

Semi-annual Report

June 2017

Publication date

This report was released for publication on 18 August 2017.

The subsequent event note in the financial statements has been updated to 16 August 2017.

Amounts in this report are stated in USD thousands (TUSD) unless otherwise stated.

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Castle Alternative Invest AG in the first half of 2017

		30 June 2017	31 December 2016
Net asset value per share decreased by 2.1% year to date	Castle Alternative Invest AG's ("Castle" or the "Company" or "CAI") net asset value decreased by 2.1 per cent (USD -0.41 per share) during the first half of 2017.	USD 19.50 per share TUSD 169,282	USD 19.91 per share TUSD 176,603
Share price up 0.6% on SIX, year to date, to USD 16.50	During the first half of 2017, the price in US Dollar increased by 0.6 per cent.	USD 16.50 per share	USD 16.40 per share
Discount decreased further during the half-year	At the end of June 2017 the shares (USD) were trading on SIX at a discount of 15.4 per cent to NAV.	(15.4%)	(17.6%)
Share buyback program (2nd line) and issued shares	<p>On 6 June 2016, the Company started the seventh share buyback for cancellation on a second trading line, as approved at the Annual General Meeting ("AGM") 2016. A maximum of 649,914 shares could be bought back. On 28 June 2017, the share buyback programme on a second trading line at SIX Swiss Exchange was terminated early, with all of the 649,914 registered shares bought back.</p> <p>On 28 June 2017, the Company announced a share buyback programme by issuing put options tradable on SIX Swiss Exchange. The put options have been traded from 3 July till 17 July 2017. Every 30 put options entitled shareholders to tender one registered share at the exercise price of CHF 17.70. In total, 277,578 registered shares were tendered.</p> <p>Following the termination of the buyback via issuance of tradable put options, the Company launched a new share buyback programme on a second trading line at SIX Swiss Exchange. It started on 24 July 2017 (first trading day) and a maximum of 594,551 registered shares can be purchased for cancellation purposes.</p> <p>It is intended that approval for the cancellation of all registered shares repurchased will be sought at the in 2018 AGM.</p> <p>On 9 August 2017, the Company announced that the cancellation of 932,435 own shares, which was approved at the 11 May 2017 general meeting of shareholders, was registered by the commercial register on 4 August 2017 and becomes effective as of 11 August 2017 (date of exchange adjustment). From then on, the issued share capital of the Company amounts to 8,721,297 registered shares with a par value of CHF 5 each.</p>		

Performance during the first half of 2017

Overview

The global economy continued to pick up in the first quarter, with an increase in economic activity especially in the emerging markets. Concerns about a wave of protectionism from the US gave way to hopes for business-friendly policies. In addition, inflation has picked up worldwide, driven by another rise in energy prices. In Europe, the election results in the Netherlands and France dampened concerns for now that an alliance of anti-EU governments could triumph across the continent. The positive trend in the global economy continued in the second quarter. Early indicators were looking up throughout the world. The US economy accelerated, giving the Federal Reserve scope to hike the prime rate for the second time this year. The emerging markets also benefited from the more optimistic market climate and continued their recovery. The positive economic development even stood up against the various geopolitical flashpoints.

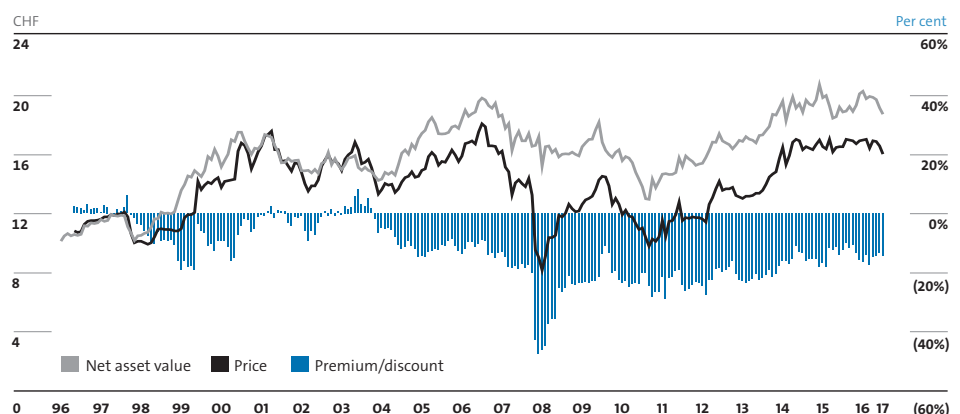
Macro backdrop

With generally healthy real growth rates and tepid inflation, the global macro-economic backdrop remains robust. Various sentiment indicators may have rushed ahead too quickly, however, and are likely to be reined in some. It remains to be seen how much of this positive momentum will actually translate into real growth and rising inflation pressures.

With energy prices not adding to their steep recovery from last year, inflation in the industrialised world is likely to remain subdued. A wage-driven price spiral is still in its early stages in the US, while considerable labour slack elsewhere keeps inflationary forces in check.

For the emerging markets, developments are as divergent as ever: A new corruption scandal looms large in Brazil, while Eastern Europe is bound to benefit from increased business activity in the Eurozone. India pushes ahead with bold reforms, while China's controlled credit tightening effort is beset with risks to its already structurally slowing economic growth.

Net asset value, price and premium/discount SIX listing to 30 June 2017 in CHF



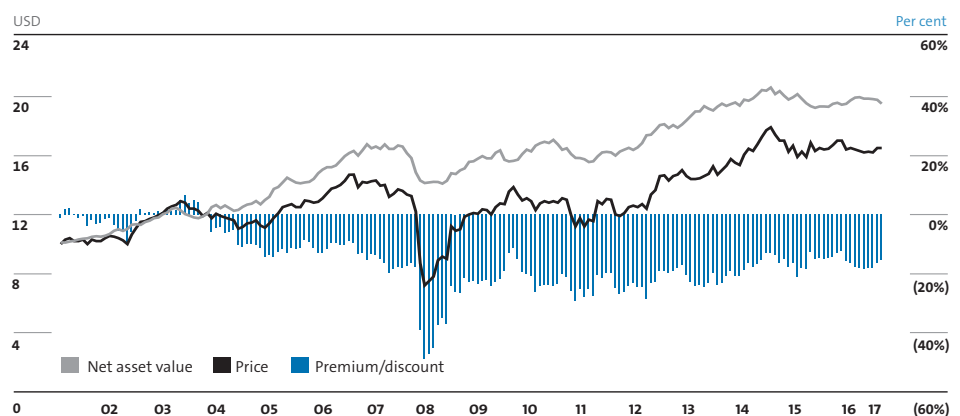
Ten largest holdings

Fund name	Style	Allocation as of 30 June 2017
Crown Managed Futures Master Segregated Portfolio	CTA	10.2%
Crown/Latigo Segregated Portfolio	Event Driven	7.1%
Crown/Linden Segregated Portfolio	Relative Value	6.9%
Crown/Zebedee Segregated Portfolio	Long/Short	6.7%
Crown/Polar Segregated Portfolio	Relative Value	6.7%
Tyrus Capital Opportunities Fund Ltd.	Event Driven	6.2%
Discovery Global Opportunity Fund Ltd.	Macro	5.5%
Crown/Capeview Segregated Portfolio	Long/Short	5.2%
Crown/BLS Segregated Portfolio	Long/Short	5.0%
Crown/Lomas Segregated Portfolio	Long/Short	4.6%
Total net assets		100.00%

Performance comparison

Fund	30 June 2017	YTD
CAI net asset value (USD)	19.50	(2.1%)
CAI net asset value (CHF)	18.70	(7.7%)
CAI closing price (USD)	16.50	0.6%
CAI closing price (CHF)	16.00	(5.6%)

Net asset value, price and premium/discount SIX listing to 30 June 2017 in USD



Equities

The favourable macroeconomic factors were reflected in strong markets. Equities were up in all regions despite the reversal versus the end of the second quarter. In dollar terms, global markets were up +10.6 per cent. European and US stocks were also positive, while Japan's indices showed the lowest returns on an international comparison but still ending the term in positive territory. Emerging markets equities also performed strongly, with China, Taiwan and Mexico being amongst the best markets.

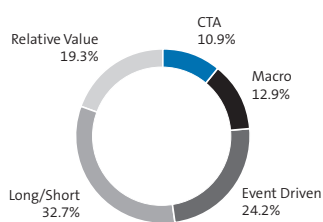
Fixed income

In contrast to equities, performance of bonds was mixed. As Central banks changed their tone to a more hawkish stance versus the end of the second quarter, global government bonds sold off in a sharp reversal. Consequently, European and Japanese bonds ended the term in negative territory while US treasuries were still up for the year. Positive price developments in fixed income were observed through global corporate and high yield indices and also in emerging markets bonds.

Commodities

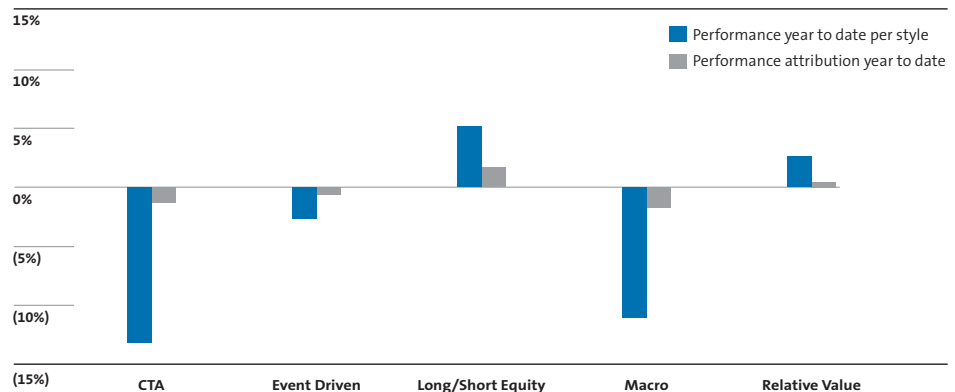
Commodities showed a mixed picture for the start of the year. The energy complex was down for the term, as both crude oil and natural gas exhibited high volatility and sharp reversals. On the other hand, precious metals were up with gold and silver returning +7.8 per cent and 8.0 per cent respectively.

Style allocation as of 30 June 2017



The allocations above take into account that a single underlying investment can have exposure to multiple styles and have been rebased to reflect underlying fund investments only.

Estimated performance of styles before costs in USD from 31 December 2016 to 30 June 2017



Hedge fund strategies

Event driven detracted 0.6 per cent from Castle's returns with high dispersion in individual manager returns. Managers returns exhibited high dispersion. The biggest negative contribution came from a US manager who's positions were hurt by renewed trouble in energy prices. A European manager on the other hand benefitted strongly from capital arbitrage in energy related companies. The other area of activities were European financials, where higher volatility and bankruptcy events provided attractive opportunities.

CTA/macro were down for the first six months and contributed -3 per cent negatively to Castle's overall performance. Systematic trend following strategies lost most in the beginning of the year through short-term trader on subdued volatility and in the sharp reversals in equities and fixed income towards the end of June. A depreciating US Dollar was challenging for trend-followers as well as for macro oriented managers. On a positive note, the ongoing rally in global equities supported by reduced political fears in Europe was captured and added to performance.

Long/short equity managers contributed 1.7 per cent to performance in a constructive environment for risky assets. The strategies were successful in all three regions – Europe, Asia and the US through fundamental stock picking. All sectors added to performance with the largest share coming from technology, financials, industrials and consumer discretionary. The managers kept their net exposure low during the first half of the year but increased gross exposure slightly.

The **relative value** strategies were up and added a stable 0.4 per cent to Castle's return. The gains stemmed mainly from convertible arbitrage trades while relative value positions in Asian currencies slightly detracted from performance.

Castle Alternative Invest

The net asset value per share of Castle Alternative Invest AG in US Dollars decreased by 2.1 per cent in the first half of 2017. Converted into Swiss Francs, it lost 7.7 per cent over the same period. At the end of June 2017, Castle's shares in US Dollars were trading at a discount of 15.4 per cent to net asset value. The portfolio was invested in 30 different managers and the level of investment was 100 per cent.

Unaudited consolidated statement of comprehensive income

For the period ended 30 June 2017 (All amounts in USD thousands unless otherwise stated)

	Note	1 January – 30 June 2017	1 January – 30 June 2016
Income			
Net loss on investments designated at fair value through profit or loss	4	(2,514)	(4,442)
Income from current assets:			
Gain on foreign exchange, net		1	2
Interest income		11	3
Other income		1	4
Total gain from current assets		13	9
Total loss		(2,501)	(4,433)
Expenses			
Management and performance fees	8	(1,318)	(1,437)
Other operating expenses		(544)	(625)
Total operating expenses		(1,862)	(2,062)
Operating loss		(4,363)	(6,495)
Finance costs		(12)	(12)
Loss for the period		(4,375)	(6,507)
Total comprehensive loss for the period		(4,375)	(6,507)
Loss attributable to:			
Shareholders		(4,182)	(6,553)
Non-controlling interest	2 (d)	(193)	46
		(4,375)	(6,507)
Total comprehensive loss attributable to:			
Shareholders		(4,182)	(6,553)
Non-controlling interest	2 (d)	(193)	46
		(4,375)	(6,507)
Earnings per share (in USD) attributable to equity holders			
Weighted average number of shares outstanding during the period		8,758,151	9,691,298
Basic and diluted profit per share		USD (0.48)	USD (0.68)

The accompanying notes on pages 12 to 26 form an integral part of these consolidated financial statements.

Unaudited consolidated balance sheet

As of 30 June 2017 (All amounts in USD thousands unless otherwise stated)

	Note	30 June 2017	31 December 2016
Assets			
Current assets:			
Cash and cash equivalents		10,577	5,368
Accrued income and other receivables		2,571	81
Total current assets		13,148	5,449
Non-current assets:			
Investments designated at fair value through profit or loss	4	176,819	193,610
Total assets		189,967	199,059
Liabilities			
Current liabilities:			
Accrued expenses and other payables		517	795
Total current liabilities		517	795
Equity			
Shareholders' equity:			
Share capital		35,795	35,795
Additional paid-in capital		59,693	59,693
Less treasury shares at cost (bought for cancellation)	7	(16,872)	(13,733)
Retained earnings		90,666	94,848
Total shareholders' equity before non-controlling interest		169,282	176,603
Non-controlling interest		20,168	21,661
Total equity		189,450	198,264
Total liabilities and equity		189,967	199,059
Net asset value per share (in USD)			
Number of shares issued as at the period end		9,653,732	9,653,732
Number of treasury shares (bought for cancellation) as at the period end		(970,449)	(784,535)
Number of shares outstanding net of treasury shares as at the period end		8,683,283	8,869,197
Net asset value per share		19.50	19.91

The accompanying notes on pages 12 to 26 form an integral part of these consolidated financial statements.

Unaudited consolidated statement of cash flows

For the period ended 30 June 2017 (All amounts in USD thousands unless otherwise stated)

	1 January – 30 June 2017	1 January – 30 June 2016
Cash flows from/(used in) operating activities:		
Purchase of investments	(8,000)	(32,400)
Proceeds from sales of investments	20,464	54,937
Interest received	10	3
Operating expenses paid	(2,816)	(2,142)
Net cash from operating activities	9,658	20,398
Cash flows from/(used in) financing activities:		
Finance costs	(12)	(13)
Proceeds from bank borrowings	—	2,655
Repayments of bank borrowings	—	(10,152)
Return of capital to non-controlling interest	(1,300)	(519)
Purchase of treasury shares (bought for cancellation)	(3,139)	(11,191)
Net cash used in financing activities	(4,451)	(19,220)
Net increase in cash and cash equivalents	5,207	1,178
Cash and cash equivalents, beginning of the period:	5,368	2,874
Net increase in cash and cash equivalents	5,207	1,178
Net gain on foreign exchange on cash and cash equivalents	2	2
Cash and cash equivalents, end of the period	10,577	4,054
Cash and cash equivalents consist of the following as at 30 June:		
Cash at banks	10,577	4,054
Total	10,577	4,054

The accompanying notes on pages 12 to 26 form an integral part of these consolidated financial statements.

Unaudited consolidated statement of changes in equity

For the period ended 30 June 2017 (All amounts in USD thousands unless otherwise stated)

	Share capital	Additional paid-in capital	Less treasury shares	Retained earnings	Non-controlling interest	Total equity
1 January 2016	39,882	59,693	(15,099)	112,234	5,429	202,139
Total comprehensive (loss)/income for the period	—	—	—	(6,553)	46	(6,507)
Purchase of treasury shares (bought for cancellation)	—	—	(11,191)	—	—	(11,191)
Return of capital to non-controlling interest	—	—	—	—	(882)	(882)
30 June 2016	39,882	59,693	(26,290)	105,681	4,593	183,559
1 January 2017	35,795	59,693	(13,733)	94,848	21,661	198,264
Total comprehensive loss for the period	—	—	—	(4,182)	(193)	(4,375)
Purchase of treasury shares (bought for cancellation)	—	—	(3,139)	—	—	(3,139)
Return of capital to non-controlling interest	—	—	—	—	(1,300)	(1,300)
30 June 2017	35,795	59,693	(16,872)	90,666	20,168	189,450

The accompanying notes on pages 12 to 26 form an integral part of these consolidated financial statements.

Notes to the unaudited consolidated financial statements for the period ended 30 June 2017

1. Organisation and business activity

Castle Alternative Invest AG, Pfäffikon (“the Company”), is a joint stock corporation established for an indefinite period in the Canton of Schwyz, Switzerland, by deed dated 24 July 1996. The Company was registered in the Commercial Register of the Canton of Schwyz on 30 July 1996. The Company’s business is principally conducted through two subsidiaries; Castle Alternative Invest (Overseas) Ltd., Grand Cayman (“the Cayman Subsidiary”) and Castle Alternative Invest (International) plc, Dublin (“the Ireland Subsidiary”). Since 10 April 1997, the shares of the Company have been listed in Swiss Francs on the SIX Swiss Exchange and on 21 January 2002, a listing in US Dollar on the SIX Swiss Exchange followed.

2. Basis of preparation

The accompanying consolidated interim financial statements of Castle Alternative Invest AG, Pfäffikon (the “Company”) and its subsidiaries as listed in note 3 (together the “Group”) have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” and comply with Swiss Law and the accounting guidelines laid down in the SIX Swiss Exchange’s Directive on Financial Reporting (DFR) for investment companies.

The consolidated interim financial statements of the Group have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss. The principles of accounting applied in the interim consolidated financial statements as per 30 June 2017 correspond to those in the annual report 2016, unless otherwise stated. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards (IFRS) formulated by the International Accounting Standards Board (IASB).

a) Standards and amendments to published standards that are mandatory for the financial year beginning on or after 1 January 2017

There were no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2017 that would be expected to have a material impact on the Group.

b) Standards and amendments to published standards effective after 1 January 2017 that have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these consolidated interim financial statements. None of these are expected to have a significant effect on the financial statements of the Group, except the following set out below:

- IFRS 9, “Financial instruments”, for annual periods beginning on or after 1 January 2018, (retrospective application, earlier application permitted): The complete version of IFRS 9 “Financial Instruments” includes requirements on the classification and measurement of financial assets and liabilities; it defines three classification categories for debt instruments: amortised cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVPL”). Classification for investments in debt instruments is driven by the entity’s business model for managing financial assets and their contractual cash flows. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. No changes were introduced for the classification and measurement of financial liabilities, except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss.

IFRS 9 also contains a new impairment model which will result in earlier recognition of losses. The expected credit losses (ECL) model is a “three-stage” model for impairment based on changes in credit quality since initial recognition. In addition, the new standard contains amendments to general hedge accounting that will enable entities to better reflect their risk management activities in their financial statements. The Group is currently assessing the full impact of this standard. The implementation of this standard would not lead to any changes in the consolidated net asset value of the Group.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a material impact on the Group.

c) Segment reporting

IFRS 8 requires entities to define operating segments and segment performance in the financial statements based on information used by the chief operating decision-maker. The alternative investment fund manager (“AIFM”) is considered to be the chief operating decision-maker. An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other operating segments.

The sole operating segment of the Group is investing in hedge funds. The AIFM works as a team for the entire portfolio, asset allocation is based on a single, integrated investment strategy and the Group’s performance is evaluated on an overall basis. Thus the results published in this report correspond to the sole operating segment of investing in hedge funds.

d) Non-controlling interest

Non-controlling interest holders in the consolidated financial statements are presented as a component of equity. The profit or loss for the period and the total comprehensive income are allocated in the statement of comprehensive income to the amounts attributable to non-controlling interest holders and to the shareholders.

3. Basis of consolidation

The consolidated interim financial statements per 30 June 2017 are based on the financial statements of the individual Group companies prepared using the same accounting principles applied in the consolidated financial statements for the year ended 31 December 2016.

The consolidated interim financial statements include all assets and liabilities of the Company and its direct and indirect subsidiaries:

- Castle Alternative Invest (Overseas) Ltd., Grand Cayman (the “Cayman Subsidiary”)
- Castle Alternative Invest (International) plc, Dublin (the “Ireland Subsidiary”)

4. Investments designated at fair value through profit or loss

A detailed list of the investments can be found on pages 16 and 17.

5. Tax expense

General: Taxes are provided based on reported income. Capital taxes paid are recorded in other operating expenses.

Castle Alternative Invest AG, Pfäffikon

For Schwyz cantonal and communal tax purposes, the Company is taxed as a holding company and is as such only liable for capital taxes. All relevant income of the Company, including the dividend income and capital gains from its investments, is exempt from taxation at the cantonal and communal level.

For Swiss federal tax purposes, an income tax is levied. However, there is a participation exemption on dividend income and capital gains on qualifying participations. The result of the participation exemption relief is that dividend income and capital gains are almost fully excluded from taxation.

Castle Alternative Invest (Overseas) Ltd., Grand Cayman

The activity of the Cayman Subsidiary is not subject to any income, withholding or capital taxes in the Cayman Islands. However it does invest in securities and subsidiaries whose dividends may be subject to nonrefundable foreign withholding taxes.

Castle Alternative Invest (International) plc., Dublin

The activity of the Ireland Subsidiary is not subject to any income, withholding or capital taxes in Ireland. However, it does invest in securities and subsidiaries whose dividends may be subject to nonrefundable foreign withholding taxes.

Reconciliation of income tax calculated with the applicable tax rate:

Tax expense	30.6.2017 TUSD	30.6.2016 TUSD
Loss for the period before income tax	(4,375)	(6,507)
Applicable tax rate	7.8%	7.8%
Total	—	—

6. Borrowings

As of 30 June 2017, the Subsidiaries have a credit line of TUSD 15,000 (31 December 2016: TUSD 15,000). The credit line is granted by LGT Bank Ltd., Dublin Branch and is secured by the participating shares of the Ireland Subsidiary as well as the voting participating redeemable ordinary shares of the Cayman Subsidiary. The pledged assets are deposited with LGT Bank Ltd., Vaduz and pledged in favour of the lender.

As of 30 June 2017, the Ireland Subsidiary had no borrowings from LGT Bank Ltd., Dublin Branch (31 December 2016: no borrowings).

Investments designated at fair value through profit or loss¹⁾

As of 30 June 2017 (All amounts in USD thousands unless otherwise stated)

	Geography	Shares as at 1.1.2017	Shares as at 30.6.2017	Total net paid in as at 1.1.2017	Invest- ments 2017	Redemp- tions 2017	Realised gain/(loss) 2017	Total net paid in as at 30.6.2017	Unrealised gain/(loss) accumulat- ed 2017	Fair value as at 30.6.2017	% of invest- ments
CTA											
Crown Managed Futures Master Segregated Portfolio	Global	6,960	6,960	14,177	—	—	—	14,177	5,045	19,222	10.9%
Total CTA				14,177	—	—	—	14,177	5,045	19,222	10.9%
Macro											
Crown/Atreus Segregated Portfolio	Global	4,960	4,960	7,400	—	—	—	7,400	(1,418)	5,982	3.4%
Crown/Guard Segregated Portfolio	Asia	5,332	—	5,332	—	(5,332)	(1,286)	—	—	—	0.0%
Crown/Koppenberg Segregated Portfolio	Global	5,099	4,469	5,698	—	(669)	356	5,029	1,378	6,407	3.6%
Discovery Global Opportunity Fund Ltd.	Global	12,459	12,459	5,674	—	—	—	5,674	4,643	10,317	5.8%
The Rohatyn Group Global Opportunity Fund Ltd.	Global	1	1	376	—	(31)	(31)	344	(174)	170	0.1%
Total Macro				24,480	—	(6,033)	(961)	18,447	4,430	22,877	12.9%
Event Driven											
Bennelong Asia Pacific Multi Strategy Equity Fund Ltd.	Asia	6,435	6,435	735	—	—	—	735	(221)	514	0.3%
Cerberus Asia Partners L.P.	Asia	1	1	—	—	—	—	—	—	—	0.0%
Crown Distressed Credit Opportunities plc ²⁾	Global	8,480	7,388	738	—	(95)	160	643	1,110	1,753	1.0%
Crown/Eyck Segregated Portfolio	Europe	5,497	880	6,000	—	(5,040)	(379)	960	(195)	765	0.4%
Crown/GLG Segregated Portfolio	Europe	7,478	5,842	7,500	—	(1,636)	364	5,864	1,117	6,981	4.0%
Crown/Latigo Segregated Portfolio	America	11,166	11,166	11,500	—	—	—	11,500	1,958	13,458	7.6%
Highland Crusader Fund II Ltd.	America	1	1	—	—	—	—	—	949	949	0.5%
Oceanwood Opportunities Fund	Europe	—	60,000	—	6,000	—	—	6,000	251	6,251	3.5%
OZ Asia Overseas Fund Ltd.	Asia	1	1	627	—	(60)	—	567	(280)	287	0.2%
OZ Overseas Fund Ltd. Tranche C shares	Global	2	2	134	—	(1)	10	133	(50)	83	0.1%
Tyrus Capital Opportunities Fund Ltd.	Global	86,626	86,626	8,516	—	—	—	8,516	3,310	11,826	6.7%
Winston Partners PE Investment Ltd.	Global	7,615	7,615	3,662	—	—	—	3,662	(3,662)	—	0.0%
Total Event Driven				39,412	6,000	(6,832)	155	38,580	4,287	42,867	24.2%

	Geography	Shares as at 1.1.2017	Shares as at 30.6.2017	Total net paid in as at 1.1.2017	Invest- ments 2017	Redemp- tions 2017	Realised gain/(loss) 2017	Total net paid in as at 30.6.2017	Unrealised gain/(loss) accumulat- ed 2017	Fair value as at 30.6.2017	% of invest- ments
Long/Short											
Crown/Ariose Segregated Portfolio	Asia	8,000	8,000	8,000	—	—	—	8,000	625	8,625	4.9%
Crown/BLS Segregated Portfolio	Asia	9,518	9,518	9,400	—	—	—	9,400	24	9,424	5.3%
Crown/Capeview Segregated Portfolio	Europe	6,719	6,719	6,833	—	—	—	6,833	3,080	9,914	5.6%
Crown/Lomas Segregated Portfolio	America	8,105	8,105	8,000	—	—	—	8,000	673	8,673	4.9%
Crown/NJ Segregated Portfolio	Global	6,247	—	9,036	—	(9,036)	(1,025)	—	—	—	0.0%
Crown/Zebedee Segregated Portfolio	Europe	11,711	11,711	11,711	—	—	—	11,711	1,048	12,759	7.2%
Galleon Technology Offshore Ltd.	America	57	57	1,278	—	—	—	1,278	(704)	574	0.3%
Polo Fund	America	41,403	41,403	8,117	—	—	—	8,117	(519)	7,598	4.3%
Raptor Private Holdings Ltd.	America	397	397	272	—	—	—	272	(114)	158	0.1%
Total Long/Short				62,648	—	(9,036)	(1,025)	53,612	4,112	57,724	32.7%
Relative Value											
Crown/Alphadyne Segregated Portfolio	Asia	7,414	7,414	7,452	—	—	—	7,452	(460)	6,992	4.0%
Crown/Linden Segregated Portfolio	Global	6,257	6,257	8,480	—	—	—	8,480	4,590	13,070	7.4%
Crown/Polar Segregated Portfolio	America	11,909	11,909	12,000	—	—	—	12,000	679	12,679	7.2%
D.E. Shaw Composite International Ltd.	Global	1	1	—	—	—	—	—	141	141	0.1%
D.E. Shaw Composite International Ltd.											
Side Pocket Series	Global	1	1	247	—	(177)	—	70	1,140	1,210	0.7%
Drake Absolute Return Fund Ltd.	Global	43	24	89	—	(40)	(10)	49	(11)	38	0.0%
Total Relative Value				28,268	—	(217)	(10)	28,051	6,078	34,129	19.3%
Total				168,985	6,000	(22,118)	(1,840)	152,867	23,952	176,819	100.0%

¹⁾ Numbers may not fully add up due to rounding.

²⁾ The Company has made the following commitment to an investment fund:
– Crown Distressed Credit Opportunities plc – USD 16.5 million of which USD 4.1 million is unfunded.

7. Shareholders' equity

Shareholders' equity

As of 30 June 2017 the authorised, issued and fully paid up share capital of the Company amounts to TCHF 48,269 (TUSD 35,795) and as of 31 December 2016 to TCHF 48,269 (TUSD 35,795) consisting of 9,653,732 (2016: 9,653,732) registered shares with a par value of CHF 5. The translation into US Dollar has been done at the corresponding historical foreign exchange rate. Each share entitles the holder to participate in any distribution of income and capital. The Group regards shareholders' equity as the capital that it manages. Shareholders' equity, including non-controlling interest holders, amounts to TUSD 189,450 as of 30 June 2017 (2016: TUSD 198,264).

During the period from 21 June 2010 to 30 June 2017 the Company purchased treasury shares on its second trading line. According to the program periods the 2nd line treasury shares were cancelled in subsequent yearly tranches.

Non-controlling interest

On 1 April 2011 Swiss Life AG partially redeemed its holding in Class I of the Ireland Subsidiary. The redemption was paid out in cash with the remaining amount being placed in a newly opened side pocket share class for illiquid assets (Class RI). At the same time a side pocket share class for the Cayman Subsidiary's portion of the illiquid assets was also created (Class RO). The side pocket share classes have paid out proceeds as their assets were realised. On 31 December 2012 Swiss Life fully redeemed its holding in the Class I shares. As per 30 June 2017 Swiss Life AG's holding in the remaining Class RI shares comprised 1.89 per cent (2016: 1.77 per cent) of the net asset value of the Ireland Subsidiary.

On 26 September 2016, the Ireland Subsidiary launched a new Class A share class that is owned by LGT Castle Sub-Fund, an open-ended sub-fund with limited liquidity under the Irish investment company Crown Alpha plc. As of 30 June 2017 LGT Castle Sub-Fund's holding in Class A shares comprised 8.85 per cent (2016: 9.27 per cent) of the net asset value of the Ireland Subsidiary.

The Cayman Subsidiary's holding in Class O and Class RO comprised 89.26 per cent of the net asset value of the Ireland Subsidiary (2016: 88.96 per cent). The Company controls the Ireland Subsidiary and consolidates it in compliance with IFRS 10. Swiss Life AG's holding and LGT Castle Sub-Fund in the Ireland Subsidiary are shown as a non-controlling interest in the Group's consolidated financial statements.

Share buyback 2nd line (bought for cancellation) and share buyback via tradable put options (bought for cancellation)

Since 2010, the Company has announced openings of second trading lines on a yearly basis for the Company's shares on the SIX Swiss Exchange. The Company is always the exclusive buyer on these trading lines and repurchases shares for the purpose of subsequently reducing its share capital. The Company has purchased treasury shares on its second trading line according to the following summaries. On 2 October 2014, 9 June 2015 and 2 June 2016, the Company purchased further treasury shares via tradable put options according to the following summaries. These treasury shares are treated as a deduction from shareholders' equity using cost values. On 28 June 2017, the Company announced its decision to issue put options tradable on the SIX Swiss Exchange. Further information are disclosed in Note 11. (On 2 June 2016, every 30 put options entitled shareholders to tender one registered share at the exercise price of CHF 17.80 until 30 May 2016. The put options were traded from 17 May 2016 up to and including 30 May 2016.)

Treasury shares

Buyback programs	From	To	Cancelled	Number of shares	Cost TUSD
Total shares bought until 1 January 2015				5,483,456	76,486
Program initiated on 2 October 2014, announced on 13 May 2014					
Additions 2015	01.01.2015	08.05.2015	06.08.2015	369,000	6,335
Additions 2015	11.05.2015	20.05.2015	05.08.2016	31,798	574
Additions 2015 via tradable put options	21.05.2015	04.06.2015	06.08.2015	579,023	10,000
Total				979,821	16,909
Program initiated on 9 June 2015, announced on 5 June 2015					
Additions 2015	09.06.2015	31.12.2015	05.08.2016	455,300	7,801
Additions 2016	01.01.2016	06.05.2016	05.08.2016	264,150	4,445
Additions 2016	09.05.2016	10.05.2016	—	5,076	86
Additions 2016 via tradable put options	17.05.2016	30.05.2016	—	315,459	5,695
Total				1,039,985	18,027
Program initiated on 6 June 2016, announced on 1 June 2016					
Additions 2016	06.06.2016	31.12.2016	—	464,000	7,952
Additions 2017	01.01.2017	12.05.2017	—	147,900	2,494
Additions 2017	15.05.2017	30.06.2017	—	38,014	645
Total				649,914	11,091
Total shares bought until 30 June 2017				8,153,176	122,513
Movement of treasury shares 2nd line and tradable put options (bought for cancellation)				Number of shares	Cost TUSD
Shares held as of 1 January 2016				838,177	15,099
Additions 2016 via 2 nd line				733,226	727,531
Additions 2016 via tradable put options				315,459	5,695
Cancellation on 5 August 2016				(1,102,327)	(19,544)
Shares held as of 31 December 2016				784,535	13,733
Additions 2017 via 2 nd line				185,914	3,139
Shares held as of 30 June 2017				970,449	16,872

8. Significant transactions with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. In the opinion of the board of directors, the parties referred to in the schedule accompanying this note are related parties under IAS 24 "Related Party Disclosures". All related party transactions have been carried out within the normal course of business.

Related party transactions

Entity	Related party Relationship/Agreement(s) Direct/indirect	Transaction type	30.6.2017 TUSD	31.12.2016 TUSD	30.6.2016 TUSD	
Castle Alternative Invest AG	LGT Bank Ltd./	Administration fee	—	21	11	
	Administrative Services Agreement/direct	Cash at banks	192	203	133	
	LGT Group Holding Ltd./Administrative Services Agreement/direct	Administration fee	22	—	—	
	LGT Capital Partners Ltd./	Domicile Agreement/direct	5	10	5	
	LGT Capital Partners Ltd./Management expenses Agreement/direct	General manager's expenses	—	74	—	
		General manager's expenses payable	—	74	—	
	Directors/direct	Directors' fee	113	215	115	
Castle Alternative Invest (Overseas) Ltd.	LGT Capital Partners (Ireland) Ltd./	Investment management fee	1	4	2	
	Investment Management Agreement/direct	Investment management fee payable	1	1	—	
	LGT Group Holding Ltd./Administrative Services Agreement/direct	Administration fee	5	—	—	
		Administration fee payable	5	—	—	
	LGT Bank Ltd./Administrative Services Agreement and Loan Agreement/direct	Cash at banks	36	61	15	
	LGT Bank Cayman Ltd./Services Level Agreement/direct	Management services fee	—	5	—	
	Directors/indirect	Directors' fee	5	5	—	
Castle Alternative Invest (International) plc	LGT Bank Ltd., Dublin Branch (formerly LGT Bank (Ireland) Ltd.)/	Due to banks: loan	—	—	2,655	
	Loan Agreement/direct	Interest expense	12	16	12	
		Credit facility standby fee	23	47	22	
		Credit facility standby fees payable	11	11	11	
	LGT Capital Partners (Ireland) Ltd./	Alternative Investment Fund Management Agreement/direct	Investment management fee	1,317	2,788	1,435
		Investment management fee payable	214	222	229	
	Directors/indirect	Directors' fee	2	2	2	
	LGT Capital Partners Ltd./	Advisory Agreement/indirect	Advisory fee (no direct fees)	—	—	—
	LGT Fund Managers (Ireland) Ltd./	Management Agreement/indirect	Secretarial services (no direct fees)	—	—	—

LGT Group Foundation, Vaduz, is the controlling shareholder of LGT Capital Partners (Ireland) Ltd., Dublin, which is entitled to a fee from the Subsidiaries (1.5 per cent of net assets in US Dollar before deduction of the accrual of the performance fee) and a performance fee.

LGT Bank Ltd., Vaduz, acts as custodian for the Company. Cash was deposited with LGT Bank Ltd., Vaduz, at market conditions.

The Ireland Subsidiary is invested in the Segregated Portfolios below, which are all advised by LGT Capital Partners Ltd., an affiliate of Castle's AIFM.

- Crown Distressed Credit Opportunities plc
- Crown Managed Futures Master Segregated Portfolio
- Crown/Alphadyne Segregated Portfolio
- Crown/Ariose Segregated Portfolio
- Crown/Atreus Segregated Portfolio
- Crown/BLS Segregated Portfolio
- Crown/Capeview Segregated Portfolio
- Crown/Eyck Segregated Portfolio
- Crown/GLG Segregated Portfolio
- Crown/Guard Segregated Portfolio
- Crown/Koppenberg Segregated Portfolio
- Crown/Latigo Segregated Portfolio
- Crown/Linden Segregated Portfolio
- Crown/Lomas Segregated Portfolio
- Crown/NJ Segregated Portfolio
- Crown/Polar Segregated Portfolio
- Crown/Zebedee Segregated Portfolio

9. Segment reporting

The sole operating segment of the Group reflects the internal management structure and is evaluated on an overall basis. Revenue is derived by investing in a portfolio of hedge fund investments with a view to achieving significant value growth and to help shareholders maximise long-term returns. The following results correspond to the sole operating segment of investing in hedge funds.

The income/(loss) is geographically allocated as follows:

	America TUSD	Asia TUSD	Europe TUSD	Global TUSD	Total TUSD
As of 30 June 2017					
Income					
Net gain/(loss) on investments designated at fair value through profit or loss	1,059	1,206	302	(5,081)	(2,514)
Other gain	—	—	12	1	13
Total income/(loss)	1,059	1,206	314	(5,080)	(2,501)
As of 30 June 2016					
Income					
Net gain/(loss) on investments designated at fair value through profit or loss	921	(4,836)	(2,236)	1,709	(4,442)
Other gain	—	—	5	4	9
Total income/(loss)	921	(4,836)	(2,231)	1,713	(4,433)

The assets are geographically allocated as follows:

	30.6.2017		31.12.2016	
	TUSD	in %	TUSD	in %
Assets				
America	57,237	30%	43,047	22%
Asia	25,841	14%	28,750	14%
Europe	36,669	19%	42,452	21%
Global	70,221	37%	84,810	43%
Total assets	189,968	100%	199,059	100%

10. Fair value estimation

Fund investments for which market quotations are not readily available are valued at their fair values as described below. Fund investments are normally valued at their net asset value as advised by the underlying managers/administrators of such funds. Such valuations are necessarily dependent upon the reasonableness of the valuations provided by the underlying managers/administrators of such funds and whether the valuation bases used are IFRS and fair value compliant. The responsibility for determining the fair value lies exclusively with the board of directors. The board of directors under advice from the AIFM may perform additional procedures on fund investments, including but not limited to underlying manager/administrator due diligence and other analytical procedures. If the directors are aware of a good reason why a particular fund valuation would not be the most appropriate indicator of fair value the directors will work with the underlying manager of that investment in an attempt to obtain more meaningful fair value information.

The board of directors, together with the AIFM, will determine, in good faith, fair value by considering all appropriate and applicable factors relevant to the valuation of fund investments including, but not limited to, the following:

- Reference to fund investment reporting information;
- Reference to appropriate investment monitoring tools used by the AIFM; and
- Reference to ongoing investment and business due diligence.

Notwithstanding the above, the variety of valuation bases that may be adopted, the quality of management information provided by fund investments and the lack of liquid markets for such fund investments means that there are inherent difficulties in determining the fair values of these investments that cannot be fully eliminated. Therefore, the amounts realised on the sale or redemption of fund investments may differ from the fair values reflected in these financial statements and the differences may be significant.

Because fund investments are typically not publicly traded, redemptions can only be made by the Subsidiaries on the redemption dates and subject to the required notice periods specified in the offering documents of each fund investment. The rights of the Subsidiaries to request redemption from fund investments may vary in frequency from monthly to annual redemptions. As a result, the carrying values of such fund investments may not be indicative of the values ultimately realised on redemption. In addition, the Subsidiaries' ability to redeem its investments may ultimately be materially affected by the actions of other investors who have also invested in these fund investments.

IFRS 13 requires the Group to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurements. The hierarchy has the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes “observable” requires significant judgement by the Group. The Group considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Group’s financial assets (by class) measured at fair value at 30 June 2017 and 31 December 2016.

As of 30 June 2017	Level 1 TUSD	Level 2 TUSD	Level 3 TUSD	Total TUSD
Assets				
Assets designated at fair value through profit or loss:				
Investments	—	170,942	5,877	176,819
Total	—	170,942	5,877	176,819
As of 31 December 2016	Level 1 TUSD	Level 2 TUSD	Level 3 TUSD	Total TUSD
Assets				
Assets designated at fair value through profit or loss:				
Investments	—	187,382	6,228	193,610
Total	—	187,382	6,228	193,610

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. The Group did not hold level 1 investments as at 30 June 2017 and 31 December 2016.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations, or alternative pricing sources such as the binding and executable underlying net asset values provided by the managers/administrators of these instruments, supported by observable inputs are classified within level 2. These include listed equities, over-the-counter derivatives and fund investments for which market quotations are not readily available. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments include hedge fund investments that, due to various events and/or the illiquid nature of the underlying assets, are not readily realisable.

There were no transfers in 2017 and 2016 between the different levels.

The following table shows the allocation of the level 3 investments according to geography, in percentage of the total fair value of these investments.

Diversification by geography	30.6.2017 % of financial assets at fair value through profit or loss	31.12.2016 % of financial assets at fair value through profit or loss
America	28%	28%
Asia	14%	6%
Global	58%	66%
Total	100%	100%

As of 30 June 2017, the Group had an investment in Highland Crusader Fund II Limited ("Highland") for which the valuation is complex as the fund holds a large number of illiquid investments. The Group redeemed its entire position as of 30 June 2008, however, due to the illiquidity of the portfolio and increasing redemption requests, the investment manager of Highland decided to suspend redemption payments. After further losses, the investment manager proposed that the fund be wound up in its entirety making the value of all outstanding balances including prior redemption requests dependent on the realised value of assets as the fund is liquidated. Investors accepted this distribution scheme in the summer of 2011 and the investment was therefore classified as a level 3 investment in the 2011 annual report. Since the acceptance of the distribution plan, up to 30 June 2017, the Group had received redemption proceeds amounting to TUSD 12,033.

In the case of D.E. Shaw Composite International Ltd. redemptions from this fund during 2011 resulted in a proportion of the redemption proceeds being distributed in the form of side-pockets which are illiquid. These side-pocket positions were classified as level 3 in the annual report of 2011.

The Group's investment in Crown Distressed Credit Opportunities plc was reclassified from level 2 to level 3 in the 2011 annual report due to the fact that its liquidity terms imply that it can only be liquidated over a prolonged timeframe due to its private equity like nature. This investment was made at a time when all the assets of the Group belonged to the closed ended listed Company and thus such liquidity terms were deemed compatible with the Group's liquidity requirements.

The following table presents a reconciliation disclosing the changes during the year for financial assets and liabilities classified as being level 3.

As of 30 June 2017	Investments designated at fair value through profit or loss TUSD
Assets	
At 1 January 2017	6,228
Total gain	55
Sales	(406)
Transfers in/out	—
At 30 June 2017	5,877
Total unrealised gain for the period included in the statement of comprehensive income for investments held at the end of the period	129
As of 31 December 2016	
Assets	
At 1 January 2016	10,242
Total loss	(467)
Sales	(3,547)
Transfers in/out	—
At 31 December 2016	6,228
Total unrealised gain for the year included in the statement of comprehensive income for investments held at the end of the year	1,864

11. Subsequent events

During the period from 1 July to 16 August 2017 Castle Alternative Invest AG purchased 325,178 treasury shares on its second trading line for a total consideration of TUSD 5,946. As of 16 August 2017 the Company held a total of 1,295,627 such shares in treasury shares.

At the annual meeting on 11 May 2017, a share capital reduction was approved by way of cancellation of 932,435 shares held in treasury. The cancellation was completed effective 4 August 2017.

On 28 June 2017, the Company announced its decision to issue put options tradable on the SIX Swiss Exchange. Every 30 put options entitled shareholders to tender one registered share with a nominal value of CHF 5 at the exercise price of CHF 17.70. The put options were traded from 3 July 2017 up to and including 17 July 2017. On 19 July 2017, the Company announced that a total of 277,578 put options were declared for exercise. The net purchase price (exercise price minus 35 per cent withholding tax calculated on the difference between exercise price and the nominal value) was paid on 20 July 2017. It is intended that approval for the cancellation of all registered shares repurchased will be sought at the Annual General Meeting in 2018.

Since the balance sheet date of 30 June 2017, there have been no material events that could impair the integrity of the information presented in the consolidated interim financial statements.

Share information

Exchange rate CHF/USD: 0.9590

	2008	2009	2010	2011	2012	2013	2014	2015	2016	June 2017	Since inception
Share information											
Number of bearer shares at year-end	38,501,000	38,501,000	19,707,060	17,481,596	16,352,817	13,371,710	12,378,210	10,756,059	9,653,732	9,653,732	
CAI Net asset value (USD)	14.17	15.95	16.66	15.60	16.83	18.97	19.70	19.83	19.91	19.50	
CAI Net asset value (CHF)	15.19	16.50	15.56	14.64	15.39	16.86	19.58	19.82	20.25	18.70	
CAI Closing price (USD)	7.50 ³⁾	12.35 ³⁾	12.30 ³⁾	11.65 ³⁾	12.70 ³⁾	14.40 ³⁾	16.45 ³⁾	16.25 ³⁾	16.40	16.50 ³⁾	
CAI Closing price (CHF)	8.15	12.60	11.90	11.50	11.60	13.00	16.45	16.55	16.95	16.00	
Share performance											
CAI Net asset value (USD)	(14.6%)	12.6%	4.5%	(6.4%)	7.9%	12.7%	3.8%	0.7%	0.4%	(2.1%)	202.7% ¹⁾
CAI Net asset value (CHF)	(18.6%)	8.6%	(5.7%)	(5.9%)	5.1%	9.6%	16.1%	1.2%	2.2%	(7.7%)	87.0% ²⁾
CAI Closing price (USD)	(47.6%) ³⁾	64.7% ³⁾	(0.4%) ³⁾	(5.3%) ³⁾	9.0% ³⁾	13.4% ³⁾	14.2% ³⁾	(1.2%) ³⁾	0.9%	0.6% ³⁾	65.0% ³⁾
CAI Closing price (CHF)	(49.7%)	54.6%	(5.6%)	(3.4%)	0.9%	12.1%	26.5%	0.6%	2.4%	(5.6%)	60.0%

¹⁾ Before September 1999, CAI (Overseas) Ltd. pro-forma performance numbers (real numbers adjusted for currency hedging, net of management fee and performance fee but gross of cost on CAI AG level).

²⁾ CHF 2.61 write-off of incorporation costs due to accounting principle changes (IAS).

³⁾ Inception of US Dollar trading 21 January 2002.

Price information

Reuters RIC: CHF "CASNn.S", USD "CASNnu.S"

Reuters Contributors Page: LGTY

Bloomberg: CHF "CASN SW <Equity>", USD "CASND SW <Equity>"

Investdata: CHF "509275,4", USD "509275,349"

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