

Investor Report

March 2023



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Executive Summary

During March there was an uptick in the cryptocurrency markets despite the negative headlines arising from the US banking sector and the fallout from the collapse of the large crypto exchange, FTX. Financial market volatility even caused the second largest stablecoin, USD Coin (USDC) to briefly lose its peg to the dollar in March.

Bitcoin's price has been on a roller coaster ride since it first debuted in January 2009, but the long-term trajectory so far has been an upward trend – "up and to the right". Despite the long-term rise, Bitcoin has been dogged by periods where it has recorded significant falls. The most recent being last year when the prospect of rising interest rates in the attempt to tackle inflation and reduced liquidity in the financial markets have impacted the price of the major cryptocurrencies. Other asset classes were also significantly impacted by these macro events.

Last year the cryptocurrency sector saw a wave of bankruptcies from crypto firms as prices plummeted from all-time highs in late 2021. The spring collapse of Terraform Labs' Luna token and sister stablecoin TerraUSD were the first crypto dominoes to fall. That led to the bankruptcies of crypto firms including Three Arrows Capital, Voyager Digital and Celsius Network.

The crypto space has started to show signs of renewed strength. While Bitcoin has passed the USD \$30,000, Ethereum made a major move past USD \$2,000 after consolidating around USD \$1,900 for a period of time. Ethereum's improved performance has reduced Bitcoin's share of the crypto market.

The uplift in Ethereum's price has come after the network's long-awaited upgrade, also called Shanghai or Shapella, was deployed without any issues. We consider that our portfolio is well balanced between Bitcoin and Altcoins (used in the context of all other crypto's apart from Bitcoin) and believe that a diversified portfolio is the best way to invest in this market.



Crossgate Capital was structured in the knowledge that there would be crypto winters and crypto summers. Our approach is to invest in established crypto assets over the long term and hold course during short term market volatility. We understand there will be good and bad years and do not expect our Share price to increase in a straight line. Our objective is to generate returns over time.

Despite the markets retracing last year and recently showing signs of improvement, these price movements do not detract from the development activity which continues at pace and we also note that real world use cases are increasing. Looking forward, commentators point to tokenisation being an important step in the advancement of this emerging asset class. Tokenisation in crypto refers to converting off-chain, or real world, assets or asset ownership rights to tokens on the blockchain. Most assets can be tokenised on-chain. Experts believe everything from property titles to concert tickets to share certificates may eventually be tokenised.

Global crypto adoption also continues to increase. TripleA estimates that as of 2023, global crypto ownership rates at an average of 4.2%, with over 420 million crypto users worldwide.

OVER 420+ MILLION CRYPTO OWNERS WORLDWIDE



Focusing on development activity, in April, the Ethereum Shanghai upgrade was the final step in Ethereum’s transition from a proof of work (PoW) consensus mechanism to a less energy-intensive proof of stake (PoS) consensus mechanism.

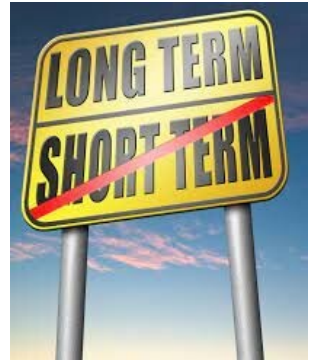
The upgrade is also intended to make it easier to participate in the network’s validation process while increasing security, lower fees and create more room for the network to handle more transactions.

Later in this edition, we take a deep dive into the development of the Bitcoin Lightning Network, which runs on top of the Bitcoin blockchain. It uses multi-signature wallets to enable the creation of off-chain payment channels. This allows for faster, cheaper transactions and the ability to make transactions without waiting for block confirmation on the blockchain. The objective is to enable adoption by increasing the real world use case for this asset.

We also pencil in the dates for the next Litecoin halving and Bitcoin halving, which is also known as “the halvening”. These are milestones events. The available supply of fiat currencies rises and falls under the guidance of central banks, but the total supply of these assets are fixed and immutable.

There is a limited supply of Bitcoins that can ever exist, with a total cap of 21 million. Currently, around 19 million Bitcoins have been mined and are in circulation, leaving approximately 2 million left to be mined. There is also a fixed supply of Litecoin with a total cap of 84 million. Currently, around 73 million Litecoins have been mined and are in circulation, leaving approximately 11 million left to be mined.

At Crossgate Capital we take a longer term view. We are well positioned to filter out short-term volatility and focus our attention on the underlying fundamentals which underpin the assets. As we have a strong conviction regarding the long term direction of the cryptocurrencies market, we monitor global adoption, track the key events and focus on the technological advancements, use cases and the ability of the project to deliver against its masterplan.



Since the inception of Crossgate Capital we have not sold any of our cryptocurrencies. So whether the price has gone up or down it hasn't impacted the amount of cryptocurrency that we hold.

Lightning Network Updates

Scalability is one of the formidable barriers to large-scale cryptocurrency adoption. The support of better scalability could help Blockchain networks manage billions of transactions per second. Lightning Network ensures that users pay low fees for Bitcoin Transactions by facilitating off-chain validation. As a result, scalability solutions like the Lightning Network present viable prospects for pursuing new use cases for Bitcoin.

Below are the objectives of the Lightning Network;

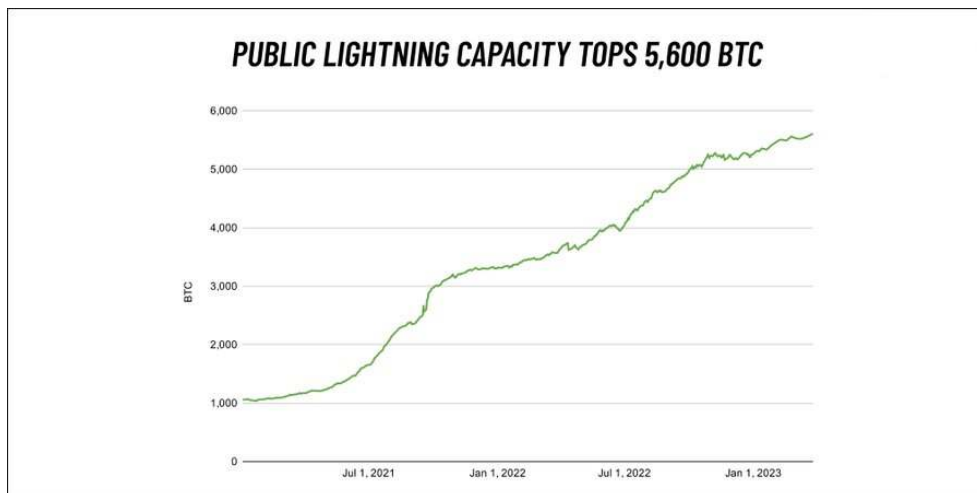
Lightning-fast blockchain payments without worrying about block confirmation times. Security is enforced by blockchain smart-contracts without creating a on-blockchain transaction for individual payments. Payment speed measured in milliseconds to seconds. This could enable Bitcoin to become a viable payment option.

Increase scalability so Bitcoin is capable of millions to billions of transactions per second across the network. This is another step to enabling mainstream adoption.



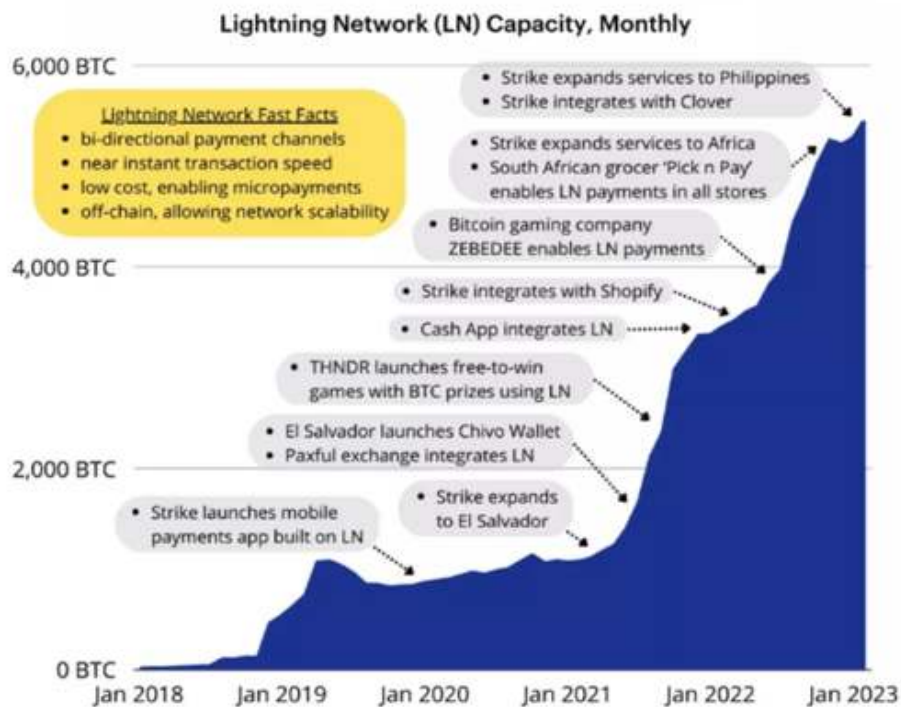
By transacting and settling off-blockchain, the Lightning Network enables low fees, which allows for emerging use cases such as instant micropayments. If this mechanism becomes a cheaper way of making and collecting payments it may become attractive for retailers as it could reduce their cost of business.

Lightning Network growth is currently organic, coming from real-world adoption and continues to report greater usage;



The Lightning Network is also proving to be fertile ground for innovation.

Bitcoin's layer 2 Lightning Network continues to grow as demand for low cost, high speed transactions increases



Early Notice - Halvings

The aim of the Halving is to act as a deflationary element of a crypto ecosystem. It is an inbuilt function within the network that means every four years the rewards miners receive when mining blocks will be cut in half. Of course, this is not ideal for miners but in terms of tokenomics, it helps to reduce the supply of new coins.



Bitcoin and Litecoin Halving

new coins being supplied.

This could (but is not guaranteed due to other factors in play) increase the value of the crypto asset that can be mined as now there are half as many

LITECOIN HALVING

Litecoin (LTC) features in Crossgate Capital's diversified portfolio. It has been one of the most popular cryptocurrencies on the market for a long time. Often dubbed as "the silver to Bitcoin's gold" it shares many of the same characteristics as the current no.1 crypto but with some of its own unique features too.

The vision of Litecoin was essentially to be a light version of Bitcoin. If people viewed Bitcoin as virtual gold then Litecoin would be a virtual silver, facilitating cheap and faster transactions than the slower Bitcoin. As noted in the previous section the Lightning Network has been introduced to achieve, speed, scalability and low cost transactions.

Litecoin also differed from Bitcoin in its mining algorithm; instead of the SHA-256 proof-of-work system that would

require miners to have specialized hardware, Litecoin would be able to be mined on any regular computer. This is certainly a valid use-case as even today we see protocols competing to lower transaction costs and increase throughput whilst still keeping the principle of decentralization intact.



later, in 2015, the block reward was halved to 25 LTC. Similarly, the reward was further reduced to 12.5 LTC in 2019 and now with the upcoming halving event this year, it will be brought down to just 6.25 LTC. At time of writing the next halving date is forecast to occur on 3 August 2023.

When the Litecoin network was launched in 2011, miners received 50 LTC for every block they mined. Four years

received 50 LTC for every block they mined. Four years

BITCOIN HALVING

A Bitcoin halving is a similar event to the Litecoin halving, where the reward for mining new blocks is halved, meaning miners receive 50% fewer Bitcoins for verifying transactions. Bitcoin halvings are scheduled to occur once every 210,000 blocks – roughly every four years – until the maximum supply of 21 million Bitcoins has been generated by the network. As with Litecoin, this is an important milestone because it reduces the number of new Bitcoins being generated by the network. This limits the supply of new coins, so prices could rise if demand remains strong (noting price is also determined by other factors which may come into play).

Bitcoin halvings: key events

Event	Date	Block number	Block reward	Total new bitcoins between events
Bitcoin launches	3 January 2009	0 (genesis block)	50 new BTC	10,500,000 BTC
First halving	28 November 2012	210,000	25 new BTC	5,250,000 BTC
Second halving	9 July 2016	420,000	12.5 new BTC	2,625,000 BTC
Third halving	11 May 2020	630,000	6.25 new BTC	1,312,500 BTC
Fourth halving	Expected April 2024	740,000	3.125 new BTC	656,250 BTC
Fifth halving	Expected 2028	850,000	1.5625 new BTC	328,125 BTC

This list is not exhaustive. Bitcoin halvings will occur every 210,000 blocks until around 2140, when all 21 million coins will have been mined.

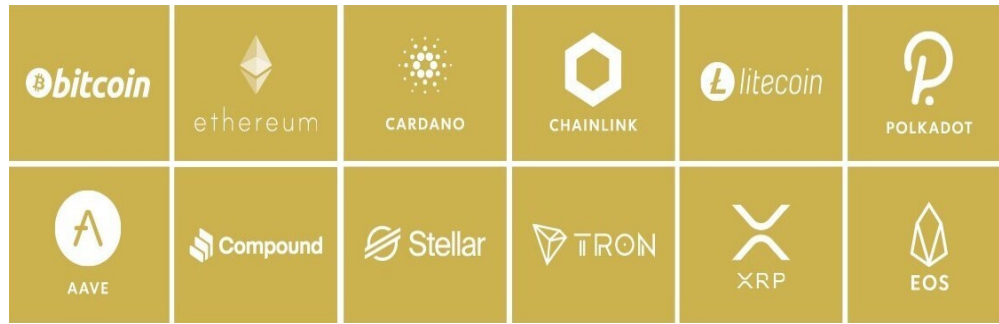
Crossgate Capital Portfolio

Investors in the cryptocurrency space have been experiencing some of the most volatile financial markets.

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.

Portfolio management involves the selection, monitoring, and adjustment of a collection of investments to achieve a specific financial objective. Our approach is to look through short-term fluctuations in the market with the objective of achieving growth over time. With these principles in mind we navigate the volatile crypto markets.

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. Our specialist team concentrate on cryptocurrencies that have strong use cases and are focused on real world applications. Our portfolio currently includes;



As noted earlier, Crossgate Capital has not sold any cryptocurrencies since inception. Profits or losses are only locked in when an asset is sold. Our investment strategy is to invest over the medium to long term.

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 (29 March 2023) was \$2.38, which is net of all fees, expenses and taxes. The Share price has increased to \$2.68 as at the most recent allotment (19 April 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	Bitcoin
2	Cardano
3	Ripple
4	Stellar
5	Ethereum
6	Polkadot
7	Aave
8	EOS
9	Compound
10	ChainLink
11	Litecoin
12	Tron

Source: BNC Pricing Feed

Our approach remains consistent, assets which have a real world application and delivers a service that people want to use, have the ability to deliver significant gains to investors over time. We consider that the fundamentals underpinning Bitcoin and the leading cryptocurrencies which form part of our portfolio continue to strengthen.

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)

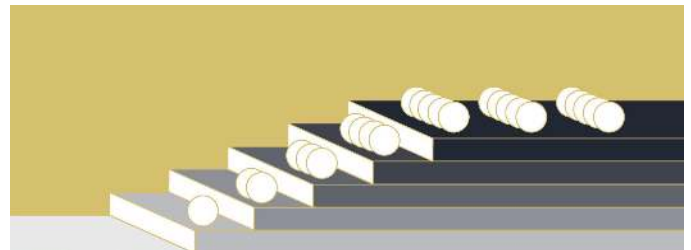
If you do not know your CSN or FIN, please contact Link Market Services on (09) 375 5998 or email crossgatecapital@linkmarketservices.co.nz.

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.



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Freephone: 0800 378489 (EQUITY)

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