



Crossgate Capital Limited

Statement of Investment Policy and Objectives

Dated 25 January 2019

Contents

1. Introduction.....	3
2. Investment Objectives.....	3
3. Investment Philosophy.....	3
4. Key Investment Policies.....	5
5. Pricing and Valuation Policy.....	6
6. Investment performance monitoring and reporting.....	7
7. SIPO Compliance and Review.....	8

Introduction

Crossgate Capital is a limited liability company, incorporated under the laws of New Zealand that is governed by its Board and its constitution (which can be found in the Disclose Register at www.business.govt.nz/disclose under Crossgate Capital's offer number OFR12554 and at the New Zealand Companies Office) in accordance with the Companies Act.

Crossgate Capital was established in August 2018 to provide a simple, secure and effective way to get a diversified exposure to digital tokens, digital assets, and digital currencies (cryptocurrency), whilst providing the security and convenience of being a shareholder. The company places great emphasis on strong governance and compliance. Crossgate Capital's objective is to generate capital growth for our shareholders over the long term.

Bluemont Capital Management Ltd (BCM) is contracted under the Management Agreement to provide management services in respect of Crossgate Capital's assets. The terms of the Management Agreement are set out under the heading "Management Agreement" which is on the Disclose Register at www.companiesoffice.govt.nz/disclose.

This Statement of Investment Policy and Objectives (SIPO) sets out the investment policies and objectives for Crossgate Capital.

The most current version of this SIPO, along with the Product Disclosure Statement (PDS), the Other Material Information Document (OMI) and other relevant documentation is available on the Disclose register at www.companiesoffice.govt.nz/disclose. Information can also be located at www.crossgatecapital.co.nz

This SIPO takes effect from 25 January 2019.

Investment Objectives

Crossgate Capital has a primary objective of delivering shareholders significant returns over the medium to long-term. It should also be noted that this is a high risk investment and there is the potential for loss of capital. Crossgate Capital will also need to retain a requisite level of cash to meet operating expenses and provide the potential for Shares to be redeemed in a timely manner.

➤ **Deliver Significant Returns to Investors**

The objective is to deliver long term capital growth to our shareholders measured net of all costs, fees and taxes.

➤ **Become Self-Sufficient**

Crossgate Capital target is to meet its operating costs from the increase in valuation of assets where a proportion could be sold to meet operating costs or through a periodic raising of new capital.

Crossgate Capital is only permitted to hold cash and crypto assets. The proportion of each type of asset is at the discretion of the Board. The Board is also permitted to decide the weighting of individual cryptocurrencies.

Investment Philosophy

Our investment philosophy is that cryptocurrency now forms part of the financial landscape. Therefore, it has the potential to be an accepted asset class in an investor's portfolio alongside equities and debt. The long term objective is to deliver strong returns to its Shareholders, through the appreciation of the value of the

assets. However the risk profile of the company is much higher than most other companies, which increases the risk of a loss of capital.

The following factors underpin our investment philosophy;

➤ **Investing in the more established crypto 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. We consider that within this high risk asset class, there are varying degrees of risk. Newer crypto currencies with a lower market capitalization are considered by the Board as outside the risk tolerance of Crossgate Capital.

➤ **Early mover - Opportunity to invest in a new asset class**

Early mover advantages for investors looking to invest in cryptocurrency which potentially could provide strong returns.

➤ **Portfolio - Exposure to a professionally managed portfolio of crypto assets**

Benefit to investing in a company who has knowledge within this sector and will engage with industry advisers when required.

➤ **Attractive Portfolio Whilst Reducing Barriers To Entry**

Investors are looking to holding a selected portfolio of crypto assets but are prevented by the barriers to entry which exist in this asset class.

➤ **Trading and execution**

Benefits to removing the 'pain points' of investing individually and managing ownership of various crypto assets, including storage, security, trading and portfolio reporting.

➤ **Long-term Investment**

We are a patient capital investor and have a long-term investment mandate. Due to the high levels of volatility in this asset class, the approach is not to undertake an active trading program but 'buy and hold'.

➤ **Best Practice & Security**

Custody of crypto assets is a major security concern. The majority of crypto assets will be stored offline in 'cold storage'. With cold storage, the digital wallet is stored on a platform that is not connected to the internet, thereby, protecting the wallet from unauthorized access, cyber hacks, and other vulnerabilities that a system connected to the internet is susceptible to.

➤ **Good Governance and Compliance**

Crossgate Capital has a strong governance framework overseen by the experienced Board. The Directors have held board positions on a NZX Main Board listed entity and / or private companies. The compliance assurance program ensures the Board is acting in the best interests of Shareholders and that Crossgate Capital adheres to regulatory requirements. The framework, policies and processes are continually reviewed and if required updated to reflect the developing regulatory and compliance landscape.

➤ **When Required Engage With Industry advisers**

The Board has both general investment and specific cryptocurrency expertise. The Board has a training policy which requires the Directors and team to continually enhance their level of expertise. When required, the Board will be engaging industry advisers to assist them when making investment decisions.

Key Investment Policies

The overarching investment policy is to invest the assets:

- a. according to the investment objectives and parameters described in this SIPO; while
- b. complying with:
 1. all applicable laws; and
 2. the requirements of the Constitution and disclosure documents

Below are the key investment policies that are relevant to achieving Crossgate Capital's investment objective;

- **Market risk management policy**
We do not seek to hedge against market risk, even during a market correction.
- **Currency hedging**
We do not manage currency exposure.
- **Liquidity and cash flow management policy**
The expenses of Crossgate Capital are paid out of the assets of the company
- **Conflicts of interest policy**
Crossgate Capital recognises that conflicts of interest or potential conflicts can present issues, particularly those between investors and the Manager. A 'Conflicts of Interest' policy has been adopted by the Board. The Policy assists the directors and employees to recognise, disclose and manage conflicts of interest and potential conflicts between the Manager (or individual staff) and investors. The Policy also provides a procedure to manage and resolve any potential or apparent conflicts in a way that is fair to investors.
- **Counterparty Risk Policy**
Counterparty exposure is defined as parties with whom we have a banking relationship with. Crossgate Capital is permitted to hold cash balances with any New Zealand registered banks.
- **Governance policies**
The Manager acts within a strong governance framework overseen by the experienced Board. The compliance program ensures the Manager is acting in the best interests of shareholders. The framework, policies and processes are continually reviewed and if required updated to reflect the developing regulatory and compliance landscape.

The Board has adopted a number of policies and procedures governing Crossgate Capital. Various policy documents are contained on the Disclose Register at www.business.govt.nz/disclose under Crossgate Capital's offer number (OFR12554).

Governance documents can also be located at www.crossgatecapital.co.nz

Pricing and Valuation Policy

The Board is responsible for the valuation of the assets of Crossgate Capital. This includes valuing the assets of Crossgate Capital for the purposes of quarterly reporting, raising capital (at each and every Valuation Day) and calculating both Management Fees and Performance Fees.

It should be noted that BCM's involvement in the valuation process presents an underlying conflict as BCM's Management Fee is based on Crossgate Capital's assessed Company Value, which is directly impacted by the carrying values of Crossgate Capital's investments. BCM's Performance Fee is also based on the value of Crossgate Capital's investments. These conflicts are currently addressed by the Board by reference to the 'Related Party and Conflict of Interests' policy and by having an independent financial audit at the end of Crossgate Capital's financial year.

Crossgate Capital's Investment Valuation Policy can be found in the Disclose Register at www.business.govt.nz/disclose under Crossgate Capital's offer number (OFR12554).

Company Valuation

Company Valuation is a non-GAAP measure. The Company Valuation is used to determine the Share Price and fees to the Manager. The following mechanism will be used to determine, on a consistent basis, the Company Valuation.

- BCM will use a public exchange to determine the value of each asset, which will be converted into New Zealand Dollars at the prevailing exchange rate. If a public exchange does not provide a value for the crypto asset(s), or if for any other reason the Board determines in good faith that an alternative provider of exchange is preferable, then that exchange will be used. If no current pricing is available for a crypto asset, the last price will be used, unless the Board determines in good faith that another price more accurately reflects the true market price.
- income accruing from investments or a proper proportion thereof relative to the Business Day in which income is being determined to the extent such income is not included in the previous parts of this definition; and

and by deducting from such aggregate the total of:

- liabilities (excluding contingent liabilities) of Crossgate Capital;
- the aggregate of any income entitlements to the extent that they have not been paid or a provision made for their payment;
- all costs, charges and other amounts incurred or accrued or which will be incurred in holding or administering the investments of Crossgate Capital or a proper proportion of any of the foregoing having regard to the Business Day on which the cost, charge or other amount is being determined in relation to the period to which it relates;
- the amount of any moneys held in respect of applications that have not been accepted or that have been rejected to the extent that such moneys have been included in the investments of Crossgate Capital;
- any provision for any expenses that BCM anticipates are or will be payable or reimbursable from Crossgate Capital, which in the opinion of BCM should be included in such aggregate for the purpose of making an

equitable and reasonable determination of the Company Value of Crossgate Capital but for clarity will exclude contingent liabilities.

Valuation Basis for Share Price

The Share price will be the value of a Share as determined by our Directors as fair and reasonable to us and existing Shareholders. While the Company Value will be a significant factor in the Directors' decision on the Share price, it will not be the only factor the Directors will consider. The Directors will also consider other factors (such as the price at which Shares are being bought and sold and the terms on which the Shares were issued) in making an assessment of what is fair and reasonable.

Noting and taking into account the above, the value of Crossgate Capital's Class A shares as at valuation day will be based on the Company Valuation calculation. The Company Value calculated will be divided by the number of Class A shares on issue. For clarity, the number of Class B shares on issue will not form part of this calculation.

For the current issue Share Price, please refer to the 'Information incorporated by reference in Product Disclosure Statement for offer of ordinary shares in Crossgate Capital Limited, which can be located in 'Other Material Information' on the disclose register. Investors can also contact the Manager at any time to find out the Share Price.

As advised above, a 3 cents brokerage fee per Share is payable on this Offer to BCM. This applies to the issue of new shares and share transfers.

The price of Class B Shares will be determined as 3% of the Company Valuation calculation, divided by the number of Class B Shares on issue.

Valuation Basis for Management Fees, Performance Fees and Quarterly Reporting

The Company Valuation mechanism will be used to determine the Company Value for the purposes of calculating both Management Fees, Performance Fees and Quarterly Reporting.

Investment Performance Monitoring and Reporting

The Board of Crossgate Capital Limited monitor's performance against the investment objectives and the SIPO.

Investment performance is monitored weekly, but the performance is also measured monthly, annually and since inception. Crossgate Capital receives weekly reports from the exchange which provides for pricing and asset valuations. Crossgate Capital also runs regular performance spreadsheets internally to ensure consistency and monitor performance.

The value of the Company will change according to the changing value of the underlying assets in which the Crossgate Capital has invested.

Performance is measured on an absolute returns basis. Performance is measured net of fees but before tax.

Crossgate Capital reports the Company's performance to Shareholders in quarterly updates, the latest version of which is found at www.crossgatecapital.co.nz and the Disclose Website at www.companiesoffice.govt.nz/disclose.

SIPO Compliance and Review

The Statement of Investment Policy and Objectives (SIPO) sets out the investment policies and objectives for Crossgate Capital. We may make changes to the Statement of Investment Policy and Objectives (SIPO) of the Scheme from time to time. We consider whether the changes are in your best interests and will notify you of any material changes before we make them. The Board will give at least 30 day's written notice to Shareholder if they will be materially affected by amendments to the SIPO.

The most current version of this SIPO, along with the Product Disclosure Statement (PDS), the Other Material Information Document (OMI) and other documentation relevant to Crossgate Capital is available at www.crossgatecapital.co.nz and on the Disclose register at www.companiesoffice.govt.nz/disclose.

The following procedures are in place in regard to monitoring compliance with this SIPO:

All SIPO related policies, restrictions and ranges are monitored by the Management at monthly meetings and Board meetings.

The Board undertakes an annual review of the SIPO.