

Semi-annual Report

June 2018

Publication date

This report was released for publication on 23 August 2018.

The subsequent event note in the financial statements has been updated to 21 August 2018.

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

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Castle Alternative Invest AG in the first half of 2018

		30 June 2018	31 December 2017
Net asset value decreased 1.1% year to date	Castle Alternative Invest AG's ("Castle" or the "Company" or "CAI") net asset value decreased by 1.1 per cent (USD -0.22 per share) during the first half of 2018.	USD 19.90 per share TUSD 155,422	USD 20.12 per share TUSD 162,829
Share price up 0.3% on SIX, year to date to CHF 15.70	During the first half of 2018, the price in CHF increased by 0.3 per cent.	CHF 15.70 per share	CHF 15.65 per share
Discount slightly increased during the half-year	At the end of June 2018 the shares (CHF) were trading on SIX at a discount of 20.5 per cent to NAV.	(20.5%)	(20.1%)
Share buy back program (2nd line) and issued shares	<p>On 1 June 2018, the share buyback program on a second trading line at SIX Swiss Exchange, which started on 24 July 2017 was terminated. Overall, a total of 594,551 registered shares or 6.82 per cent of the current share capital and voting rights were bought back.</p> <p>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 held on 16 May 2017 was reached. The buybacks mentioned before were done for cancellation purposes.</p> <p>On 18 June 2018 the board of directors of Castle Alternative Invest Ltd. decided to issue put options tradeable on SIX Swiss Exchange. Each shareholder was granted 1 put option free of charge, for each registered share held. Every 20 put options entitled shareholders to tender one registered share with a nominal value of CHF 5, at the exercise price of CHF 18.00.</p> <p>In total, 386,142 registered shares were tendered which correspond to 4.43 per cent of the share capital and voting rights registered in the commercial register (4.91 per cent of the share capital and voting rights after the intended capital reduction). 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 18 July 2018.</p> <p>It is intended that approval for the cancellation of all registered shares repurchased will be sought at the in 2019 AGM.</p> <p>The cancellation of 858,876 own shares which was approved at the 15 May 2018 Annual General Meeting of shareholders ("AGM") was registered by the commercial register on 6 August 2018 and was effective at the SIX Swiss Exchange as of 7 August 2018 (date of exchange adjustment).</p> <p>From then on, the issued share capital of the company will amount to 7,862,421 registered shares with a par value of CHF 5.00 each.</p>		

Performance during the first half of 2018

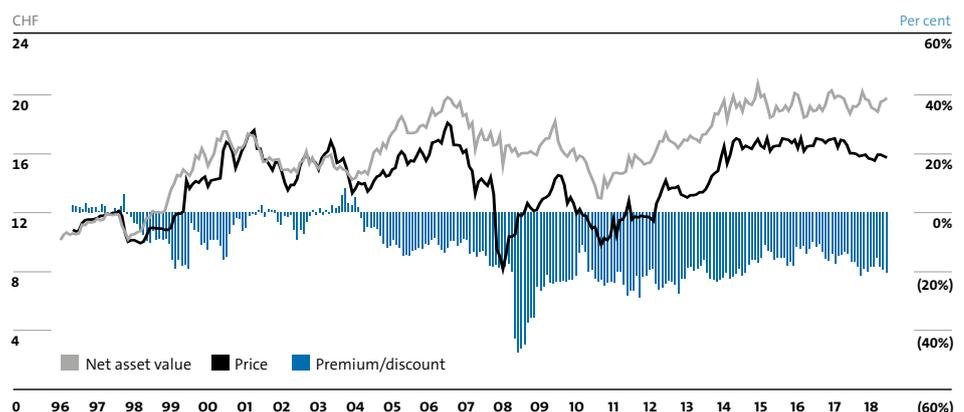
Overview

Market optimism dominated at the start of the year, spurred by the synchronous global economic upswing. The US tax reform further propelled the financial markets. Although the fundamental data was solid, signs of fatigue in the ageing, overheated bull market became increasingly apparent. Volatility steadily climbed over the course of the quarter, culminating in a correction in February. The US Federal Reserve did not let this deter it, however, from pursuing its cycle of monetary tightening. This left its mark on the US fixed income markets, where interest rates have now climbed significantly at the long end. US President Donald Trump caused unease among market players with his anti-free trade rhetoric and protectionist posturing.

Macro backdrop

Despite the late stage of the business cycle, the synchronised upward trend in the global economy continued through the second quarter. Though some leading indicators fell slightly, they remained in positive territory globally. In the United States, the low unemployment rate and rising inflation enabled the Federal Reserve to continue on its path of rate hikes. The ECB also tightened the monetary reins and announced that it would exit its asset purchase program by the end of the year. In addition to the global liquidity squeeze, the trade war rhetoric from the United States dominated the market action. The protectionist tendencies were not to the taste of the global investor community, which was reflected in market turbulence, particularly in the emerging markets.

Net asset value, price and premium/discount SIX listing to 30 June 2018 in CHF



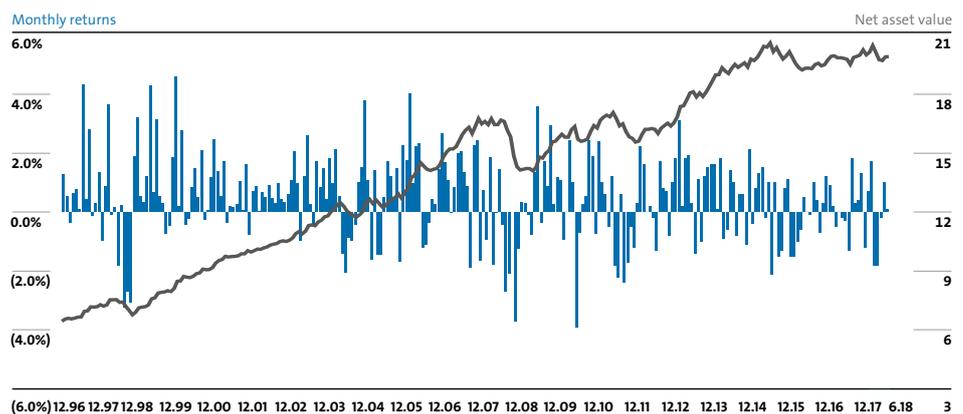
Ten largest holdings

Fund name	Style	Allocation as of 30 June 2018
Crown/Zebedee Segregated Portfolio	Long/Short	7.6%
Crown Managed Futures Master Segregated Portfolio	CTA	7.2%
Crown/Capeview Segregated Portfolio	Long/Short	6.9%
Crown/Linden Segregated Portfolio	Relative Value	6.9%
Crown/GLG Segregated Portfolio	Event Driven	6.7%
Crown/Polar Segregated Portfolio	Relative Value	6.4%
Crown/Lomas Segregated Portfolio	Long/Short	6.0%
Crown/BLS Segregated Portfolio	Long/Short	6.0%
Discovery Global Opportunity Fund Ltd.	Macro	5.6%
Crown/PW Segregated Portfolio	Event Driven	5.5%
Total net assets		100.0%

Performance comparison

Fund	30 June 2018	YTD
CAI net asset value (USD)	19.90	(1.1%)
CAI net asset value (CHF)	19.74	0.8%
CAI closing price (CHF)	15.70	0.3%

Development NAV Castle Alternative Invest AG in USD¹⁾



Equities

Global equities markets had a volatile path: after a strong start, a sharp correction characterised the first quarter, followed by a rebound, which helped recoup some of the early losses. In dollar terms, global markets were in negative territory or flattish at the end of June. As an exception, the S&P 500 just ended north of +1 per cent driven by the FANG stocks, up more than 30 per cent for the first six months.

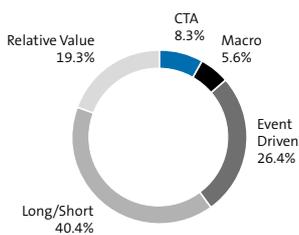
Fixed income

Rising interest rates and corporate credit spreads widening led to declines in most fixed-income indexes. In the US, the 10-year Treasury rose above 3 per cent and the yield curve flattened. Returns of high-quality bonds in the US in particular suffered the most, with performance in some cases south of -3 per cent. High-yield were flattish, while bank loans ended in positive territory.

Commodities

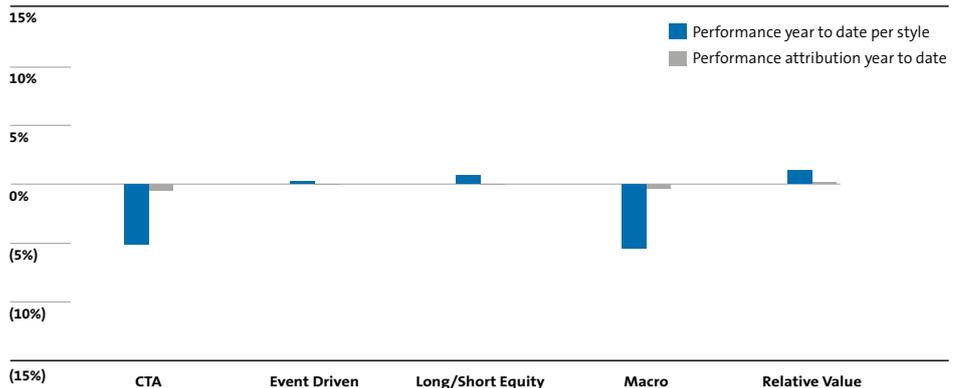
Commodities had mixed results in the first half of the year. Oil prices climbed on concerns over tighter global oil supplies given reduced or disrupted production across Venezuela, Iran and Libya. The strengthening of the dollar led to gold sliding into negative territory, while US steel prices rallied after the decision to impose tariffs on steel imports. Sugar was not sweet so far: stockpiles are poised for a record resulting from slowing demand and increasing production making this commodity the worst performing market in 2018 (approx. -20 per cent).

Style allocation as of 30 June 2018



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

Estimated performance of styles before costs in USD from 31 December 2016 to 30 June 2018



Hedge fund strategies

Event driven added 0.2 per cent to Castle's returns. Managers within the allocation had mixed returns. Best results came from an European manager who capitalised in particular on an idiosyncratic position that came to fruition. An US manager – added to the portfolio in the first quarter – was also contributing positively to the allocation results, while the largest deduction came from an European manager, where some positions came under severe pressure from the volatility deriving from the tariffs against China.

CTA/macro strategies as a group were deducting 0.9 per cent from Castle's returns. After a strong start in January CTAs suffered from the increased markets volatility: in particular trend-following strategies were caught on the wrong foot with a pronounced long equity exposure as of end of January. Subsequently, after risk has been reduced, they could participate only partially in the rebound. Discretionary macro strategies were also unprofitable and contributed almost in the same magnitude like CTAs to the losses.

Long/short equity added 0.1 per cent to Castle's returns. Performance has been characterised by a large dispersion, actually exceeding 20 per cent between the best and worst performer. Asian exposure – in particular China and India – deducted the most. Some of the managers were able to navigate well the heightened volatility in particular in February and provided some degree of diversification and downside protection. Best results came from a European fundamental manager who was able to generate significant alpha, also from the short side.

The **relative value** managers added 0.2 per cent to Castle's returns and were able to protect the portfolio downside in the more volatile phases during this first six months of the year.

Castle Alternative Invest

The net asset value per share of Castle Alternative Invest AG in US Dollars decreased by 1.1 per cent in the first half of 2018. Converted into Swiss Francs, it gained 0.8 per cent over the same period. At the end of June 2018, Castle's shares in Swiss Francs were trading at a discount of 20.5 per cent to net asset value. The portfolio was invested in 27 different managers and the level of investment was 100 per cent.

Unaudited consolidated statement of comprehensive income

For the period ended 30 June 2018 (All amounts in USD thousands unless otherwise stated)

	Note	1 January – 30 June 2018	1 January – 30 June 2017
Income			
Net loss on investments designated at fair value through profit or loss	4	(1,135)	(2,514)
Income from current assets:			
(Loss)/gain on foreign exchange, net		(1)	1
Interest income		9	11
Other income		1	1
Total gain from current assets		9	13
Total loss		(1,126)	(2,501)
Expenses			
Management and performance fees	8	(1,169)	(1,318)
Other operating expenses		(685)	(544)
Total operating expenses		(1,854)	(1,862)
Operating loss		(2,980)	(4,363)
Finance costs		(29)	(12)
Loss for the period		(3,009)	(4,375)
Total comprehensive loss for the period		(3,009)	(4,375)
Loss attributable to:			
Shareholders		(2,772)	(4,182)
Non-controlling interest	2 (d)	(237)	(193)
		(3,009)	(4,375)
Total comprehensive loss attributable to:			
Shareholders		(2,772)	(4,182)
Non-controlling interest	2 (d)	(237)	(193)
		(3,009)	(4,375)
Earnings per share (in USD) attributable to equity holders			
Weighted average number of shares outstanding during the period		7,952,374	8,758,151
Basic and diluted profit per share		USD (0.35)	USD (0.48)

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

Unaudited consolidated balance sheet

As of 30 June 2018 (All amounts in USD thousands unless otherwise stated)

	Note	30 June 2018	31 December 2017
Assets			
Current assets:			
Cash and cash equivalents		3,125	1,781
Accrued income and other receivables		2,653	7,841
Total current assets		5,778	9,622
Non-current assets:			
Investments designated at fair value through profit or loss	4	174,779	181,103
Total assets		180,557	190,725
Liabilities			
Current liabilities:			
Borrowings		3,302	6,568
Accrued expenses and other payables		594	572
Total current liabilities		3,896	7,140
Equity			
Shareholders' equity:			
Share capital		32,337	32,337
Additional paid-in capital		59,693	59,693
Less treasury shares at cost (bought for cancellation)	7	(15,554)	(10,919)
Retained earnings		78,946	81,718
Total shareholders' equity before non-controlling interest		155,422	162,829
Non-controlling interest		21,239	20,756
Total equity		176,661	183,585
Total liabilities and equity		180,557	190,725
Net asset value per share (in USD)			
Number of shares issued as at the period end		8,721,297	8,721,297
Number of treasury shares (bought for cancellation) as at the period end		(910,143)	(628,682)
Number of shares outstanding net of treasury shares as at the period end		7,811,154	8,092,615
Net asset value per share		19.90	20.12

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

Unaudited consolidated statement of cash flows

For the period ended 30 June 2018 (All amounts in USD thousands unless otherwise stated)

	1 January – 30 June 2018	1 January – 30 June 2017
Cash flows from/(used in) operating activities:		
Purchase of investments	(26,500)	(8,000)
Proceeds from sales of investments	36,818	20,464
Interest received	9	10
Operating expenses paid	(1,772)	(2,816)
Net cash from operating activities	8,555	9,658
Cash flows from/(used in) financing activities:		
Finance costs	(29)	(12)
Proceeds from bank borrowings	3,302	–
Repayments of bank borrowings	(6,568)	–
Issuance of capital to non-controlling interest	1,100	–
Return of capital to non-controlling interest	(380)	(1,300)
Purchase of treasury shares (bought for cancellation)	(4,635)	(3,139)
Net cash used in financing activities	(7,210)	(4,451)
Net increase in cash and cash equivalents	1,345	5,207
Cash and cash equivalents, beginning of the period:	1,781	5,368
Net increase in cash and cash equivalents	1,345	5,207
Net (loss)/gain on foreign exchange on cash and cash equivalents	(1)	2
Cash and cash equivalents, end of the period	3,125	10,577
Cash and cash equivalents consist of the following as at 30 June:		
Cash at banks	3,125	10,577
Total	3,125	10,577

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

Unaudited consolidated statement of changes in equity

For the period ended 30 June 2018 (All amounts in USD thousands unless otherwise stated)

	Share capital	Additional paid-in capital	Less treasury shares	Retained earnings	Non-controlling interest	Total equity
1 January 2017	35,795	59,693	(13,733)	94,848	21,661	198,264
Total comprehensive loss for the period	—	—	—	(4,182)	(193)	(4,375)
Purchase of treasury shares (bought for cancellation)	—	—	(3,139)	—	—	(3,139)
Return of capital to non-controlling interest	—	—	—	—	(1,300)	(1,300)
30 June 2017	35,795	59,693	(16,872)	90,666	20,168	189,450
1 January 2018	32,337	59,693	(10,919)	81,718	20,756	183,585
Total comprehensive loss for the period	—	—	—	(2,772)	(237)	(3,009)
Purchase of treasury shares (bought for cancellation)	—	—	(4,635)	—	—	(4,635)
Issuance of capital to non-controlling interest	—	—	—	—	1,100	1,100
Return of capital to non-controlling interest	—	—	—	—	(380)	(380)
30 June 2018	32,337	59,693	(15,554)	78,946	21,239	176,661

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

Notes to the unaudited consolidated financial statements for the period ended 30 June 2018

1. Organisation and business activity

Castle Alternative Invest AG, Pfäffikon (“the Company”), is a joint stock corporation established for an indefinite period in the Canton of Schwyz, Switzerland, by deed dated 24 July 1996. The Company was registered in the Commercial Register of the Canton of Schwyz on 30 July 1996. The Company’s business is principally conducted through two subsidiaries; Castle Alternative Invest (Overseas) Ltd., Grand Cayman (“the Cayman Subsidiary”) and Castle Alternative Invest (International) plc, Dublin (“the Ireland Subsidiary”). Since 10 April 1997, the shares of the Company have been listed in Swiss Francs on the SIX Swiss Exchange and on 21 January 2002, a listing in US Dollar on the SIX Swiss Exchange followed, which was discontinued effective 15 September 2017.

2. Basis of preparation

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

The consolidated interim financial statements of the Group have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss. The principles of accounting applied in the interim consolidated financial statements as per 30 June 2018 correspond to those in the annual report 2017, unless otherwise stated. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards (IFRS) formulated by the International Accounting Standards Board (IASB).

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

- IFRS 9, “Financial instruments”, (1 January 2018)

The implementation of this new standard did not have an impact on the consolidated interim financial statements of the Group and did not lead to any changes to the total shareholders’ equity of the Group as all of the Group’s investments are measured at fair value through profit or loss.

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 interim financial statements. None of these could have a significant effect on the consolidated interim financial statements.

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

c) Segment reporting

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

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

d) Non-controlling interest

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

3. Basis of consolidation

The consolidated interim financial statements per 30 June 2018 are based on the financial statements of the individual Group companies prepared using the same accounting principles applied in the consolidated financial statements for the year ended 31 December 2017.

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

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

4. Investments designated at fair value through profit or loss

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

5. Tax expense

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

Castle Alternative Invest AG, Pfäffikon

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

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

Castle Alternative Invest (Overseas) Ltd., Grand Cayman

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

Castle Alternative Invest (International) plc., Dublin

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

Reconciliation of income tax calculated with the applicable tax rate:

Tax expense	30.6.2018 TUSD	30.6.2017 TUSD
Loss for the period before income tax	(3,009)	(4,375)
Applicable tax rate	7.8%	7.8%
Income tax	(235)	(341)
Effect from non-taxable income	235	341
Total	—	—

6. Borrowings

As of 30 June 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. The pledged assets are deposited with LGT Bank Ltd., Vaduz and pledged in favour of the lender.

As of 30 June 2018, the Ireland Subsidiary had TUSD 3,302 borrowings from LGT Bank Ltd., Dublin Branch (31 December 2017: TUSD 6,568).

Investments designated at fair value through profit or loss¹⁾

As of 30 June 2018 (All amounts in USD thousands unless otherwise stated)

	Geography	Shares as at 1.1.2018	Shares as at 30.6.2018	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 30.6.2018	Unrealised gain/(loss) accumulat- ed 2018	Fair value as at 30.6.2018	% of invest- ments
CTA											
Crown/Diversified Trend Master Segregated Portfolio	Global	2,000	2,000	2,000	—	—	—	2,000	(26)	1,974	1.1%
Crown Managed Futures Master Segregated Portfolio	Global	6,247	4,454	13,280	—	(2,332)	2,918	10,948	1,579	12,527	7.2%
Total CTA				15,280	—	(2,332)	2,918	12,948	1,553	14,501	8.3%
Macro											
Crown/Atreus 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	12,459	5,674	—	—	—	5,674	4,038	9,712	5.6%
The Rohatyn Group Global Opportunity Fund Ltd.	Global	1	1	272	—	—	—	272	(190)	82	0.1%
Total Macro				19,225	—	(13,279)	(1,968)	5,946	3,848	9,794	5.6%
Event Driven											
Bennelong Asia Pacific Multi Strategy Equity Fund Ltd.	Asia	6,435	6,435	735	—	—	—	735	(484)	251	0.1%
Crown Distressed Credit Opportunities plc ²⁾	Global	5,845	5,344	509	—	(44)	72	465	782	1,247	0.7%
Crown/GLG Segregated Portfolio	Europe	5,842	8,179	5,864	3,000	—	—	8,864	2,779	11,643	6.7%
Crown/Latigo Segregated Portfolio	America	11,166	6,989	11,500	—	(4,302)	698	7,198	1,550	8,748	5.0%
Crown/Oceanwood Segregated Portfolio	Europe	8,000	8,000	8,000	—	—	—	8,000	118	8,118	4.6%
Crown/PW Segregated Portfolio	America	—	9,021	—	9,000	—	—	9,000	607	9,607	5.5%
Highland Crusader Fund II Ltd.	America	1	1	—	—	—	—	—	988	988	0.6%
OZ Asia Overseas Fund Ltd.	Asia	1	1	544	—	(18)	—	526	(318)	208	0.1%
OZ Overseas Fund Ltd. Tranche C shares	Global	2	2	128	—	—	3	128	(51)	77	0.0%
Tyrus Capital Opportunities Fund Ltd.	Global	86,626	48,727	8,516	—	(3,726)	1,195	4,790	398	5,188	3.0%
Winston Partners PE Investment Ltd.	Global	1	1	1	—	—	—	1	(1)	—	0.0%
Total Event Driven				35,797	12,000	(8,090)	1,968	39,707	6,368	46,075	26.4%

	Geography	Shares as at 1.1.2018	Shares as at 30.6.2018	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 30.6.2018	Unrealised gain/(loss) accumulat- ed 2018	Fair value as at 30.6.2018	% of invest- ments
Long/Short											
Crown/Ariose Segregated Portfolio	Asia	8,000	8,000	8,000	—	—	—	8,000	(445)	7,555	4.3%
Crown/BLS Segregated Portfolio	Asia	9,518	9,518	9,400	—	—	—	9,400	994	10,394	6.0%
Crown/Capeview Segregated Portfolio	Europe	6,719	6,719	6,833	—	—	—	6,833	5,262	12,095	6.9%
Crown/Helios Segregated Portfolio	Asia	3,394	5,583	4,500	3,000	—	—	7,500	(364)	7,136	4.1%
Crown/Lomas Segregated Portfolio	America	8,105	8,982	8,000	1,000	—	—	9,000	1,453	10,453	6.0%
Crown/Seligman Segregated Portfolio	Global	—	9,471	—	9,500	—	—	9,500	(175)	9,325	5.3%
Crown/Zebedee Segregated Portfolio	Europe	11,711	11,705	11,711	1,000	(874)	126	11,837	1,449	13,286	7.6%
Galleon Technology Offshore Ltd.	America	57	57	1,278	—	—	—	1,278	(1,053)	225	0.1%
Raptor Private Holdings Ltd.	America	397	365	272	—	(22)	(10)	250	(110)	140	0.1%
Total Long/Short				49,994	14,500	(896)	116	63,598	7,011	70,609	40.4%
Relative Value											
Crown/Astignes Segregated Portfolio	Asia	9,209	9,209	9,252	—	—	—	9,252	296	9,548	5.5%
Crown/Linden Segregated Portfolio	Global	6,257	5,445	8,480	—	(913)	887	7,567	4,513	12,080	6.9%
Crown/Polar Segregated Portfolio	America	11,909	10,083	12,000	—	(1,826)	174	10,174	961	11,135	6.4%
D.E. Shaw Composite International Ltd.	Global	1	1	—	—	—	—	—	61	61	0.0%
D.E. Shaw Composite International Ltd.											
Side Pocket Series	Global	1	1	—	—	—	221	—	976	976	0.6%
Drake Absolute Return Fund Ltd.	Global	24	—	49	—	(49)	(12)	—	—	—	0.0%
Total Relative Value				29,781	—	(2,788)	1,270	26,993	6,807	33,800	19.3%
Total				150,077	26,500	(27,385)	4,304	149,192	25,587	174,779	100.0%

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

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

7. Shareholders' equity

Shareholders' equity

As of 30 June 2018 the authorised, issued and fully paid up share capital of the Company amounts to TCHF 43,606 (TUSD 32,337) and as of 31 December 2017 to TCHF 43,606 (TUSD 32,337) consisting of 8,721,297 (2017: 8,721,297) registered shares with a par value of CHF 5. The translation into US Dollar has been done at the corresponding historical foreign exchange rate. Each share entitles the holder to participate in any distribution of income and capital. The Group regards shareholders' equity as the capital that it manages. Shareholders' equity, including non-controlling interest holders, amounts to TUSD 176,817 as of 30 June 2018 (2017: TUSD 183,585).

During the period from 21 June 2010 to 30 June 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.

Non-controlling interest

On 1 April 2011 Swiss Life AG partially redeemed its holding in Class I of the Ireland Subsidiary. The redemption was paid out in cash with the remaining amount being placed in a newly opened side pocket share class for illiquid assets (Class RI). At the same time a side pocket share class for the Cayman Subsidiary's portion of the illiquid assets was also created (Class RO). The side pocket share classes have paid out proceeds as their assets were realised. On 31 December 2012 Swiss Life fully redeemed its holding in the Class I shares. As per 30 June 2018 Swiss Life AG's holding in the remaining Class RI shares comprised 1.39 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. As of 30 June 2018 LGT Castle Sub-Fund's holding in Class A shares comprised 10.82 per cent (2017: 9.47 per cent) of the net asset value of the Ireland Subsidiary.

The Cayman Subsidiary's holding in Class O and Class RO comprised 87.78 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 in the Ireland Subsidiary are shown as a non-controlling interest in the Group's consolidated financial statements.

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

Since 2010, the Company has announced openings of second trading lines on a yearly basis for the Company's shares on the SIX Swiss Exchange. The Company is always the exclusive buyer on these trading lines and repurchases shares for the purpose of subsequently reducing its share capital. The Company has purchased treasury shares on its second trading line according to the following summaries. These treasury shares are treated as a deduction from shareholders' equity using cost values. On 18 June 2018, the Company announced its decision to issue put options tradable on the SIX Swiss Exchange. Further information is disclosed in note 11. (On 28 June 2017, every 30 put options entitled shareholders to tender one registered share at the exercise price of CHF 17.70 until 17 July 2017. The put options were traded from 3 July 2017 up to and including 17 July 2017).

Treasury shares

Buyback programs	From	To	Cancelled	Number of shares	Average price 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	—	38,014	16.97	645
Additions 2017 via tradable put options	03.07.2017	17.07.2017	—	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	—	313,090	16.35	5,119
Additions 2018	01.01.2018	08.05.2018	—	230,194	16.56	3,813
Additions 2018	09.05.2018	30.06.2018	—	51,267	16.03	822
Total				594,551	16.41	9,754
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 2 nd 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 2 nd line				281,461		4,635
Shares held as of 30 June 2018				910,143		15,554

8. Significant transactions with related parties

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

Related party transactions

Entity	Related party Relationship/Agreement(s) Direct/indirect	Transaction type	30.6.2018 TUSD	31.12.2017 TUSD	30.6.2017 TUSD	
Castle Alternative Invest AG	LGT Bank Ltd./ Administrative Services Agreement/direct	Cash at banks	134	150	192	
	LGT Group Holding Ltd./Administrative Services Agreement/direct	Administration fee	21	40	22	
	LGT Capital Partners Ltd./ Domicile Agreement/direct	Domicile fee	5	10	5	
	LGT Capital Partners Ltd./Management expenses Agreement/direct	General manager's expenses General manager's expenses payable	37 37	74 —	— —	
	Directors/direct	Directors' fee	108	216	113	
	Castle Alternative Invest (Overseas) Ltd.	LGT Capital Partners (Ireland) Ltd./ Investment Management Agreement/direct	Investment management fee Investment management fee payable	1 1	2 1	1 1
		LGT Group Holding Ltd./Administrative Services Agreement/direct	Administration fee Administration fee payable	5 —	10 10	5 5
LGT Bank Ltd./Administrative Services Agreement and Loan Agreement/direct		Cash at banks	69	98	36	
Directors/indirect		Directors' fee	11	5	5	
Castle Alternative Invest (International) plc		LGT Bank Ltd., Dublin Branch (formerly LGT Bank (Ireland) Ltd.)/ Loan Agreement/direct	Due to banks: loan Interest expense Credit facility standby fee Credit facility standby fees payable	3,302 28 23 11	6,568 46 46 11	— 12 23 11
		LGT Capital Partners (Ireland) Ltd./ Alternative Investment Fund Management Agreement/direct	Investment management fee Investment management fee payable	1,168 194	2,445 80	1,317 214
	Directors/indirect	Directors' fee	—	2	2	
	LGT Capital Partners Ltd./ Advisory Agreement/indirect	Advisory fee (no direct fees)	—	—	—	
	LGT Fund Managers (Ireland) Ltd./ Management Agreement/indirect	Secretarial services (no direct fees)	—	—	—	

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

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

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

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

9. Segment reporting

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

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

	America TUSD	Asia TUSD	Europe TUSD	Global TUSD	Total TUSD
As of 30 June 2018					
Income					
Net gain/(loss) on investments designated at fair value through profit or loss	390	(1,017)	2,484	(2,992)	(1,135)
Other gain/(loss)	9	—	(1)	1	9
Total income/(loss)	399	(1,017)	2,483	(2,991)	(1,126)
As of 30 June 2017					
Income					
Net gain/(loss) on investments designated at fair value through profit or loss	1,059	1,206	302	(5,081)	(2,514)
Other gain	—	—	12	1	13
Total income/(loss)	1,059	1,206	314	(5,080)	(2,501)

The assets are geographically allocated as follows:

	30.6.2018		31.12.2017	
	TUSD	in %	TUSD	in %
Non-current assets				
America	41,296	24%	37,918	21%
Asia	35,092	20%	33,126	18%
Europe	45,142	26%	39,658	22%
Global	53,249	30%	70,401	39%
Total non-current assets	174,779	100%	181,103	100%

10. Fair value estimation

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

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

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

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

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

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

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

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

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

The following table analyses within the fair value hierarchy the Group’s financial assets (by class) measured at fair value at 30 June 2018 and 31 December 2017.

As of 30 June 2018	Level 1 TUSD	Level 2 TUSD	Level 3 TUSD	Total TUSD
Assets				
Assets designated at fair value through profit or loss:				
Investments	—	170,525	4,254	174,779
Total	—	170,525	4,254	174,779
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 did not hold level 1 investments as at 30 June 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.

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

There were no transfers in 2018 and 2017 between the different levels.

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

Diversification by geography	30.6.2018 % of financial assets at fair value through profit or loss	31.12.2017 % of financial assets at fair value through profit or loss
America	32%	31%
Asia	11%	15%
Global	57%	54%
Total	100%	100%

As of 30 June 2018, the Group had an investment in Highland Crusader Fund II Limited ("Highland") for which the valuation is complex as the fund holds a large number of illiquid investments. The Group redeemed its entire position as of 30 June 2008, however, due to the illiquidity of the portfolio and increasing redemption requests, the investment manager of Highland decided to suspend redemption payments. After further losses, the investment manager proposed that the fund be wound up in its entirety making the value of all outstanding balances including prior redemption requests dependent on the realised value of assets as the fund is liquidated. Investors accepted this distribution scheme in the summer of 2011 and the investment was therefore classified as a level 3 investment in the 2011 annual report. Since the acceptance of the distribution plan, up to 30 June 2018, the Group had received redemption proceeds amounting to TUSD 12,033.

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

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

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

As of 30 June 2018	Investments designated at fair value through profit or loss TUSD
Assets	
At 1 January 2018	4,848
Net change in unrealised loss	(461)
Sales	(133)
Transfers in/out	—
At 30 June 2018	4,254
Total unrealised gain for the period included in the statement of comprehensive income for investments held at the end of the period	274
As of 31 December 2017	
Assets	
At 1 January 2017	6,228
Net change in unrealised loss	(1,066)
Sales	(314)
Transfers in/out	—
At 31 December 2017	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

11. Subsequent events

Since the balance sheet date of 30 June 2018 Castle Alternative Invest AG purchased 113,413 treasury shares on its second trading line for a total consideration of TUSD 1,816. As of 21 August 2018 the Company held a total of 550,882 such shares in treasury shares.

At the annual meeting on 15 May 2018, a share capital reduction was approved by way of cancellation of 858,876 shares held in treasury. The cancellation was completed effective 7 August 2018.

On 18 June 2018, the Company announced its decision to issue put options tradable on the SIX Swiss Exchange. Every 20 put options entitled shareholders to tender one registered share with a nominal value of CHF 5 at the exercise price of CHF 18.00. The put options were traded from 21 June 2018 up to and including 13 July 2018. On 17 July 2018, the Company announced that a total of 386,142 put options were declared for exercise. The net purchase price (exercise price minus 35 per cent withholding tax calculated on the difference between exercise price and the nominal value) was paid on 18 July 2018. 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 30 June 2018, there have been no material events that could impair the integrity of the information presented in the consolidated interim financial statements.

Share information

Exchange rate CHF/USD: 0.9920

	2010	2011	2012	2013	2014	2015	2016	2017	June 2018	Since inception
Share information										
Number of bearer shares at year-end	19,707,060	17,481,596	16,352,817	13,371,710	12,278,310	10,756,059	9,653,732	8,721,297	8,721,297	
CAI Net asset value (USD)	16.66	15.60	16.83	18.97	19.70	19.83	19.91	20.12	19.90	
CAI Net asset value (CHF)	15.56	14.64	15.39	16.86	19.58	19.82	20.25	19.59	19.74	
CAI Closing price (USD)	12.30 ³⁾	11.65 ³⁾	12.70 ³⁾	14.40 ³⁾	16.45 ³⁾	16.25 ³⁾	16.40 ³⁾	— ⁴⁾	— ⁴⁾	
CAI Closing price (CHF)	11.90	11.50	11.60	13.00	16.45	16.55	16.95	15.65	15.70	
Share performance										
CAI Net asset value (USD)	4.5%	(6.4%)	7.9%	12.7%	3.8%	0.7%	0.4%	1.1%	(1.09%)	208.9% ¹⁾
CAI Net asset value (CHF)	8.1%	(5.9%)	5.1%	9.6%	16.1%	1.2%	2.2%	(3.3%)	0.77%	97.4% ²⁾
CAI Closing price (USD)	(0.4%) ³⁾	(5.3%) ³⁾	9.0% ³⁾	13.4% ³⁾	14.2% ³⁾	(1.2%) ³⁾	0.9% ³⁾	— ⁴⁾	— ⁴⁾	— ³⁾
CAI Closing price (CHF)	(5.6%)	(3.4%)	0.9%	12.1%	26.5%	0.6%	2.4%	(7.7%)	0.32%	57.0%

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

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

³⁾ Inception of US Dollar trading 21 January 2002.

⁴⁾ The US Dollar listing was discontinued on 15 September 2017.

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)

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