



December 2021 Quarterly Investor Report

Email: info@crossgatecapital.co.nz

Phone: 0800 378489

Website: www.crossgatecapital.co.nz

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Executive Summary

While cryptocurrencies spent 2021 pushing further into the mainstream and capturing more attention from finance professionals and the public at large, the market saw a pullback towards the end of the year. However our Share price at the last allotment of this year (31 December 2021) was \$4.59. This was slightly ahead of the Share price reported as at 30 September 2021 which was \$4.50, net of all fees, expenses and tax.

In the December 2020 quarterly investor report we commented that the Crossgate Capital Share price broke through \$2.00 per Share. While the Share price has therefore more than doubled during this year, we see this as just one step in the right direction. While we do not expect the cryptocurrency market to increase in a straight line and past performance is no guarantee of future performance, we consider that the cryptocurrency market will continue to trend upwards over the medium to long term.

Our performance has benefitted from investing in a well constructed diversified portfolio as opposed to investing in just one cryptocurrency, such as Bitcoin or Ethereum. This is highlighted in the Performance section of this report which compares the performance of the individual assets during 2021.

While Bitcoin and Ethereum form a core part of our portfolio we have greater breadth by investing across 12 leading cryptocurrencies, which provides us exposure to different segments of this asset class such as DeFi. 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.

As a patient investor, we look through the short term price movements and concentrate on the development and the progression of the projects. For example, towards the tail end of 2021, we witnessed the first Bitcoin upgrade in four years - Taproot. Taproot introduced what's called Schnorr signatures, which help Bitcoin transactions become more efficient and less expensive. This also expands Bitcoin's utility as it enables Bitcoin to execute smart contracts, or collections of code that carry out a set of instructions on the blockchain.

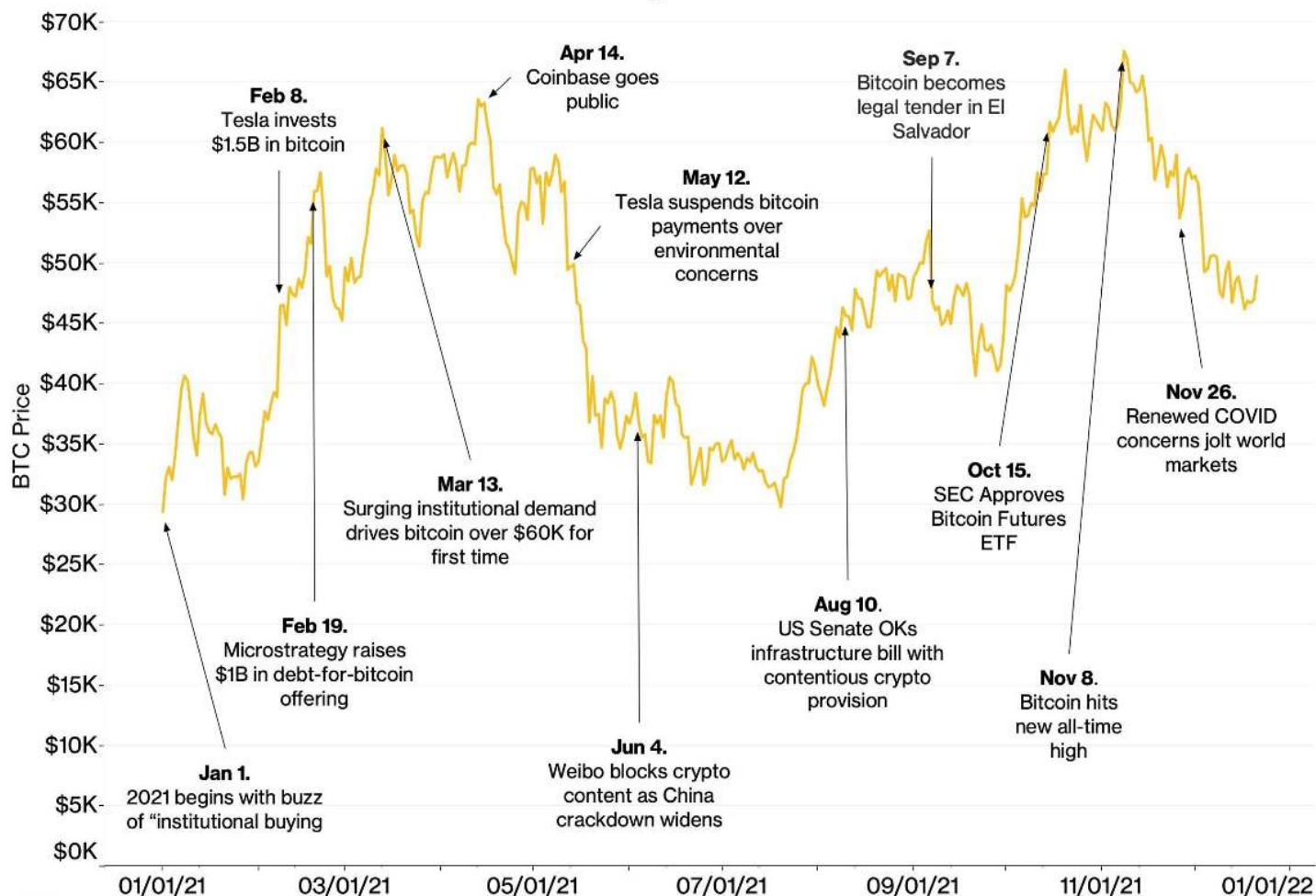
The management team have a strong conviction in the approach and direction of Crossgate Capital and therefore has been continually acquiring Class A Shares in Crossgate Capital, on the same basis as all other investors. During this calendar year the team acquired over 50,000 Shares and are planning to continue to add to its holding.


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

2021 - A Busy Year

2021 was certainly a busy year. Provided below is a chronological rundown of some of the most salient moments. The graph highlights the rapidly evolving crypto landscape which we navigate on your behalf.

A Busy Year



 **CoinDesk** Source: CoinDesk, CoinDesk Indices

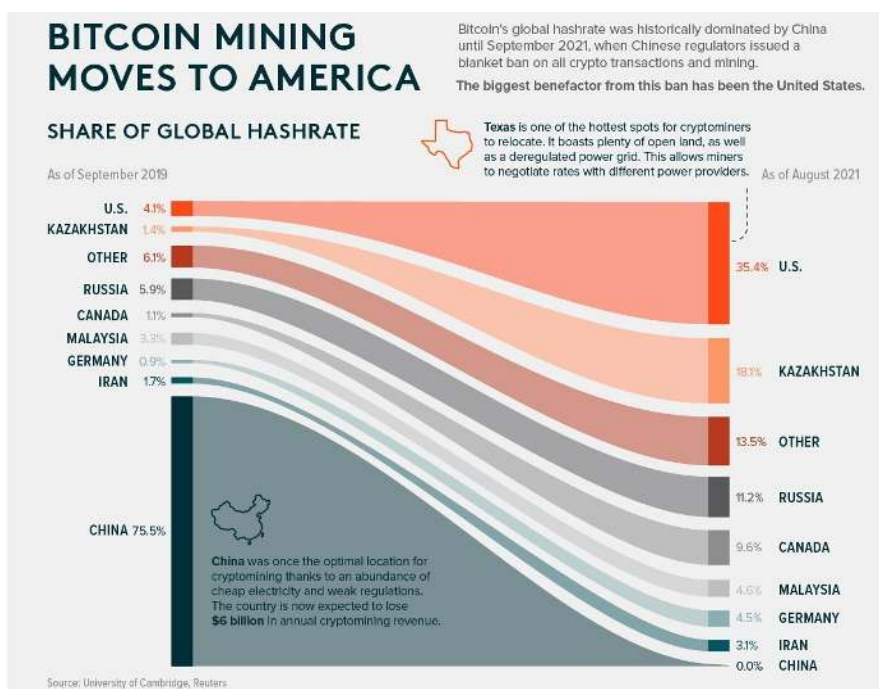
We also note that Ethereum launched EIP-1559 and prepared for the merge to Eth2. In August, a major upgrade to Ethereum went live. The upgrade, called London, included Ethereum Improvement Proposal (EIP) 1559, which changed the way transaction fees, or “gas fees,” are estimated. It also started the reduction of ether’s supply. Additionally, Ethereum developers prepared for the network’s upcoming shift to a proof of stake model through a number of upgrades throughout the year.

Currently, Ethereum operates on a proof of work model, where miners must compete to solve complex puzzles in order to validate transactions. Ethereum plans to shift to a proof of stake model, where users can only validate transactions according to how many coins they hold, rather than the energy-intensive mining rigs used now. This new model is designed to make the blockchain’s transactions faster, cheaper, and less energy-intensive.

But while ETH2 was not live in 2021, its testnet (Kintsugi) is, providing the public with a look into how the network may soon function. Kintsugi is the name for the Japanese art of mending broken pottery with gold.

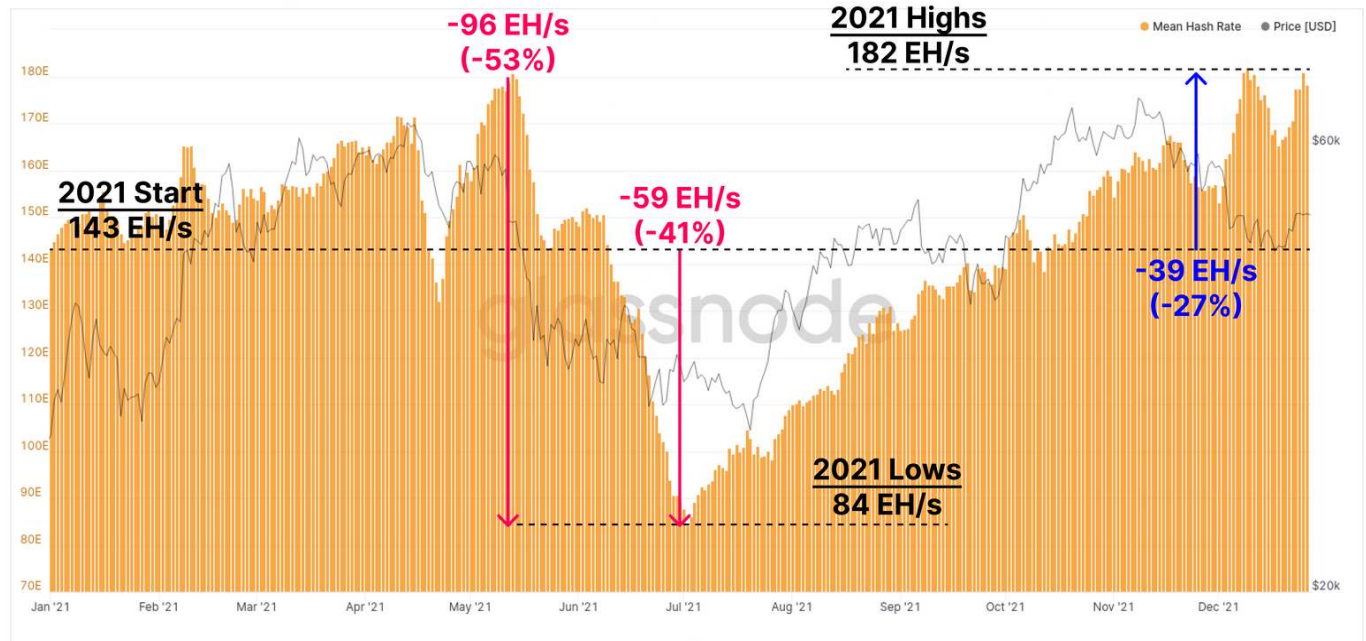
According to data compiled by CryptoRank and Santiment, Cardano was the most developed crypto project on GitHub in 2021, with over 140,000 events. Rounding out the top three were Kusama and Polkadot at second and third places, respectively, with roughly the same number of events over the year. Santiment defines a GitHub event as either creating an issue, creating a pull request, commenting on an issue or pull request, or forking/starring/watching a code repository, among others.

During the year China banned cryptocurrency — again. China’s renewed crackdown on Bitcoin mining throughout the year pushed the market elsewhere, and in October, data shows that the U.S. became the No. 1 destination for Bitcoin miners.



Glassnode (a blockchain data and intelligence provider that generates innovative on-chain metrics and tools for digital asset stakeholders) illustrates in the following graph that the mining market has recovered from this enormous shift, with hash-rate pushing to new ATHs at 182 EH/s, closing out the year 27% higher.

Bitcoin: Mean Hash Rate (7d Moving Average)



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Throughout the past year, there's also been a heightened focus on cryptocurrency regulation. It is reported that the United States Congress has introduced 35 bills that focus on cryptocurrency regulation, blockchain policy and central bank digital currencies. We consider that over the long term, regulations if executed properly, will be beneficial as it may encourage even more institutional and retail adoption.

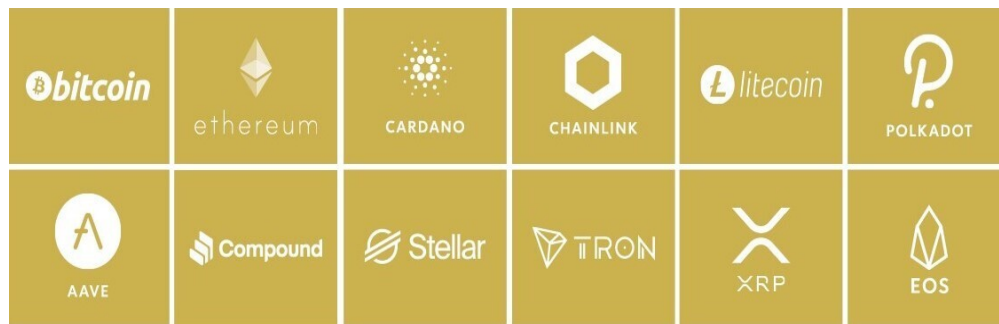
In a world where growth is increasingly digital, we believe that digital assets (such as cryptocurrencies) will continue to increase in relevance.

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.

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. This provides us opportunities to gain exposure to new technical developments and use cases which present themselves in this rapidly evolving crypto landscape.

Our objective is to deliver returns to investors by investing in cryptocurrencies where we consider there is a significant opportunity for growth. Our portfolio currently includes;



Provided below is a table ranking the % market price movement of these cryptocurrencies from commencement of this financial year to the end of Quarter 3 (31 December 2021). For those assets that were selected for inclusion in our portfolio during the year, the price used relates to the date of the initial investment.

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

Source: BNC Pricing Feed and CoinMarketCap

We consider that by holding assets that span multiple sectors and categories we reduce the risk of investing in a single cryptocurrency and can deliver greater returns to investors. Although the concept of diversification originates from traditional finance, we believe it remains applicable to the cryptocurrency sector.

The following table 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

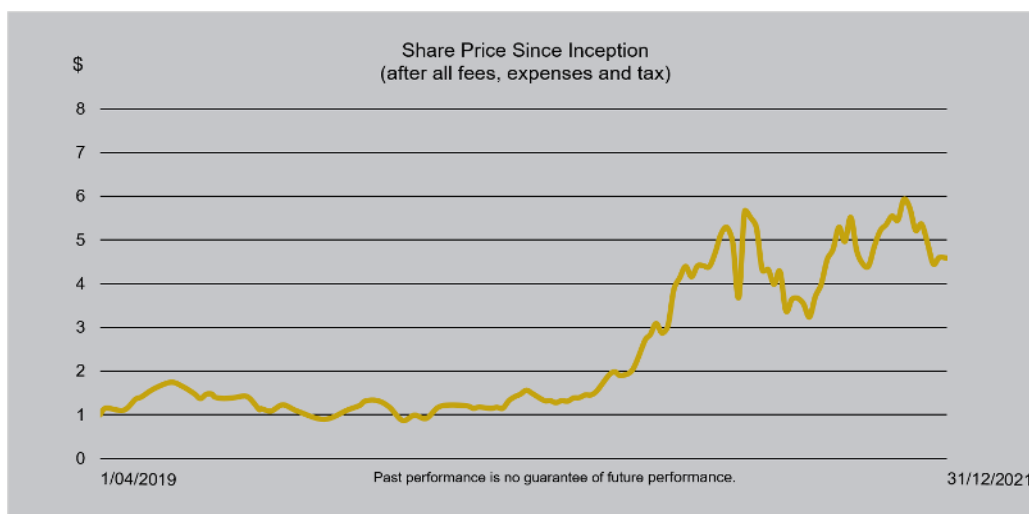
Crossgate Capital currently uses a number of crypto research and data tools which includes Messari, a leading data and information aggregator for the crypto asset industry. The above categories were created using a methodology by Messari and are defined below;

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 (31 December 2021) was \$4.59. This compares to \$4.50 as at the end of the prior quarter (30 September 2021). The Share price is predominately determined by the fair value of our assets.



During the final quarter of 2021, the crypto markets saw a sell off. The rising number of cases of the Covid omicron variant, high amounts of leverage, Evergrande officially sliding into default and the potential that the Fed may have to raise rates sooner than expected to curb inflation could all be considered contributing factors.

For experienced crypto investors, volatility is expected. When the prices fall this provides us buying opportunities. Our medium to long term view of the market remains unchanged.

If we look at the 2021 calendar year in its entirety, the crypto market continue its upward ascent. The price of Bitcoin crossed a major milestone as its market value surpassed USD \$1 trillion for the first time. The global cryptocurrency market surpassed USD \$3 trillion, reaching a new all-time high as the leading cryptocurrencies also soared in value.

CoinShares shared annual stats regarding institutional inflows in the crypto space last year. As per the report, the institutional yearly inflows in crypto stood at USD \$9.3 billion marking a near 36% jump against \$6.8 billion in 2020.

As recently reported by Glassnode, the current trend appears to show retail/tourists have left the market and long term holders remain. Reports indicate on-chain activity, wallets that have been holding for a long time have actually been using this opportunity to accumulate. During major corrections in the market, it is not unusual to see larger investors step in and accumulate Bitcoin and other digital currencies from short-term holders.

We consider that the long term trend appears positive and those with the conviction that cryptocurrencies will form part of the next generation economy is increasing. Recent data from Glassnode supports this opinion. Despite the recent pull-back, the number of Bitcoin addresses with a non-zero balance has never been higher, reaching just under 40 million.

Bitcoin: Number of Addresses with a Non-Zero Balance



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We consider that the cryptocurrency industry, is welcoming 2022 with more maturity, resilience and adoption than ever before. Faced with an uncertain global backdrop with inflation being reported across the globe, the predictability of the network's blocks, the associated rewards and the economic model it creates are more relevant than ever.

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 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.



Email: info@crossgatecapital.co.nz

Freephone: 0800 378489 (EQUITY)

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