

Investor Report

June 2024



Table Of Contents

Executive Summary	2
Annual Report - At A Glance	6
Watchlist	8
Portfolio By Category & Sector	8
Portfolio Performance	9
2024 Calendar	10
Latest News	11
Contact Us	11

Executive Summary

We were pleased to send you the 2024 Crossgate Capital annual report, which includes the audited financial statements. The report can be located at; <https://www.crossgatecapital.co.nz/annualreport>

Since our year end there have been some notable developments in the crypto market. There has been some significant selling pressure from a variety of sources which has negatively impacted the crypto markets. However, we consider this a transient impact and the underlying fundamentals for the asset class remain strong and development continues at pace. We also note the market has recently moved upwards which has positively impacted our Share price.



If we look at one of our assets, whilst it has been impacted by the recent downturn in the market, its ecosystem remains robust. Data from DotLake shows a 33% month-on-month increase in transactions within Polkadot's ecosystem, reportedly rising to 16 million in June from 12 million in May. The growth was primarily driven by One Frequency, a Layer 1 blockchain enabling decentralised social apps, which saw a 3 million transaction increase to reach 5.4 million.

Additionally, Mythos Chain, a gaming network associated with developer Mythical Games, processed about 800,000 transactions during the reporting period. Meanwhile, the number of unique addresses with non-zero balances on Polkadot rose slightly to over 7 million, up from 6.96 million in May and 6.8 million in April.

Another asset in our portfolio is Cardano which is preparing for the Chang hard fork, a highly anticipated upgrade expected to occur by the end of July 2024. The Chang hard fork represents a crucial transition into the Voltaire era for Cardano, marking the final phase of its roadmap to establish a fully decentralised blockchain ecosystem.

After this upgrade, Cardano will no longer be managed by the development firm Input Output Global (IOG); instead, it will be entirely governed by its community members. The Chang hard fork will significantly alter Cardano's ownership structure, transitioning control from the Cardano Foundation, EMURGO, and Input-Output Global (IOG) to the community, thus transforming ADA into a governance token. This shift marks a pivotal moment in Cardano's journey, moving from a static and federated system to a dynamic, decentralised one with advanced staking and smart contract capabilities.



The price of the day creates the headline as opposed to development activity and underlying performance data. There are a number of events which are impacting the market. One of the key pressure points is the recent announcement from the Trustees for the Mt Gox bankruptcy estate that repayments of Bitcoin and Bitcoin Cash would begin "from the beginning of July 2024".

Mt. Gox was a bitcoin exchange based in Japan. It was launched in 2010 and was handling over 70% of all Bitcoin buys/sells worldwide by early 2014. In 2014, it abruptly ceased operations amid revelations of its involvement in the loss/theft of hundreds of thousands of Bitcoins. This reiterates the importance of investing with a trusted company.



It is reported that the estate holds billions of dollars worth of Bitcoin. There is uncertainty over whether creditors will convert the Bitcoin to cash (i.e sell) or hold the asset.

In addition a German government agency has begun liquidating Bitcoin confiscated in 2013. According to data provider Arkham Intelligence, wallets associated with the German government sent nearly 4,000 Bitcoin to exchanges during June. While these events in the short term impact supply, once they filter through the the system it should no longer weigh down the market.

While the Board has a strong conviction in the long term success of the crypto markets we understand there will be periods of turbulence and we keep focused on the big picture. As the world gets more digital, we consider digital assets will increase in relevance. As they enable a more interconnected and streamlined global economy. We see this as the direction of travel regardless of short term price volatility.

Some investors new to the market are wondering what's next for Bitcoin after it retreated from the all-time highs registered during the height of the exuberance over exchange-traded funds (ETFs). Whilst we do not provide forecasts to the market, we always expected this asset class would continue to be highly volatile even after the launch of the Bitcoin ETF's. However the launch of a Bitcoin ETF was a significant milestone and we consider this will attract strong interest, and new investors, over the medium to long term.

Separately, there appeared to be further progress toward the listing of spot Ether ETF's in the U.S. market. Less than six months after the SEC approved the first spot Bitcoin ETFs, the regulator recently made a major rule change that could pave the way for the first spot Ethereum ETFs to trade on major U.S. exchanges. We note that prior to a launch the SEC has to first approve the individual funds themselves.



An approval has the potential to introduce more investors to the concept of smart contracts and decentralised applications. Below are a list of institutions that have filed and are currently waiting for approval.

Ticker	Name	Exchange	Custodian	Spot Bitcoin counterpart?
ETHV	VanEck Ethereum ETF	CBOE BZX	Gemini Trust Company	HODL
CETH	21Shares Core Ethereum ETF	CBOE BZX	Coinbase Custodian Trust Company	ARKB
ETHE	Grayscale Ethereum Trust	NYSE Arca	Coinbase Custodian Trust Company	GBTC
QETH	Invesco Galaxy Ethereum ETF	CBOE BZX	Coinbase Custodian Trust Company	BTCO
FETH	Fidelity Ethereum Fund	CBOE BZX	Fidelity Digital Asset Services	FBTC
ETHA	iShares Ethereum Trust	Nasdaq	Coinbase Custodian Trust Company	IBIT
EZET	Franklin Ethereum Trust	CBOE BZX	Coinbase Custodian Trust Company	EZBC
ETHW	Bitwise Ethereum ETF	NYSE Arca	Coinbase Custodian Trust Company	BITB
-	ProShares Ethereum ETF	NYSE Arca	Coinbase Custodian Trust Company	n/a

Source: SEC filings, VettaFi LLC. Data as of June 21, 2024

The crypto sector is attracting considerable interest from all quarters. Sony Group is preparing to launch a Bitcoin and crypto exchange in Japan after acquiring Amber Group's local subsidiary, Amber Japan. The revamped exchange will reportedly be called S.BLOX and aim to boost Sony's presence in the Bitcoin and crypto space. The move reflects Sony's growing push into this sector. By leveraging the Amber Japan exchange, Sony can capitalise on its brand recognition and global reach to boost the adoption of its future Bitcoin and crypto offerings.

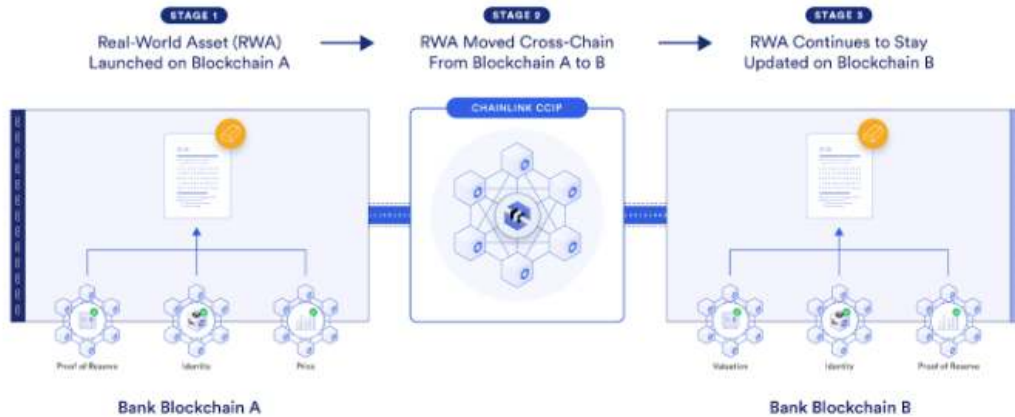


Some consider that Japan has emerged as a leading Bitcoin market due to proactive regulation and high consumer awareness. This is in part due to Mt. Gox which was located in Japan. The Japanese government responded by creating the world's first comprehensive crypto regulations, which kept Japanese investors safe when FTX crashed.

Real-world asset tokenisation could be the next big frontier for the blockchain industry, and Chainlink continues to expand global partnerships with an emphasis on real-world asset tokenisation and cross-chain transactions. In May, Chainlink which is the world's largest blockchain oracle network announced that it is broadening its partnership with Arta TechFin, a Hong Kong-based asset manager and financial services company, to bring real-world assets on-chain.

Tokenisation could increase the velocity of money by opening up previously illiquid assets, such as collectibles and real estate, to electronically tradeable markets. At the heart of bringing real-world assets on-chain are Chainlink's real-time price feeds and the CCIP interoperability protocol, which allow the oracle network to interact with other blockchains and shift assets between chains.

Real-World Asset Tokenization Needs Cross-Chain and a Fully Updated State



Ripple Labs are also continuing to ink partnership deals with the objective of tokenising real-world assets such as real estate, stocks, mortgages, and bonds.

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. For us just investing in one asset in such a dynamic sector does not seem logical. Our objective is to take advantage of the opportunities that present themselves on behalf of our 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. They can be more volatile than Bitcoin and therefore we consider a long term view is required to extract the potential opportunity.

We invest in a **basket** of cryptocurrencies and manage the challenges of investing.

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.

Annual Report - At A Glance

The hype around the launch of Bitcoin ETF's in 2024, showcases the unique benefits of Crossgate Capital's offer. We provide investors the ability to invest in a diversified portfolio of cryptocurrencies, as opposed to just Bitcoin.

It is pleasing that here in New Zealand for the past five years we have had a retail offer which is far more extensive than constraining investors to just investing in one cryptocurrency. Whilst Bitcoin and Ethereum form a core part of our portfolio, we do not limit ourselves to just these two assets. Below are the highlights from this year's Annual Report.



Key highlights from the audited financial statements include delivering \$1.8m of comprehensive income. We note that this is a volatile investment and there can be large annual swings.



At year end, we had over \$4m of crypto assets which are all held securely by BitGo, who are purpose-built for institutions demanding the highest-level of security and compliance for their cryptocurrencies.

We completed our first Share Buyback in February 2024. As per the PDS (which contains more details), Crossgate Capital intends to make an offer, every three years, to all Shareholders to buy-back their Class A Shares. The Share Buyback process provided Crossgate the opportunity to materially rebalance the portfolio. This was the primary reason for the Share buyback. However, a by-product was to open another potential exit mechanism for investors.

All Shareholders requests to exit were met and more than NZD \$1 million of capital was returned. We were pleased that due to the performance of Crossgate Capital, even after the Share Buyback, the net assets of the company increased when compared to the prior year.



Other milestones include Crossgate Capital becoming a continuous offerer of Shares. The market has come a long way since 2019. When considering the original structure of the offer, the Board were mindful that cryptocurrencies is an emerging asset class which displays a higher level of volatility than other forms of investments. Therefore the Board originally deemed it prudent to include an 'Offer Close' date in the PDS to enable further consideration of the success of the offering during the investment period.



Following a process of consideration and advice, the Board approved the removal of the Offer Close date. We appreciated that many investors understand there is an early mover advantage and are looking to invest for the long term.

Many Shareholders have joined the recurring investment plan and provided feedback that they were concerned they could not add to their investment after this date. They wanted to continue to take advantage of the automatic regular investment option, dollar cost averaging in the market, understanding that it is not timing the market but time in the market. We therefore have addressed this structural issue.

Regular investing makes it easier to achieve your investment goals with less time and effort. Simply set up a regular automatic investment on either a fortnightly or monthly basis and we will take care of the rest.

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

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.

Below is a breakdown of our portfolio by category and sector.

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 June quarter (26 June 2024) was \$3.58. Due to a change in market sentiment, the Share price has increased since the end of the quarter to \$3.81 (after tax).

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.

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

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.



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