

Investor Report

June 2022



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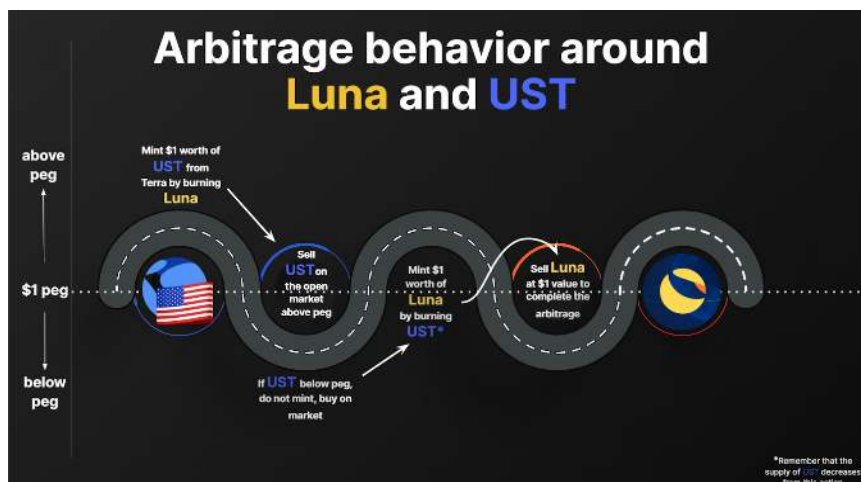
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Executive Summary

During the quarter we witnessed heightened volatility in part due to strong inflationary pressures which has caused central banks around the world to raise interest rates leading to a sell-off in risk assets, such as stocks and cryptocurrencies.

Within the cryptocurrency sector, there were a number of negative headlines. In May, the algorithmic stablecoin TerraUSD collapsed along with its sister token luna. A stablecoin is a digital currency pegged to a real-world asset. TerraUSD was supposed to be pegged one-to-one with the U.S. dollar. Some stablecoins such as tether are backed by real assets like fiat currencies and government bonds. But TerraUSD was governed by an algorithm which effectively failed.

In June, we then witnessed crypto lending firm Celsius pause withdrawals for its customers citing "extreme market conditions." Meanwhile, cryptocurrency exchange CoinFlex halted withdrawals for customers also citing market conditions. The environment also impacted prominent crypto hedge fund Three Arrows Capital which has fallen into liquidation.



We consider, like other bear markets, this shake-up will be ultimately beneficial for the industry. Some of today's leading crypto projects were born during the 2018 "crypto winter." The pull back in prices has also exposed issues with a several cryptocurrency companies and projects, particularly those in the lending space and firms that are highly leveraged.

Crossgate Capital has a clearly defined investment strategy. To warrant inclusion in the portfolio, a cryptocurrency must have a market cap of at least NZD \$500 million. While the more mature stable cryptocurrencies are well advanced in their development cycle, we consider there is a higher risk that speculative start-ups or smaller cryptocurrency projects do not deliver on their objectives. When there is a decline in the price these 'tail end' cryptocurrencies may struggle to pay developers, marketing and other operational costs during challenging times.

While we received numerous enquiries about being more aggressive in the DeFi (Decentralised Finance) space, we have resisted investing in these higher risk assets. As noted in the September 2020, investor quarterly report;

"At this stage, we consider gaining exposure to Defi through our holdings in Ethereum and Chainlink provides us the opportunity to benefit from DeFi whilst managing risk. As the DeFi ecosystem is still in its infancy, there is the risk of potential failure. As with any new industry, the early days are marked by losses and mishaps along with innovation and growth."

A bear market is a stress test where you learn the difference between hype and long-term value. A measured, structured approach has assisted us in avoiding any exposure to such assets as luna or other such casualties. Our focus is delivering results over the medium to long term. We expect there to be a high degree of volatility as this is par for the course when investing in cryptocurrencies. Our objective is to invest in projects which not only will survive bear markets but use this downturn productively and continue on their development path. During these periods, there is less noise to distract you from project development with the aim of enhancing scalability, user experience and other characteristics which can deliver long term success. As noted below, the assets that we invest in are innovating and improving their technology and processes.

Bear markets do not phase us. While we actively monitor and analyse events closely, Crossgate Capital does not climb aboard the emotional investment roller coaster. As we are a long term investor, the structure of our company and assets we invest in need to align with our investment horizon. Crossgate Capital was structured with the knowledge that there would be significant volatility. Not only did this impact our investment strategy but Crossgate Capital was designed to minimise fixed operating costs by engaging a Manager whose remuneration is linked to the overall performance of Crossgate Capital.

When there are downturns the Managers fees reduce as they are influenced by the total value of the crypto assets held by Crossgate Capital. When prices fall, the Share price falls and the management fee also falls. As Crossgate Capital does not have to employ staff or pay lease costs for a head office, it does not have the obligation to meet a high level of fixed overheads, which we consider reduces risk. We therefore do not have the same challenges other entities may face.



Our Share price at the last allotment of the quarter (29 June 2022) was \$2.04 net of all fees, expenses and tax. This has increased to \$2.34 net of all fees, expenses and tax as at the most recent allotment (20 July 2022). The factors noted above, continues to impact the cryptocurrency market and therefore our Share price. For us, the current market provides us an opportunity to purchase more currency at a lower price. As an investor not trader we look through short term price volatility, we are structured with the knowledge that we would experience periods of market correction and therefore can focus on building an asset base that has the potential to deliver significant returns over the medium to long term.

The management team have a strong conviction in the approach and direction of Crossgate Capital and therefore has been continually acquiring Class A Shares in Crossgate Capital, on the same basis as all other investors. The team has acquired over 56,000 Shares and are planning to continue to add to its holding.

When you invest with Crossgate Capital you invest alongside our team. Your objectives are therefore our objectives.

Landmark Regulation

We were pleased that the European Union (EU) secured an agreement which is likely to be the first major regulatory framework for the cryptocurrency industry. The lack of regulations and guidelines has been an issue for the crypto industry. We consider that clarity regarding the regulatory framework will be beneficial as it provides greater certainty regarding the landscape and therefore may enable greater institutional adoption.

The landmark law, known as Markets in Crypto-Assets, or MiCA, is designed to make life more challenging for crypto market participants such as exchanges and issuers of so-called stablecoins, tokens that are meant to be pegged to



existing assets like the U.S. dollar. The European Securities and Markets Authority, or ESMA, will be given powers to step in to ban or restrict crypto platforms if they are seen to not properly protect investors, or threaten market integrity or financial stability.

This is beneficial as inappropriate practices and bad actors impact the overall confidence in the crypto markets.

We are currently of the opinion that the rules won't affect tokens without issuers, like Bitcoin and the new law will need formal rubberstamping by the European Parliament and EU states to become law, which will be followed by an implementation period.

Overall, MiCA is one of the first attempts at creating comprehensive regulation for digital assets in the EU. While some of its stricter policies have concerned some entities, several industry insiders see the move as a positive step and believe Europe could lead the way on crypto regulation. The rules are expected to come into force as early as 2024, a landmark move that would put the bloc ahead of the U.S. in rolling out laws tailored to the crypto market.

Coinbase Global Inc, a major global crypto exchange, said in a blog the comprehensive new framework was "exciting," providing regulatory certainty to the market, and raising industry standards. Adding, "A harmonized single set of rules for the entire EU will enable us to invest, accelerate, and scale our growth efforts across the entire bloc."

AFME, a financial markets industry body, said the rules would reduce fragmentation and underpin the development of a robust and well-functioning market.

Development Update

Ethereum 2.0 refers to a series of upgrades to the current Ethereum network in order to make it more scalable, secure, and sustainable. These upgrades represent a major transition for the Ethereum network, and by extension, the entire Blockchain ecosystem.

Once implemented, Ethereum 2.0 is intended to boost network speeds, improve network security and reduce Ethereum's carbon footprint.

Over the course of these upgrades, Ethereum will change its consensus mechanism from Proof-of-Work (POW) to Proof-of-Stake (POS). PoW validates each transaction on the network by making a large number of computer nodes compete against each other to solve complex mathematical problems, which makes it expensive, energy-intensive, and time-consuming. In contrast, PoS uses an algorithm to validate blocks of transactions, which allows it to process them much more quickly and efficiently, at a fraction of the cost.

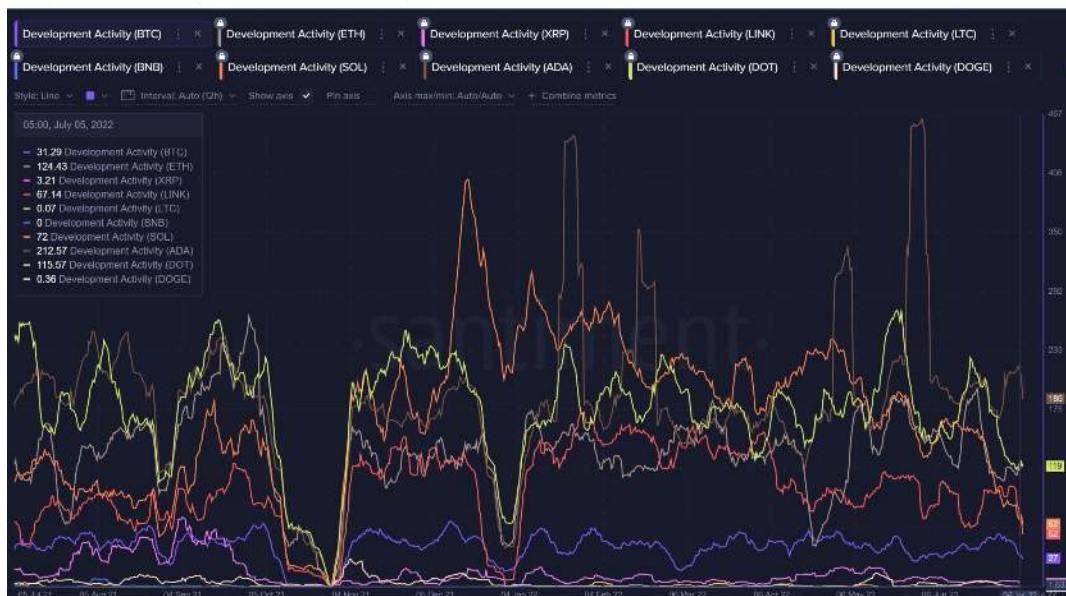
We consider that this development upgrade has the opportunity to significantly increase the demand for this asset which may be beneficial for the long term value of this asset.

Analytics firm Santiment reports that decentralized blockchain platform Cardano (ADA) is the most developed crypto project over the last month. Cardano recently shared some of the latest project milestones, including over 13,000 GitHub commits in June while discussing the importance of robust development.

Cardano Continues to Lead the Way in Development Activity, According to Relevant Github Submissions

Top Cap Development Activity Comparison

santiment.
Behavior Analysis Platform



As we noted earlier, developer activity is important to a long term investor. Strong and continuous development activity implies that:

1. The project is serious about its business proposition.
2. The project will likely launch new features which will enhance the user experience.
3. It's less likely that the project is just a scam and therefore has no long term value.

In a world where growth is increasingly digital, we believe that digital assets (such as cryptocurrencies) will continue to increase in relevance.

Crossgate Capital Portfolio

As specialist investors we have a strong understanding and appreciation of the fundamentals which assists us to allocate capital, in what we consider is an effective manner.

While Bitcoin and Ethereum form a core part of our portfolio we have greater breadth by investing across 12 leading cryptocurrencies. Our objective is to deliver returns to investors by investing in cryptocurrencies where we consider there is a significant opportunity for growth. Our specialist team concentrate on cryptocurrencies that have strong use cases and are focused on real world applications.

Our portfolio currently includes;



Provided below is a table ranking the % market price movement of the cryptocurrencies held during the quarter. All of the assets were negatively impacted by the macro economic environment. However, as noted earlier even though prices have retraced, development activity continues at pace.

Ranking	Asset
1	Tron
2	Stellar
3	Bitcoin
4	Litecoin
5	Ripple
6	Cardano
7	ChainLink
8	Polkadot
9	Ethereum
10	EOS
11	Compound
12	Aave

Source: BNC Pricing Feed

Crossgate Capital has not sold any cryptocurrencies since inception. Profits or losses are only locked in when an asset is sold. Our investment strategy is to invest over the medium to long term. Over this time frame there will be market dips, this is expected, but by maintaining focus on the underlying fundamentals we are not unnerved by short term price swings (however volatile). We consider that the fundamentals underpinning Bitcoin and the leading cryptocurrencies which form part of our portfolio continue to strengthen.

The following table and explanation (provided in previous quarterly reports) illustrates our portfolio by category and sector, which is the lens by which we view this market.

CATEGORY	SECTOR	CATEGORY
Bitcoin - BTC	Currencies	Payments
Ethereum - ETH	Smart Contract Platforms	Infrastructure
Cardano - ADA	Smart Contract Platforms	Infrastructure
XRP - XRP	Currencies	Payments
Polkadot - DOT	Smart Contract Platforms	Infrastructure
Litecoin - LTC	Currencies	Payments
Chainlink - LINK	Data Management	Services
Stellar - XLM	Currencies	Payments
TRON - TRX	Smart Contract Platforms	Infrastructure
Aave - AAVE	Lending	Financial
EOS - EOS	Smart Contract Platforms	Infrastructure
Compound - COMP	Lending	Financial

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. The above categories were created using a methodology by Messari and are defined below;

1. Payments / Store Of Value - primarily used as Money, Payments and Store-of-Value

2. Infrastructure - serves as the protocol foundation for various use-cases

3. Financial Networks - dedicated to crypto asset financial services

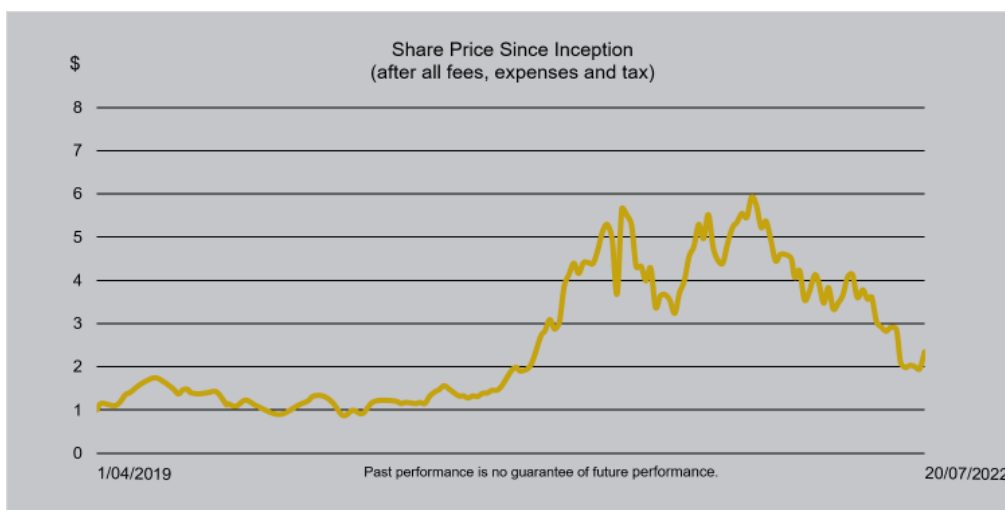
4. Services - specific applications implemented on blockchain-networks

5. Media and Entertainment - from social networks to content generation

As part of our investment approach we continually review the weightings of individual assets and monitor other assets which may warrant inclusion.

Performance

The Share price on the last allotment day of the quarter (29 June 2022) was \$2.04, which is net of all fees, expenses and taxes. This has increased to \$2.34 net of all fees, expenses and tax as at the most recent allotment (20 July 2022). As discussed earlier, the result of, what we consider are temporary factors dampened the performance of the crypto markets. The Share price is predominately determined by the fair value of our assets.



In the short term, we consider that the crypto market will be influenced by the macro environment. Our approach remains consistent, assets which deliver tech that has a real world application and delivers a service that people want to use, has the ability to deliver significant gains to investors over time.

Garth Lewis Joins The Team

We continue to expand the team in order to deliver a strong investor experience. We are delighted to welcome Garth Lewis to the team. Garth holds a BEd in Mathematics as well as Level 5 Wealth Management (South Africa).

Garth has a career background in education, business and wealth management.

Garth has a keen interest in cryptocurrencies and blockchain technology and has personally invested in this market for years.



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.

Building Your Portfolio One Step At A Time

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 increase, decrease, cancel or put on hold the 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. Regular investing maybe the key to attaining your goals and our automatic reinvestment option is a great time-saving measure to help you achieve this.

[Click here to refer to the Reinvestment Calendar.](#)

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. If you need assistance to understand how to follow us on Facebook, please call us and we will be happy to assist. 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.



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