



Crossgate Capital September 2021 Quarterly Investor Report

Email: info@crossgatecapital.co.nz

Website: www.crossgatecapital.co.nz



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Executive Summary

Our Share price at 30 June 2021 was \$3.64, which is net of all fees, expenses and tax. The Share price at the end of the September quarter increased to \$4.50. The most recent allotment (13 October 2021) saw a further increase in the Share price to \$5.21.

The classic saying, "You should never put all your eggs in one basket", we consider rings true for different types of investments, whether it's a basket of shares, bonds, or cryptocurrencies. We consider a well constructed diversified portfolio reduces the risk that comes with investing in a single cryptocurrency. Whilst we are understandably bullish on Bitcoin and Ethereum and consider them a core part of a portfolio, in such a fast moving sector we consider a diversified portfolio is the best way to invest in this market.

The headline news has been heavily focused on events in China. During the quarter there was yet another Bitcoin ban in China. China 'banning crypto' is becoming an annual event. Regulators in the country have targeted the digital asset industry on multiple occasions, with the wording and specific services being banned varying each time. As with previous bans, it had an initial impact prior to Bitcoin increasing in value. During the quarter, news also emerged from China regarding the Evergrande (China's second largest property developer) crisis which sent contagion spiralling through all markets. Crypto assets also felt the effects during the broad base sell-off which dented some investors risk appetite.

However against this backdrop, for the quarter, in regards to the % price movement between Quarter 2 (September 2021) and Quarter 1 (June 2021), nine assets within our portfolio reported positive gains, with the top two performing assets being Polkadot and Cardano. Stellar was flat and EOS reported a small loss. Compound was not held at the end of the prior quarter. We take a deeper dive into our portfolio later in the report.

During the quarter it was reported that El Salvador has officially adopted Bitcoin as legal tender. The social media platform Twitter also announced it had launched a series of crypto-related features on its platform. Users will now be able to tip popular tweeters in Bitcoin through Strike, a third-party payments app built on the Bitcoin Lightning Network.

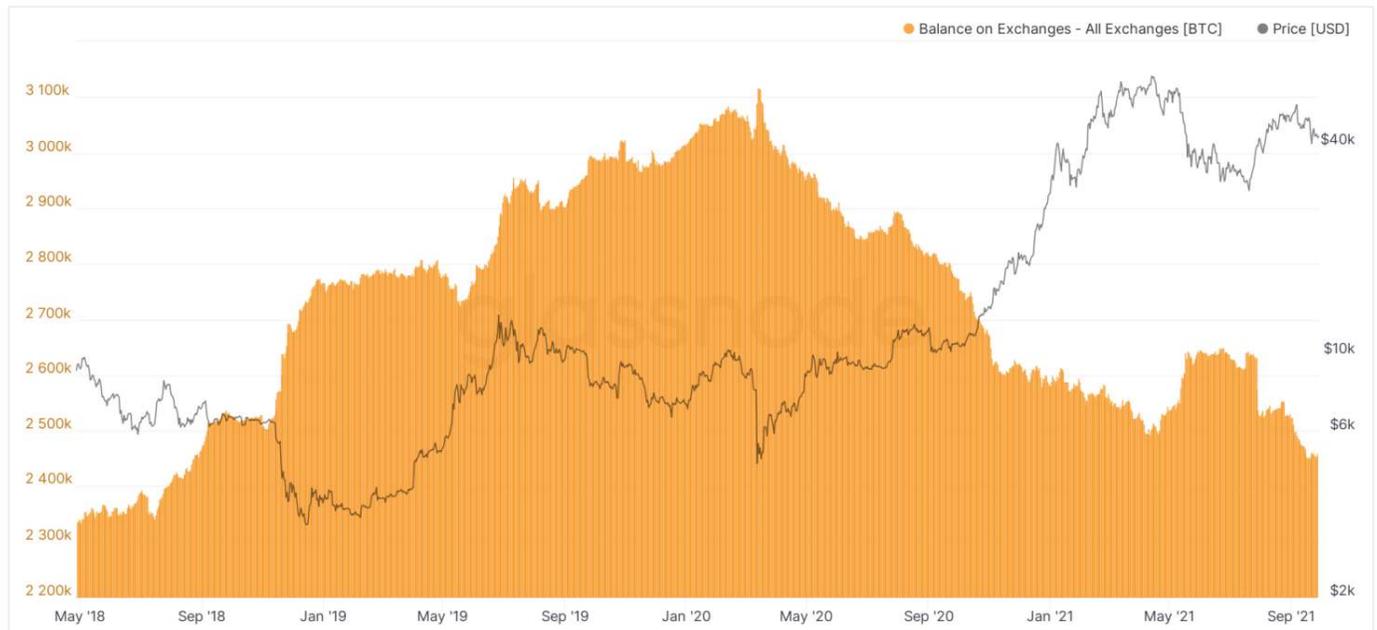
The Reserve Bank of New Zealand (RBNZ) advised that it is seeking public feedback on the prospect of a central bank digital currency (CBDC). The declining use, acceptance and availability of hard cash along with innovations like stablecoins make this an opportune time, the bank said. Stablecoins are cryptocurrencies that are tied to a traditional currency, in this case likely to be the fiat New Zealand Dollar.

Investing in cryptocurrencies is an investment in technology. We therefore carefully monitor the assets to assess the level of development activity and its ability to deliver on its real world use case. If the project is successful and more people adopt and use the technology the value should increase. We note that current levels of adoption are still very low which provides us with an early mover advantage.

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. We also monitor information reported by Glassnode, a blockchain data and intelligence provider that generates innovative on-chain metrics and tools for digital asset stakeholders.

As illustrated in the Glassnode graph below, the total supply existing on exchanges fell to 2.45 million Bitcoin, levels last witnessed back in August 2018. This is a result of the consistent accumulation the market has been seeing since March 2020. This kind of pattern can be expected from a particular set of investors who remain mostly undeterred by the micro-fluctuations (like Crossgate Capital). Long-term holders have been continuously increasing their holdings, looking through the short term price swings.

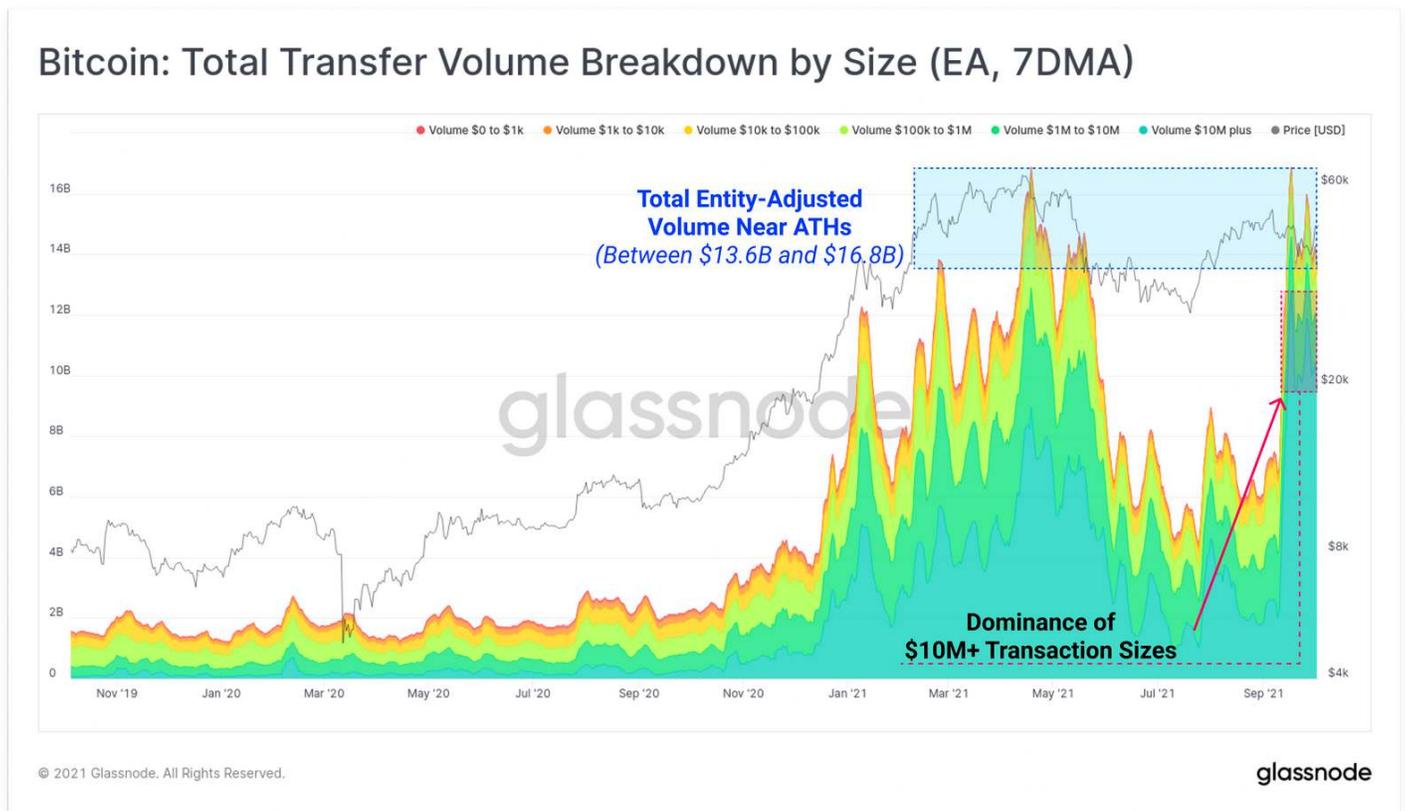
Bitcoin: Balance on Exchanges - All Exchanges



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glassnode

Glassnode also notes that breaking down the on-chain volume by transaction size, indicates that very large transaction sizes (USD \$10M+) continue to dominate. Overall entity-adjusted transaction volumes have largely returned to the peak of between USD \$13.6B and USD \$16.8B per day. The rising dominance of large transaction sizes hints to the increased maturation of Bitcoin as a macro scale asset with increasing interest from high net worth individuals, trading desks, and institutions.



The latest data from CoinShares shows that the institutional interest in the cryptocurrency market is more diversified. With capital inflows being directed to a range of different cryptocurrencies many of which form part of our portfolio. This trend is consistent with our approach.

Crossgate Capital has a deliberate strategy to invest in established assets. As an active investor we seek to maximise your returns while managing the risks of your investment, by investing in a diversified portfolio of the leading cryptocurrencies.

We would like to thank all the investors who attended our recent virtual AGM. We had a very good turnout and appreciated the positive feedback.

Cryptocurrency Diversification

Each cryptocurrency is created with a purpose. Since each cryptocurrency has its specific purpose, or fundamental value, we believe that it's more effective to diversify your portfolio by dividing capital between assets and sectors, as below. The categories below were created using a methodology by Messari which assists us when building our diversified portfolio.

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

This approach requires both research and an understanding of the technology behind each cryptocurrency. Our approach is to diversify by category and sector, thereby gaining exposure to different segments in the cryptocurrency sector. As crypto technology is starting to solve a wide variety of problems we consider that a diversified portfolio is the smart way to invest.

While we are heavily weighted to Bitcoin a cryptocurrency designed for payments (and being more accepted as a store of value) and Ethereum which provides an infrastructure solution for many crypto projects, we also have an exposure to other strong assets.

This way, if one particular sector takes a hit, the rest of the portfolio may be able to absorb the impact. Also, if one sector gains in popularity and is powering the growth in this asset class we can also benefit from the upside. This blended approach provides us the opportunity to achieve our objective of delivering strong returns to investors.

The following table illustrates our category and sector allocation;

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

Provided below is a table ranking the performance of the cryptocurrencies in our portfolio. The % price movement between Quarter 2 (September 2021) and Quarter 1 (June 2021) was the key ranking determinant.

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

Source: BNC Pricing Feed 30 June 2021 and 30 September 2021

While the majority of the assets have performed strongly, our exposure to a number of leading cryptocurrencies continues to prove beneficial. In regards to the % quarter on quarter price movements, the first nine cryptocurrencies returned a positive percentage price increase, Stellar was flat and EOS returned a small negative price decrease. Compound was not held at the end of the June quarter so a comparative review is not feasible.

Our recent inclusion of Polkadot has benefitted the portfolio. As per the table, it was the best performing cryptocurrency in our portfolio for the quarter. Cardano and Ethereum have also continued their track record of strong performance.

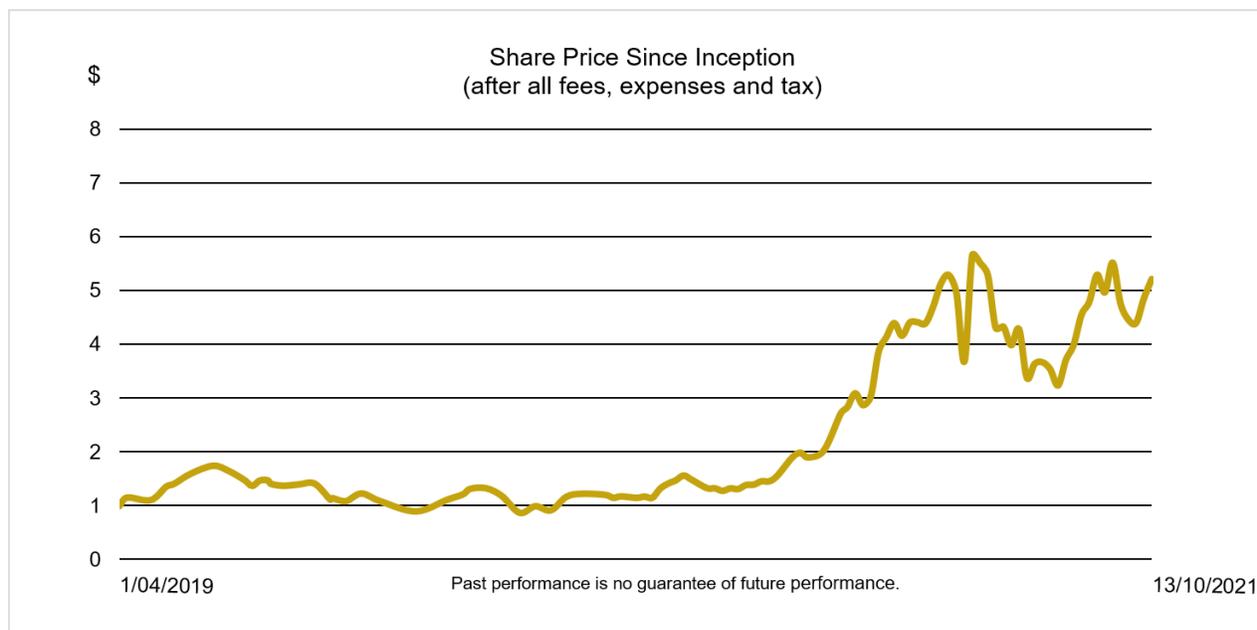
During the end of the prior financial year, we reduced our targeted weighting to EOS and suspended further purchases as we reconsider the relative long term performance of this project against other opportunities. Our current holding makes up less than 1% of our portfolio and is reporting a fair value gain.

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 (30 September 2021) was \$4.50 (after tax). This compares to \$3.64 as at the end of the prior quarter (30 June 2021).

We are currently allotting Shares weekly and the Share price as at the latest allotment (13 October 2021) was \$5.21 (net of all fees, expenses and tax). The Share price is predominately determined by the fair value of our assets.



Total value locked (TVL) on the Ethereum network hit all-time highs of USD \$145B. TVL is the sum of all assets deposited in decentralized finance (DeFi) protocols. Focusing on Ethereum, at the end of the quarter, approximately 7.79M ETH was staked in the ETH 2.0 contract amongst 52,465 stakers.

Simply explained, ETH 2.0 represents Ethereum's switch to a new "proof-of-stake" consensus model. Proof-of-stake allows for faster transactions and lower fees compared to its previous proof-of-work model.

The robust growth in ETH staked and stakers month-over-month reflects growing optimism for ETH 2.0 amongst market participants.

During the quarter, Cardano's Alonzo hard fork went live and introduced smart contracts functionality to the blockchain. While the number of reddit subscribers to Polkadot surpassed 50K in September which compares to just under 3K subscribers at the beginning of the year. Continued growth in the subreddit's subscriber count reflects ever-growing interest for this blockchain.

Just after quarter end, international remittance service MoneyGram announced that it has entered into a new partnership with the Stellar Foundation, to develop a payments bridge that streamlines money transfers.

During the quarter, the crypto market was impacted by the Evergrande revelations and crypto news out of China. Whilst this impacted prices, innovation, development, and adoption continues to advance.

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.

The Importance Of Estate Planning

As investing in cryptocurrencies becomes increasingly popular, long-term investors are increasingly concerned with the uncomfortable question, what happens to my cryptocurrencies if I pass away or become incapacitated.

Crossgate Capital is a traditional investment vehicle, with Shares titled in the investor's name, which may provide an easier and traditional solution in respect to estate planning. If an unfortunate event occurs, the Shares you hold form part of the assets of your estate. The administrator for the estate can therefore make contact with us to assist.

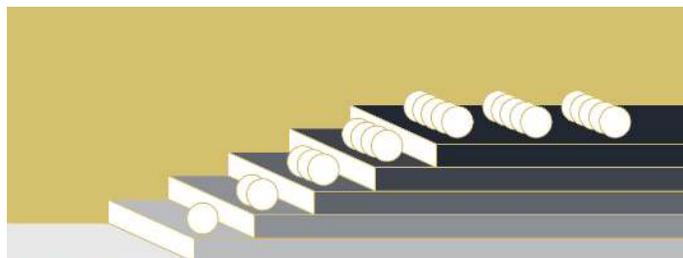
Individual investors who purchase cryptocurrencies through an exchange and hold the assets themselves may need a plan to ensure their beneficiaries can access their investment. If the private keys to a cryptocurrency wallet are no longer available, then the cryptocurrency could be lost forever.

This is because blockchains are highly secure and the entire process is decentralised, so there is no way to restore a private key. This also makes whatever cryptocurrency you've invested in a challenge to pass on. Individual investors may share their private keys with a trusted representative, so their investment can be accessed if required. They may also need to keep a note of specific instructions on how to access the private key in the wallet, all usernames for online accounts and any details on the public and private keys themselves. Or identify another way to ensure that your investment can be accessed.

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 is the key to attaining your goals and our automatic reinvestment option is a great time-saving measure to help you achieve this. This makes building an investment in cryptocurrencies even easier.

[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.



Email: info@crossgatecapital.co.nz

Freephone: 0800 378489 (EQUITY)

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