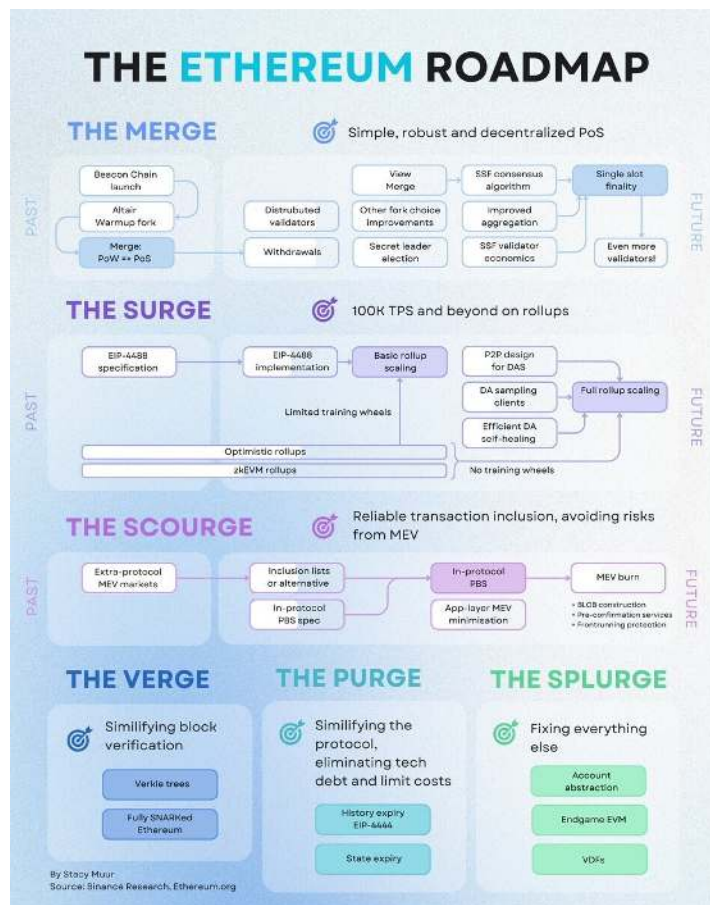
There's a range of analytics available that can assess the strength of blockchain network activity, but there's one metric that is often overlooked: developer activity. A developer's time is a relatively expensive resource (especially in crypto), so high development activity implies that:

1. The project is serious about its business proposition
2. The project will likely launch new features in the future
3. It's less likely that the project is just a scam



If we look at Ethereum (one of the cryptocurrencies that forms part of our diversified portfolio) there is currently a series of upgrades to the current Ethereum network in order to make it more scalable, secure, and sustainable.

Below is the planned Ethereum roadmap.



Key Development Objectives



The assets that we invest in are innovating and improving their technology and processes, with the objective of achieving;

Scalability

The scalability of the cryptocurrency refers to the number of transactions that can be processed or confirmed per second. To be relevant transactions must be settled between two parties quickly, at a low cost and efficiently. This is one of the most important properties of cryptocurrencies and is key to a cryptocurrency gaining mainstream adoption over time.



Ease Of Use

In addition to the speed of completing a transaction, a good cryptocurrency should also be easy to use. Using a cryptocurrency can be intimidating. A private key, public key, block size, confirmation consensus - this can all be confusing to many users. The best blockchain technology gives developers a lot of flexibility to handle all the cryptocurrency complexity for users and provide a straightforward and easy-to-use experience via a mobile app, browser extension or desktop application.

Security

Security represents an essential issue for most new technologies. As the world gets more digital and more of our lives transition into digital solutions online, it's not surprising that security around cryptocurrencies is a major consideration for many developers. If the blockchain is not secure and is at risk of being hacked then it is unlikely that it will gain real traction.



Use Case

While cryptocurrencies are often recognised as a way to make payments, the public blockchain networks that they secure can be used to power diverse use cases and create new applications across industries. For example, through features like smart contracts, Ethereum can be used for a variety of innovative applications in finance, web browsing, gaming, advertising, identity management, and supply chain management (to name just a few examples). The objective being to increase efficiency and deliver economic growth.

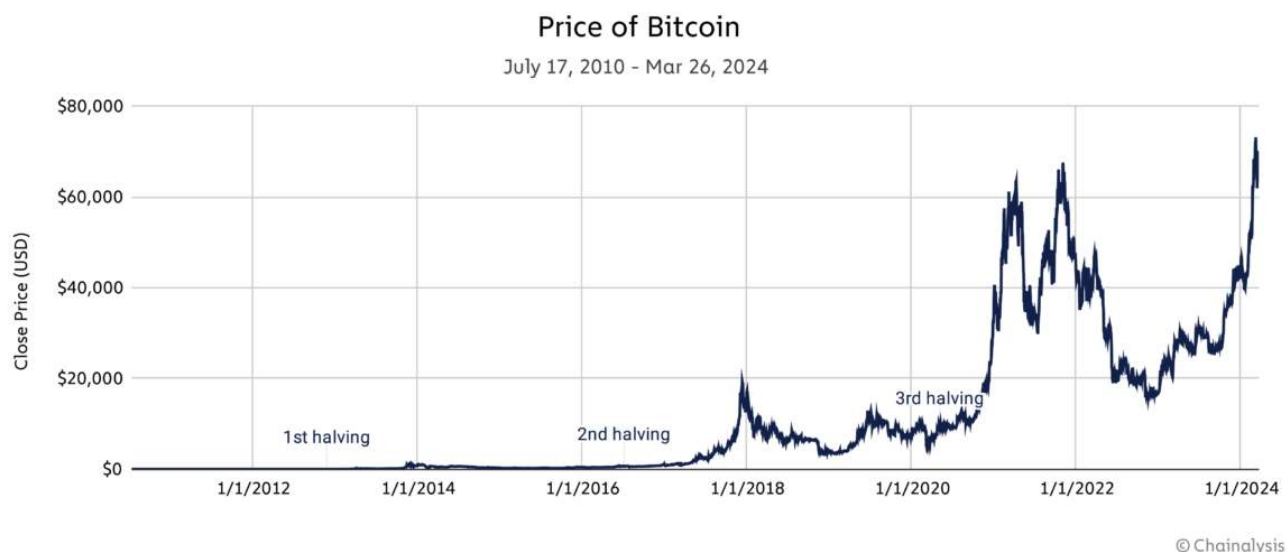
Developer engagement serves as an indicator for a blockchain's long-term viability, network security, and user adoption. It isn't just a technical upgrade; it's a leap towards delivering the full potential of blockchain technology.

Bitcoin Halving

Every 210,000 Bitcoin blocks, or about every four years, the amount of newly issued Bitcoins cuts in half in an event known as a “halving.”

Bitcoin block 840,000, is expected to be mined, on or about, 19th April which will reduce the reward for newly mined blocks from 6.25 Bitcoin to 3.125 Bitcoin, marking the fourth halving in Bitcoin’s history and a key milestone. The first Bitcoin halving occurred in 2012 when the reward for mining a block was reduced from 50 to 25 Bitcoin.

Historically, the price of Bitcoin has shown a pattern of increasing in value following a halving event. However we note that future performance is no guarantee of past performance and that cryptocurrencies is a high risk, highly volatile asset class.



The halving events directly influence Bitcoin’s supply by reducing the rate at which new Bitcoins are created. This, coupled with a steady or increasing demand, especially from institutional investors and retail adoption, may positively impact the price (there are no guarantees). The anticipation of this supply squeeze may lead to increased holding behavior among existing Bitcoin owners, further reducing the liquid supply available on exchanges.

The involvement of ETFs in this halving cycle introduces a new dynamic, potentially heightening the halving’s impact compared to previous events. This halving could lead to even greater supply shock, driven by the combination of reduced mining rewards and increased institutional buying spurred by the ETFs outpacing the creation of new coins.

With the backdrop of historic institutional engagement, there’s an unprecedented level of anticipation. Institutions have not just entered the market, they are now shaping its trajectory, bringing with them a new level of credibility, stability, and interest from mainstream finance.

Watchlist

We have a number of other crypto assets on our watchlist. We review our portfolio mix by category and sector (which indicates the specific solution(s) provided by a crypto asset network). We also consider a range of other factors when deciding whether to invest in a new asset. Our approach is to take a considered position in order to deliver on our objective of providing strong returns to our investors over time.



While Bitcoin and Ethereum form a core part of our portfolio we have greater breadth by investing across 13 leading cryptocurrencies. Our objective is to deliver returns to investors by investing in cryptocurrencies where we consider there is a significant opportunity for growth.

By investing in individual crypto assets with a market capitalisation of at least NZD \$500million as at the date of purchase, the objective is to build a diverse portfolio whilst mitigating risk. We concentrate on cryptocurrencies that have strong use cases and are focused on real world applications .

We consider by including Altcoins in our portfolio we have the potential to deliver stronger returns.

Portfolio By Category & Sector

The hype around the launch of Bitcoin ETF's event showcases what a unique product Crossgate Capital is. Crossgate Capital, an established company in New Zealand, is a regulated offer of shares (OFR12554) and is a registered financial service provider (FSP649949). Offering investors the opportunity to invest in a diversified portfolio of cryptocurrencies (not just investing in one cryptocurrency such as Bitcoin or Ethereum) whilst managing the challenges of investing in crypto assets.

While other investors are influenced by retail hype or short term price movements, we consider the underlying category mix when constructing our portfolio. Specialist investors may have their own custom classification system. Crossgate Capital currently uses a number of crypto research and data tools which includes Messari, a leading data and information aggregator for the crypto asset industry.

ASSET	CATEGORY	SECTOR
Bitcoin BTC	Cryptocurrency	Cryptocurrency
Ethereum ETH	Networks	Smart Contract Platform
XRP XRP	Financial Services	Payments
Cardano ADA	Networks	Smart Contract Platform
Polkadot DOT	Networks	Layer-0
TRON TRX	Networks	Smart Contract Platform
Chainlink LINK	Data	Oracles
Litecoin LTC	Cryptocurrency	Cryptocurrency
Stellar XLM	Financial Services	Payments
Aave AAVE	Marketplaces	Lending
EOS EOS	Networks	Smart Contract Platform
Chiliz CHZ	Entertainment	Sports
Compound COMP	Marketplaces	Lending

Portfolio Performance

The Share price as at the final allotment of the March quarter (20 March 2024) was \$4.17. The Share price increased when compared to the prior quarter.

The Share price is predominately determined by the fair value of our assets. Provided below is a table ranking the % market price movement during the quarter compared to prior quarter. As Chiliz is a new asset there is no comparative data but has been included in the table for completeness.

RANK	ASSET
1	Bitcoin
2	Ethereum
3	Litecoin
4	Compound
5	EOS
6	Chainlink
7	Aave
8	Polkadot
9	Tron
10	Cardano
11	Stellar
12	Ripple
New Asset	Chiliz

We welcome 2024, by announcing the inclusion of Chiliz in the Crossgate Capital portfolio.

2024 Calendar

Crossgate Capital allows you to achieve your investment goals with our automatic reinvestment plan.

With Crossgate Capital you can make one-off investments and you also have the option of setting up a regular investment on a fortnight or monthly basis. Our automatic reinvestment option continues to prove popular as an increasing number of investors elect to use this feature.

Investors have the flexibility to cancel or put on hold their regular investment plan at any time or amend the amount. Regular investing makes it easier to achieve your investment goals with less time and effort and allows you to manage investment risk by dollar-cost averaging into the market.



Dollar-cost averaging is when you choose to invest a certain amount regardless of what the price is. When you invest for the short term, it becomes more important to 'buy the dips and sell the rips' at precisely the right time. If you have a longer term horizon, the objective is that the value of the investment grows over the long term even when the value goes up and down in the short term.

Dollar-cost averaging (DCA) allows you to invest at regular intervals, this potentially could reduce the impact of short-term volatility. To implement this strategy, all an investor needs to do is [click here](#)



[Click on the calendar to see the 2024 recurring investment plan dates.](#)

Keeping Track Of Your Investment

Crossgate Capital makes it very easy to keep track of your investment. Simply visit the Investor Centre to check the value of their holding. Please have the following information to hand;

- 1) CSN/Holder Number - which is located on your investor documentation.
- 2) Authorisation Code (FIN)

If you do not know your CSN or FIN, please contact Link Market Services on (09) 375 5998 or email crossgatecapital@linkmarketservices.co.nz.

As an investor you can visit the investor portal which allows you to easily keep track of how many Shares you hold and the current value of your investment.

Latest News



We encourage all our investors to follow us on Facebook. Our posts provide a simple way to keep informed of the latest news. Click on the Facebook icon to visit the Crossgate Capital page.

Contact Us

If you have any investment questions, please contact our investor relations team.



Email: info@crossgatecapital.co.nz

Freephone: 0800 378489 (EQUITY)

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