Annual Report
2018

castle
ALTERNATIVE INVEST

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Further information
Periodic updates of elements of this annual report and supplementary information can be retrieved from the Company's website **www.castleai.com**

Publication date
This report was released for publication on 2 April 2019.
The subsequent event note in the financial statements has been updated to 28 March 2019.
Amounts in the report are stated in USD thousands (TUSD) unless otherwise stated.

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All statements contained herein that are not historical facts including, but not limited to, statements regarding anticipated activity are forward looking in nature and involve a number of risks and uncertainties. Actual results may differ materially. Readers are cautioned, not to place undue reliance on any such forward-looking statements, which statements, as such, speak only as of the date made.
The complete disclaimer can be obtained from www.castleai.com.

Castle Alternative Invest AG in 2018

		December 2018	December 2017
Net asset value down 2.9 per cent	Castle Alternative Invest AG's ("Castle", "CAI" or the "Company") net asset value per share decreased by 2.9 per cent (USD -0.58 per share) in 2018. The annualised NAV return in Dollars since inception is +5.2 per cent.	USD 19.54 per share TUSD 129,382	USD 20.12 per share TUSD 162,829
Cancellation of shares and capital reduction	The annual general meeting ("the AGM") of the Company, on 15 May 2018, approved a share capital reduction by way of cancellation of 858,876 shares. The cancellation process was completed by 6 August 2018 and the shares duly cancelled. Accordingly, the share capital of Castle Alternative Invest has been reduced from CHF 43,606,485 to CHF 39,312,105 or 7,862,421 shares.	7,862,421 shares in issue	8,721,297 shares in issue
Second line buyback for cancellation	During 2018 the Company continued its campaign to buyback shares for cancellation. These were through the issuance of put options to the shareholders and the additional purchase of shares for cancellation on the second line. The current share buyback program on a second trading line at SIX Swiss Exchange started on 5 December 2018 (first trading day) and a maximum of 438,133 registered shares (maximum 5.57 per cent of the share capital and voting rights registered in the commercial register) will be purchased back for cancellation purposes.		
Share price decreased by 2.2 per cent in CHF	The CHF share price decreased 2.2 per cent on the SIX Swiss Exchange during the year, from CHF 15.65 per share to CHF 15.30 per share. The discount to the NAV of the CHF shares increased marginally to 20.31 per cent compared to 20.11 per cent in December 2017.	CHF 15.30 per share	CHF 15.65 per share

Chairman’s statement

Dear Shareholders,

At the beginning of the year, 2018 set out to continue the positive market trends that prevailed throughout 2017. The reigning market regime of steady positive returns with record low volatility came to an abrupt end in February, when unwinding lop-sided investors’ positioning triggered spikes in volatility. Market uncertainty persisted thereafter, as the US government began what many label as a “trade war”, introducing several rounds of new tariffs on imported goods from China. The confluence of headwinds in global trade and rising interest rates, most notably in the US, where economic growth was strongest and allowed the Federal Reserve to go ahead with policy normalisation, weighed on many financial markets for the rest of the year.

Castle Alternative Invest AG ended the year in negative territory with -2.9 per cent. Castle’s share price declined by 2.2 per cent during the course of the year. The main detractors were systematic and momentum strategies with fundamental strategies offering some diversification benefits, albeit only partially.

On 1 June 2018, the share buyback program on a second trading line at SIX Swiss Exchange was terminated. With the end of the program and together with the completed buyback program through the issuance of put options in July 2017, the maximum number of registered shares approved by shareholders at the AGM in 2017 was reached. Consequently, the board of directors decided to launch a further buyback program via the issuance of tradable put options during the course of June 2018. In total, 386,142 registered shares were tendered, representing 4.4 per cent of the share capital and voting rights. Following the termination of the buyback via tradable put options, the Company decided to launch a new buyback program on its second trading line, which started on 19 July 2018. A maximum of 400,100 registered shares were purchased. For the first time, Castle launched a second 10 per cent share buyback program within the course of a year addressing the prevailing discount level and enhancing trading liquidity. The program started on 15 November 2018 whereby a total of 348,109 registered shares were bought back via the issuance of put options and a further 438,133 registered shares are planned to be bought back on the Company’s second trading line. Since 2010, the Company has launched regular share buyback programs of 10 per cent via the issuance of tradable put options and via the company’s second trading line at the SIX Swiss Exchange.

The board, together with the management team, is reviewing a number of strategic options to address some of the prevailing challenges such as the Company's discount level and its investment performance. Further information will be communicated during the course of 2019.

The Company's 2019 Annual General Meeting is scheduled to take place on 15 May 2019 in Pfäffikon, SZ, Switzerland. The board welcomes the opportunity to discuss the progress of the Company with interested shareholders.

Finally, as your Chairman, I would like to thank you for your continuing support for the Company.

Yours sincerely,

Tim Steel
Chairman of the board of directors

Investment manager's report

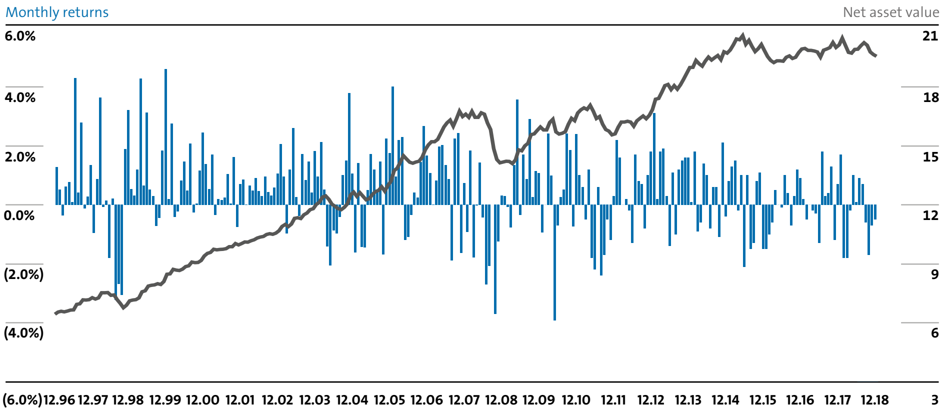
Financial markets and hedge fund strategies

Macro backdrop

The beginning of 2018 set out to continue the positive market trends that prevailed throughout 2017. The reigning market regime of steady positive returns with record low volatility came to an abrupt end in February, when lop-sided investors' positioning was unwound and triggered spikes in volatility. Market uncertainty persisted thereafter, as the US government began what many label as a "trade war", introducing several rounds of new tariffs on imported goods from China.

The confluence of headwinds in global trade and rising interest rates, most notably in the US, where economic growth was strongest and allowed the Federal Reserve to go ahead with policy normalisation, weighed on many financial markets for the rest of the year. Emerging markets in particular felt the brunt and Chinese domestic equities, as an example, entered bear market territory. Equally, currencies of many developing nations came under severe pressure. The now strong US dollar was the main culprit, however a number of countries had damaging domestic issues already. Argentine and Turkey spiraled into a balance of payment crisis and a few other presumably vulnerable economies were pressured as international investors repatriated their funds in droves. As a result, emerging market equities and local currency bonds were among the worst performing asset classes.

Development NAV Castle Alternative Invest AG in USD[1]



[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).

Markets

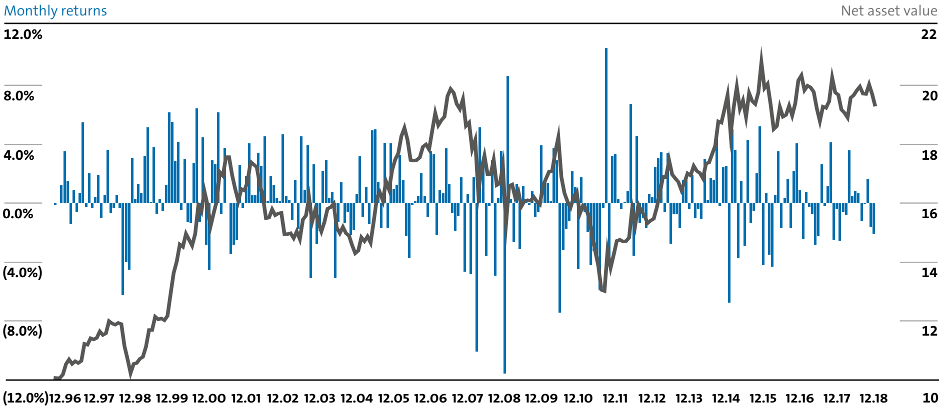
The MSCI North America (hedged USD) (NR) posted a return of -5.3 per cent, while the MSCI Emerging Markets (USD) (NR) declined by -14.6 per cent and was the weakest performer. The combination of a robust domestic economy, a buoyant technology sector and a strong US dollar boosted the attraction of US equities, whereas emerging markets were hit by a series of country-specific shocks, trade war fears and tightening financial conditions pressuring countries with the greatest external vulnerabilities.

Rates had been increasing in the course of 2018 in the US and the 10y Treasuries yield rose to above 3 per cent in September, then partially retracting in December when risk aversion returned. This rise was driven by strong growth, wage inflation and several rate hikes. Yields in Europe were impacted more by political, country specific factors such as the Brexit in the UK or the victory of populist parties in Italy

Within currencies, the USD strengthened during the year. A very volatile path has been the one of emerging markets' currencies which plunged in the first part of the year by double-digits percentage points versus the USD but they came back in the second part. Other currencies like the GBP and EUR were impacted by unstable political conditions.

Commodities in general were impacted by the strengthening of the USD. 2018 was a volatile year for oil, which first rose in the first three quarters but experienced a sharp decline during the last quarter of the year. A heightened volatility was observed across a broad spectrum of commodities, from copper to natural gas, with some daily percent moves during the year exceeding 10 per cent.

Development NAV Castle Alternative Invest AG in CHF



Castle Alternative Invest AG

Hedge fund strategies

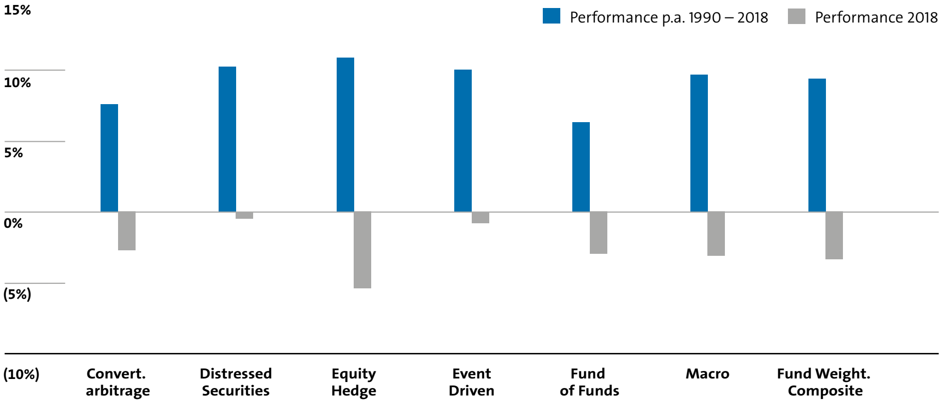
Event driven deducted 1.1 per cent from Castle’s returns. We saw some dispersion in the results, which were mixed also within the same region. The European portfolio in particular was characterised by diverging performance across several restructuring opportunities. A new position – a US based manager – added in the course of the year added positively to the overall portfolio performance.

CTA/macro strategies as a group deducted approximately 1 per cent from Castle’s returns. CTAs ended the year in negative territory as some difficult months, like February and October, weighed on the overall performance. In both periods, an initial long equities positioning led to deductions and the subsequent exposure reduction prevented several strategies from participating in the rebound. Some of the losses were partially recouped towards the end of the year, in particular in December, as markets corrected and CTA posted solid gains through a short equities and long bonds positioning. Exposure to discretionary global macro managers has been reduced through the first part of the year – the overall contribution was negative with deductions across asset classes.

Long/short equity strategies deducted 1.4 per cent from Castle’s returns. The majority of the managers ended the year in negative territory. There was little diversification among different strategy styles and geographies: bottom-up stock selection or more top-down approaches were both not rewarded and led to a large dispersion among performance results. Only two strategies – managed by a US and an Australian manager – were positive and were able to provide a good degree of alpha generation when comparing results against their main reference markets.

The **relative value** managers contributed 0.1 per cent to the portfolio and provided tangible diversification benefits to the overall portfolio in particular during the most volatile market phases in February and in October.

Long-term and current performance of HFR style indices



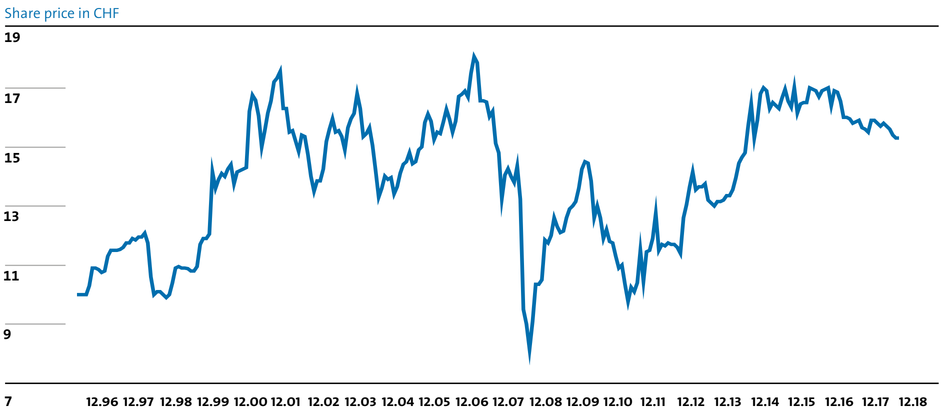
Alternative investment industry and outlook

The non-investable HFRI Fund Weighted Composite Index returned a loss of -4.5 per cent in 2018 with nearly all sub-indices posting negative performance.

Main losses stemmed from the Emerging Markets (-11.1 per cent) and the Equity Hedge (-6.9 per cent) sector. Emerging Markets sub-style indices were negative across the board, with Asia ex-Japan as the worst performing index of 2018 with a -16.9 per cent return. Few sub-indices managed to end the year in noteworthy positive territory, namely the Tech/HC sector within Equity Hedge (+3.3 per cent), Merger Arbitrage within Event Driven (+3.2 per cent) and both FI-Asset-backed and FI-Sovereign from the Relative Value sector (+3.0 per cent and +3.1 per cent respectively).

The industry assets recorded a net flow of USD -33.5 billion, while overall assets stand at USD 3.1 trillion, with inflows only from the Event Driven strategies and outflows from all other strategies. The total number of hedge funds and fund of funds as of year-end stood at 9,656, which represents a slight decrease versus the end of 2017 level.

Share price of Castle Alternative Invest AG in CHF



Investment policy

Investment objective

The Company's investment objective is to provide shareholders with long term capital growth through investment in a well diversified and actively managed portfolio of hedge funds, managed accounts and other investment vehicles.

Investment policy

The Company invests through the Cayman Subsidiary (which is wholly owned by the Company) into Castle Alternative Invest (International) Plc ("CAI Ireland"). Accordingly, the investment policy of the Company is consistent with CAI Ireland. Any change to the investment objective or any material change to the investment policies of CAI Ireland requires approval of its shareholders by ordinary resolution or unanimous consent. In the event that a change to the investment policy is approved by an ordinary resolution, a reasonable notification period will be given to investors in CAI Ireland to allow them to redeem their shares prior to the implementation of such a change. In the event that CAI Ireland changes its investment policy the Company will take such action to ensure that the Company is not in breach of any applicable regulation.

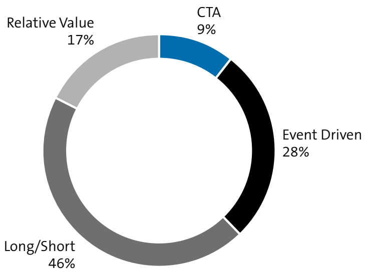
CAI Ireland invests in a diversified global portfolio of hedge funds, managed accounts and other investment vehicles that employ various non-traditional investment strategies that usually belong to the following broadly defined main strategy classes:

Long/short equity
Long/short equity strategies represent the classic hedge fund investment style, taking both long and short positions in equity securities and derivatives thereof with various levels of gross and net exposure. The strategies mainly depend on stock picking, trading skills and portfolio risk management. The strategies may rely on fundamental, macro and sector analysis along with both bottom-up and top-down research.

Event driven
Event driven strategies are designed to benefit from the consummation (or non-consummation) of various corporate events such as re-organisations, mergers or acquisitions, bankruptcies or various other situations. The strategies may be executed using a wide range of instruments, including common stock and debt instruments as well as various derivative instruments, with various levels of leverage.

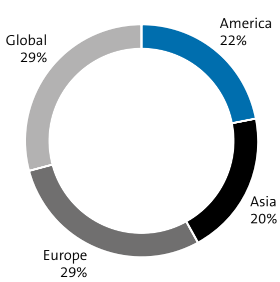
Portfolio
Per December 2018

Style allocation

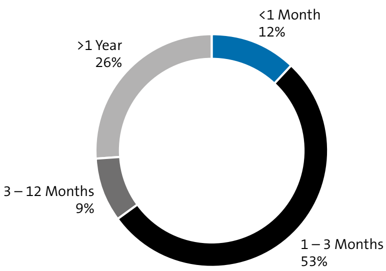


Macro: 0%

Geographical focus



Liquidity of investment



Top and bottom money makers 2018

Fund	Style	Date of initial investment	Performance for 2018	2018 gain/(loss) in TUSD
Crown/PW Segregated Portfolio	Event Driven	February 2018	8.4%	707
Crown/GLG Segregated Portfolio	Event Driven	October 2012	1.9%	618
Crown/Lomas Segregated Portfolio	L/S Equity	October 2016	3.1%	295
Crown/Latigo Segregated Portfolio	Event Driven	January 2016	(8.51%)	(999)
Crown/Helios Segregated Portfolio	L/S Equity	November 2017	(18.18%)	(1,160)
Tyrus Capital Opportunities Fund Limited	Event Driven	June 2011	(21.08%)	(1,379)

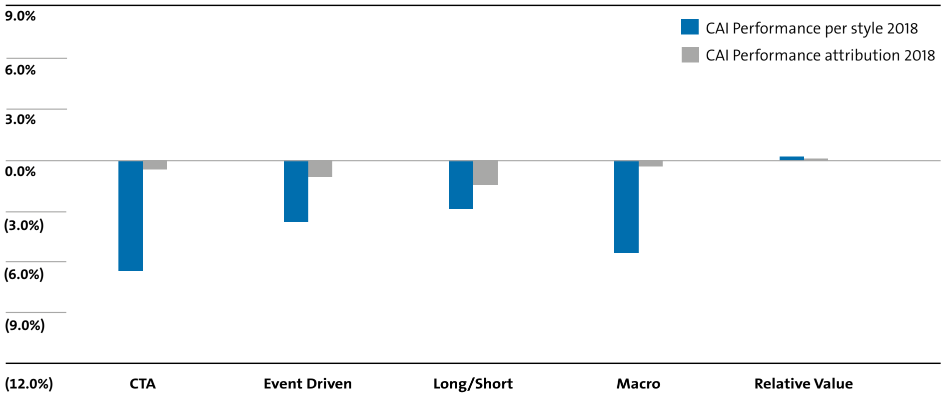
Ten largest holdings

Fund	Style	USD million 31 December 2018	% of investments
Crown/Capeview Segregated Portfolio	Long/Short	11.1	8.3%
Crown/Zebedee Segregated Portfolio	Long/Short	10.8	8.1%
Crown/Lomas Segregated Portfolio	Long/Short	10.5	7.8%
Crown Managed Futures Master Segregated Portfolio	CTA	10.4	7.8%
Crown/Oceanwood Segregated Portfolio	Event Driven	10.3	7.7%
Crown/BLS Segregated Portfolio	Long/Short	9.9	7.4%
Crown/PW Segregated Portfolio	Event Driven	9.8	7.3%
Crown/Astignes Segregated Portfolio	Relative Value	9.3	6.9%
Crown/Seligman Segregated Portfolio	Long/Short	9.1	6.8%
Crown/Linden Segregated Portfolio	Relative Value	9.0	6.7%
Subtotal of ten largest holdings		**100.3**	**74.8%**
All other investments		33.9	25.2%
Total net assets		**134.2**	**100.0%**

Style performance attribution

Per December 2018

Estimated performance of styles before cost in USD



Relative value
Relative value strategies are designed to exploit observed differentials across related market prices. Managers execute individual trades – at times through sophisticated structures – based on expectations that such differentials will probably narrow (or widen) and/or embedded options, futures etc. may be re-priced. The strategies may be applied across various instruments, including derivatives and over-the-counter instruments, with various levels of leverage.

CTA/macro
CTA/macro strategies mostly attempt opportunistically or systematically to exploit pricing trends in global markets, including interest rates, equities, currencies and commodities. The strategies rely on macro-economic assessment or systematic trading models that may apply various methodologies. The strategies are primarily executed through listed financial and commodity futures, options or swaps as well as currency instruments with various levels of leverage.

Asset allocation
Whilst the Company aims to invest into the four main strategy classes in a balanced proportion over the long term, the assets invested in any particular strategy class (determined on a look-through basis to the investment at fund level) may vary from time to time but will not in any event exceed 50 per cent of the value of its assets at the time the investment is made without prior shareholder approval.

The Company will invest and manage its assets in a way which is consistent with its objective of spreading investment risk.

The Company may invest through investment entities managed or advised by the investment manager (or any of its affiliates) to optimise its access to and/or returns from certain investment strategies as long as the investment manager (or any of its affiliates) waives, or compensates the Company for, any additional management and/or performance fees on the management of such vehicles.

The Company investments may include limited partnership interests, shares, warrants, certificates, bonds, subordinated loans and various derivative instruments.

The Company may invest unused cash in short-term (less than 12 months to maturity) and medium-term (not greater than five years to maturity) debt instruments or hold cash with reputable banks. Where it considers appropriate, the Company may enter into various derivative transactions, for example in seeking to manage its exposure to interest rate and currency fluctuations through the use of interest rate and currency hedging arrangements, or when implementing systematic or discretionary overlay strategies for the purposes of efficient portfolio management.

Borrowings
There are no borrowing limits in the Articles, but the directors have determined that borrowings shall not exceed 30 per cent of the value of the Company's assets at the time any borrowings are made. The Company will also be geared indirectly to the extent that the funds or other entities or investments in which the Company invests are themselves geared. Borrowings may be used at any time for short-term or temporary purposes, to facilitate share repurchases (where applicable) or to meet ongoing expenses. The Company may also borrow for investment purposes if doing so is deemed to be in the best interests of the Company. Such borrowings will be made on a short to medium term time horizon and the Company does not intend to leverage its investments on a longer term basis.

CAI Ireland is permitted to borrow up to 30 per cent of CAI Ireland's net asset value on a temporary basis including for settlement facilities or in order to meet temporary shortages of liquidity.

Investment restrictions

The Company may not invest more than 15 per cent of its net assets in any single manager and no more than 10 per cent of the Company's net assets in any single investment, at the time the investment is made. A single investment shall be determined on a look-through basis to the investment at fund level or as otherwise determined by the investment manager in good faith to be a single investment.

CAI Ireland shall not take or seek to take legal or management control of any underlying security in which it invests.

CAI Ireland may enter into OTC derivative transactions and other arrangements with counterparties and where assets are transferred to a counterparty the following rules as set out in Article 20 of the AIFMD Level 2 Regulation apply:

(i) When selecting and appointing counterparties and prime brokers, AIFMs shall exercise due skill, care and diligence before entering into an agreement and on an ongoing basis thereafter taking into account the full range and quality of their services.

(ii) When selecting prime brokers or counterparties of an AIFM or an AIF in an OTC derivatives transaction, in a securities lending or in a repurchase agreement, AIFMs shall ensure that those prime brokers and counterparties fulfil all of the following conditions:

(a) they are subject to ongoing supervision by a public authority;
(b) they are financially sound;
(c) they have the necessary organisational structure and resources for performing the services which are to be provided by them to the AIFM or the AIF.

(iii) When appraising the financial soundness referred to in paragraph (ii)(b), the AIFM shall take into account whether or not the prime broker or counterparty is subject to prudential regulation, including sufficient capital requirements, and effective supervision.

(iv) The list of selected prime brokers shall be approved by the AIFM's senior management. In exceptional cases prime brokers not included in the list may be appointed provided that they fulfil the requirements laid down in paragraph (ii) and subject to approval by senior management. The AIFM shall be able to demonstrate the reasons for such a choice and the due diligence that it exercised in selecting and monitoring the prime brokers which had not been listed.

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Report of the statutory auditor

to the general meeting of Castle Alternative Invest AG

Pfäffikon (SZ)

Report on the audit of the consolidated financial statements

Opinion
We have audited the consolidated financial statements of Castle Alternative Invest AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018 and the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Article 14 of the Directive on Financial Reporting (DFR) of SIX Swiss Exchange and Swiss law.

Basis for opinion
We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall Group materiality: USD 1.3 million

The Group consists of 3 reporting units located in Switzerland, Cayman Islands and Ireland.

We concluded full scope audit work at all 3 reporting units.

Our audit scope therefore addressed 100% of the Group’s assets, liabilities, equity, income and expenses and cash flows.

As key audit matter the following area of focus has been identified:

Valuation and ownership of hedge fund investments

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PricewaterhouseCoopers AG is a member of the global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.

Materiality
The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	USD 1.3 million
How we determined it	1% of total equity
Rationale for the materiality benchmark applied	We chose total equity as the benchmark because, in our view, this is the key metric of interest to investors, and is a generally accepted benchmark for investment companies.

Audit scope
We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

pwc

Valuation and ownership of hedge fund investments

Key audit matter	*How our audit addressed the key audit matter*
Valuation of hedge fund investments The investment portfolio comprises investments in alternative investment funds covering a wide range of hedge fund strategies. All of the Group's investments are unquoted. We focused on this area because of the significance of the hedge fund investments in the consolidated financial statements and determining the valuation methodology and the inputs require estimates and judgement to be applied by the investment manager and the board of directors. As set out in notes 3 (Critical accounting estimates) and 21e (Fair value estimation) investments amount to USD 134.2 million or 96.3% of total assets. Refer to note 2h(iii) (Summary of accounting policies) for the valuation methods applied.	The investment valuations are prepared by the investment manager applying the valuation methods disclosed in note 2h(iii). We attended the meeting of the board of directors where these investment valuations were approved to observe this process. We tested the design and implementation of the key controls around the approval and ongoing monitoring of unquoted hedge fund investments at the investment manager, to determine whether appropriate controls are in place and are operating effectively. No control deficiencies were identified. In addition, we reviewed the results of tests of controls performed at the Irish Subsidiary's administrator, which was made available to us in their type 2 ISAE 3402 report. This enabled us to assess the design and implementation of the controls around the valuation of unquoted hedge fund investments held by the Group, and to determine whether appropriate controls were in place and operating effectively throughout the reporting period. This included controls to ensure that the valuation and ownership of unquoted hedge fund investments are supported by appropriate information provided by administrators of the target hedge funds. No control deficiencies relating to valuation or ownership of unquoted hedge fund investments were identified in the report obtained. We obtained information on the latest available valuation directly from the administrators or managers of the target hedge funds and corroborated the valuations applied by the board of directors to these latest valuations. While the valuation as provided by the target hedge fund administrators is the primary source for valuation, we have selected a sample of the unquoted hedge fund investments that we identified as having a higher risk of valuation error in the fair value check process described in note 2h(iii) for testing. We challenged the assumptions applied by the investment manager, including the adequacy of the inputs used as set out in note 21e, focusing particular attention on unquoted hedge fund investments with suspended or prolonged redemption terms.

	We obtained sufficient audit evidence to conclude that the inputs, estimates and methodologies used for the valuation of the unquoted hedge fund investments are within a reasonable range and that the board of directors consistently applied the valuation policies.
Ownership of hedge fund investments	
Although the hedge fund investments are safeguarded by an independent custodian, there is a risk that the Group may not have sufficient legal entitlement to these investments.	We obtained sufficient audit evidence to verify the existence and legal ownership of hedge fund investments by confirming investment holdings with the administrator, registrar or transfer agent of the target hedge fund, as appropriate.

Other information in the annual report

The board of directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the remuneration report of Castle Alternative Invest AG and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the board of directors for the consolidated financial statements

The board of directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS, Article 14 of the Directive on Financial Reporting (DFR) of SIX Swiss Exchange and the provisions of Swiss law and the provisions of Swiss law, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the board of directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Daniel Pajer	Jack Armstrong
Audit expert Auditor in charge	Audit expert

Zürich, 29 March 2019

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Consolidated statement of comprehensive income

For the year ended 31 December 2018 (All amounts in USD thousands unless otherwise stated)

	Note	2018	2017
Income			
Net (loss)/gain on investments designated at fair value through profit or loss	5	**(5,157)**	**3,468**
Income from current assets:			
Gain on foreign exchange, net		1	1
Interest income	6	43	28
Other income		35	14
Total gain from current assets		**79**	**43**
Total (loss)/income		**(5,078)**	**3,511**
Expenses			
Management and performance fees	7	(2,383)	(2,447)
Other operating expenses	8	(1,373)	(1,246)
Total operating expenses		**(3,756)**	**(3,693)**
Operating loss		**(8,834)**	**(182)**
Finance costs	9	(72)	(46)
Loss for the year		**(8,906)**	**(228)**
Total comprehensive loss for the year		**(8,906)**	**(228)**
Loss attributable to:			
Shareholders		(8,292)	(359)
Non-controlling interest	2 (d)	(614)	131
		(8,906)	**(228)**
Total comprehensive loss attributable to:			
Shareholders		(8,292)	(359)
Non-controlling interest	2 (e)	(614)	131
		(8,906)	**(228)**
Earnings per share (USD) attributable to equity holders	2 (n)		
Weighted average number of shares outstanding during the year		7,561,292	8,527,880
Basic and diluted loss per share		USD (1.10)	USD (0.04)

The accompanying notes on pages 24 to 60 form an integral part of these consolidated financial statements.

Consolidated balance sheet

As of 31 December 2018 (All amounts in USD thousands unless otherwise stated)

	Note	2018	2017
Assets			
Current assets:			
Cash and cash equivalents	11	4,617	1,781
Accrued income and other receivables	12	563	7,841
Total current assets		**5,180**	**9,622**
Non-current assets:			
Investments designated at fair value through profit or loss	13	134,230	181,103
Total non-current assets		**134,230**	**181,103**
Total assets		**139,410**	**190,725**
Liabilities			
Current liabilities:			
Borrowings	14	7,000	6,568
Accrued expenses and other payables	15	710	572
Total current liabilities		**7,710**	**7,140**
Equity			
Shareholders' equity:			
Share capital	16	27,926	32,337
Additional paid-in capital	16	59,693	59,693
Less treasury shares at cost (bought for cancellation)	16	(21,342)	(10,919)
Retained earnings		63,105	81,718
Total shareholders' equity before non-controlling interest		**129,382**	**162,829**
Non-controlling interest	16	2,318	20,756
Total equity		**131,700**	**183,585**
Total liabilities and equity		**139,410**	**190,725**
Net asset value per share (in USD)	2 (n)		
Number of shares issued as at the year end		7,862,421	8,721,297
Number of treasury shares (bought for cancellation) as at the year end	16	(1,240,383)	(628,682)
Number of shares outstanding net of treasury shares as at the year end		**6,622,038**	**8,092,615**
Net asset value per share		**19.54**	**20.12**

The accompanying notes on pages 24 to 60 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2018 (All amounts in USD thousands unless otherwise stated)

		2018	2017
Cash flows from/(used in) operating activities:			
Purchase of investments		(39,500)	(25,150)
Proceeds from sales of investments		89,031	33,667
Interest received	6	43	28
Operating expenses paid	7,8	(4,121)	(4,205)
Net cash from operating activities		**45,453**	**4,340**
Cash flows from/(used in) financing activities:			
Finance costs	9	(71)	(46)
Proceeds from bank borrowings	14	7,000	6,568
Repayments of bank borrowings	14	(6,568)	—
Issuance of capital to non-controlling interest	16	1,100	600
Return of capital to non-controlling interest	16	(18,924)	(1,636)
Purchase of treasury shares (bought for cancellation)		(25,155)	(13,414)
Net cash used in financing activities		**(42,618)**	**(7,928)**
Net increase/(decrease) in cash and cash equivalents		**2,835**	**(3,588)**
Cash and cash equivalents, beginning of the year		**1,781**	**5,368**
Net increase/(decrease) in cash and cash equivalents		2,835	(3,588)
Net gain on foreign exchange on cash and cash equivalents		1	1
Cash and cash equivalents, end of the year		**4,617**	**1,781**
Cash and cash equivalents consist of the following as at 31 December:			
Cash at banks	11	4,617	1,781
Total		**4,617**	**1,781**

The accompanying notes on pages 24 to 60 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2018 (All amounts in USD thousands unless otherwise stated)

	Note	Share capital	Additional paid-in capital	Less treasury shares	Retained earnings	Non-controlling interest	Total equity
1 January 2017		**35,795**	**59,693**	**(13,733)**	**94,848**	**21,661**	**198,264**
Total comprehensive (loss)/income for the year		—	—	—	(359)	131	(228)
Purchase of treasury shares (bought for cancellation)	16	—	—	(13,414)	—	—	(13,414)
Cancellation of treasury shares	16	(3,458)	—	16,228	(11,512)	—	1,258
Impact of CHF/USD historical rates on the cancellation of treasury shares		—	—	—	(1,259)	—	(1,259)
Issuance of capital to non-controlling interest		—	—	—	—	600	600
Return of capital to non-controlling interest		—	—	—	—	(1,636)	(1,636)
31 December 2017		**32,337**	**59,693**	**(10,919)**	**81,718**	**20,756**	**183,585**
1 January 2018		**32,337**	**59,693**	**(10,919)**	**81,718**	**20,756**	**183,585**
Total comprehensive loss for the year		—	—	—	(8,292)	(614)	(8,906)
Purchase of treasury shares (bought for cancellation)	16	—	—	(25,155)	—	—	(25,155)
Cancellation of treasury shares	16	(4,411)	—	14,732	(10,321)	—	—
Issuance of capital to non-controlling interest		—	—	—	—	1,100	1,100
Return of capital to non-controlling interest		—	—	—	—	(18,924)	(18,924)
31 December 2018		**27,926**	**59,693**	**(21,342)**	**63,105**	**2,318**	**131,700**

The accompanying notes on pages 24 to 60 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in USD thousand unless otherwise stated)

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 ("the 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, which was discontinued effective 15 September 2017.

The Castle Alternative Invest Group ("the Group") currently consists of the Company, the Cayman Subsidiary and the Ireland Subsidiary.

Castle Alternative Invest (Overseas) Ltd., Grand Cayman, was incorporated on 31 July 1996 as an exempted company under the laws of the Cayman Islands. The authorised share capital of USD 31,870 is divided into voting non-participating redeemable ordinary shares and voting participating redeemable ordinary shares. The Group consolidates the Cayman Subsidiary in compliance with IFRS 10.

Castle Alternative Invest (International) plc, Dublin, was established as an open-ended investment company with variable capital and limited liability under the laws of Ireland on 19 February 2001. At 31 December 2018, its capital amounts to TUSD 128,071 (2017: TUSD 182,931) and it is a subsidiary of the Cayman Subsidiary. The Ireland Subsidiary became active on 19 December 2001 after receiving authorisation from the Central Bank of Ireland. The share capital is divided into management shares and participating shares. The management shares are held by LGT Capital Partners (Ireland) Ltd., Dublin, LGT Bank Ltd., Dublin Branch and LGT Fund Managers (Ireland) Ltd.

Swiss Life AG holds a side pocket share class for illiquid assets (Class RI) in the Ireland Subsidiary. The side pocket share classes will pay out proceeds as their assets are realised. As of 31 December 2018 Swiss Life AG's holding in the remaining Class RI shares comprised 1.81 per cent (2017: 1.67 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. Class A was completely redeemed in November 2018. As of 31 December 2018 LGT Castle Sub-Fund's holding in Class A shares comprised Nil per cent (2017: 9.74 per cent) of the net asset value of the Ireland Subsidiary.

As of 31 December 2018, the Cayman Subsidiary's holding in Class O shares and Class RO shares comprised 98.19 per cent of the net asset value of the Ireland Subsidiary (2017: 88.58 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's holding in the Ireland Subsidiary are shown as non-controlling interests in the Group's consolidated financial statements.

The Group regards shareholders' equity as the capital it manages. The Group's investment objective is to maximize the long-term returns to shareholders by investing, through its Subsidiaries or through such other subsidiaries as the Company may establish from time to time, in a diversified portfolio of non-traditional investments. Non-traditional investments mean and include investment funds and other investment structures (together the "Investment Vehicles") which aim for absolute returns and use a broad range of investment strategies including short sales and leverage. The Group offers the essential benefits of hedge fund investing in a well-diversified and actively managed global portfolio of high quality hedge funds: absolute performance, low volatility, and low correlation to traditional assets.

The Group targets to generate absolute returns net to investors independently of major market cycles. In order to reach its investment objectives, the Group features an optimally balanced portfolio across all major hedge fund strategies: long/short, relative value, event driven and macro/CTA. The alternative investment fund manager ("AIFM") of the Group's Ireland Subsidiary provides active portfolio management, thorough due diligence and risk management. The strategy relies on the AIFM's experience and access to excellent hedge fund managers worldwide. No assurance can be given that the Group's investment objective will be achieved and investment results may vary substantially over time.

The consolidated financial statements are presented in US Dollar which is the Group's entities' functional currency and the Group's presentation currency.

As of 31 December 2018 and 2017 the Group did not employ any employees.

2 Summary of accounting policies for the consolidated financial statements

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation
The accompanying consolidated financial statements of the Group for the year ended 31 December 2018 have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRS) formulated by the International Accounting Standards Board (IASB) 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 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 board of directors considers the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for the shareholders to assess the Group's performance, business model and strategy.

a) Standards and amendments to published standards that are mandatory for the financial year beginning on or after 1 January 2018

IFRS 9, "Financial instruments", (1 January 2018) addresses the classification, measurement and derecognition of financial assets and liabilities. It replaces the multiple classification and measurement models in IAS 39.

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, the board of directors 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.

IFRS 9 has been adopted by the Group and did not result in a change to the classification or measurement of financial instruments. The Group's investment portfolio continues to be classified as fair value through profit or loss. There was no material impact on adoption from the application of the new impairment model.

There are no other IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2018 that would be expected to have a material impact on the Group.

b) Standards and amendments to published standards effective after 1 January 2018 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 2018, and have not been applied in preparing these consolidated financial statements. Those standards, amendments and interpretations considered included:

– IFRS 16, "Leases", (1 January 2019);
– Amendment to IFRS 9, "Financial instruments", prepayment features with negative compensation, (1 January 2019);
– Amendment to IAS 28, "Investment in associates", long term interests in associates and joint ventures (1 January 2019);
– Amendment to IAS 19, "Employee benefits", plan amendment, curtailment or settlement (1 January 2019);
– Interpretation 23, "Uncertainty over income tax treatments", (1 January 2019);
– Annual improvements 2015 – 2017, "IFRS 3, Business combinations", "IFRS 11, joint ventures", "IAS 12, Income Taxes", "IAS 23; and
– Borrowing costs" (1 January 2019).

The board of directors has assessed these new standards and determined that their implementation will not have an impact on the consolidated financial statements and will not lead to any changes to the total shareholders' equity 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 significant impact on the Group.

c) Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates. See also note 2 h), (iii).

d) Basis of consolidation

The consolidated financial statements are based on the financial statements of the individual Group companies prepared using uniform accounting principles and drawn up in accordance with the regulations governing the rendering of accounts in terms of the Listing Regulations of the SIX Swiss Exchange and with the International Financial Reporting Standards issued by the International Accounting Standards Board.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

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; and
– Castle Alternative Invest (International) plc, Dublin.

Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date that control ceases.

Non-controlling interests are disclosed separately in the consolidated financial statements.

Intercompany transactions, balances, unrealised gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

e) Non-controlling interest holders

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 consolidated statement of comprehensive income to the amounts attributable to non-controlling interest holders and to the shareholders.

f) Foreign currency

The functional currency of the Group's entities is US Dollar. The US Dollar as the functional currency stems from the fact that the Group is investing in assets whose base currency is predominately in US Dollar. The Group has also used the US Dollar as its presentation currency.

Transactions in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are revalued into US Dollar at the exchange rates prevailing at the balance sheet date. Unrealised exchange gains and losses resulting from the revaluation of investments at fair value through profit or loss and denominated in foreign currency are recognised in the consolidated statement of comprehensive income. Other exchange gains and losses are also included in the consolidated statement of comprehensive income.

g) Cash and cash equivalents

Cash and cash equivalents comprise demand, call and term deposits with a maturity of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise all cash, short-term deposits and other money market instruments with an original maturity of three months or less, net of bank overdrafts on demand. Cash and cash equivalents are recorded at nominal value.

h) Financial assets and liabilities at fair value through profit or loss

The Group, in accordance with IFRS 9, classifies its investments based on both the Group's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Group is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Group has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. Consequently, all investments are measured at fair value through profit or loss.

Financial assets that are classified as loans and receivables include balances due from brokers and accounts receivable.

Financial liabilities that are not at fair value through profit or loss include balances due to brokers and accounts payable.

(i) Recognition and derecognition

The Group recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or where the Group has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expires.

A regular way purchase of financial assets held for trading is recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded. A regular way purchase of financial assets designated as fair value through profit or loss is recognised using settlement date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded. Financial liabilities are not recognised until the entity becomes party to the contractual provisions of the instrument.

(ii) Measurement

Financial instruments are measured initially at fair value (transaction price). Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the consolidated statement of comprehensive income. Financial assets classified as loans and receivables are carried at amortised cost, less impairment losses, if any. Transaction costs on financial assets classified as loans and receivables are capitalised at initial recognition. Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost.

(iii) Fair value measurement principles and estimation
Fund investments for which market quotations are not readily available are valued at their fair values as described in the process below. Fund investments are normally valued at the underlying net asset value as advised by the managers/administrators of these funds, unless the directors are aware of further information to indicate why such a valuation would not be the most appropriate indicator of fair value. 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. The board of directors together with the AIFM also reviews management information provided by fund investments on a quarterly basis. If the directors are aware of further information to indicate 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 their investments may ultimately be materially affected by the actions of other investors who have also invested in these fund investments.

(iv) Realised gains
Realised gains on investments and securities are shown on a net basis in the consolidated statement of comprehensive income. Realised gains are recognised as being the difference between the cost value of an investment and the proceeds received upon the sale of the investment in the year that the investment was sold.

(v) Dividends
Dividends are recognised in the consolidated statement of comprehensive income within realised gains at the time upon the declaration of such dividends.

(vi) Interest income and finance costs
Interest income and finance costs as well as other income and expenses are recognised in the consolidated statement of comprehensive income on an accruals basis.

(vii) Offsetting
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

i) Accrued income and other receivables
Accrued income and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

j) Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowing using the effective interest method. Borrowings are shown as current liabilities unless the Group has the unconditional right to defer settlement for at least 12 months after the balance sheet date. Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

k) Accrued expenses and other payables
Accrued expenses and other payables are recognised initially at fair value and subsequently stated at amortised cost.

l) Treasury shares
The Company can buy and sell treasury shares in accordance with the Company's articles of association, Swiss company law and in compliance with the listing rules of the SIX Swiss Exchange. Treasury shares are treated as a deduction from shareholders' equity. The gains and losses on sales of treasury shares are credited or charged to the retained earnings account. Upon cancellation, resulting differences between the exchange rates from the time of purchase of the treasury shares to the historical rates are also recognised in retained earnings. The FIFO (first in/first out) method is used for de-recognition. The purchase price is booked gross with transaction costs and withholding tax.

m) Share capital
The Company's share capital is divided into 7,862,421 (2017: 8,721,297) registered shares with a par value of CHF 5 per share. The shares are fully paid in. Each share entitles the holder to participate in any distribution of income and capital.

n) Net asset value per share and earnings per share
The net asset value per share is calculated by dividing the total shareholders' equity before non-controlling interest included in the consolidated balance sheet by the number of participating shares outstanding less treasury shares at the year end.

Basic profit per share is calculated by dividing the net profit attributable to the shareholders by the weighted average number of shares outstanding during the period. Diluted profit per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive shares.

o) Taxes
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.

p) 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 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.

q) Related parties
Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or to exercise significant influence over the other party in making financial and operating decisions.

3 Critical accounting estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are the fair value of non-quoted investments. The fair value of financial instruments that are not traded in an active market is determined by reference to the published net asset values of such underlying funds, as adjusted where relevant by the board of directors as described in the accounting policies. In the case of such an adjustment, changes in assumptions could affect the reported fair value of these investments. 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 material. As of 31 December 2018 and 31 December 2017, there were no fund investments for which the board of directors made valuation adjustments.

4 Foreign exchange rates

The following exchange rates have been applied to translate the foreign currencies of significance for the Group:

Foreign exchange rates		Unit	2018 USD	2017 USD
Swiss Francs	Year-end rates	1 CHF	1.0175	1.0271
Euro	Year-end rates	1 EUR	1.1434	1.2006
Swiss Francs	Average annual rates	1 CHF	1.0239	1.0204
Euro	Average annual rates	1 EUR	1.1786	1.1394

5 Net gain/(loss) from investments designated at fair value through profit or loss

The net gain/(loss) on investments designated at fair value through profit or loss was earned on:

	2018 TUSD	2017 TUSD
Realised gains/(losses), net on investments:		
CTA	3,294	1,102
Macro	2,070	(1,033)
Event Driven	4,057	(1,768)
Long/Short	445	(1,329)
Relative Value	3,772	92
Total realised gain/(loss) on investments[1]	**13,638**	**(2,936)**
Unrealised gains/(losses), net on investments:		
CTA	(4,379)	(2,268)
Macro	(2,754)	(4,074)
Event Driven	(5,467)	2,965
Long/Short	(2,917)	7,278
Relative Value	(3,278)	2,503
Total unrealised (loss)/gain on investments[2]	**(18,795)**	**6,404**
Net (loss)/gain on investments designated at fair value through profit or loss	**(5,157)**	**3,468**

[1] In the above table the realised gains are shown as being the difference between the cost value of an investment and the proceeds received upon the sale of the investment in the year that the investment was sold.
[2] In the above table the unrealised gains are net of gains realised during the year, which were previously recognised as unrealised.

The net gain/(loss) on investments designated at fair value through profit or loss was geographically allocated as follows:

	2018 TUSD	2017 TUSD
Realised gains/(losses), net on investments:		
America	1,835	(304)
Asia	130	(1,286)
Europe	2,034	209
Global	9,639	(1,555)
Total realised gain/(loss) on investments[1]	**13,638**	**(2,936)**
Unrealised gains/(losses), net on investments:		
America	(2,064)	3,006
Asia	(1,522)	3,500
Europe	(1,789)	2,266
Global	(13,420)	(2,368)
Total unrealised (loss)/gain on investments[2]	**(18,795)**	**6,404**
Net (loss)/gain on investments designated at fair value through profit or loss	**(5,157)**	**3,468**

[1] In the above table the realised gains are shown as being the difference between the cost value of an investment and the proceeds received upon the sale of the investment in the year that the investment was sold.
[2] In the above table the unrealised gains are net of gains realised during the year, which were previously recognised as unrealised.

6 Interest income

Interest income for the year was earned on:

Interest income	2018 TUSD	2017 TUSD
Cash and cash equivalents:		
Related party	1	–
Third party	42	28
Total	**43**	**28**

7 Management and performance fees

Management and performance fees are composed as follows:

Management and performance fees	2018 TUSD	2017 TUSD
Management fees – related party	2,383	2,447
Total	**2,383**	**2,447**

8 Other operating expenses

Other operating expenses are composed as follows:

Other operating expenses	2018 TUSD	2017 TUSD
Related party fees:		
Credit facility standby fees	46	46
Administrative fees	53	53
Directors' fees and expenses	224	223
General manager's expenses	76	74
Domicile fees	10	10
Third party fees:		
Administrative fees	95	108
Reporting and publications	30	31
Audit fees	131	153
Custody fees	105	117
Capital taxes (Switzerland)	10	13
Insurance	11	11
Legal fees	19	110
Project expenses (share buyback)	304	189
Stock exchange listing expenses	8	8
Tax advisory fees	161	26
Other expenses	90	74
Total	**1,373**	**1,246**

9 Finance costs

Interest expense for the year was paid on:

Finance cost	2018 TUSD	2017 TUSD
Due to banks – related party	72	46
Total	**72**	**46**

10 Taxes

Reconciliation of income tax calculated with the applicable tax rate:

Tax expense	2018 TUSD	2017 TUSD
Loss for the year before income tax	(8,906)	(228)
Applicable tax rate	7.8%	7.8%
Income tax	(695)	(18)
Effect from non-taxable income	695	18
Total	–	–

The applicable tax rate is the same as the effective tax rate. Refer to note 2 o) for more information on taxes.

11 Cash and cash equivalents

Cash and cash equivalents consist of:

Cash and cash equivalents	2018 TUSD	2017 TUSD
Cash at banks:		
Related party	213	248
Third party	4,404	1,533
Total	**4,617**	**1,781**

The Group has no cash holdings which are not at its disposal. The carrying amounts of the cash and cash equivalents approximate fair value.

12 Accrued income and other receivables

Accrued income and other receivables	2018 TUSD	2017 TUSD
Receivable for investments sold	563	7,813
Other receivables	—	28
Total	**563**	**7,841**

13 Investments designated at fair value through profit or loss

The investments are allocated according to style as follows:

Investments designated at fair value through profit or loss	2018 TUSD	in %	2017 TUSD	in %
CTA	12,251	9%	20,585	11%
Macro	76	0%	21,782	12%
Event Driven	37,011	28%	44,134	24%
Long/Short	61,329	45%	57,220	32%
Relative Value	23,563	18%	37,382	21%
Total	**134,230**	**100%**	**181,103**	**100%**

The details of the investments are shown in the investment table.

Investments designated at fair value through profit or loss[1)]

As of 31 December 2018 (note 13) (All amounts in USD thousands unless otherwise stated)

	Geography	Shares as at 1.1.2018	Shares as at 31.12.2018	Total net paid in as at 1.1.2018	Invest-ments 2018	Redemp-tions 2018	Realised gain/(loss) 2018	Total net paid in as at 31.12.2018	Unrealised gain/(loss) accumulat-ed 2018	Fair value as at 31.12.2018	% of invest-ments
CTA											
Crown/Diversified Trend Master Segregated Portfolio	Global	2,000	2,000	2,000	—	—	—	2,000	(183)	1,817	1.4%
Crown Managed Futures Master Segregated Portfolio	Global	6,247	3,707	13,280	—	(3,956)	3,294	9,324	1,110	10,434	7.8%
Total CTA				**15,280**	—	**(3,956)**	**3,294**	**11,324**	**927**	**12,251**	**9.1%**
Macro											
Crown/Atreaus Segregated Portfolio	Global	4,960	—	7,400	—	(7,400)	(1,841)	—	—	—	0.0%
Crown/Koppenberg Segregated Portfolio	Global	5,145	—	5,879	—	(5,879)	(127)	—	—	—	0.0%
Discovery Global Opportunity Fund Ltd.	Global	12,459	—	5,674	—	(5,674)	4,038	—	—	—	0.0%
The Rohatyn Group Global Opportunity Fund Ltd.	Global	1	1	272	—	—	—	272	(196)	76	0.1%
Total Macro				**19,225**	—	**(18,953)**	**2,070**	**272**	**(196)**	**76**	**0.1%**
Event Driven											
Bennelong Asia Pacific Multi Strategy Equity Fund Ltd.	Asia	6,435	6,435	735	—	—	—	735	(518)	217	0.2%
Crown Distressed Credit Opportunities plc[2)]	Global	5,845	5,344	509	—	(44)	72	465	698	1,163	0.9%
Crown/GLG Segregated Portfolio	Europe	5,842	4,907	5,864	3,000	(3,272)	1,709	5,592	628	6,220	4.6%
Crown/Latigo Segregated Portfolio	America	11,166	6,989	11,500	—	(4,302)	698	7,198	887	8,085	6.0%
Crown/Oceanwood Segregated Portfolio	Europe	8,000	10,459	8,000	2,500	—	—	10,500	(192)	10,308	7.7%
Crown/PW Segregated Portfolio	America	—	9,021	—	9,000	—	—	9,000	776	9,776	7.3%
Highland Crusader Fund II Ltd.	America	1	1	—	—	—	—	—	973	973	0.7%
OZ Asia Overseas Fund Ltd.	Asia	1	1	544	—	(19)	—	525	(331)	194	0.1%
OZ Overseas Fund Ltd. Tranche C shares	Global	2	2	128	—	(3)	3	125	(50)	75	0.1%
Tyrus Capital Opportunities Fund Ltd.	Global	86,626	—	8,516	—	(8,516)	1,575	—	—	—	0.0%
Winston Partners PE Investment Ltd.	Global	1	1	1	—	—	—	1	(1)	—	0.0%
Total Event Driven				**35,797**	**14,500**	**(16,156)**	**4,057**	**34,141**	**2,870**	**37,011**	**27.6%**

	Geography	Shares as at 1.1.2018	Shares as at 31.12.2018	Total net paid in as at 1.1.2018	Investments 2018	Redemptions 2018	Realised gain/(loss) 2018	Total net paid in as at 31.12.2018	Unrealised gain/(loss) accumulated 2018	Fair value as at 31.12.2018	% of investments
Long/Short											
Crown/Ariose Segregated Portfolio	Asia	8,000	—	8,000	—	(8,000)	607	—	—	—	0.0%
Crown/BLS Segregated Portfolio	Asia	9,518	9,518	9,400	—	—	—	9,400	510	9,910	7.4%
Crown/Capeview Segregated Portfolio	Europe	6,719	6,719	6,833	—	—	—	6,833	4,236	11,069	8.3%
Crown/Greenvale Segregated Portfolio	Global	—	6,623	—	6,500	—	—	6,500	(375)	6,125	4.6%
Crown/Helios Segregated Portfolio	Asia	3,394	3,112	4,500	3,000	(3,277)	(477)	4,223	(626)	3,597	2.7%
Crown/Lomas Segregated Portfolio	America	8,105	8,982	8,000	1,000	—	—	9,000	1,530	10,530	7.8%
Crown/Seligman Segregated Portfolio	Global	—	9,471	—	9,500	—	—	9,500	(393)	9,107	6.8%
Crown/Zebedee Segregated Portfolio	Europe	11,711	9,905	11,711	1,000	(2,675)	325	10,036	789	10,825	8.1%
Galleon Technology Offshore Ltd.	America	57	57	1,278	—	—	—	1,278	(1,244)	34	0.0%
Raptor Private Holdings Ltd.	America	397	365	272	—	(22)	(10)	250	(118)	132	0.1%
Total Long/Short				**49,994**	**21,000**	**(13,974)**	**445**	**57,020**	**4,309**	**61,329**	**45.7%**
Relative Value											
Crown/Astignes Segregated Portfolio	Asia	9,209	9,209	9,252	—	—	—	9,252	51	9,303	6.9%
Crown/Linden Segregated Portfolio	Global	6,257	4,104	8,480	—	(2,493)	2,307	5,987	3,061	9,048	6.7%
Crown/Polar Segregated Portfolio	America	11,909	—	12,000	—	(12,000)	1,147	—	—	—	0.0%
D.E. Shaw Composite International Ltd.	Global	1	1	—	—	—	—	—	105	105	0.1%
D.E. Shaw Composite International Ltd. Side Pocket Series	Global	1	1	—	—	—	330	—	1,019	1,019	0.8%
Drake Absolute Return Fund Ltd.	Global	24	—	49	—	(49)	(12)	—	—	—	0.0%
The Segantii Asia Pacific Equity Multi Strategy Fund	Asia	—	8,860	—	4,000	—	—	4,000	88	4,088	3.1%
Total Relative Value				**29,781**	**4,000**	**(14,542)**	**3,772**	**19,239**	**4,324**	**23,563**	**17.6%**
Total				**150,077**	**39,500**	**(67,581)**	**13,638**	**121,996**	**12,234**	**134,230**	**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.

Investments designated at fair value through profit or loss[1)]

As of 31 December 2017 (note 13) (All amounts in USD thousands unless otherwise stated)

	Geography	Shares as at 1.1.2017	Shares as at 31.12.2017	Total net paid in as at 1.1.2017	Investments 2017	Redemptions 2017	Realised gain/(loss) 2017	Total net paid in as at 31.12.2017	Unrealised gain/(loss) accumulated 2017	Fair value as at 31.12.2017	% of investments
CTA											
Crown/Diversified Trend Master Segregated Portfolio	Global	—	2,000	—	2,000	—	—	2,000	142	2,142	1.2%
Crown Managed Futures Master Segregated Portfolio	Global	6,960	6,247	14,177	—	(898)	1,102	13,280	5,163	18,443	10.2%
Total CTA				**14,177**	**2,000**	**(898)**	**1,102**	**15,280**	**5,305**	**20,585**	**11.4%**
Macro											
Crown/Atreaus Segregated Portfolio	Global	4,960	4,960	7,400	—	—	—	7,400	(1,841)	5,559	3.1%
Crown/Guard Segregated Portfolio	Asia	5,332	—	5,332	—	(5,332)	(1,286)	—	—	—	0.0%
Crown/Koppenberg Segregated Portfolio	Global	5,099	5,145	5,698	850	(669)	356	5,879	(33)	5,846	3.2%
Discovery Global Opportunity Fund Ltd.	Global	12,459	12,459	5,674	—	—	—	5,674	4,613	10,287	5.7%
The Rohatyn Group Global Opportunity Fund Ltd.	Global	1	1	376	—	(103)	(103)	272	(182)	90	0.1%
Total Macro				**24,480**	**850**	**(6,104)**	**(1,033)**	**19,225**	**2,557**	**21,782**	**12.0%**
Event Driven											
Bennelong Asia Pacific Multi Strategy Equity Fund Ltd.	Asia	6,435	6,435	735	—	—	—	735	(227)	507	0.3%
Cerberus Asia Partners L.P.	Asia	1	1	—	—	—	—	—	—	—	0.0%
Crown Distressed Credit Opportunities plc[2)]	Global	8,480	5,845	738	—	(229)	388	509	819	1,328	0.7%
Crown/Eyck Segregated Portfolio	Europe	5,497	—	6,000	—	(6,000)	(603)	—	—	—	0.0%
Crown/GLG Segregated Portfolio	Europe	7,478	5,842	7,500	—	(1,636)	364	5,864	1,416	7,280	4.0%
Crown/Latigo Segregated Portfolio	America	11,166	11,166	11,500	—	—	—	11,500	2,641	14,141	7.8%
Crown/Oceanwood Segregated Portfolio	Europe	—	8,000	—	8,000	—	—	8,000	161	8,161	4.5%
Highland Crusader Fund II Ltd.	America	1	1	—	—	—	—	—	777	777	0.4%
Oceanwood Opportunities Fund	Europe	—	—	—	8,000	(8,000)	448	—	—	—	0.0%
OZ Asia Overseas Fund Ltd.	Asia	1	1	627	—	(83)	—	544	(318)	226	0.1%
OZ Overseas Fund Ltd. Tranche C shares	Global	2	2	134	—	(6)	19	128	(47)	81	0.0%
Tyrus Capital Opportunities Fund Ltd.	Global	86,626	86,626	8,516	—	—	—	8,516	3,117	11,633	6.4%
Winston Partners PE Investment Ltd.	Global	7,615	1	3,662	—	(3,661)	(2,384)	1	(1)	—	0.0%
Total Event Driven				**39,412**	**16,000**	**(19,615)**	**(1,768)**	**35,797**	**8,338**	**44,133**	**24.4%**

	Geography	Shares as at 1.1.2017	Shares as at 31.12.2017	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 31.12.2017	Unrealised gain/(loss) accumulat-ed 2017	Fair value as at 31.12.2017	% of invest-ments
Long/Short											
Crown/Ariose Segregated Portfolio	Asia	8,000	8,000	8,000	—	—	—	8,000	701	8,701	4.8%
Crown/BLS Segregated Portfolio	Asia	9,518	9,518	9,400	—	—	—	9,400	183	9,583	5.3%
Crown/Capeview Segregated Portfolio	Europe	6,719	6,719	6,833	—	—	—	6,833	4,245	11,078	6.1%
Crown/Helios Segregated Portfolio	Asia	—	3,394	—	4,500	—	—	4,500	295	4,795	2.7%
Crown/Lomas Segregated Portfolio	America	8,105	8,105	8,000	—	—	—	8,000	1,214	9,214	5.1%
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	1,428	13,139	7.3%
Galleon Technology Offshore Ltd.	America	57	57	1,278	—	—	—	1,278	(725)	553	0.3%
Polo Fund	America	41,403	41,403	8,117	—	(8,117)	(302)	—	—	—	0.0%
Raptor Private Holdings Ltd.	America	397	397	272	—	—	—	272	(115)	158	0.1%
Total Long/Short				**62,648**	**4,500**	**(17,153)**	**(1,327)**	**49,994**	**7,226**	**57,221**	**31.6%**
Relative Value											
Crown/Astignes Segregated Portfolio (formerly known as Crown/ Alphadyne Segregated Portfolio)	Asia	7,414	9,209	7,452	1,800	—	—	9,252	62	9,314	5.1%
Crown/Linden Segregated Portfolio	Global	6,257	6,257	8,480	—	—	—	8,480	5,384	13,864	7.7%
Crown/Polar Segregated Portfolio	America	11,909	11,909	12,000	—	—	—	12,000	1,076	13,076	7.2%
D.E. Shaw Composite International Ltd.	Global	1	1	—	—	—	102	—	113	113	0.1%
D.E. Shaw Composite International Ltd. Side Pocket Series	Global	1	1	247	—	(247)	—	—	976	976	0.5%
Drake Absolute Return Fund Ltd.	Global	43	24	89	—	(40)	(10)	49	(10)	39	0.0%
Total Relative Value				**28,268**	**1,800**	**(287)**	**92**	**29,781**	**7,601**	**37,382**	**20.6%**
Total				**168,985**	**25,150**	**(44,057)**	**(2,934)**	**150,077**	**31,027**	**181,103**	**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.

14 Borrowings

As of 31 December 2018, the Ireland Subsidiary has a credit line of TUSD 15,000 (31 December 2017: 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. The pledged assets were deposited with LGT Bank Ltd., Vaduz and pledged in favour of the lender.

As of 31 December 2018, the Ireland Subsidiary had TUSD 7,000 borrowings from LGT Bank Ltd., Dublin Branch (31 December 2017: TUSD 6,568).

Due to banks – fixed advance	Interest rate	Maturity	Amount in TUSD
As of 31 December 2018	5.1300%	11 January 2019	7,000
Total			**7,000**

15 Accrued expenses and other payables

Accrued expenses and other payables consist of:

Accrued expenses and other payables	2018 TUSD	2017 TUSD
Accrued management fee payable – related party	161	81
Accrued general manager's expenses payable – related party	76	–
Accrued credit facility standby fees payable – related party	11	11
Accrued administrative fee payable – related party	–	10
Accrued administrative fee payable – third party	12	18
Accrued custody fee payable – third party	14	19
Accrued withholding tax treasury shares 2nd line (bought for cancellation) – third party	205	204
Other accrued expenses – third party	231	229
Total	**710**	**572**

16 Shareholders' equity

Shareholders' equity
The share capital at 31 December 2018 amounts to TUSD 27,926 (2017: TUSD 32,337) consisting of 7,862,421 (2017: 8,721,297) issued and fully paid registered shares with a par value of CHF 5.

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 131,700 as of 31 December 2018 (2017: TUSD 183,585).

During the period from 21 June 2010 to 31 December 2018 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.

The Company's share buyback program is further detailed in note 7 in the statutory report.

Treasury shares

Buyback programs	From	To	Cancelled	Number of shares	Average USD	Cost TUSD
Program initiated on 6 June 2016, announced on 1 June 2016						
Additions 2016	06.06.2016	31.12.2016	11.08.2017	464,000	17.14	7,952
Additions 2017	01.01.2017	12.05.2017	11.08.2017	147,900	16.86	2,494
Additions 2017	15.05.2017	30.06.2017	07.08.2018	38,014	16.97	645
Additions 2017 via tradable put options	03.07.2017	17.07.2017	07.08.2018	277,578	18.57	5,155
Total				**927,492**	**17.52**	**16,246**
Program initiated on 24 July 2017, announced on 28 June 2017						
Additions 2017	24.07.2017	31.12.2017	07.08.2018	313,090	16.35	5,119
Additions 2018	01.01.2018	08.05.2018	07.08.2018	230,194	16.56	3,813
Additions 2018	09.05.2018	20.06.2018	—	51,267	16.03	822
Additions 2018 via tradable put options	21.06.2018	13.07.2018	—	386,142	18.08	6,983
Total				**980,693**	**17.07**	**16,737**
Program initiated on 19 July 2018, announced on 17 July 2018						
Additions 2018	19.07.2018	31.12.2018	—	454,865	15.93	7,248
Additions 2018 via tradable put options	15.11.2018	29.11.2018	—	348,109	18.07	6,289
Total				**802,974**	**16.86**	**13,537**

Movement of treasury shares 2nd line and tradable put options (bought for cancellation)	Number of shares		Cost TUSD
Shares held as of 1 January 2017	**784,535**		**13,733**
Additions 2017 via 2nd line	499,004		8,258
Additions 2017 via tradable put options	277,578		5,155
Cancellation on 11 August 2017	(932,435)		(16,227)
Shares held as of 31 December 2017	**628,682**		**10,919**
Additions 2018 via 2nd line	736,326		11,883
Additions 2018 via tradable put options	734,251		13,272
Cancellation on 7 August 2018	(858,876)		(14,732)
Shares held as of 31 December 2018	**1,240,383**		**21,342**

17 Major shareholders

As of 31 December the following major shareholders were known by the Company:

Major shareholders	2018	2017
Between 20% and 33 1/3%	LGT Group Foundation, Liechtenstein	LGT Group Foundation, Liechtenstein
Between 10% and 20%	LGT Capital Partners, Switzerland, on behalf of pension funds	LGT Capital Partners, Switzerland, on behalf of pension funds
Between 3% and 10%	Alpine Select AG, Zug	Anstalt Fürst Liechtenstein
	BKS Global PCC Limited, Guernsey	BKS Global PCC Limited, Guernsey

18 Significant fee agreements

In relation to its investment and administration activity the Company and/or its Subsidiaries entered into the following agreements:

a) LGT Capital Partners (Ireland) Ltd., Dublin ("LGT CPI"), acts as the AIFM for the Ireland Subsidiary and as the investment manager for the Cayman Subsidiary (together the "Subsidiaries"). In its respective roles for the two Subsidiaries, LGT CPI receives a fee of 1.5 per cent (before deduction of the performance fee) per annum of the total US Dollar net asset value of the respective subsidiary as at the close of business on the final business day of each calendar month. The fee is due monthly in arrears, calculated as 0.125 per cent after the net asset value calculation. LGT CPI also receives a performance fee of 10 per cent of the net new trading gains of the Subsidiaries since the previous payment of such performance fee. This performance fee is payable annually and any previous losses must be recouped before such a performance fee becomes payable ("high water mark"). Performance fees are payable in arrears. Performance fees of shares redeemed during a performance period shall be paid out within 30 days after the date of redemption. The calculated net asset value is net of all accrued fees. LGT CPI will also be reimbursed for all reasonable out-of-pocket expenses, incurred for the benefit of the Subsidiaries. Both of these arrangements are for an initial fixed term ending on 17 July 2019 and can be terminated thereafter by either party with 90 days' prior written notice.

   The investment management and performance fees of the Cayman Subsidiary are calculated excluding the investment that the Cayman Subsidiary has in the Ireland Subsidiary, for which the fees have already been charged at the level of the Ireland Subsidiary. This ensures that there is no double charging of fees for the same assets at the level of both Subsidiaries.

   LGT Capital Partners Ltd., Pfäffikon, provides investment advice based on an investment advisory agreement with LGT CPI. The investment advisor is remunerated by the LGT CPI with no extra cost to the Subsidiaries.

b) LGT Fund Managers (Ireland) Ltd. is appointed as manager of the Ireland Subsidiary and therefore entitled to TEUR 5 for company secretarial services and to TEUR 1.5 for the preparation of the financial statements.

c) BNP Paribas Fund Administration Services (Ireland) acts as the administrator of the Ireland Subsidiary and receives an annual fee equal to 0.05 per cent of the net asset value of the Ireland Subsidiary, payable monthly in arrears. The administrator is also entitled to an annual fee of TEUR 4 for each additional share class. Any disbursement incurred will be charged separately.

d) LGT Group Holding Ltd., Vaduz, acts as the administrator for the Company and charges an annual flat fee of TUSD 40 payable quarterly in arrears. Any disbursements incurred will be charged separately. LGT Group Holding Ltd., Vaduz, also provides administrative services for the Cayman Subsidiary and charges an annual flat fee of TUSD 10.

e) LGT Capital Partners Ltd., Pfäffikon, provides domicile services for the Company and receives a flat fee of TCHF 9 per annum.

f) BNP Paribas Securities Services, Dublin Branch acts as custodian of the Ireland Subsidiary and receives a custody fee equal to a maximum of 0.02 per cent per annum of the net asset value of the Ireland Subsidiary, subject to a maximum annual fee of TUSD 70. BNP Paribas Securities Services, Dublin Branch receives in addition a depositary fee of 0.03 per cent per annum of the net asset value of the Ireland Subsidiary. The depositary is also entitled to an annual fee of TUSD 7.5 for cash flow monitoring services in addition to custody and depositary fees.

g) Citco Bank Nederland N.V., Amsterdam, and Citco Global Custody N.V., Malta, provide custodial services to the Cayman Subsidiary and receive a fee equivalent to 0.035 per cent annually of the average holdings over the preceding three months, plus actual sub-custodian charges (if applicable) and out-of-pocket expenses. Citco Bank charges a transaction fee of 0.25 per cent, with a minimum of USD 100 and a maximum of USD 800 for each transaction.

19 Significant transactions with related parties

In the opinion of the board of directors, the parties referred to in the schedule accompanying this note are related parties as defined by IAS 24 “Related Party Disclosures”. All related party transactions have been carried out within the normal course of business, and are disclosed in the table below.

LGT Group Foundation, Vaduz, is the controlling shareholder of LGT Capital Partners (Ireland) Ltd., Dublin, which is entitled to a management 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.

Related party transactions

Entity	Related party Relationship/Agreement(s) Direct/indirect	Terms and conditions	Transaction type	2018 TUSD	2017 TUSD
Castle Alternative Invest AG	LGT Bank Ltd./ Administrative Services Agreement/direct	Note 11	Cash at banks	150	150
	LGT Group Holding Ltd./ Administrative Services Agreement/direct	Note 8	Administration fee	43	40
	LGT Capital Partners Ltd./ Domicile Agreement/direct	Note 8	Domicile fee	10	10
	LGT Capital Partners Ltd./ Management Expenses Agreement/direct	Note 8	General manager’s expenses	76	74
		Note 15	General manager’s expenses payable	76	—
	Directors/direct	Note 8	Directors’ fee	217	216
Castle Alternative Invest (Overseas) Ltd.	LGT Capital Partners (Ireland) Ltd./ Investment Management Agreement/ direct	Note 7	Investment management fee	2	2
		Note 15	Investment management fee payable	1	1
	LGT Group Holding Ltd./ Administrative Services Agreement/ direct	Note 8	Administration fee	10	10
		Note 15	Administration fee payable	—	10
	LGT Bank Ltd./ Administrative Services Agreement and Loan Agreement/direct	Note 11	Cash at banks	63	98
	Directors/indirect	Note 8	Directors’ fee	5	5
Castle Alternative Invest (International) plc	LGT Bank Ltd., Dublin Branch (formerly LGT Bank (Ireland) Ltd.)/ Loan Agreement/direct	Note 14	Due to banks: loan	7,000	6,568
		Note 9	Interest expense	72	46
		Note 8	Credit facility standby fee	46	46
		Note 15	Credit facility standby fees payable	11	11
	LGT Capital Partners (Ireland) Ltd./ Alternative Investment Fund Management Agreement/direct	Note 7	Investment management fee	2,381	2,445
		Note 15	Investment management fee payable	160	80
	Directors/indirect	Note 8	Directors’ fee	2	2
	LGT Capital Partners Ltd./ Advisory Agreement/indirect	No direct fees	Advisory fee (no direct fees)	—	—
	LGT Fund Managers (Ireland) Ltd./ Management Agreement/indirect	No direct fees	Secretarial services (no direct fees)	—	—

In 2018, the Ireland Subsidiary received cash of TUSD 1,100 (2017: TUSD 600) for the Class A shares which was launched in 2016 from the LGT Castle Sub-Fund under Crown Alpha plc. In November 2018 Class A shares were completely redeemed. The AIFM of LGT Castle Sub-Fund was LGT Capital Partners (Ireland) Ltd., Dublin, the same AIFM as for the Ireland Subsidiary. The investment adviser was LGT Capital Partners Ltd., Pfäffikon, the same investment advisor as for the Ireland Subsidiary.

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., Pfäffikon, an affiliate of the Ireland Subsidiary's AIFM.

- Crown Distressed Credit Opportunities plc
- Crown Managed Futures Master Segregated Portfolio
- Crown/Astignes Segregated Portfolio
- Crown/BLS Segregated Portfolio
- Crown/Capeview Segregated Portfolio
- Crown/Diversified Trend Master Segregated Portfolio
- Crown/GLG Segregated Portfolio
- Crown/Greenvale Segregated Portfolio
- Crown/Helios Segregated Portfolio
- Crown/Latigo Segregated Portfolio
- Crown/Linden Segregated Portfolio
- Crown/Lomas Segregated Portfolio
- Crown/Oceanwood Segregated Portfolio
- Crown/PW Segregated Portfolio
- Crown/Seligman Segregated Portfolio
- Crown/Zebedee Segregated Portfolio

The table below shows the remuneration for the members of the board of directors and member of management in the year 2018 and 2017. In addition, the Company paid a directors' and officers' liability insurance fee of TUSD 11 (2017: TUSD 11). Travel expenses amounted to TUSD 32 (2017: TUSD 31).

Board and management remuneration is defined and paid out in CHF. See also the remuneration report.

Remuneration and expenses	**2018 TUSD**	**2017 TUSD**
Chairman	60	59
Deputy chairman	47	47
Committee chairman	45	45
Members	34	34
General manager	76	74
Total	**262**	**259**

The board of directors has delegated the operational management of the Company to Benedikt Meyer as general manager. The general manager is compensated by the Company.

LGT Group Foundation is the ultimate owner of LGT Capital Partners (Ireland) Ltd. which acts as AIFM/ investment manager to the Group and receives a management fee for these services.

20 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 non-current assets are geographically allocated as follows:

	2018 TUSD	in %	2017 TUSD	in %
Non-current assets:				
America	29,530	22%	37,918	21%
Asia	27,309	20%	33,126	18%
Europe	38,422	29%	39,658	22%
Global	38,969	29%	70,401	39%
Total non-current assets	**134,230**	**100%**	**181,103**	**100%**

For the geographic allocation of the net gain/(loss) on investments designated at fair value through profit or loss see note 5.

For more information on the largest shareholders see note 17.

21 Financial risk management

The Group is exposed to a variety of financial risks including: market risk, credit risk and liquidity risk. The AIFM attributes great importance to professional risk management, beginning with careful diversifications, the sourcing of access to premier hedge fund investment opportunities, proper understanding and negotiation of appropriate terms and conditions, and active monitoring including ongoing interviews with managers, thorough analysis of reports and financial statements and performance reviews. The Group has investment guidelines that set out its overall business strategies, its investment policy, general investment and risk guidelines, and has established processes for the monitoring of these guidelines. The Ireland Subsidiary's AIFM provides the Irish Subsidiary with investment opportunities that are consistent with the Group's objectives.

a) Market risks

(i) Price risk – The investments held in the portfolio may be realised only after several years and their fair values may change significantly. The AIFM provides the Group with investment opportunities that are consistent with the Group's objectives.

The rights of the Group to request redemption from fund investments may vary in frequency from monthly to annual redemptions. The nature of the Group's fund investments, all being unquoted, means the Group relies on underlying administrator estimates and final net asset values, underlying manager estimates and audited final net asset values at year-ends for determining the fair value of fund investments, adjusted where relevant by the board of directors as described in the accounting policies.

The board of directors reviews and agrees policies with the AIFM for managing its risk exposure. The AIFM makes investment decisions in compliance with the Investment Management agreement and which are consistent with the Group's objectives.

The AIFM makes its decisions, including manager selections, based on a thorough understanding of the risk and performance characteristics of fund investments gained through detailed investigation and critical analysis. The AIFM selects underlying managers which it considers have robust risk controls and mechanisms. The monitoring of such fund investments is a continuous process. The investment portfolio is quarterly reviewed by the board of directors.

While the Group holds a diversified portfolio of underlying fund investments, there are certain general market conditions under which any investment strategies that the Group follows are unlikely to be profitable. Neither the underlying managers of the fund investments nor the AIFM have any ability to control or predict such market conditions. Although, with respect to market risk, the Group's investment approach is designed to achieve broad diversification on a global basis, from time to time, multiple market events could move together against the Group's underlying investments and the Group could suffer losses.

Underlying managers of fund investments may transfer a portion of the Group's investment in that fund into share classes where liquidity terms are directed by the underlying manager in accordance with the respective fund investment's offering memorandum, commonly referred to as side pocket share classes. These side pocket share classes may have restricted liquidity and prohibit the Group from fully liquidating its investments without delay. The Group's AIFM attempts to determine the fund investment's strategy on side pockets prior to making an allocation to such investment through its due diligence process. However, no assurance can be given on whether or not the fund investments will implement side pockets during the investment period. Fund investments may also, at their discretion, suspend redemptions or implement other restrictions on liquidity which could impact the Group. As of 31 December 2018, TUSD 2,826 or 2.1 per cent of net assets were considered illiquid by the Group due to restrictions implemented by certain fund investments (2017: TUSD 3,520 or 1.9 per cent).

The investment remit is to have an optimally allocated portfolio over: (i) the various investment styles (e.g. CTA/macro, event driven, long/short equity, relative value, etc.); and (ii) geographical regions (e.g. Asia, Emerging Markets, Europe, USA etc.). The investment vehicles and their respective fund managers are selected on quantitative and qualitative research criteria including: (i) risk return prospects of different non-traditional investment strategies; (ii) business structure and team organisation of the fund manager; (iii) risk management procedure and liquidity aspects of the investment vehicles; (iv) amount under management and commitment of the principals of the fund manager; (v) cost structure; (vi) correlation to other fund managers and the entire portfolio; and (vii) historical performance in relation to investment style, expected returns, benchmarks and degree of risk. The Group allocates the majority of its assets at cost to funds with a proven performance record of several years. The objective is to invest into top quality fund managers across the respective investment sectors. A minority part of the assets are invested with new and emerging fund managers. The Group does not allocate more than 15 per cent of the net asset value at cost to one single fund manager or 10 per cent to any one investment vehicle. Under normal circumstances, no allocation to a fund manager will be made prior to a visit by the AIFM to the fund manager's business location. It includes a proper evaluation concerning the fund manager's business structure, its key employees, its track record, its relation with third parties and other relevant aspects. The AIFM carries out a monitoring procedure in order to implement the following risk control parameters: (i) changes in a fund manager's structure and organisation; (ii) major deviations from historical returns; (iii) changes in the correlation of the portfolio; (iv) changes in investment styles; and (v) comparisons of fund manager's performance versus that of their underlying investments.

As of 31 December 2018 and 2017, the Group's market risk was affected mainly by changes in actual market prices.

Value at Risk

The Group applies value at risk methodology (VaR) to its portfolio as well as to the individual investments in order to estimate the risk of positions held at certain times. The risk analysis refers to a specified time horizon and to a given level of confidence and in this respect derives the potential losses that could occur on these positions as a result of market movements affecting the exposures held by hedge funds and based upon a number of assumptions for hedge fund behaviour and market behaviour. VaR is a statistically based estimate of the potential loss on the program (referring to portfolio composition at a particular point of time) from adverse market movements. It expresses the maximum amount the program might lose, but only to a certain level of confidence (99 per cent). There is therefore a specified statistical probability (1 per cent) that actual losses could be greater than the VaR estimate.

Methods and Assumptions

The risk analysis shows risk with respect to actual year-end allocations in the portfolio. For this analysis the VaR is calculated by deriving the 99th worst percentile of constructed weekly portfolio returns using the last 170 weeks and based on "treated" historical series of hedge funds. The "treatment" is applied because of the different and possible irregular frequencies. The time series is interpolated to produce weekly returns across the portfolio.

Actual outcomes are monitored regularly to test the validity of this VaR calculation. The employment of different methodologies, also with greater forward looking characteristics, generates information about the robustness of the risk figures.

Limitations to this Value at Risk Model

The weaknesses of this approach are reliance on historical observations and the different data availability across funds. Most of the funds provide weekly returns but the data frequencies can differ considerably between styles. Nevertheless, the figures presented should provide an adequate view of histories and reflect turbulent times well.

The methodology employed for this risk illustration is only one type of risk information considered and the complexity of risks analysis for fund of fund portfolios requires the use of various different methodologies.

Value at Risk Summary

Value at Risk Summary	**2018**	**2017**
As of 31 December	0.94%	0.82%

The performance of the investments and the compilation of the investment portfolio held by the Group is monitored by the AIFM on a monthly basis and reviewed quarterly by the board of directors.

(ii) Currency risk – The majority of the Group's assets are denominated in the US Dollar, the functional currency. As a result, the Group is not exposed to a significant amount of currency risk. The Group's policy is not to enter into any currency hedging transactions. The schedule below summarises the Group exposure to currency risks.

In accordance with the Group's policy, the AIFM monitors the Group's currency position on a monthly basis and the board of directors reviews it on a regular basis.

Currency risk

As of 31 December 2018	**USD TUSD**	**CHF TUSD**	**Total TUSD**
Assets			
Cash and cash equivalents	4,347	270	4,617
Accrued income and other receivables	563	—	563
Investments designated at fair value through profit or loss	134,230	—	134,230
Total assets	**139,140**	**270**	**139,410**
Liabilities			
Borrowings	7,000	—	7,000
Accrued expenses and other payables	499	211	710
Total liabilities	**7,499**	**211**	**7,710**

As of 31 December 2017	**USD TUSD**	**CHF TUSD**	**Total TUSD**
Assets			
Cash and cash equivalents	1,574	207	1,781
Accrued income and other receivables	7,841	—	7,841
Investments designated at fair value through profit or loss	181,103	—	181,103
Total assets	**190,518**	**207**	**190,725**
Liabilities			
Borrowings	6,568	—	6,568
Accrued expenses and other payables	235	337	572
Total liabilities	**6,803**	**337**	**7,140**

(iii) Interest rate risk – The majority of the Group's financial assets and liabilities are non-interest bearing. As a result, the Group is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates.

The schedule below summarises the Group's exposure to interest rate risks. It includes the Group's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity dates.

In accordance with the Group's policy, the AIFM monitors the Group's overall interest sensitivity on a monthly basis, and the board of directors reviews it on a quarterly basis.

Interest rate risk

As of 31 December 2018	Less than 1 month TUSD	Non-interest bearing TUSD	Total TUSD
Assets			
Cash and cash equivalents	4,617	—	4,617
Accrued income and other receivables	—	563	563
Investments designated at fair value through profit or loss	—	134,230	134,230
Total assets	**4,617**	**134,793**	**139,410**
Liabilities			
Borrowings	7,000	—	7,000
Accrued expenses and other payables	—	710	710
Total current liabilities	**7,000**	**710**	**7,710**

As of 31 December 2017	Less than 1 month TUSD	Non-interest bearing TUSD	Total TUSD
Assets			
Cash and cash equivalents	1,781	—	1,781
Accrued income and other receivables	—	7,841	7,841
Investments designated at fair value through profit or loss	—	181,103	181,103
Total assets	**1,781**	**188,944**	**190,725**
Liabilities			
Borrowings	6,568	—	6,568
Accrued expenses and other payables	—	572	572
Total current liabilities	**6,568**	**572**	**7,140**

b) Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred by the balance sheet date, if any. The schedule below summarises the Group's exposure to credit risks.

The Group's main credit risk concentration is from redemptions to be received from the hedge funds investments in which the Group is invested. The Group seeks to mitigate its exposure to credit risk by conducting its contractual transactions and placing its short-term funds only with institutions which are reputable and well established.

In accordance with the Group's policy, the AIFM monitors the Group's credit position on a monthly basis and the board of directors reviews it on a quarterly basis.

Credit risk

As of 31 December 2018	Fully performing TUSD	Total TUSD	S&P Rating
Assets			
Cash at LGT Bank Ltd., Vaduz	213	213	A+
Cash at BNP Paribas Securities Services, Dublin Branch	624	624	A
Cash at Citco Fund Services (Europe) B.V., Amsterdam	38	38	n/a
Cash at Zuercher Kantonalbank, Zurich	3,742	3,742	AAA
Accrued income and other receivables	563	563	n/a
Total exposure to credit risk	**5,180**	**5,180**	

As of 31 December 2017	Fully performing TUSD	Total TUSD	S&P Rating
Assets			
Cash at LGT Bank Ltd., Vaduz	249	249	A+
Cash at BNP Paribas Securities Services, Dublin Branch	695	695	A
Cash at Citco Fund Services (Europe) B.V., Amsterdam	35	35	n/a
Cash at Zuercher Kantonalbank, Zurich	802	802	AAA
Accrued income and other receivables	7,841	7,841	n/a
Total exposure to credit risk	**9,622**	**9,622**	

c) Liquidity risk

The schedule below analyses the Group's financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the schedule are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

The AIFM carries out a detailed liquidity plan in which all subscriptions and redemptions in the underlying hedge fund investments are taken into account. The goal is to keep a liquidity reserve in cash and cash equivalents to take advantage of investment opportunities which may arise and to cover any future fee payments.

As mentioned in note 14 the Subsidiaries have a credit line of total TUSD 15,000 (2017: TUSD 15,000) granted by LGT Bank Ltd., Dublin Branch, which may be used for bridge financing purposes and helps to mitigate liquidity risk.

Liquidity risk

As of 31 December 2018	Less than 1 month TUSD	1 – 3 months TUSD	No stated maturity TUSD	Total TUSD
Liabilities				
Borrowings	7,000	—	—	7,000
Accrued expenses and other payables	378	332	—	710
Total current liabilities	**7,378**	**332**	—	**7,710**
Total outstanding commitment amount (note 22)	**4,109**	—	—	**4,109**

As of 31 December 2017	Less than 1 month TUSD	1 – 3 months TUSD	No stated maturity TUSD	Total TUSD
Liabilities				
Borrowings	6,568	—	—	6,568
Accrued expenses and other payables	177	389	7	572
Total current liabilities	**6,745**	**389**	**7**	**7,140**
Total outstanding commitment amount (note 22)	**4,109**	—	—	**4,109**

Most of the investments which the Group makes are also subject to specific restrictions on transferability and disposal. Consequently, risks exist that the Group might not be able to readily dispose of its holdings in such markets or investments when it chooses and also that the price attained on a disposal is below the amount at which such investments are included in the Group's consolidated balance sheet. To help mitigate this risk the Group seeks to invest in investments with redemption periods of no longer than three months. The table below analyses the redemption periods for the investments.

Liquidity risk – redemption periods

As of 31 December 2018	Less than 1 month TUSD	1 – 3 months TUSD	3 – 6 months TUSD	More than 6 months TUSD	Un-determined TUSD	Total TUSD
Redemption periods	15,847	71,435	42,959	1,163	2,826	134,230
Total	**15,847**	**71,435**	**42,959**	**1,163**	**2,826**	**134,230**

As of 31 December 2017	Less than 1 month TUSD	1 – 3 months TUSD	3 – 6 months TUSD	More than 6 months TUSD	Un-determined TUSD	Total TUSD
Redemption periods	61,368	89,160	15,441	11,614	3,520	181,103
Total	**61,368**	**89,160**	**15,441**	**11,614**	**3,520**	**181,103**

The following investments are not readily realisable due to the terms of the individual investments, various events and/or the illiquid nature of the underlying assets.

Liquidity risk – evented funds

As of 31 December 2018		Fair value TUSD
Fund investment	**Event**	
Bennelong Asia Pacific Multi Strategy Equity Fund Ltd.	Sidepocket	217
D.E. Shaw Composite International Ltd. (side pocket series)	Liquidation/ sidepocket	1,124
Galleon Technology Offshore Ltd.	Liquidation	34
Highland Crusader Fund II Ltd.	Liquidation	973
OZ Asia Overseas Fund Ltd.	Sidepocket	194
OZ Overseas Fund Ltd. Tranche C shares	Sidepocket	75
Raptor Private Holdings Ltd.	Liquidation	133
The Rohatyn Group Global Opportunity Fund Ltd.	Sidepocket	76
Total		**2,826**

As of 31 December 2017		Fair value TUSD
Fund investment	**Event**	
Bennelong Asia Pacific Multi Strategy Equity Fund Ltd.	Sidepocket	507
D.E. Shaw Composite International Ltd. (side pocket series)	Liquidation/ sidepocket	1,089
Drake Absolute Return Fund Ltd.	Liquidation	39
Galleon Technology Offshore Ltd.	Liquidation	553
Highland Crusader Fund II Ltd.	Liquidation	777
OZ Asia Overseas Fund Ltd.	Sidepocket	226
OZ Overseas Fund Ltd. Tranche C shares	Sidepocket	81
Raptor Private Holdings Ltd.	Liquidation	158
The Rohatyn Group Global Opportunity Fund Ltd.	Sidepocket	90
Total		**3,520**

As disclosed in note 1 side pocket share classes were created for illiquid assets. In addition to the evented funds, the following investment is considered illiquid due to its nature or, as set out in its issuing documents, exhibit longer notice periods and will therefore take longer to redeem. Crown Distressed Credit Opportunities plc was due to expire on 1 July 2016 but was extended to 29 June 2021 and has a fair value of TUSD 1,163 (2017: TUSD 1,328).

In accordance with the Group's policy, the AIFM monitors the Group's liquidity position on a monthly basis and the board of directors reviews it on a quarterly basis.

d) Capital risk management

Discount control – the directors recognise the importance to shareholders of the Company's share price performance in the secondary market. Accordingly, the directors may take steps from time to time with a view to seeking to limit the prevailing discount to net asset value at which the shares trade. In particular, the directors may authorise repurchases of shares for cancellation.

Repurchase of shares for cancellation – The directors may consider repurchasing shares in the market for treasury or for cancellation if they believe it to be in shareholders' interests and as a means of correcting any imbalance between supply and demand for the shares. Pursuant to the Swiss Code of Obligations, the Company is not required to obtain a general authority from shareholders to effect the repurchase of shares for cancellation. Any purchase of shares by the Company for cancellation will only be made through the market at prices (after allowing for costs) below the prevailing net asset value per share and will otherwise be in accordance with the Listing Rules in force at the time and with guidelines established from time to time by the board. Swiss law limits the right of a company to purchase and hold its own shares.

e) 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 further information to indicate 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. See note 2 h) (iii) for further valuation information.

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 board of directors and the AIFM. The board of directors and the AIFM consider 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 31 December 2018 and 31 December 2017.

As of 31 December 2018	**Level 1 TUSD**	**Level 2 TUSD**	**Level 3 TUSD**	**Total TUSD**
Assets				
Assets designated at fair value through profit or loss:				
Investments	–	130,241	3,989	134,230
Total	**–**	**130,241**	**3,989**	**134,230**

As of 31 December 2017	**Level 1 TUSD**	**Level 2 TUSD**	**Level 3 TUSD**	**Total TUSD**
Assets				
Assets designated at fair value through profit or loss:				
Investments	–	176,255	4,848	181,103
Total	**–**	**176,255**	**4,848**	**181,103**

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. The Group does not hold level 1 investments as of 31 December 2018 and 31 December 2017.

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. For more information on the valuation of these investments see note 2 h) (iii).

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. See also note 21 c) liquidity risk.

If the value of the level 3 investments (based on year end values) had increased or decreased by 5 per cent with all other variables held constant, the impact on the consolidated statement of comprehensive income and consolidated balance sheet would have been TUSD 199 (2017: TUSD 242). For further sensitivity analysis on the investments please refer to note 21 a) (i).

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	**2018 % of financial assets at fair value through profit or loss**	**2017 % of financial assets at fair value through profit or loss**
America	29%	31%
Asia	10%	15%
Global	61%	54%
Total	**100%**	**100%**

As of 31 December 2018 and 31 December 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 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 31 December 2018, the Group had received redemption proceeds amounting to TUSD 12,033.

As of 31 December 2018 and 31 December 2017, the Group had an investment in D.E. Shaw Composite International Ltd. 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. During 2018, D.E. Shaw Composite International Ltd. made minor distributions to the Group. These side pocket positions were classified as level 3 in the annual report of 2011.

As of 31 December 2018 and 31 December 2017, the Group had an investment in Crown Distressed Credit Opportunities plc. Crown Distressed Credit 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 31 December 2018	**Investments designated at fair value through profit or loss TUSD**
Assets	
At 1 January	4,848
Net change in unrealised loss	(723)
Sales	(136)
Transfers in/out	—
At 31 December	**3,989**
Total unrealised gain for the year included in the statement of comprehensive income for investments held at the end of the year	**382**

As of 31 December 2017	**Investments designated at fair value through profit or loss TUSD**
Assets	
At 1 January	6,228
Net change in unrealised loss	(1,066)
Sales	(314)
Transfers in/out	—
At 31 December	**4,848**
Total unrealised gain for the year included in the statement of comprehensive income for investments held at the end of the year	**146**

The carrying values of all other assets and liabilities are a reasonable approximation of fair value.

22 Commitments, contingencies and other off-balance-sheet transactions

The Group has made the following commitments to investment funds as of 31 December:

As of 31 December 2018	Commitment in TUSD	Open commitment amount in TUSD
Crown Distressed Credit Opportunities plc	16,500	4,109
Total	**16,500**	**4,109**

As of 31 December 2017	Commitment in TUSD	Open commitment amount in TUSD
Crown Distressed Credit Opportunities plc	16,500	4,109
Total	**16,500**	**4,109**

The nature of these commitments is that they can be called at the respective investment managers' discretion. The board of directors confirms that there are no other commitments, contingencies or other transactions that could have a material effect upon the financial situation of the Group as of 31 December 2018.

23 Subsequent events

The consolidated financial statements are authorised for issue on 29 March 2019 by the board of directors. The annual general meeting called for 15 May 2019 will vote on the final acceptance of the consolidated financial statements.

Since the balance sheet date of 31 December 2018 Castle Alternative Invest AG purchased 222,711 treasury shares on its second trading line for a total consideration of TUSD 3,712. As of 28 March 2019 the Company held a total of 1,463,094 such shares in treasury shares.

Since the balance sheet date of 31 December 2018, there have been no material events that could impair the integrity of the information presented in the consolidated interim financial statements.

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Report of the statutory auditor

to the general meeting of Castle Alternative Invest AG

Pfäffikon (SZ)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Castle Alternative Invest AG, which comprise the balance sheet as at 31 December 2018, statement of income and accumulated surplus/(deficit) and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements as at 31 December 2018 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	USD 1.3 million
How we determined it	1% of total shareholders' equity
Rationale for the materiality benchmark applied	We chose total shareholders' equity as the benchmark because, in our view, this is the key metric of interest to investors and it is generally accepted benchmark for investment companies.

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Audit scope
We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority
We have determined that there are no key audit matters to communicate in our report.

Responsibilities of the board of directors for the financial statements
The board of directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the board of directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board of directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the board of directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Daniel Pajer	Jack Armstrong
Audit expert Auditor in charge	Audit expert

Zurich, 29 March 2019

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Balance sheet

As of 31 December 2018 (All amounts in thousands unless otherwise stated)

	Note	2018 USD[1]	2018 CHF[2]	2017 CHF
Assets				
Current assets:				
Cash and cash equivalents		3,892	3,825	927
Total current assets		**3,892**	**3,825**	**927**
Non-current assets:				
Participations	3	125,894	123,729	157,932
Total non-current assets		**125,894**	**123,729**	**157,932**
Total assets		**129,786**	**127,554**	**158,859**
Liabilities				
Current liabilities:				
Other accrued liabilites		404	397	327
Total current liabilities		**404**	**397**	**327**
Equity				
Shareholders' equity:	7			
Share capital		40,378	39,312	43,606
Legal reserves				
Reserves from capital contributions		64,034	62,344	62,344
Other legal reserves		32,771	31,907	31,907
Accumulated surplus		13,541	13,277	31,207
Accumulated translation difference		—	1,511	—
Treasury shares at cost (bought for cancellation)		(21,342)	(21,194)	(10,532)
Total shareholders' equity		**129,382**	**127,157**	**158,532**
Total liabilities and equity		**129,786**	**127,554**	**158,859**

[1] In accordance with SCO Art. 958 the board resolved to change the presentation currency of the Company from Swiss Francs to US Dollars, see note 2 b).
[2] Art. 958d of the SCO requires the Company to disclose the Swiss Franc amounts as supplemental information.

Statement of income and accumulated surplus/(deficit)

For the year ended 31 December 2018 (All amounts in thousands unless otherwise stated)

	Note	2018 USD[1]	2018 CHF[2]	2017 CHF
Income				
Value adjustments on participations	2 b)	(36,322)	(35,435)	(12,642)
Dividends from participations		29,000	28,324	12,642
Other income		1	1	1
Gain on foreign exchange, net		2	2	(2)
Other translation differences		—	—	(7,259)
Total loss		**(7,319)**	**(7,108)**	**(7,260)**
Expenses				
Administrative expenses		(913)	(891)	(621)
Financial expenses		(51)	(50)	(179)
Total expenses		**(964)**	**(941)**	**(800)**
Loss before taxes		**(8,283)**	**(8,049)**	**(8,060)**
Taxes	5	(10)	(10)	(13)
Loss for the year		**(8,293)**	**(8,059)**	**(8,073)**
Accumulated surplus				
Accumulated surplus brought forward		32,155	31,207	50,662
Loss for the year		(8,293)	(8,059)	(8,073)
Cancellation of treasury shares		(10,321)	(9,871)	(11,382)
Accumulated surplus carried forward		**13,541**	**13,277**	**31,207**
Proposal of the board of directors for appropriation of accumulated surplus				
To be carried forward		13,541	13,277	31,207
Total		**13,541**	**13,277**	**31,207**

[1] Due to the change in presentation currency from Swiss Francs to US Dollar the opening values in US Dollar were restated as described in note 2b).
[2] Although the presentation currency has been changed to US Dollars the Company is still required to show the statutory financials in the local currency (Swiss Francs) as supplemental information.

Notes to the company financial statements

For the year ended 31 December 2018
(All amounts in thousands unless otherwise stated)

1 Organisation and business activity

Castle Alternative Invest AG, Pfäffikon ("the Company") was incorporated on 30 July 1996 as a joint stock corporation under Swiss laws. The Company's registered office is Schützenstrasse 6, CH-8808 Pfäffikon.

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, which was discontinued effective 15 September 2017.

The main activity of the Company is investing in a diversified portfolio of non-traditional investments, through its two Subsidiaries, Castle Alternative Invest (Overseas) Ltd., Grand Cayman ("the Cayman Subsidiary") and Castle Alternative Invest (International) plc, Dublin ("the Ireland Subsidiary").

As of 31 December 2018 and 2017 the Company did not employ any employees.

2 Accounting principles

These Company financial statements have been prepared in accordance with the provisions on accounting and financial reporting of the Swiss Code of Obligations (Art. 957 to 963b CO).

a) Participations
The participation in the Cayman Subsidiary is stated at acquisition cost or at the lower net realisable value, using the net asset value of the Cayman Subsidiary.

b) Accounting and reporting currency
The books of the Company are kept in US Dollar (functional currency). Up until 31 December 2017 the Company's financial statements were presented in Swiss Francs (presentation currency). Effective as of 1 January 2018 the board of directors of the Company resolved to use the US Dollar as its presentation currency for statutory reporting. This change of the presentation currency improves the transparency of the statutory reporting and the comparability to the consolidated financial statements of the Group which are also presented in US Dollars.

From 2018, in accordance with the Swiss Code of Obligations, the Company also presents the Swiss Franc amounts next to the US Dollar presentation currency (identified as Swiss Francs supplementary information). The conversion from the US Dollar to the Swiss Franc supplementary information is conducted as follows:

– all assets and liabilities by applying the year-end exchange rate;
– income and expenses at the average exchange rate for the year; and
– the shareholders' equity at the historical exchange rate.

The currency translation difference from the conversion of the US Dollar values into the Swiss Franc values are cumulatively presented in the shareholders' equity as accumulated translation difference.

The 2017 Swiss Franc amounts presented in these notes correspond with the audited annual report 2017. The 2018 Swiss Franc amounts presented are for supplementary information only (SCO 958d Para.3).

3 Participations

The Company's only direct investment is 100 per cent of the voting participating redeemable ordinary shares of the Cayman Subsidiary. The Cayman Subsidiary is invested in the Ireland Subsidiary, an open ended investment company with variable capital under the laws of Ireland. Further information can be found in note 1 of the consolidated financial statements.

Where a dividend distribution has been approved by a subsidiary, the participation income from the subsidiary is recognised based on an economic standpoint, i.e. at the same time as the corresponding liability is recorded in the subsidiary.

Balance sheet reconciliation of participation carrying value	**2018 TUSD**	**2018 TCHF**	**2017 TCHF**
1 January	**162,216**	**157,932**	**177,647**
Valuation adjustment on participation	(36,322)	(35,435)	(12,642)
Foreign exchange translation difference on participation	—	—	(7,073)
Foreign exchange translation differences on participation through shareholders' equity	—	1,232	—
31 December	**125,894**	**123,729**	**157,932**

4 Foreign exchange rates

The following exchange rates have been applied to translate the foreign currencies of significance for the Company:

Foreign exchange rates		**Unit**	**2018 USD**	**2017 USD**
Swiss Francs	Year-end rates	1 CHF	1.0175	1.0271
Swiss Francs	Average annual rates	1 CHF	1.0239	1.0204

5 Taxes

The Company is taxed as a holding company and is as such liable for cantonal/communal capital taxes (reduced rates) and Swiss federal income taxes. The actual tax expenses cover all taxes through 31 December 2018.

6 Pledged assets

As of 31 December 2018, the Subsidiaries have a credit line of TUSD 15,000 (31 December 2017: 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, which are directly held by the Company. The pledged assets are deposited with LGT Bank Limited, Vaduz and pledged in favour of the lender. As of 31 December 2018, the Ireland Subsidiary had borrowed TUSD 7,000 from LGT Bank Ltd., Dublin Branch (2017: TUSD 6,568).

7 Shareholders' equity

Shareholders' equity

The share capital of the Company at 31 December 2018 amounts to TUSD 40,378 (TCHF 39,312) (31 December 2017: TCHF 43,606) consisting of 7,862,421 (2017: 8,721,297) issued and fully paid registered shares with a par value of CHF 5.

Each share entitles the holder to participate in any distribution of income and capital. The Company regards shareholders' equity as the capital that it manages. Shareholders' equity amounts to TUSD 129,382 (TCHF 127,157) as of 31 December 2018 (31 December 2017: TCHF 158,532).

Treasury shares

The Company can buy and sell treasury shares in accordance with the Company's articles of association, Swiss company law and in compliance with the listing rules of the SIX Swiss Exchange.

As at 31 December 2018 no subsidiaries held treasury shares (31 December 2017: Nil).

Share buyback 2nd line (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. These treasury shares are treated as a deduction from shareholders' equity at the average purchase price.

Treasury shares

Buyback programs	From	To	Cancelled	Number of shares	Average price USD	Average price CHF	Cost TUSD	Cost TCHF
Program initiated on 6 June 2016, announced on 1 June 2016								
Additions 2016	06.06.2016	31.12.2016	11.08.2017	464,000	17.14	16.89	7,952	7,836
Additions 2017	01.01.2017	12.05.2017	11.08.2017	147,900	16.86	16.92	2,494	2,503
Additions 2017	15.05.2017	30.06.2017	07.08.2018	38,014	16.97	16.47	645	626
Additions 2017 via tradable put options	03.07.2017	17.07.2017	07.08.2018	277,578	18.57	17.72	5,155	4,919
Total				**927,492**	**17.52**	**17.13**	**16,246**	**15,884**
Program initiated on 24 July 2017, announced on 28 June 2017								
Additions 2017	24.07.2017	31.12.2017	07.08.2018	313,090	16.35	15.93	5,119	4,987
Additions 2018	01.01.2018	08.05.2018	07.08.2018	230,194	16.56	15.78	3,813	3,632
Additions 2018	09.05.2018	01.06.2018	—	51,267	16.03	15.94	822	817
Additions 2018 via tradable put options	21.06.2018	13.07.2018	—	386,142	18.08	18.02	6,983	6,958
Total				**980,693**	**17.07**	**16.72**	**16,737**	**16,394**
Program initiated on 19 July 2018, announced on 18 June 2018								
Additions 2018	19.07.2018	31.12.2018	—	454,865	15.93	15.71	7,248	7,146
Additions 2018 via tradable put options	15.11.2018	29.11.2018	—	348,109	18.07	18.02	6,289	6,273
Total				**802,974**	**16.86**	**16.71**	**13,537**	**13,419**

Movement of treasury shares 2nd line and tradable put options (bought for cancellation)	Number of shares			Cost TUSD	Cost TCHF
Shares held as of 1 January 2017	**784,535**			**13,733**	**13,542**
Additions 2017 via 2nd line	499,004			8,258	8,116
Additions 2017 via tradable put options	277,578			5,155	4,919
Cancellation on 11 August 2017	(932,435)			(16,227)	(16,045)
Shares held as of 31 December 2017	**628,682**			**10,919**	**10,532**
Additions 2018 via 2nd line	736,326			11,883	11,595
Additions 2018 via tradable put options	734,251			13,272	13,231
Cancellation on 7 August 2018	(858,876)			(14,732)	(14,164)
Shares held as of 31 December 2018	**1,240,383**			**21,342**	**21,194**

Allocation of legal reserves from capital contributions

Under Swiss tax law effective 1 January 2011, repayments of capital contribution reserves established since 1997 are no longer subject to withholding tax deduction. In order to establish the amount of capital contribution reserves that the Company may be able to repay to shareholders without being subject to the withholding tax deduction that applies to dividends paid out of retained earnings, the board of directors received shareholder approval at the 2011 annual general meeting for the allocation of the legal reserves, effective 1 January 2011. The legal reserves to the amount of TCHF 100,435 were divided into legal reserves from capital contributions of TCHF 68,529 and other legal reserves of TCHF 31,906 on 1 January 2011. The amount the Company allocated to the legal reserves from capital contributions deviates slightly from the standard practice of the Swiss tax authorities in that the Company has not deducted the share capital increase expenses (TCHF 2,428).

As at 31 December 2018 the reserves from capital contributions that are available for distribution to shareholders amount to TCHF 62,344 (TUSD 64,034) (31 December 2017: TCHF 62,344).

Shareholders' equity

In 2018 (all amounts in US Dollar thousands unless otherwise stated)

	Share capital	Legal reserves Reserves from capital contributions	Other legal reserve	Accumulated surplus/ (deficit)	Treasury shares 2nd line at cost (bought for cancellation)	Total
Opening balance as per 1 January 2018	**44,789**	**64,034**	**32,771**	**32,155**	**(10,919)**	**162,830**
Loss for the year	—	—	—	(8,293)	—	(8,293)
Purchase of treasury shares 2nd line (bought for cancellation)	—	—	—	—	(25,155)	(25,155)
Cancellation of treasury shares 2nd line	(4,411)	—	—	(10,321)	14,732	—
31 December 2018	**40,378**	**64,034**	**32,771**	**13,541**	**(21,342)**	**129,382**

Shareholders' equity (supplementary information)

In 2018 (all amounts in Swiss Francs thousands unless otherwise stated)

	Share capital	Legal reserves Reserves from capital contributions	Other legal reserve	Accumulated surplus/ (deficit)	Treasury shares 2nd line at cost (bought for cancellation)	Translation difference	Total
31 December 2017	**43,606**	**62,344**	**31,907**	**31,207**	**(10,532)**	**—**	**158,532**
Loss for the year	—	—	—	(8,059)	—	—	(8,059)
Translation difference	—	—	—	—	—	1,511	1,511
Purchase of treasury shares 2nd line (bought for cancellation)	—	—	—	—	(24,827)	—	(24,827)
Cancellation of treasury shares 2nd line	(4,294)	—	—	(9,871)	14,165	—	—
31 December 2018	**39,312**	**62,344**	**31,907**	**13,277**	**(21,194)**	**1,511**	**127,157**

As of 31 December 2018 the Company has translated the equity accounts in Swiss Francs at the current exchange rate. In a second step an adjustment of TUSD 101 was booked to reflect the effective purchase cost of treasury shares as 31 December 2018. The US Dollar values reported in the column US Dollar presentation currency as per 1 January 2018 reflect the new historical cost of the equity accounts.

In addition, in order to adjust the participation to its historic cost value an adjustment of TUSD 12,625 (TCHF 12,291) has been debited to the statement of income as of 1 January 2018.

Reconciliation of opening balance sheet to the new presentation currency (supplementary information)

Shareholders' equity	**TCHF 1 January 2018**	**USD/CHF exchange rate as per 1 January 2018**	**TUSD adjustment opening as per 1 January 2018**	**TUSD adjustment treasury shares**	**TUSD presentation currency as per 1 January 2018**
Share capital	43,606	0.9736	44,789	—	44,789
Legal reserves – reserves from capital contributions	62,344	0.9736	64,034	—	64,034
Other legal reserve	31,907	0.9736	32,771	—	32,771
Treasury shares at cost (bought for cancellation)	(10,532)	0.9736	(10,818)	(101)	(10,919)
Accumulated surplus	31,207	0.9736	32,054	101	32,155
Total equity	**158,532**	—	**162,830**	—	**162,830**

8 Major shareholders

As of 31 December the following major shareholders were known by the Company:

Major shareholders	2018	2017
Between 20% and 33 1/3%	LGT Group Foundation, Liechtenstein	LGT Group Foundation, Liechtenstein
Between 10% and 20%	LGT Capital Partners, Switzerland, on behalf of pension funds	LGT Capital Partners, Switzerland, on behalf of pension funds
Between 3% and 10%	Alpine Select AG, Zug	Anstalt Fürst Liechtenstein
	BKS Global PCC Limited, Guernsey	BKS Global PCC Limited, Guernsey

9 Compensation and share ownership

The annual remuneration and expense allowances paid to the members of the board of directors as well as the premium paid for the officers liability insurance are detailed within the remuneration report.

The board of directors has delegated the operational management of the Company to Benedikt Meyer as general manager. The general manager is indirectly compensated by the Company via LGT Capital Partners Ltd., Pfäffikon.

No further compensation by the Company or its subsidiaries for their activities has been due, nor did directors receive shares, options or loans.

Share ownership	2018	2017
Castle Alternative Invest AG		
Members of the board of directors		
Reto Koller	8,000	8,000
Dr André Lagger	4,755	4,755
Total	**12,755**	**12,755**

Share ownership	2018	2017
LGT Capital Partners (Ireland) Ltd.		
Members of the board of directors		
Dr Roberto Paganoni	4,000	4,000
Total	**4,000**	**4,000**

10 Auditors

PricewaterhouseCoopers Ltd., Zurich, are the auditors of the Company. They accepted the mandate in 2001. Daniel Pajer, the auditor in charge, took up office in 2015.

Total audit fees charged by PricewaterhouseCoopers for the 2018 audit of the Company to TUSD 69 (TCHF 68) (2017: TCHF 67).

11 Subsequent events

The Company's financial statements are authorised for issue on 29 March 2019 by the board of directors. The annual general meeting called for 15 May 2019 will vote on the final acceptance of the Company's financial statements.

Since the balance sheet date of 31 December 2018 Castle Alternative Invest AG purchased 222,711 treasury shares on its second trading line to the amount of TUSD 3,712. As of 28 March 2019 the Company held in total 1,463,094 treasury shares on its second trading line.

It is intended that approval for the cancellation of all registered shares repurchased will be sought at the annual general meeting in 2019.

Since the balance sheet date of 31 December 2018, there have been no material events that could impair the integrity of the information presented in the financial statements.

Report of the statutory auditor
to the general meeting of Castle Alternative Invest AG
Pfäffikon, SZ

We have audited the remuneration report of Castle Alternative Invest AG for the year ended 31 December 2018.

Board of directors' responsibility
The board of directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The board of directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility
Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the remuneration report of Castle Alternative Invest AG for the year ended 31 December 2018 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Daniel Pajer
Audit expert
Auditor in charge

Jack Armstrong
Audit expert

Zurich, 29 March 2019

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Remuneration report

The remuneration report contains information about the principles of remuneration, procedures for determining remuneration and components of remuneration for the board of directors and management of Castle Alternative Invest AG. It also details the remuneration awarded in 2017 and 2018 as well as the planned components of remuneration in 2019. It is based on the provisions of the Articles of Incorporation, the transparency requirements set out in Articles 13–16 of the Swiss Ordinance against Excessive Compensation in Listed Companies (VegüV) and Article 663b^{bis} of the Swiss Code of Obligations, the SIX Swiss Exchange Directive on Information relating to Corporate Governance and the principles of the Swiss Code of Best Practice for Corporate Governance drawn up by Economiesuisse.

Principles of Remuneration

- Transparency (simplicity, clarity)
- Adherence to market rates of executive pay
  (benchmarking of similar companies, qualifications and experience)

Governance

The board of directors appointed a remuneration committee comprising Dr André Lagger (chairman), Dr Konrad Bächinger (member).

The remuneration committee draws up proposed remuneration guidelines for the board of directors. The members of the board of directors are entitled to reimbursement of their expenses incurred in the interest of the company as well as to compensation corresponding to their activities, as determined by the board of directors.

The remuneration committee meets as often as required, but at least once a year.

The Company appointed Benedikt Meyer as general manager, in accordance with Art. 716b CO and the articles of association and organisational regulations of the Company. This work for the Company on average takes up approximately 25 per cent of his working time.

Procedures for determining remuneration

The level of remuneration awarded to the board of directors is based on sector and market comparisons. The remuneration committee also consults comparative figures and surveys of listed companies operating in the same sector.

Structure of remuneration

The board of directors is compensated in cash for all of its duties, including expenses for ordinary and extraordinary meetings, committee activities and other extraordinary activities. Neither shares nor options were allocated in the reporting year.

Remuneration policy

Remuneration of the board of directors of and general manager of Castle Alternative Invest AG shall be effected in accordance with the provisions of the Articles, notably article 17. The board of directors determined that its members and member of management be remunerated annually as follows (pro-rata when a mandate is not executed for a full year):

Remuneration	**2018 TCHF**	**2017 TCHF**
Chairman	55	55
Deputy chairman	44	44
Committee chairman	44	44
Member	33	33
General manager	75	75

The remuneration of the board of directors shall be payable by the end of each quarter. The remuneration of the general manager shall be payable once per year in arrears.

Travel and other expenses related to attendance at board meetings shall be covered by an expense allowance for each meeting in Switzerland, physically attended, as follows:

Travel and other expenses	**2018 CHF**	**2017 CHF**
Switzerland based	250	250
Europe based	1,500	1,500
Overseas based	7,000	7,000

Expense accounts in excess of CHF 7,000 shall be signed off by the chairman (or, in the chairman's case, by the deputy chairman). Accounts below this amount may be signed off by the general manager.

Directors may furthermore be paid all other expenses properly incurred by them in connection with the business of the Company. The board may, in addition, grant special remuneration to any director who performs special or extra services to or at the request of the Company.

Remuneration for financial years 2018 and 2017 (Article 14 VegüV)

The following tables show the remuneration for the members of the board of directors in the year 2018 and 2017.

Travel and other expenses	**2018 TUSD**	**2018 TCHF[1]**	**2017 TCHF[1]**
Employers contributions to social security	5	5	5
Directors and officers liability insurance fee	11	10	11
Travel expenses	32	31	30

[1] Swiss Francs are shown as supplementary information.

The board of directors remuneration is defined and paid out in Swiss Francs.

	Cash compensation TUSD	Social security payments TUSD	Travel and other expenses TUSD	Total remuneration TUSD
As of 31 December 2018				
Tim Steel, chairman	55	2	5	62
Dr Konrad Bächinger, deputy chairman	44	1	1	46
Reto Koller, committee chairman – audit committee	45	—	21	66
Dr André Lagger, committee chairman – remuneration committee	—	—	—	—
Kevin Mathews, member	34	—	5	39
General manager	76	—	—	76
Total	**254**	**3**	**32**	**289**

The following Swiss Franc tables are shown as supplementary information as in the company financial statements.

	Cash compensation TCHF	Social security payments TCHF	Travel and other expenses TCHF	Total remuneration TCHF
As of 31 December 2018				
Tim Steel, chairman	53	2	5	60
Dr Konrad Bächinger, deputy chairman	43	1	1	45
Reto Koller, committee chairman – audit committee	44	—	20	64
Dr André Lagger, committee chairman – remuneration committee	—	—	—	—
Kevin Mathews, member	33	—	5	38
General manager	75	—	—	75
Total	**248**	**3**	**31**	**282**

	Cash compensation TCHF	Social security payments TCHF	Travel and other expenses TCHF	Total remuneration TCHF
As of 31 December 2017				
Tim Steel, chairman	52	3	5	60
Dr Konrad Bächinger, deputy chairman	43	1	—	44
Reto Koller, committee chairman – audit committee	44	—	21	65
Dr André Lagger, committee chairman – remuneration committee	—	—	—	—
Kevin Mathews, member	33	—	4	37
General manager	75	—	—	75
Total	**247**	**4**	**30**	**281**

The fee paid to the general manager comes at no extra cost to the Group as it is offset by a reduction of an equal amount from the management fees payable to LGT Capital Partners (Ireland) Ltd.

Loans and credits to board members and the management (Article 15 VegüV)
No further loans or credits by the Company or its subsidiaries for their activities have been granted to members of the board of directors in the financial year 2018.

Compensation, loans and credits to related parties (Article 16 VegüV)
No further compensation, loans or credits by the Company or its subsidiaries for their activities have been granted to any related party in the financial year 2018.

Dr André Lagger Benedikt Meyer

27 March 2019

Corporate governance

1. Group structure and shareholders

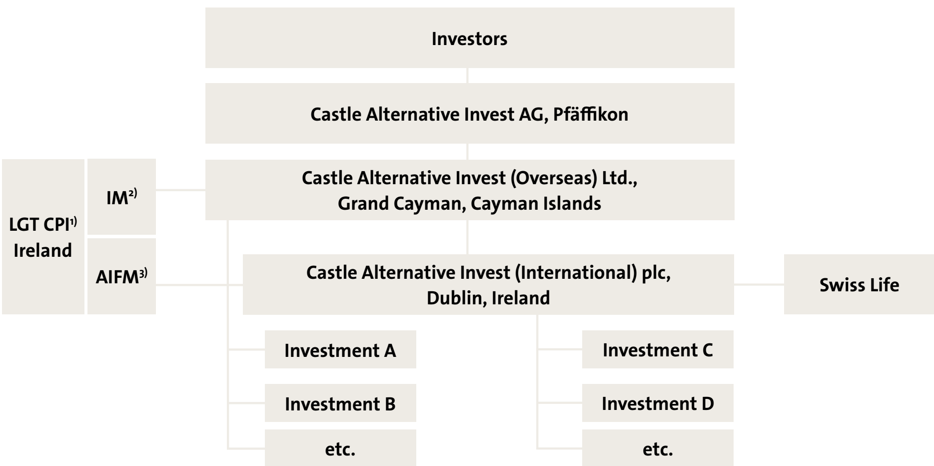
Castle Alternative Invest ("the Group") consists of Castle Alternative Invest AG ("the Company") and two fully consolidated subsidiaries as shown below and as listed in note 1 to the consolidated financial statements. The Company's registered office is Schützenstrasse 6, 8808 Pfäffikon, Switzerland. Within the Group, only CAI is a listed company.

1.1 Significant shareholders
The shareholding structure of the Company as of 31 December 2018 is shown below:
- LGT Group Foundation, Liechtenstein, reported a holding of 31.16 per cent.
- LGT Capital Partners AG, Switzerland (as asset manager of LGT's pension foundations), reported a holding of 19.2 per cent.
- Alpine Select AG, Zug, reported a holding of 5.05 per cent.
- BKS Global PCC Limited A, Guernsey, reported a holding of 3.09 per cent.

An update on shareholdings can be obtained from the SIX website at
http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html#

The Group has not entered into any cross-shareholdings that exceed 5 per cent of the capital shareholding as voting rights on either side.

1.2 Group structure



[1] LGT Capital Partners (Ireland) Limited
[2] Investment manager
[3] Alternative investment fund manager

2. Capital structure

2.1 Capital
The Company's share capital consists of 7,862,421 registered shares with a par value of CHF 5 each. The shares are listed in Swiss Franc at the SIX Swiss Exchange in Zurich with ISIN CH0005092751 and valor number 509275.

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. These shares are treated as a deduction from shareholders' equity using cost values.

On 24 July 2017, the Company started the eighth share buyback for cancellation on a second trading line, as approved at the AGM 2017, to buyback a maximum of 594,551 shares.

On 1 June 2018, the share buyback program on a second trading line at SIX Swiss Exchange was terminated. Overall, the total allowed, 594,551 registered shares or 6.82 per cent of the then current share capital and voting rights were bought back.

On 19 July 2018, the board of directors of the Company had resolved to buyback up to 10 per cent of its share capital.

On 24 October 2018 the board of directors of the Company resolved to buyback up to 10 per cent of its share capital as recorded in the Commercial Register, following the ongoing share buyback program which was expected to end mid November 2018.

On 12 November 2018, the board of directors of the Company decided to terminate the ongoing share buyback program on a second trading line on SIX Swiss Exchange, which started on 19 July 2018. With the end of the program, 400,100 shares were bought back.

Together with the completed buyback program through the issuance of put options in July 2018, the maximum number of registered shares approved by shareholders at the AGM held on 15 May 2018 had been reached.

On 12 November 2018 the Company announced a share buyback program by issuing put options tradable on SIX Swiss Exchange. The put options were traded from 15 to and including 29 November 2018. Every 20 put options entitled shareholders to tender one registered share at the exercise price of CHF 18.00. In total, 348,109 registered shares were tendered which correspond to 4.43 per cent of the share capital and voting rights registered in the commercial register. The net purchase price (exercise price minus 35 per cent withholding tax calculated on the difference between the exercise price and the nominal value) was paid on 4 December 2018. Furthermore, following the termination of the buyback via issuance of tradable put options, the board of directors of the Company decided to launch a new share buyback program on a second trading line at SIX Swiss Exchange. It started on 5 December 2018 (first trading day) and a maximum of 438,133 registered shares (maximum 5.57 per cent of the share capital and voting rights registered in the commercial register) will be purchased back.

The Company does not have conditional and authorised share capital. The Company has not issued any participation certificates (Partizipationsscheine), preference shares (Vorzugsaktien) or profit sharing certificates (Genussscheine). Shares of the subsidiaries are not listed.

A detailed overview of the capital structure is shown in note 7 of the Company financial statements. Changes in capital within the last two financial years can be seen from the consolidated statements of changes in shareholders' equity on page 23 of the 2018 annual report.

The market capitalisation of the Company (ISIN: CH0005092751/Valor: 509275) per year end 2018 amounted to approx. TCHF 101,317. There are no outstanding convertible bonds or options issued by the Company or any of its subsidiaries on the Company's securities.

2.2 Voting rights, share registration

Each share confers the right to one vote. Entry in the share register of registered shares with voting rights is subject to the approval of the Company. Persons acquiring registered shares shall on application be entered in the share register without limitation as shareholders with voting power, provided they expressly declare themselves to have acquired the shares in their own name and for their own account and comply with the disclosure requirements of the Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act).

Entry of registered shares with voting rights may be refused in the following situations:
Persons not expressly declaring themselves as holding shares for their own account (nominees) shall be entered in the share register with voting rights without further inquiry up to a maximum of 1.5 per cent of the outstanding share capital available at the time. Above this limit, registered shares held by nominees shall be entered in the share register with voting rights only if the nominee in question discloses the name, address and shareholding of such persons for whose account the nominee is holding 0.3 per cent or more of the outstanding share capital at the time and provided that the disclosure requirements stipulated by the Stock Exchange Act are complied with. The board of directors has the right to enter into agreements with nominees concerning their disclosure requirements.

Legal entities, partnerships, other associations or joint ownership arrangements which are linked through capital ownership, voting rights, common management or similar, as well as individuals, legal entities or partnerships (especially syndicates) which act in collaboration with intent to evade the entry restrictions are considered as one shareholder or nominee.

The Company may in special cases approve exceptions to the above regulations. After due consultation with the person concerned, the Company is further authorised to remove the shareholder from the share register as a shareholder with voting rights with retroactive effect if they were effected on the basis of false information or if the respective person does not provide the information required.

No agreements with nominees were entered into, nor were exceptions to the above regulations granted in 2018.

3. Board of directors

As of 31 December 2018, all members of the board of directors are non-executive. None of the members have been members of management of the Company or one of its subsidiaries over the last three years. Dr Andre Lagger is affiliated with LGT Group Foundation, which owns the investment manager that manages the Group's investments.

No other member of the board of directors has any significant business connections with any members of the Group.

The board is composed of the following members:

Board of directors

The board considers that it is well represented with the balance and blend of skills, experience and expertise of its directors.

Tim Steel, chairman

Tim Steel (British Citizen, 1952) was educated at Eton (Oppidan Scholar) and Trinity College, Cambridge (Philosophy and Law). He joined Robert Fleming as an analyst and was then a pension fund manager from 1974 to 1979. He joined Cazenove & Co in 1980 as an equity salesman and became Partner in 1982. Tim Steel ran the New York office from 1983 before returning to London in 1989 when he was made Head of UK Sales. He was appointed as managing director of Cazenove Capital Management Limited in 2000 and retired as vice chairman at the end of 2009. Since 2011 he has been a non-executive director of ProPhotonix and since 2013 chairman of Committed Capital. Since 2014 he has been a non-executive director of WH Ireland Limited and is currently serving as the chairman of that board. Tim Steel was elected at the general meeting held on 29 October 2008 and was reelected at the general meeting held in May 2018 for a term ending at the 2019 annual shareholder meeting.

Dr Konrad Bächinger, deputy chairman and remuneration committee member

Dr Konrad Bächinger (Swiss citizen, 1950) received a Ph.D. in law from the University of Zurich. He was admitted to the bar in 1977. He acted subsequently as legal counsel for the St. Gallische Creditanstalt and as head of legal department of Adolph Saurer AG. In 1984, he joined LGT Bank in Liechtenstein as general counsel. In 1989 he was appointed managing director and head of legal matters and project department. In 1990 he became member of the executive board of the bank, heading commercial banking and legal matters. In 1998 he became chief executive officer of LGT Capital Management. In April, 2001 Dr Bächinger was appointed to the Group executive committee of Liechtenstein Global Trust, now known as LGT Group Foundation. In 2006, he became a senior advisor of LGT Group Foundation and in 2010 he retired from LGT.

Dr Bächinger is also deputy chairman of the board of directors of Castle Private Equity AG and chairman and board member of several investment companies managed or owned by affiliates of LGT Group Foundation. Dr Bächinger was elected to the board of directors in 1997 and was re-elected at the general meeting held on May 2018 for a term ending at the 2019 annual shareholder meeting.

**Dr André Lagger,
director and remuneration
committee chairman**

Dr André Lagger (Swiss citizen, 1962) received a Ph.D. in business administration from the University of Berne and completed studies at the Swiss Banking School. He began his career at Union Bank of Switzerland in Zurich, moving to UBS London in 1994 as head of corporate development of UBS London. In 1997, he joined LGT Services in Zurich as head of corporate controlling. Subsequently, he became, in 1998, member of the executive board and chief financial officer of LGT Capital Management in Vaduz and, in 2001, chief executive officer of LGT Financial Services. Since October 2006, he is CEO of the business unit operations & technology of LGT Group Foundation.

André Lagger was elected at the general meeting held in May 2018 for a term ending at the 2019 annual shareholder meeting.

**Reto Koller,
director and audit committee
chairman**

Reto Koller (Swiss and US citizen, 1955) received M.Sc. degrees in business administration, finance and accounting from the University of St. Gallen in 1980 and the London School of Economics in 1981. He joined Winterthur Insurance's strategic-planning division in 1981. He moved to Winterthur Reinsurance Corp. in New York in 1984, where he was vice president – fixed income investments and operations manager until 1989. In 1990, he took over as president and chief investment officer, North America for Winterthur Investment Management Corp. in New York. He resigned from Winterthur North America in 2007. Since 2008 he has been principal of Hale International LLC, New Canaan, CT, USA, an investment consulting firm.

Reto Koller was elected at the general meeting held on 29 October 2008 and was re-elected at the general meeting held in May 2018 for a term ending at the 2019 annual shareholder meeting.

**Kevin Mathews,
director and audit committee
member**

Kevin Mathews (Irish citizen, 1960) received a Joint Financial Services Diploma from the Institute of Bankers at University College Dublin in 1995 and is a Qualified Financial Adviser (QFA). He joined the Irish Department of Labour in Dublin prior to working in key account management for Svenska Handelsbanken in Luxemburg between 1986 and 1995. He was managing director of LGT Bank (Ireland) between 1995 and 2006. He is currently providing consultancy and advisory services to banking, investment funds, local government and charitable organisations. Mr Mathews is also chairman of the board of directors of Castle Alternative Invest (International) PLC and chairman and board member of several investment companies managed or owned by affiliates of LGT Group Foundation.

Kevin Mathews was elected at the general meeting held on 29 October 2008 and was re-elected at the general meeting held in May 2018 for a term ending at the 2019 annual shareholder meeting.

3.1 Responsibilities

The principal responsibilities of the board of directors as defined in the Swiss Code of Obligations and the Company's articles of association and organisational regulations are:

(i) organisation of the Company's main structures, including planning, management and reporting procedures and its internal risk control systems;
(ii) determination of the investment policy and supervision of its implementation; and
(iii) appointment and supervision of the Company's general manager and the investment manager.

Board members share these responsibilities jointly. No specific tasks have been allocated to individual members of the board.

An audit committee has been set up, consisting of two board members: Reto Koller (chairman) and Kevin Mathews.

The audit committee's duties include:

(i) selecting the auditor (for approval at the shareholders' meeting), as well as determining and supervising the terms of their engagement;
(ii) monitoring the integrity of the financial statements; and
(iii) reviewing the internal control systems in place in the Company.

A remuneration committee has been elected by the shareholders' general meeting, consisting of Andre Lagger (chairman) and Konrad Bächinger. The remuneration committee draws up proposed remuneration guidelines for the board of directors. Please refer to the remuneration report on pages 78 to 81 for further details regarding the duties of the remuneration committee.

3.2 Organisation

The board of directors has delegated the operational management of the Company to Benedikt Meyer as general manager (see next page), in accordance with Art. 716b CO and the articles of association and organisational regulations of the Company.

The board has delegated the management of the Company's assets in accordance with the investment policy and guidelines to LGT Capital Partners (Ireland) Limited, the investment manager (see next pages).

The board resolves by majority vote with the presence of a majority of members. Decisions can be taken by phone conference or circular resolution unless a board member requests otherwise. The board of directors meets as often as business matters require, as a rule three times a year.

The board considers agenda items laid out in the notice and agenda which are formally circulated to the board in advance of any meeting as part of the board papers. The members of the board may request any agenda items to be added that they consider appropriate for board discussion. In addition each director is required to inform the board of any potential or actual conflict of interest prior to board discussion. In 2018, three board meetings, one remuneration committee meeting and five audit committee meetings were held, with an average duration of between two and four hours. Board meetings are attended by representatives of the investment manager and the general manager. In addition to the physical meetings, various ad hoc meetings and phone conference calls were held throughout the year to deal with matters substantially of an administrative nature and these were attended by the directors available at the time.

In addition to board meetings, individual members of the boards of the Company and of the investment manager and the general manager interact frequently.

3.3 Information and control

In addition to information received in board meetings, the directors receive monthly reports on the course of business, including the status of the portfolio. Directors may request additional information or details through the general manager.

4. Management

4.1 General manager

The board of directors has delegated the operational management of the Company to Benedikt Meyer as general manager.

Benedikt Meyer

Mr Meyer (Swiss citizen, born 1983) is an executive director at LGT Capital Partners Ltd. Prior to joining LGT Capital Partners in 2010, Mr Meyer worked in product management and investor relations for Partners Group AG in Zug and London. In 2002, Mr Meyer completed an extensive three year training program as an accountant. Mr Meyer holds a Diploma of Higher School of Business Studies HF (BSc in Economics). He is fluent in English and German, and conversant in French.

4.2 Investment management

LGT Capital Partners (Ireland) Limited, Dublin, has been appointed investment manager of the Cayman Subsidiary and AIFM of the Group's Ireland Subsidiary. The investment manager is responsible for the management of the Company's assets in accordance with the investment policy and guidelines. The investment manager does not have any duties or responsibilities in relation to the operational management of the Company.

The main responsibilities of the investment manager are:

(i) implementation of the investment policy, including identifying, purchasing and selling investments;
(ii) monitoring of investments; and
(iii) analysis and forecast of cash flows.

The role of the investment manager is governed through investment management agreements with the Company subsidiaries. These agreements are for an initial period expiring on 17 July 2019. However, these agreements shall remain in force and effect thereafter unless and until terminated by one of the parties giving not less than 90 calendar days' notice in writing to the other party. The compensation of the investment manager is shown in note 7 and 18 of the consolidated financial statements.

The board of the investment manager is affiliated with LGT Group.

The fee paid to the general manager is offset by a reduction of an equal amount from the management fees payable to LGT Capital Partners (Ireland) Ltd. Other significant fee arrangements for the management of the Company's assets are listed in note 18 of the consolidated financial statements.

5. Compensation, shareholdings and loans

The policy regarding the remuneration of the board of directors is detailed within the remuneration report, on pages 78 to 81 of this report.

Travel and other expenses related to attendance of board meetings were covered by an expense allowance for each meeting in Switzerland, physically attended, as detailed within the remuneration report, on pages 78 to 81 of this report.

No further compensation, fees, shares, options or loans have been made by the Company or its subsidiaries in respect of the activities of directors during the course of the year under review.

6. Voting and representation restrictions

6.1 Voting restrictions

The articles of association do not contain any statutory voting rights restrictions other than those disclosed in section 2 above. No exceptions were granted in the year under review.

The convocation of the general meeting of shareholders and the addition of items to its agenda are to conform with the regulations of the Swiss code of obligations.

6.2 General meeting of shareholders

The next shareholders' meeting is scheduled for 15 May 2019 and shall be convened by publication in the Swiss Official Gazette of Commerce at least 20 days prior to the date of the meeting.

Shareholders registered with voting rights in the shareholders' register until and including 4 May 2019 shall receive, with their invitation to the annual general meeting, a registration card to apply for an admission card and voting documentation. No new share registrations with voting rights shall be made in the shareholders' register between 7 May 2019 and the end of the general meeting.

Shareholders representing at least 10 per cent of the share capital may request that an extraordinary shareholders' meeting be convened. Shareholders representing shares with an aggregate nominal value of at least CHF 1 million may request that an item be included in the agenda of the shareholders' meeting. Such requests must be made in writing at least 35 days before the date of the meeting, specify the item to be included in the agenda and contain the proposal on which the shareholder requests a vote.

6.3 Statutory quorums

The articles of association contain the following voting quora that extend beyond the thresholds of simple and qualified majority prescribed in the Swiss Code of Obligations:

– the easement or abolition of the restriction of the transferability of the registered shares;
– the conversion of registered shares into bearer shares and bearer shares into registered shares; and
– the abolition of restrictions in the articles of association concerning the passing of a resolution by the shareholders' meeting.

The dissolution of the Company with a liquidation requires a resolution of the shareholders' meeting passed by at least 80 per cent of all share votes.

7. Change of control

The Company has stated in article 6 of its articles of association that a party acquiring shares above the legal threshold potentially triggering a public offer in the Company is not obliged to make a public offer to acquire all shares of the Company pursuant to articles 32 and 52 of the Stock Exchange Act (opting-out clause).

The members of the board of directors, the general manager and the investment manager do not benefit from contractual clauses on change-of-control situations.

8. Auditors

PricewaterhouseCoopers Ltd., Zurich, are the auditors of the Company. They accepted the mandate in 2001. Daniel Pajer, the auditor in charge, took up office in 2015.

Total audit fees charged by PricewaterhouseCoopers for the 2018 audit amounted to TUSD 139 (2017: TUSD 153).

Supervision of the audit takes place in various meetings and discussions between the auditors and board members throughout the year as well as through the internal audit department of LGT Group.

Principal means of information between the external auditor and the board of directors (in particular through the audit committee) is the annual audit report submitted by the auditor to the directors. The report is generally discussed with representatives of the auditor at the spring board meeting that also resolves on approval of the annual report. Prior to discussion of the auditors' report, audit committee meetings – typically in the form of conference calls – take place to discuss progress of the audit and any specific matters noted. Preparation of the audit (which includes an update on changes in accounting and reporting standards and audit requirements by the auditor) usually take place in autumn, either in the form of the auditor's presence at an audit committee meeting or by means of a phone discussion.

9. Information policy

The Company publishes an annual report per 31 December and a semi-annual report per 30 June. Furthermore, the Company publishes monthly portfolio updates.

The Company publishes these and other documents on the Company's website www.castleai.com. Subscribers listed on the Company's distribution schedule generally receive these documents (or references to their website location) upon publication by e-mail. Ad-hoc messages and announcements (e.g. regarding general meetings) are also distributed by e-mail. Several documents are available in print form. Please contact representatives of the Company through the website or by letter or phone to be added to the mailing list.

The financial calendar can be downloaded from the Company's website www.castleai.com.

9.1 Non-applicability/negative disclosure

It is expressly noted that any information not contained or mentioned herein is non-applicable or its omission is to be construed as a negative declaration (as provided in the Corporate Governance Directive and the commentary thereto).

Share information

Exchange rate CHF/USD: 0.9828

	2010	2011	2012	2013	2014	2015	2016	2017	2018	Since inception
Share information										
Number of bearer shares at year-end	19,707,060	17,481,596	16,352,817	13,371,710	12,378,210	10,756,059	9,653,732	8,721,297	7,862,421	
CAI Net asset value (USD)	16.66	15.60	16.83	18.97	19.70	19.83	19.91	20.12	19.54	
CAI Net asset value (CHF)	15.56	14.64	15.39	16.86	19.58	19.82	20.25	19.59	19.20	
CAI Closing price (CHF)	11.90	11.50	11.60	13.00	16.45	16.55	16.95	15.65	15.30	
Share performance										
CAI Net asset value (USD)	4.5%	(6.4%)	7.9%	12.7%	3.8%	0.7%	0.4%	1.1%	(2.9%)	205.8%[1]
CAI Net asset value (CHF)	8.1%	(5.9%)	5.1%	9.6%	16.1%	1.2%	2.2%	(3.3%)	(2.0%)	95.8%[2]
CAI Closing price (CHF)	(5.6%)	(3.4%)	0.9%	12.1%	26.5%	0.6%	2.4%	(7.7%)	(2.2%)	64.5%

[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).

Price information
Reuters RIC: CHF "CASNn.S"
Reuters Contributors Page: LGTY
Bloomberg: CHF "CASN SW <Equity>"
Investdata: CHF "509275,4"

Listing
SIX Swiss Exchange: 509.275 (Swiss security number)

Publication of net asset value
www.castleai.com

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Board of directors
Tim Steel (chairman)
Dr Konrad Bächinger (deputy chairman)
Dr André Lagger (remuneration committee chairman)
Reto Koller (audit committee chairman)
Kevin Mathews

Investment manager
LGT Capital Partners (Ireland) Limited, Third Floor, 30 Herbert Street, Dublin 2, Ireland
Telephone +353 1 433 7420, Telefax +353 1 433 7425, E-mail lgt.nta@lgt.com

Auditor
PricewaterhouseCoopers Ltd., Birchstrasse 160, CH-8050 Zurich, Switzerland

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