



# Crossgate Capital June 2021 Quarterly Investor Report

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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. We manage all the challenges of investing in crypto assets and consider this sets us apart from other ways to invest in this sector. We consider that it requires a hands on approach to deliver the potential returns from investing in this emerging asset class.

We consider that cryptocurrencies continue their march towards mainstream acceptance, with an increasing number of major financial firms and companies embracing the emerging asset. As cryptocurrencies are still at an early stage of its lifecycle, price swings continue to be a feature of this asset class. The first half of 2021 has been no different and the market has retraced some of the gains made in the first quarter.

Crossgate Capital has a diversified portfolio of the leading cryptocurrencies. During quarter 2, Ethereum, Cardano and Ripple all posted double digit gains. Ethereum's London hard fork, which contains the highly anticipated EIP 1559, launched on the testnet on June 24, setting the stage for full mainnet implementation later in July. The hard fork is anticipated to have a positive impact on Ether's value thanks to several proposal upgrades.

Profits or losses only crystallise when an asset is sold. Since inception, we have not sold any of our cryptocurrencies. 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 other leading cryptocurrencies which form part of our portfolio continue to strengthen.

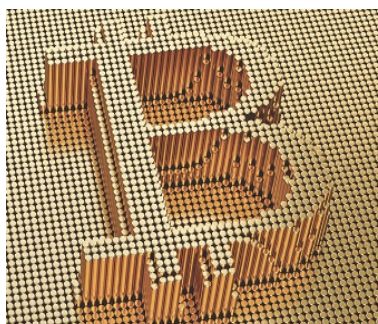
During the period China's announced restrictive measures on cryptocurrencies. This is not new. The country has always had a firm stance against cryptocurrencies. Back in 2013, China's central bank had barred financial institutions from handling Bitcoin transactions. It had also banned fundraising through initial coin offerings and closed domestic Bitcoin exchanges in 2017.

The Chinese government's recent focus has been on mining which injected uncertainty into the cryptocurrency market. Some consider that this temporary disruption of mining power is beneficial as there has been a concentration of mining capacity. Chinese miners reportedly account for as much as 70% of crypto mining worldwide. For a decentralised asset, the mining activity was heavily centralised. It will be interesting to see whether Texas is the destination of choice for the miners, due to its abundance of solar and wind power and its crypto-friendly political stance.

CNBC reported that Miami Mayor, Francis Suarez, says Miami's doors are open to Bitcoin miners. The mayor is also considering a mix of other incentives, like enterprise zones specifically for crypto mining. Enterprise zones are areas in which tax concessions and infrastructure incentives are offered to companies, with the hope that these breaks will encourage investment and create jobs.



In regards to the question, when will cryptocurrencies be able to be used as a medium of exchange, in the first half of 2021, Visa reported that over USD \$1B worth of cryptocurrency was used to buy goods and services. By comparison, Visa estimated crypto spending at only a fraction of that amount in the same periods last year and in 2019. The payments giant did not release exact numbers. Visa only began offering the ability to pay with digital assets at the start of this year. In regards to total payments, the figure is small but we consider it has the potential to increase over time. This is another reason why we consider there is an early mover advantage investing in this asset class.



In this report we will look at our current weighting of assets by Category and Sector. Where categories indicate the primary use-case or application of a cryptoasset network. Sectors indicate the specific solution(s) provided by a cryptoasset network.

We will also focus on the overlooked aspect of Estate Planning when investing in cryptocurrencies. Crossgate Capital considers that certain cryptocurrencies have the potential to significantly increase in value over the medium to long term. For investors who invest themselves, have they the plans in place to ensure their crypto wealth can be accessed if they pass away or become incapacitated?

Crossgate Capital is a traditional investment vehicle, with Shares titled in the investor’s name, which provides an easier and traditional solution in respect to estate planning. If an event occurs, the administrator for the estate makes contact with us and we can assist.

Crossgate Capital provides investors an easy on-ramp to a modern product whilst providing all the benefits that are associated with a traditional Share offer, such as being able to list the Shares on the Unlisted Securities Exchange (USX)\*, which is located in New Zealand.



Crossgate Capital Shares are now listed and our ticker code is CCL. The USX is a cost-efficient and simple share trading platform for Crossgate Capital to provide liquidity to Shareholders. It provides a mechanism for Crossgate Capital Shareholders to sell their Shares, if there are interested buyers.

The USX a New Zealand based prescribed exempt financial product market was launched in December 2003 originally trading as the Unlisted Securities trading facility.

	As at May 2021 the USX has facilitated in excess of:		
	18,500 TRADES	330m SHARES	\$421m+ VALUE

To learn more, please [click here](#)

# Asset Classification

We invest based on fundamentals driven by continual research and monitoring. Our approach is to take a considered position in order to deliver on our objective of providing strong returns to our investors. Crossgate Capital currently uses a number of crypto research and data tools which includes Messari as they are focused on bringing transparency to the cryptoeconomy and they provide data that assists informed decision making and investment.

Cryptoasset networks can be divided into 5 categories based on the types of users they address. These include;

1. **Currency** - 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 cryptoasset financial services
4. **Services**- specific applications implemented on blockchain-networks
5. **Media and Entertainment** - from social networks to content generation



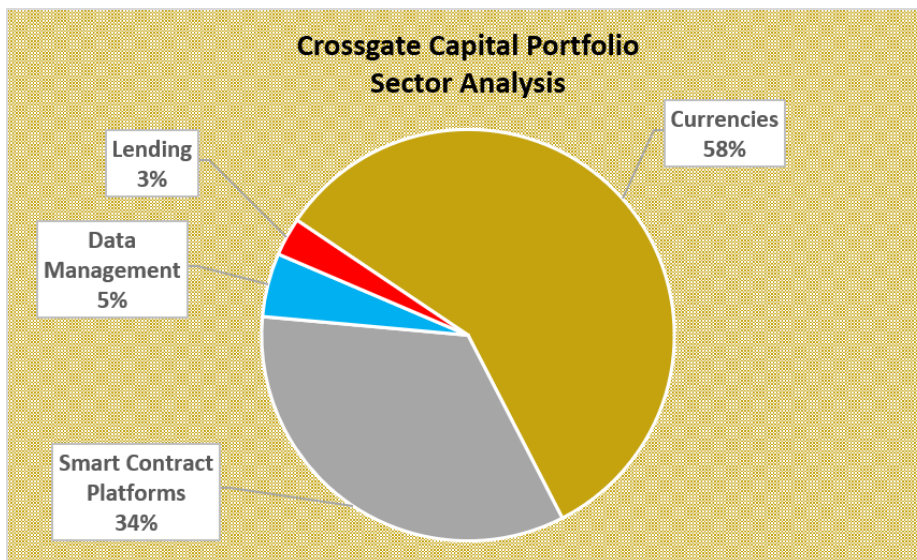
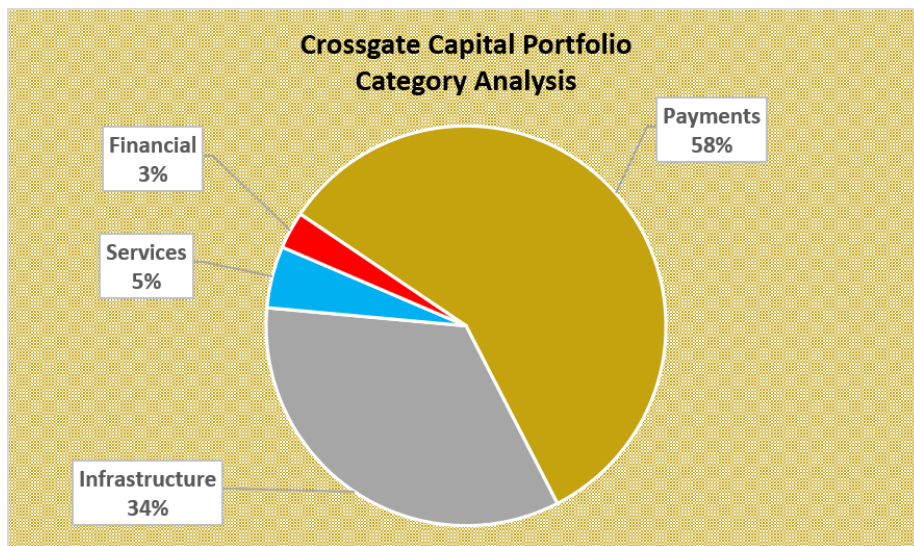
In addition, sectors indicate the specific solution(s) provided by a cryptoasset network. Each sector belongs to a single category. Provided below is a table illustrating Crossgate Capital's current portfolio by Sector and Category.

ASSET	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
EOS · EOS	Smart Contract Platforms	Infrastructure
Aave · AAVE	Lending	Financial

As part of our strategy to achieve our objective of delivering significant returns to our investors, Crossgate Capital continually reviews the weightings of individual assets within our investment portfolio. We are heavily weighted to Bitcoin but have greater breadth by investing across the leading cryptocurrencies.

To mitigate any unnecessary transaction fees or tax implications, we re-weight the portfolio through purchases as opposed to selling any of the cryptocurrencies. At year end (March 2021), as we reported an audited \$2.7m increase in the fair value of our cryptocurrencies we recognised a \$716K deferred tax liability. As we haven't sold any of our assets at this stage we are not required to pay tax on this gain. We can therefore keep these funds invested in the market.

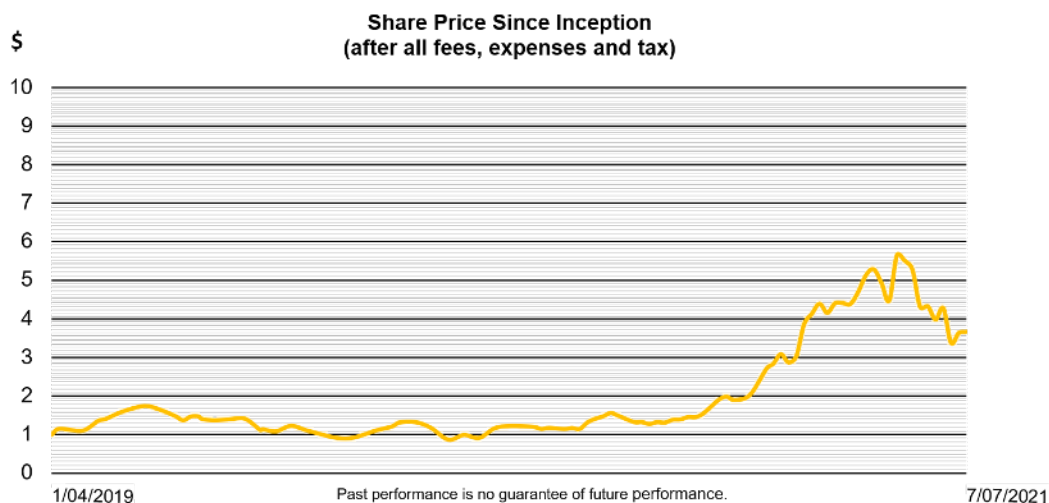
Provided below is our current targeted weightings by Category and Sector.



# Performance

The Share price on the last allotment day of the quarter (30 June 2021) was \$3.64 (after tax).

We are currently allotting Shares weekly and the Share price as at the latest allotment (7 July 2021) was \$3.67 (net of all fees, expenses and tax). The Share price is predominately determined by the fair value of our assets.



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. This limits exposure to just Bitcoin and enables our investors to benefit from the significant growth experienced by some of our other cryptocurrencies.

In regards to performance for Quarter 2, while Bitcoin retraced earlier gains, in the payments category Ripple had a positive quarter. The other two strong performers for the quarter, were Ethereum and Cardano (Infrastructure Category). Ethereum implemented the Berlin upgrade on April 15 and the upcoming EIP-1559 objective is to address the challenge of high transaction fees. Cardano provided a clearer roadmap for its upcoming Alonzo hardfork. If successful, it will bring smart contract functionality by allowing the writing and deployment of smart contracts for the first time on the Cardano blockchain. Stellar also made two major network upgrades during the quarter.

This asset class continues to develop and evolve and we consider the long-term fundamentals and use cases are strengthening. However, there will be short term price volatility which provides Crossgate Capital with buying opportunities.

**We review our weightings by category and sector as we keep track of this fast moving market with the objective of delivering strong returns to investors.**

# 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 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. Our automatic reinvestment option continues to prove popular as an increasing number of investors elect to use this feature. This makes building an investment in cryptocurrencies even easier.

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

**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. 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](mailto:info@crossgatecapital.co.nz)

Freephone: 0800 378489 (EQUITY)

## Disclaimer

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\*The USX is not a licensed financial product market or regulated under New Zealand financial markets laws. Investors trading in securities quoted on the USX trade at their own risk and do not have the protections provided by Part 5 of the Financial Markets Conduct Act 2013 and the monitoring of market obligations by the Financial Markets Authority (FMA). You may be able to sell your Shares on the USX if there are interested buyers. Efficient Market Services Limited, which operates the USX accepts no responsibility for any statement on this website.