

Investor Report September 2023



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Executive Summary

During the quarter, we were pleased to welcome investors to the Annual Shareholder meeting. If you were able to attend, we hope that you found the presentations informative and provided you an insight in respect to the key crypto events which occurred over the past twelve months. In this report, we will cover some of the main talking points at the meeting and advise the voting results for each resolution tabled.

A key event that we are watching is BlackRock's recent venture into the cryptocurrency market. A move that captured the attention of investors, regulators, and industry experts alike. With the announcement of a proposed Bitcoin exchange-traded fund (ETF), BlackRock could play a significant role in shaping the future of digital assets. The Bitcoin ETF requires the prior approval of the U.S. Securities and Exchange Commission (SEC).

Bitcoin ETF's have been highly sought after since 2013 when the first application was submitted to the SEC. This application was rejected. Over the past 10 years, the SEC has denied multiple proposals. However Blackrock, the world's largest asset manager, has an impressive track record of ETF application approvals. It will be interesting to see whether they are able to gain approval.

Several other high-profile institutions including Fidelity and Ark have also followed suit submitting applications which are currently under review. If SEC does grant a Bitcoin ETF this would be a major event. While Bitcoin ETFs already exist in other parts of the world, as the U.S. is the centre of world financial markets (including crypto markets) the launch of a Bitcoin ETF could see a flood of money enter this space. As a Bitcoin spot ETF issuer must buy Bitcoin to back the shares of the fund that their customers hold.

Issuer (Ticker)	Company	Prospectus Filing Date	19b-4 Federal Register	First Deadline	Second Deadline	Third Deadline	Final Deadline
ARK 21Shares Bitcoin ETF (Re-filing) (ARKB)	21Shares & ARK	6/28/21	5/15/23	6/29/23	8/13/23	11/11/23	1/10/24
iShares Bitcoin Trust	BlackRock	6/15/23	7/19/23	9/2/23	10/17/23	1/15/24	3/15/24
Bitwise Bitcoin ETP Trust (Re-filing)	Bitwise	10/14/21	7/18/23	9/1/23	10/16/23	1/14/24	3/14/24
VanEck Bitcoin Trust (Re-filing)	VanEck	12/30/20	7/19/23	9/2/23	10/17/23	1/15/24	3/15/24
Wisdomtree Bitcoin Trust (Re-filing) (BTCW)	Wisdomtree	12/8/21	7/19/23	9/2/23	10/17/23	1/15/24	3/15/24
Invesco Galaxy Bitcoin ETF (Re-filing)	Invesco & Galaxy	9/21/21	7/19/23	9/2/23	10/17/23	1/15/24	3/15/24
Wise Origin Bitcoin Trust (Re-filing)	Fidelity	3/24/21	7/19/23	9/2/23	10/17/23	1/15/24	3/15/24
Valkyrie Bitcoin Fund (Re-filing) (BRRR)	Valkyrie	1/22/21	7/21/23	9/4/23	10/19/23	1/17/24	3/19/24
Global X Bitcoin Trust (Re-filing)	Global X	7/21/21	8/23/23	10/7/23	11/21/23	2/19/24	4/19/24

Note: Dates are estimates and/or deadlines, so they may come earlier.
 Source: Bloomberg Intelligence, SEC.gov

As BlackRock is well respected within the financial industry, they could attract a lot of new investors and money into this space. The volume of Bitcoin that BlackRock would potentially need to purchase to back its ETF could be significant. If a Bitcoin ETF is launched then other crypto related products could be forthcoming which will deliver greater choice for investors.

Whilst we are understandably bullish on Bitcoin and Ethereum and consider them a core part of our portfolio, in such a fast moving sector we believe a diversified portfolio is the best way to invest in this market. We do not consider putting all your eggs in one basket is the best investing strategy.



All these events showcase 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.

Also on the horizon is the upcoming Bitcoin Halving. The available supply of conventional currencies rises and falls as determined by central banks, but the total supply of Bitcoin is fixed and immutable. There will only ever be 21 million Bitcoin. Presently more than 19 million have been mined, leaving under 2 million left to be created. The Bitcoin protocol automatically reduces the number of new coins issued with each new block in a process called 'halving'.

Miners, who validate the Bitcoin transactions over the Bitcoin network, were originally paid 50 Bitcoin per block when the cryptocurrency was originally established. The rate at which new Bitcoin is created decreases by half for every 210,000 blocks mined – roughly every four years. The first Bitcoin halving occurred in 2012 when the reward for mining a block was reduced from 50 to 25 Bitcoin. In 2016 the supply of new Bitcoins dropped again 2020, it fell further to 6.25 new Bitcoin.

The graph below constructed by Glassnode (who deliver on-chain market intelligence), provides an insight into the previous Bitcoin Halving cycles.

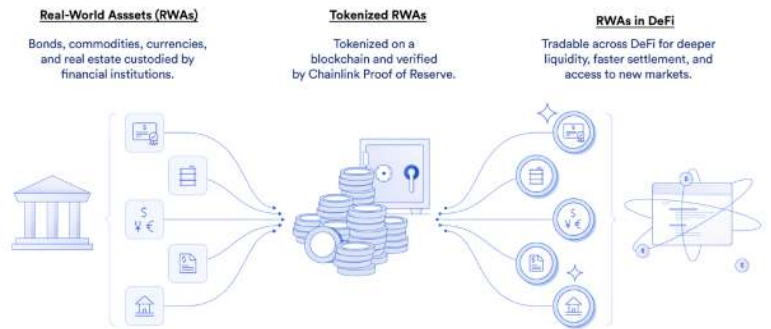
Bitcoin halving dates and how it affects the total supply schedule



glassnode

Nobody knows exactly when the next halving will occur, but it could occur in either April or May 2024. That would be almost exactly four years since the last one. That's not far away. While there are many other factors influencing Bitcoin's price, positive market sentiment could increase from the expectation of decreasing supply and rising demand.

While Bitcoin may currently have the headlines, during the quarter the top performing assets in the portfolio were Chainlink, Tron and Ripple. Chainlink gained attention due to their Chainlink Cross-Chain Interoperability Protocol (CCIP), a global standard for cross-chain communication. It establishes a universal connection between public and private blockchains so that arbitrary data, tokens, or instructions alongside tokens (i.e., programmable) can be sent between chains. Swift, Chainlink, and more than a dozen of the world's largest financial institutions engaged in an industry collaboration to demonstrate how banks and market infrastructure providers could instruct the movement of tokenised assets between any public or private blockchain via a combined solution of Swift messaging standards and CCIP.



Tron price also jumped as the total value locked (TVL) in its DeFi ecosystem continued rising, making it currently the second-biggest player in the sector after Ethereum. Tron maintained positive and fast-paced growth in the number of addresses. The latest announcement revealed that the number of addresses on the network recently crossed the 185 million mark. This outcome confirmed the strong demand for the Tron network that has prevailed so far this year. Tron remains one of the most active blockchains in the industry.

Ripple is benefitting from the recent Ripple Labs case, where the court determined that whilst Ripple's XRP token sales to institutional investors breached SEC rules, Ripple's offerings to retail investors on exchanges didn't infringe on these same regulations. This split of institutional and retail sales was broadly seen as positive for the crypto industry. It was recently reported that the XRP token recorded an all-time high in daily trading volumes for crypto exchanges in the US.



There are many benefits to investing with Crossgate Capital. We take care of which cryptocurrencies to buy, storage, reporting and keeping track of this fast moving market.

Annual Shareholder Meeting

Thank you to those investors who attended the Crossgate Capital Annual Shareholder meeting on the 26th September 2023. As we now have a significant number of investors located throughout New Zealand we decided holding a virtual meeting would enable as many Shareholders as possible to attend.

At the meeting we walked through some of the key events impacting the crypto markets. We enjoyed the presentation from Dan Lewis (Financial Wellness Group) who provided some interesting insights on cryptocurrency investing.

At the meeting we also reviewed the recent communication from the Board, which necessitated a number of amendments to our Product Disclosure Statement. We will revisit these changes below and advise the outcome of the votes.

A Continuous Offer - No Close Date

When considering the structure of the offer, the Board are 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.

The Board have conviction in the long term success of this asset class. In our initial PDS we noted that *"cryptocurrency is becoming more popular with both individuals and institutional investors."* We also stated that, *"The Board considers that cryptocurrency, now forms part of the financial landscape and has the potential to be an accepted asset class in an investors' portfolios alongside equities and debt. In a world where growth is increasingly digital, we consider that digital assets will increase in relevance."*

The increasing number of institutions who are now actively engaged in the crypto sector align with these statements. We believe that we are well positioned to take advantage of the opportunities that exist within this sector. However, the Board is unable to provide any forms of guarantees regarding future performance and the risks stated in the PDS remain relevant.



Following a process of consideration and advice, the Board determined to amend the Offer Close date in the PDS to provide that: "This is a continuous offer of Shares. The offer therefore has no closing date, however the Directors are not obliged to accept applications and can decide to suspend offering Shares at any time."

We received a significant response from our Shareholders to join the recurring investment plan, and we thank you for your trust and support. A large proportion of our investors have invested multiple times, many taking advantage of our automatic regular investment option and dollar cost averaging in the market. Understanding that it is not timing the market but time in the market.

We therefore consider that the removal of an 'Offer Close' date will be of benefit to the Company and our Shareholders. We would like to emphasize that this extension of the offer does not affect the total number of Shares available for issue and the other terms and conditions of the share offer. We believe that this amendment will provide an opportunity for those existing Shareholders who are looking to continue to retain and/or build their investment in this sector.

It also enables Crossgate Capital to continue to welcome new investors who understand the risks but are seeking an opportunity to obtain an equity interest in a company building a diversified portfolio of crypto assets.

Share Buyback

At the meeting we also discussed the Board's intention to make an offer to all Shareholders who would like to sell some or all of their class A Shareholding ("Share Buyback"), on or about the original indicative Offer Close date (2 February 2024).

As noted a structured process will be undertaken to sell some of the underlying assets to enable this transaction and ensure that the Share registry is updated accordingly. The Board considers that this will help to meet the requirements of Shareholders with differing investment horizons. A form has to been sent to Shareholders and will need to be completed and returned by post or email (info@crossgatecapital.co.nz) to the Directors prior to 5pm on 12 January 2024.

The Share price will be determined in accordance with the valuation basis detailed in the PDS, which will occur after converting the underlying assets into cash. Upon acquisition by the Company, the Shares will be cancelled and therefore will not be available to be issued in the future. The other key terms and restrictions relevant to the Share Buyback are set out in the previously provided communication (please refer to Appendix 1 of the document which was sent to Shareholders). If you do not understand any aspect of this offer, please seek independent legal or financial advice



Our Product Disclosure Statement has been amended to advise that every three years the Board intends to make a further offer to all Shareholders to acquire all or some of their Shareholding. The Board consider that this potentially provides liquidity windows for Shareholders who have different investment horizons. If the Board determines, in its discretion, that an event has occurred or circumstances have arisen which requires the Share Buyback to be delayed until a future date or cancelled or revoked, then it will advise the Shareholders in writing accordingly. All Share Buybacks will be in accordance with the requirements of the Companies Act and other relevant regulations. The Board considers that the amendments to the PDS are in the best interests of the Company and its Shareholders as a whole.

We have received a number of calls from investors – do I have to sell my Shares? The answer is no you are not required to sell your Shares unless you want to do so. We appreciate that many investors understand there is an early mover advantage and are looking to invest for the long term. On the horizon is the potential for a Bitcoin ETF, the Bitcoin Halving and the continual development activity of the assets that we invest in. You do not need to do anything if you are retaining your investment in Crossgate Capital.

Resolutions and Voting

We appreciate the many votes received in respect to the resolutions tabled by the Board.

A Special Resolution was sought as the Board recommended amending Clause 14.3 of the Constitution which relates to the process for the appointment and removal of directors. Currently a written notice signed by the holders of at least 51% of all the shares is needed. These provisions were adopted when Crossgate Capital had a much smaller shareholding. As many investors do not vote, this becomes impractical.

The recommendation is to allow for appointment and removal by Ordinary Resolution - being a simple majority of those shareholders entitled to vote and voting on the question. The change brings us in line with the usual Companies Act position.

In regards to the Ordinary Resolutions, in accordance with the Constitution, one of the three Directors, being Scott Lester retired from office and offered himself for re-election at the meeting.

The other resolution states that the Board be authorised to determine and fix the auditor's fees and expenses for the upcoming financial year." This is a required resolution under the Companies Act.

All resolutions were passed by Shareholders and the voting results are:

Resolution	For	Against
Clause 14.3 of Crossgate's Constitution relating to the process for director appointment and removal of directors be amended to allow for appointment and removal by Ordinary Resolution.	100.00%	0.00%
That Scott Lester be re-elected as a Director of Crossgate Capital Limited.	100.00%	0.00%
That the Board be authorised to determine and fix the auditor's fees and expenses for the upcoming financial year.	100.00%	0.00%

Portfolio Performance

With the fluctuating prices it can be challenging to adhere to an established investment principle. We consider that with the right portfolio management strategy and the ability to stay the course with a long term horizon, investors can enjoy an early mover advantage.

The Share price on the last allotment day of the quarter (20 September 2023) was \$2.31, which is net of all fees, expenses and taxes. This has decreased since the prior quarter, which reported a Share price of \$2.51 on the last allotment day of the quarter (28 June 2023).

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;

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

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. We concentrate on cryptocurrencies that have strong use cases and are focused on real world applications as demonstrated by our leading asset this quarter, Chainlink.

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

Watchlist

We have a number of 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.

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 are watching a number of assets below this threshold as we assess whether they are able to deliver on their roadmap and objectives. Obviously they have to reach the minimum market cap prior to inclusion in the portfolio.

It is worth re-iterating that this is a watchlist and none of these assets have currently been approved for inclusion in the portfolio. It may also be determined that these assets should no longer form part of the watchlist as they are not considered suitable for inclusion within the reasonable period of time.



Asset	Sector	Category
1  Chiliz CHZ	Sports	Entertainment
2  Toncoin TON	Smart Contract Platform	Networks
3  Solana SOL	Smart Contract Platform	Networks
4  Polygon MATIC	Scaling Solutions	Networks
5  Decentraland MANA	Metaverse	Metaverse and Gaming
6  The Sandbox SAND	Metaverse	Metaverse and Gaming
7  Avalanche AVAX	Layer-0	Networks
8  Dogecoin DOGE	Cryptocurrency	Cryptocurrency
9  Enjin Coin ENJ	Collectibles and Digital Goods	Entertainment

We are a patient capital investor and have a long-term investment mandate. Due to the high levels of volatility in this asset class, the approach is not to undertake an active trading program but to take a considered position and 'buy and hold'.

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)

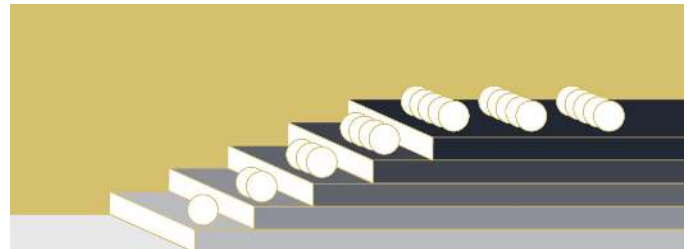
If you do not know your CSN or FIN, please contact Link Market Services on (09) 375 5998 or email crossgatecapital@linkmarketservices.co.nz.

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 2023 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. 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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