



crossgate capital
innovation and integrity creating value

March 2022 Quarterly Investor Report

Email: info@crossgatecapital.co.nz

Phone: 0800 378489

Website: www.crossgatecapital.co.nz

Table Of Contents

Executive Summary	2
Janet Yellen Remarks on Digital Assets	3
Bitcoin Hits Another Milestone	3
Crossgate Capital Portfolio	5
Performance	8
Dan Lewis Joins The Team	9
Building Your Portfolio One Step At A Time	10
Latest News	10
Contact Us	10

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. The trend continued during the first two months of the year, prior to rallying in March, as the crypto sector was not immune from the drama in the financial markets which included Russia's invasion of Ukraine, accelerating inflation, the start of another hiking cycle from the Federal Reserve and the prolonged impact of Covid.

Our Share price at the last allotment of the financial year (30 March 2022) was \$4.08 net of all fees, expenses and tax. The factors noted above, while impacting the results for this financial year, provided us an opportunity to purchase more currency at a lower price. As an investor not trader we look through short term price volatility and focus on building an asset base that has the potential to deliver significant returns over the medium to long term.

The continued devaluation of fiat currency, the increasing interest in cryptocurrencies from institutional investors and retail investors, and the increasing number of real world applications for blockchain technology are factors we believe provide this sector with the potential to deliver strong returns. 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 albeit buffered by macro events.

In respect to this current financial year, while the portfolio suffered a pull back due to the factors stated, the impact was mitigated by the performance of Ethereum and Ripple. While a number of funds sold their holdings in Ripple due to the SEC proposition that XRP is not a currency but a security and therefore subject to securities laws, we elected to suspend any further purchases but maintain our holding until this situation reached a conclusion. We are pleased with this decision as the price of Ripple has strengthened. However we continue to monitor events closely. We will review the factors behind the strong performance of Ethereum in the performance section.

Bitcoin, while reporting a fair value gain since inception, suffered a pull back during this financial year. As a patient investor, we look through the short term price volatility and concentrate on the development and the progression of the projects. We are obviously bullish on the medium to long term potential of Bitcoin and expand on the most recent Bitcoin milestone in the next section.

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. The team has acquired over 55,000 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.

Janet Yellen Remarks on Digital Assets

U.S. Treasury Secretary Janet Yellen recently commented that crypto asset regulations should support responsible innovation while managing risks, sticking to the contours of a recent White House executive order that was well-received by the crypto market.

Yellen started her speech noting that;

"A few weeks ago, President Biden signed an Executive Order calling for a coordinated and comprehensive government approach to digital asset policy. Digital assets have grown explosively, reaching a market cap of \$3 trillion last November from \$14 billion just five years prior. Digital assets may be relatively new, but they are part of a larger trend – the digitization of finance – that has been in the making for decades. In 1990, there were fewer than 3 million internet users. Now, there are about 4.5 billion, and we take for granted that many aspects of our financial lives can be managed from small internet-connected devices that fit into the palms of our hands."



In our opinion this further legitimises cryptocurrencies, even pegging them with a USD \$3 trillion market cap. It could be considered that this means the Treasury accepts that digital assets have value. Yellen then went on to note that;

"Our financial system benefits from responsible innovation. New technologies build on older ones and a chain of innovation has transformed financial services over time. Seventy years ago, most Americans used coins, cash, and checks to manage most aspects of their financial lives. Then, in the 1960s, an engineer from IBM attached a magnetic strip to a plastic card and sparked a new category of payment products: credit and debit cards. Those innovations facilitated the growth of other technologies, like ATMs, which made cash available 24/7. More recently, computers, the internet, and mobile phones have driven the explosive growth of electronic payments and online commerce."

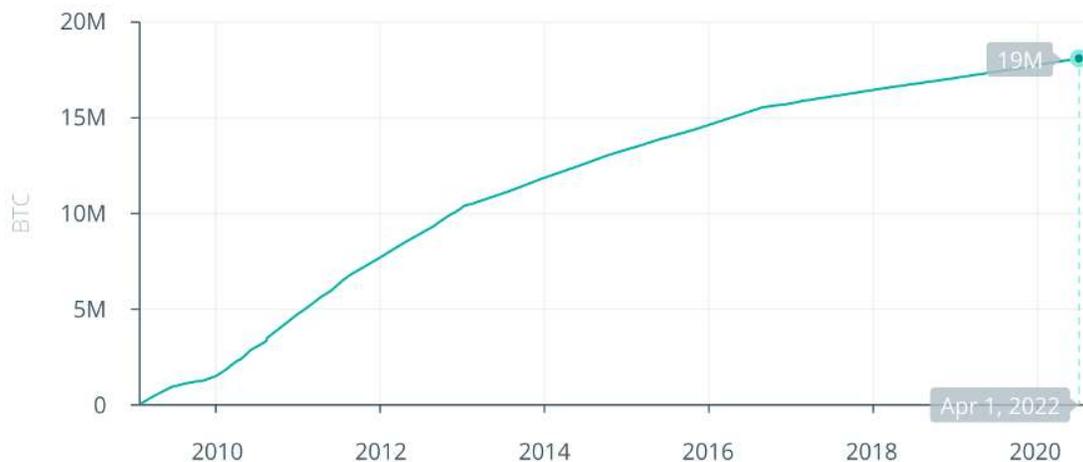
We encourage you to watch the full video, simply click on the icon below;



Bitcoin Hits Another Milestone

19 million Bitcoin have now been mined, leaving less than two million Bitcoin remaining for miners to put in circulation as the Bitcoin network tick-tocks its way through a fixed issuance schedule until it reaches the 21 million supply limit. At this stage no further Bitcoin are created.

Total circulating Bitcoin



source: blockchain.com

While miners and nodes together work through the issuance and enforcement of Bitcoin, investors interested in acquiring ever-more scarce Bitcoin have to bid their way through the limited supply of the asset. Historically, miners used to offload their freshly minted Bitcoin on the market to cover operating expenses in U.S. dollars, however, nowadays some mining companies add their produced coins to their balance sheet and issue Bitcoin-backed loans as needed. As a result, Bitcoin has gotten even more scarce as a larger percentage of the total Bitcoin supply gets locked up long term.

Currently, a miner earns 6.25 Bitcoin per block mined. The block reward has been cut in half every 210,000 blocks – roughly every four years – ever since the first Bitcoin was mined which yielded a 50 Bitcoin reward. Now, ever less new Bitcoin are distributed, further increasing the scarcity of the asset.

Even though it has taken roughly a dozen years to mine 19 million Bitcoin, the remaining 2 million won't be minted until around 2140 if the protocol remains as is today.

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.

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;



Provided below is a table ranking the % market price movement of the cryptocurrencies held for the full financial year.

Ranking	Asset
1	Ethereum
2	Ripple
3	Cardano
4	Tron
5	Bitcoin
6	Litecoin
7	EOS
8	Chainlink
9	Stellar

Source: BNC Pricing Feed

During the year, the Board approved the inclusion of Aave and Compound which provides the portfolio direct exposure to a growing segment of this asset class namely DeFi. Polkadot also met the Board's criteria and warranted inclusion in our diversified portfolio. These assets have therefore been excluded from the above table as they were not held at the commencement of this financial year.

The following table and explanation (provided in previous quarterly reports) 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

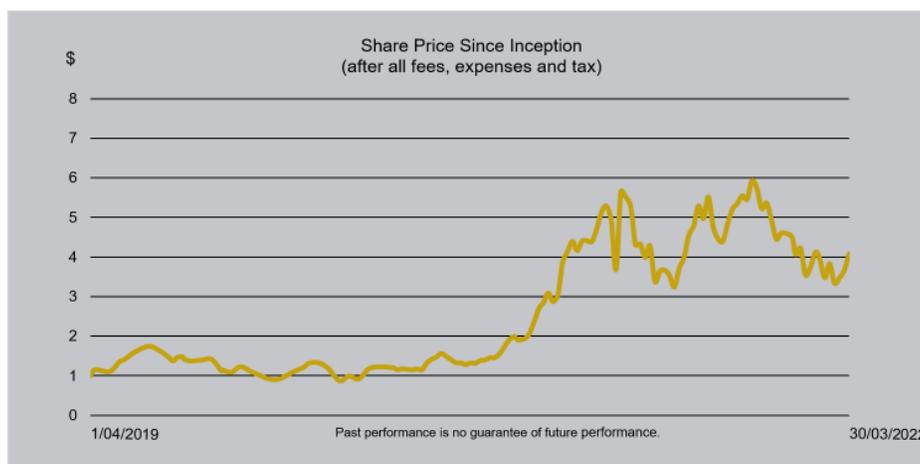
Crossgate Capital currently uses a number of crypto research and data tools which includes Messari, a leading data and information aggregator for the crypto asset industry. The above categories were created using a methodology by Messari and are defined below;

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 (30 March 2022) was \$4.08, which is net of all fees, expenses and taxes. As discussed earlier, the result of, what we consider are temporary factors dampened the performance of the crypto markets. The Share price is predominately determined by the fair value of our assets.



This year the stand out performer in our portfolio has been Ethereum. Investors await a massive upgrade that will change its infrastructure. In what's called the "merge," Ethereum plans to shift from a proof-of-work model to proof of stake. Though the timeline isn't confirmed yet, developers predict that the merge may happen this year.

After the merge, Ethereum's crypto mining would become obsolete, which would reduce Ethereum's environmental impact. The supply of new Ether would also likely decline, because fewer coins are expected to be issued. Additionally, blockchain security against potential attack is supposed to improve. This may lead to additional institutional investment in the Ethereum network.

Ethereum currently relies on what's known as proof of work, under which miners must complete complex puzzles to validate transactions. This process requires a huge amount of computer power and is often criticized due to its environmental impact. With the planned upgrade to proof of stake, users would be able to validate transactions according to how many coins they contribute, or stake. In return for staking more coins, users have a higher likelihood of being chosen to validate transactions on the network and earn a reward.

Mainstream companies continue to embrace cryptocurrencies. For example, Walmart is one of the Fortune 500 companies recently advertising to hire a cryptocurrency expert to lead its digital currency strategy. Walmart is looking for a "visionary leader" with at least 10 years of product management or technology experience to develop its blockchain strategy, preferably someone possessing "significant functional knowledge of the cryptocurrency ecosystem" and an "entrepreneurial mindset," according to the job posting, which Bloomberg reported.

Amazon also advertised a similar role seeking a “digital currency and blockchain product lead” to join their payments team. *“We’re inspired by the innovation happening in the cryptocurrency space and are exploring what this could look like on Amazon,”* an Amazon spokesperson told CNBC at the time. *“We believe the future will be built on new technologies that enable modern, fast, and inexpensive payments, and hope to bring that future to Amazon customers as soon as possible.”*

That sentiment has been echoed by a number of other Fortune 500 companies such as Apple and PayPal, which are reportedly hiring for cryptocurrency positions.

The number of developers who are working in this sector and the technological innovation provides the backdrop for value to be created over time. We consider that we are well positioned to extract returns from the market due to our specialist knowledge and our ability to keep track of this fast moving market. As we consider that short-term volatility is an predictable part of the journey to potential long-term gains we therefore focus on assets which demonstrate real potential over the medium to long term. This financial year, we invested in three new cryptocurrencies with the objective of delivering significant returns to our investors.

Dan Lewis Joins The Team

Crossgate Capital has engaged the services of Dan Lewis, Financial Adviser and Director of Financial Wellness Group, to provide further information or financial advice to those that are considering investing with Crossgate Capital. Dan is a licensed Financial Adviser, specialising in Wealth Management and Financial Life Planning.

He has completed the NZ certificate Financial Services, Level 5, as well as holding a bachelor of laws with honours and a postgraduate degree in financial planning (South Africa). Dan has 16 years’ experience in the Financial Services Industry, both in New Zealand and abroad, having worked in many wealth management roles and as the director of his own Financial Planning Firms.

He differentiates himself as a Financial Adviser, in that he takes a broad view of the investment landscape, with a particular interest in the cryptocurrency sector and is able to provide advice in this asset class. Please see here for [Financial Wellness Groups Disclosure Information](#).



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)

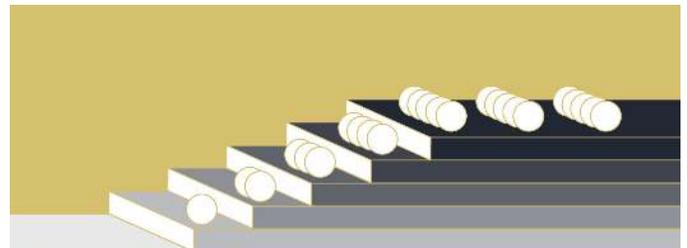
If you do not know your CSN or FIN, please contact Link Market Services on (09) 375 5998 or email crossgatecapital@linkmarketservices.co.nz.

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 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)

Disclaimer

This report does not constitute investment, financial, legal, tax or other advice and is supplied for information purposes only. It does not take into account your investment needs, objectives, financial situation or personal circumstances. Before making any financial decisions, consider whether the investment is suitable for your circumstances and whether you wish to seek independent financial advice. The information, data, analyses, and opinions presented herein are provided as of the date written and are subject to change without notice. Crossgate Capital undertakes no obligation to publicly release any update or revisions to these forward-looking statements to reflect events or circumstances after their time of publication. Every effort has been made to ensure the accuracy of the information provided, but Crossgate Capital makes no warranty, express or implied, regarding such information. There can be no assurance that any forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The readers are cautioned that forward-looking statements or information are not guarantees of future performance and, accordingly, expressly cautioned not to place any reliance on forward-looking statements or information due to the inherent uncertainty therein. The information presented herein will be deemed to be superseded by any subsequent versions of this commentary. Past performance is not a guide to future returns. No reproduction of any material either in part or in full is permitted without prior permission. Crossgate Capital Limited is the issuer of the products. The Product Disclosure Statement for the offer is available and can be obtained on our website at www.crossgatecapital.co.nz or at www.business.govt.nz/disclose under Crossgate Capital's offer number (OFR12554).