

Investor Report September 2024



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Executive Summary

The September 2024 quarter was marked by a mix of regulatory advancements, significant market events, and varied performance among the top cryptocurrencies. A key market event was the Federal Reserve initiating an easing cycle by cutting interest rates by 50 basis points, marking the first rate cut in over four years. Despite this, when reviewing the Bitcoin price at the end of the quarter there was minimal movement.

However during the quarter there was continued growth in ETFs, including strong net flows into Bitcoin ETFs, and the approval of Ethereum ETFs, which we discuss in more detail later in the report.

Provided below is an interesting graphic from Bitwise Asset Management which reviews some other major milestones during the quarter;

10 Noteworthy Developments in Q3 2024

Politicians Embrace Crypto Republican nominee Donald Trump speaks at Bitcoin 2024 conference in Nashville. Democratic nominee Kamala Harris gives crypto a nod.	Here Come the Banks... SEC quietly approves Bank of New York Mellon to start outdying crypto assets.
Shock Ethereum ETF Approval SEC approves spot Ethereum ETFs well ahead of market predictions.	...And the Institutions Data reveals 60% of the world's largest hedge funds own crypto.
Morgan Stanley Opens the Door for Bitcoin Becomes first major wirehouse to allow wealth managers to buy bitcoin ETFs.	Polymarket Crosses the Chasm Political markets cross \$1B in volume as prediction markets go mainstream, data piped in to Bloomberg.
Tether Prints Money (in a Good Way) Largest stablecoin issuer earns more profit than BlackRock (\$6.2B vs. \$5.5B).	Mt. Gox Distributes Majority of Bitcoin The bankruptcy distributions hung over the market for a decade. We're finally getting past it.
Bitcoin ETFs Get Options SEC gives spot bitcoin ETF options a green light.	Car Titles on the Blockchain The California DMV puts 42 million car titles on the Avalanche blockchain to speed up title transfer.

Source: Bitwise Asset Management



In regards to mainstream payment providers, PayPal has recently expanded its cryptocurrency services to U.S. business accounts, allowing them to buy, hold, and sell cryptocurrencies directly from their accounts. This move is part of PayPal's broader strategy to integrate digital assets which could increase crypto adoption in the U.S.

Swift launched a new global platform to simplify tokenized asset transfers, enhancing efficiency through real-time exchanges which may support future global asset trading, including CBDCs and stablecoins. These developments highlight the growing integration of cryptocurrencies into mainstream financial services and the increasing interest from both institutional players and major companies in the crypto space.

Portfolio Achievements

During the quarter our best performer was Aave, a leading DeFi protocol. Aave's strong performance is supported by its robust protocol developments, strategic partnerships, and positive market sentiment, which could solidify its position as a market leader in the DeFi sector.

By way of background, Aave offers a comprehensive platform where users can deposit, borrow, and earn interest on their crypto holdings. Its tokens incentivise users, and its standardised on-chain financial metrics reveal consistent growth in deposits and borrowing, further driving Aave's dominance in the market.

Aave's GHO stablecoin continues to perform strongly, with metrics reaching all-time highs. The outstanding supply of GHO, as well as monthly transfer volume and sender activity, has consistently increased.

During September, AAVE's trading activity increased significantly. A higher network activity usually points to greater adoption and rising market confidence. This could be considered as a positive sentiment for its long-term outlook.



As shown in the graph below, Santiment (a crypto data intelligence tool) reported social mentions of AAVE surged from March to September 2024, indicating greater investors interest. It was interesting to see that Grayscale Investments launched the Grayscale AAVE Trust, expanding its offerings in the DeFi space. We continue to watch the performance of this asset closely.





In our last quarterly report it stated that "*there appeared to be further progress toward the listing of spot Ether ETFs in the U.S. market*". Therefore it wasn't a surprise that during the quarter, U.S. exchange-traded funds (ETFs) tied to the price of ether launched.

Although ether ETFs may not attract as much initial inflow as bitcoin ETFs (as Ethereum's has a more complex investment narrative when compared to Bitcoin's "digital gold" status) we consider this development could be beneficial for our second largest asset and represents an important step in the development of the

cryptocurrency market.

During the September 2024 quarter, Ethereum underwent further significant development upgrades, most notably the "Pectra" upgrade, which is a two-phase rollout to manage scope and minimise bugs. The first phase includes eight Ethereum Improvement Proposals (EIPs), such as EIP-7702, which focuses on enhancing wallet user experience. It is targeted for deployment in early 2025.



The second phase which is still in development, may introduce changes which could reduce costs and increase scalability for Layer 2 solution.

Regardless of short term price movements, strong crypto projects continue to develop. These upgrades and developments reflect Ethereum's ongoing efforts to enhance network efficiency, scalability, and user experience, with the aim of gaining mass adoption.

Turning our attention back to social mentions, Chainlink has recorded quite a number of social media discussions recently. In a post on X, the analytics firm Santiment discussed Chainlink's Social Dominance. "Social Dominance" refers to an indicator based on the Social Volume metric which tells us about the total amount of discussion that a given topic or term receives on the major social media platforms.



At time of writing, Chainlink's Social Dominance has been rising, suggesting that the asset's share of discussions on social media has been increasing. The heightened social activity around Chainlink suggests growing attention and optimism within the community.

We also noted that towards the end of the quarter the Tron network reported impressive activity and growth. This surge can be attributed to the strong performance of five key stablecoins within the Tron ecosystem. The increasing trading demands for these stablecoins highlight the growing adoption of the Tron network among users. As more individuals and businesses engage with the platform, Tron's ecosystem continues to develop and evolve, making significant strides toward decentralizing the web.

Whilst Bitcoin and Ethereum are a core part of our portfolio, the cryptocurrency sector has experienced rapid growth in recent years, driven by technological innovation, the emergence of new use cases and the continuing integration of digital technologies into more aspects of everyday life. For us just investing in one asset in such a dynamic sector does not seem logical. Our objective is to take advantage of the opportunities that present themselves on behalf of our investors.

We therefore also invest in 'altcoins', such as Aave, Chainlink and Tron, as well as having strong exposure to Bitcoin.

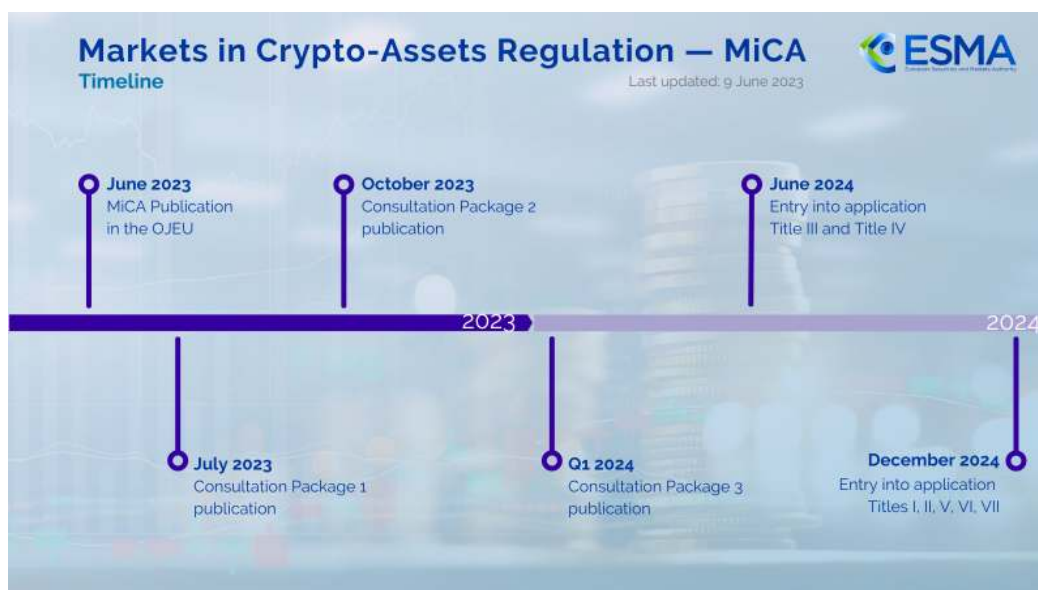


Investors can choose between thousands of altcoins on the market today. Altcoins may be smaller than Bitcoin, but they have the potential to deliver greater % price moves over time or they can become worthless over time. They can be more volatile than Bitcoin and therefore we consider a long term view is required to extract the potential opportunity.

Our crypto basket provides exposure to both well-established “large cap” assets such as Bitcoin & Ethereum as well as other cryptocurrencies which are at an earlier stage in their potential growth trajectory.

European Regulatory Framework (MiCA)

Clear, comprehensive regulations has the potential to unlock mass adoption of digital assets and industry growth. The rationale behind cryptocurrencies is that they are created and distributed outside the control of national governments. However, the industry would benefit from regulation. The upcoming European Union's Markets in Crypto Assets (MiCA) regulation, set to be in full effect in December, will establish a comprehensive legal framework for the issuance, investment, and trading of crypto assets across the EU.



The EU's Markets in Crypto-Assets (MiCA) regulation aims to provide a harmonised framework for issuing and trading crypto-assets, offering legal clarity and consumer protection. MiCA is expected to attract institutional investors by providing clear and consistent rules, similar to the impact of Bitcoin ETFs in the U.S.

By the close of 2024, all components of the MiCA regulation should be actively governing crypto-business operations within the EU. Upon successful implementation, MiCA may serve as a good example for other regulators across the globe who are considering the introduction or adaptation of existing laws to fit crypto market needs.

MiCA may promote a new trend of a much less fragmented regulatory landscape for crypto and web3 projects around the world. Encourage the creation of a legal framework for operations, offering and distribution of digital assets.

Similar to the developments by Paypal and SWIFT, MICA is significant as it integrates crypto-assets into mainstream financial services. This has the potential to be another step towards mainstream adoption.

Watchlist

We have a number of other crypto assets on our watchlist. We review our portfolio mix by category and sector (which indicates the specific solution(s) provided by a crypto asset network). We also consider a range of other factors when deciding whether to invest in a new asset. Our approach is to take a considered position in order to deliver on our objective of providing strong returns to investors over time.



While Bitcoin and Ethereum form a core part of our portfolio we have greater breadth by investing across 13 leading cryptocurrencies. Our objective is to deliver returns to investors by investing in cryptocurrencies where we consider there is a significant opportunity for growth.

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. We concentrate on cryptocurrencies that have strong use cases and are focused on real world applications.

We consider by investing in Bitcoin and Altcoins we have the potential to deliver stronger returns.














Portfolio By Category & Sector

Crossgate Capital, an established company in New Zealand, is a regulated offer of shares (OFR12554) and is a registered financial service provider (FSP649949). Our objective is to navigate the complex world of cryptocurrencies on your behalf and deliver returns by investing in cryptocurrencies where we consider there is a significant opportunity for growth.

We understand it can be challenging to understand such a diverse ecosystem. With so many different cryptocurrencies to choose from, how can you distinguish one cryptocurrency from another? While other investors are influenced by retail hype or short term price movements, we consider the underlying category mix when constructing our portfolio. We invest based on fundamentals driven by continual research and monitoring.

Specialist investors may have their own custom classification system. 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.

Below is a breakdown of our portfolio by category and sector.

ASSET	CATEGORY	SECTOR
 Bitcoin BTC	Cryptocurrency	Cryptocurrency
 Ethereum ETH	Networks	Smart Contract Platform
 XRP XRP	Financial Services	Payments
 Cardano ADA	Networks	Smart Contract Platform
 Polkadot DOT	Networks	Layer-0
 TRON TRX	Networks	Smart Contract Platform
 Chainlink LINK	Data	Oracles
 Litecoin LTC	Cryptocurrency	Cryptocurrency
 Stellar XLM	Financial Services	Payments
 Aave AAVE	Marketplaces	Lending
 EOS EOS	Networks	Smart Contract Platform
 Chiliz CHZ	Entertainment	Sports
 Compound COMP	Marketplaces	Lending

Portfolio Performance

The Share price as at the final allotment of the September quarter (18 September 2024) was \$3.27. The Share price has increased since the end of the quarter. As at 16 October 2024, the Share price was \$3.62 (after tax).

The Share price is predominately determined by the fair value of our assets. As noted above, the strongest performers during the quarter were Aave, Ripple and Tron. Provided below is a table ranking the % market price movement during the quarter compared to prior quarter.

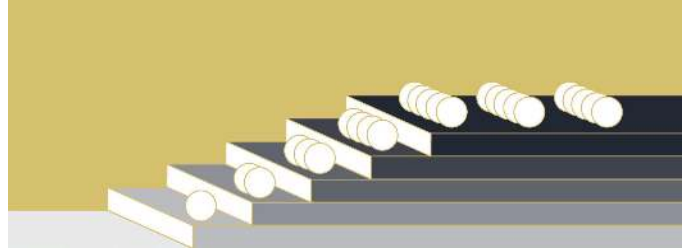
Rank	Asset
1	Aave
2	Ripple
3	Tron
4	Stellar
5	Bitcoin
6	Cardano
7	Compound
8	EOS
9	Litecoin
10	Chiliz
11	ChainLink
12	Ethereum
13	Polkadot

2024 Calendar

Crossgate Capital allows you to achieve your investment goals with our automatic reinvestment plan.

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 their 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.

Dollar-cost averaging (DCA) allows you to invest at regular intervals, this potentially could reduce the impact of short-term volatility. To implement this strategy, all an investor needs to do is [click here](#)



Click on the calendar to see the 2024 recurring investment plan dates.

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.

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.



Email: info@crossgatecapital.co.nz

Freephone: 0800 378489 (EQUITY)

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