

Semi-annual Report

June 2019

Publication date

This report was released for publication on 26 August 2019.

The subsequent event note in the financial statements has been updated to 22 August 2019.

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 2019

		30 June 2019	31 December 2018
Net asset value increased 3.2% year to date	Castle Alternative Invest AG's ("Castle" or the "Company" or "CAI") net asset value increased by 3.2 per cent (USD 0.62 per share) during the first half of 2019.	USD 20.16 per share TUSD 119,524	USD 19.54 per share TUSD 129,382
Share price up 18.3% on SIX, year to date to CHF 18.10	During the first half of 2019, the price in CHF increased by 18.3 per cent.	CHF 18.10 per share	CHF 15.30 per share
Discount decreased further during the half-year	At the end of June 2019 the shares (CHF) were trading on SIX at a discount of 8.1 per cent to NAV.	(8.1%)	(20.3%)
Share buy back program (second line) and issued shares	<p>On 5 June 2019 the board of directors of the Company decided to terminate prematurely, on the same day, the ongoing share buyback program on a second trading line on SIX Swiss Exchange, which started on 5 December 2018. With the end of the program, 438,120 shares or 5.57 per cent of the current share capital and voting rights were bought back. These buybacks were done for cancellation purposes.</p> <p>On the same day, 5 June 2019, the Company announced a share buyback program by issuing put options tradable on SIX Swiss Exchange. The put options were traded from 11 to and including 25 June 2019. Every 20 put options entitled shareholders to tender one registered share at the exercise price of CHF 24.00.</p> <p>Since 6 August 2018, the issued share capital of the Company has consisted of 7,862,421 registered shares with a par value of CHF 5.</p>		

Performance during the first half of 2019

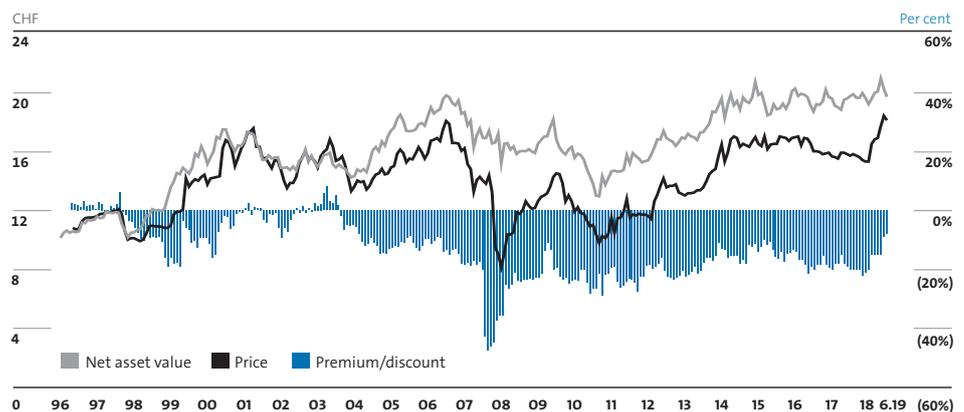
Overview

Increased policy uncertainty in particular in the UK (Brexit) and in the EU (rising influence of populist parties) – a re-escalation of trade tensions between US and China, and increased geopolitical tensions, such as that between the US and Iran, led to mounting concerns on world economic growth prospects. Growth forecasts have been recalibrated and/or downgraded for several countries as compared to early 2019 figures. Against these developments, Central Banks seem to act synchronously and favour a monetary policy easing cycle, thus continuing on the accommodative path followed so far.

Macro backdrop

A deceleration of global growth and increasing influence of unresolved issues build the macroeconomic scenario, where the Euro zone seems to be more exposed and vulnerable as compared to the US and China. The economic recovery in particular remains fragile and threats from politics and protectionism are increasing. The trade conflict between US and China seems not to be resolved any time soon and an escalation would put even more pressure on an already decelerating economy. Central Banks will not have so much room to manoeuvre and are actively trying to avoid any worsening of the current conditions.

Net asset value, price and premium/discount SIX listing to 30 June 2019 in CHF



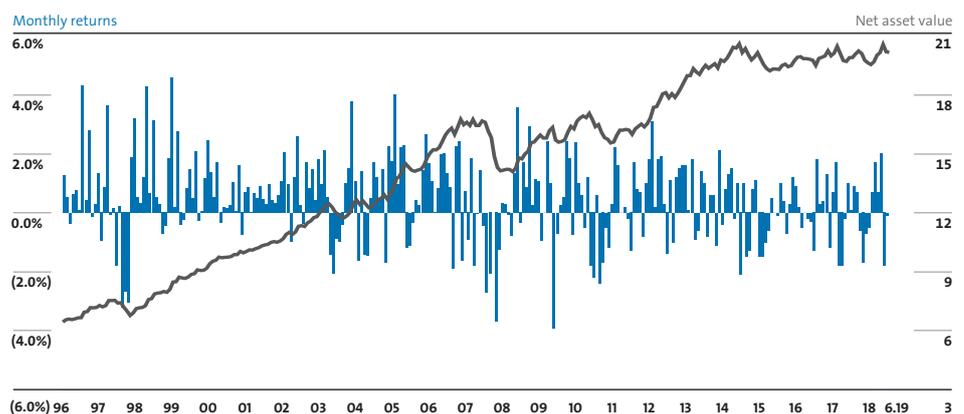
Ten largest holdings

Fund name	Style	Allocation as of 30 June 2019
Crown/PW Segregated Portfolio	Event Driven	9.3%
Crown/Lomas Segregated Portfolio	Long/Short	9.3%
Crown Managed Futures Master Segregated Portfolio	CTA	8.0%
Crown/Astignes Segregated Portfolio	Relative Value	7.9%
Crown/Greenvale Segregated Portfolio	Long/Short	7.6%
Crown/Linden Segregated Portfolio	Relative Value	7.4%
The Segantii Asia Pacific Equity Multi Strategy Fund	Relative Value	7.4%
Crown/Capeview Segregated Portfolio	Long/Short	7.1%
Crown/Seligman Segregated Portfolio	Long/Short	7.1%
Crown/Zebedee Segregated Portfolio	Long/Short	7.0%
Total net assets		100.0%

Performance comparison

Fund	30 June 2019	YTD
CAI net asset value (USD)	20.16	3.2%
CAI net asset value (CHF)	19.69	2.6%
CAI closing price (CHF)	18.10	18.3%

Development NAV Castle Alternative Invest AG in USD¹⁾



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).

Equities

After a difficult fourth quarter in 2018, global stocks advanced in the first six months of the year and several key market indexes hit record highs. Investor sentiment improved as Central Banks around the world made it clear that they will not abandon their accommodative stance and that the era of easy monetary policy is far from over. Most of the main equity indices ended the first half of the year with a double digits result.

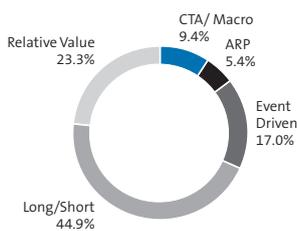
Fixed income

Amid slowing global growth, demand for bonds has been intact with global fixed income delivering positive returns year-to-date. Among the group with the best performance, there are US high-yield bonds, US Dollar EM debt and Asian bonds. The increasingly dovish stance of Central Banks supported this dynamics as a benign fundamental factor.

Commodities

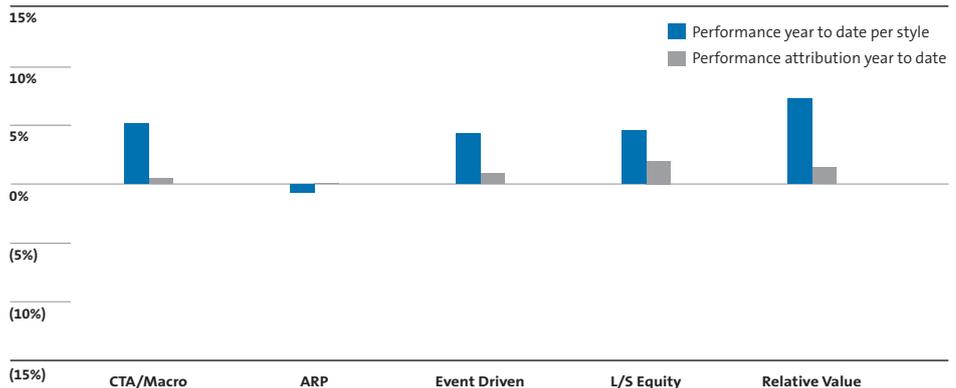
After a rangebound development until the end of May, the gold price climbed up significantly, leading to an almost 10 per cent appreciation, year to date. Several factors aligned explain this performance: a softer US Dollar, geopolitical tensions, slowdown in global in economic growth and an increasing dovish stance by the Federal Reserve. Oil prices also climbed higher amid increasing geopolitical tensions with volatility driven in particular by the tensions between the US and Iran, including the attacks on six oil tankers near the Strait of Hormuz.

Style allocation as of 30 June 2019



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 2019



Hedge fund strategies

Event driven added 1 per cent to Castle's returns. All the managers within the allocation were positive. However, we observed significant dispersion. Best results came from US managers followed by the European ones. One US manager could profit in particular through its equity exposure in a restructuring situation of an American natural gas company.

CTA/macro strategies as a group were adding 0.5 per cent to Castle's returns. After a prolonged period of lack lustre results, trend-following strategies had a strong run with profits stemming mainly from bonds and equities leading – in many cases – to double digits returns for the first six months of the year. Systematic macro strategies were also profitable albeit not fully matching the results of trend followers.

Long/short equity added 2 per cent to Castle's returns. All but one of the discretionary managers were positive with best results from a London based manager, who is running a concentrated best ideas portfolio in an almost market neutral fashion. The manager was able to capitalise on a few opportunities on the long and the short side leading to a return in excess of 12 per cent. One systematic strategy focusing on exploiting alternative equity risk premia deducted marginally, though outperforming peers due to a broader investment universe and a sophisticated strategy implementation.

The **relative value** managers added 1.4 per cent to Castle's returns as all managers ended the period in positive territory. Asian managers in particular added to the performance, contributing for more than half of the profits.

Castle Alternative Invest

The net asset value per share of Castle Alternative Invest AG in US Dollars increased by 3.2 per cent in the first half of 2019. Converted into Swiss Francs, it gained 2.6 per cent over the same period. At the end of June 2019, Castle's shares in Swiss Francs were trading at a discount of 8.1 per cent to net asset value. The portfolio was invested in 24 different managers and the level of investment was 92.8 per cent.

Unaudited consolidated statement of comprehensive income

For the period ended 30 June 2019 (All amounts in USD thousands unless otherwise stated)

	Note	1 January – 30 June 2019	1 January – 30 June 2018
Income			
Net gain/(loss) on investments at fair value through profit or loss	4	5,670	(1,135)
Income from current assets:			
Loss on foreign exchange, net		—	(1)
Interest income		26	9
Other income		35	1
Total gain from current assets		61	9
Total income/(loss)		5,731	(1,126)
Expenses			
Management and performance fees	8	(950)	(1,169)
Other operating expenses		(629)	(685)
Total operating expenses		(1,579)	(1,854)
Operating profit/(loss)		4,152	(2,980)
Finance costs		(39)	(29)
Profit/(loss) for the period		4,113	(3,009)
Total comprehensive income/(loss) for the period		4,113	(3,009)
Profit/(loss) attributable to:			
Shareholders		4,286	(2,772)
Non-controlling interest	2 (d)	(173)	(237)
		4,113	(3,009)
Total comprehensive income/(loss) attributable to:			
Shareholders		4,286	(2,772)
Non-controlling interest	2 (d)	(173)	(237)
		4,113	(3,009)
Earnings per share (USD) attributable to equity holders			
Weighted average number of shares outstanding during the period		6,402,454	7,952,374
Basic and diluted profit/(loss) per share		USD 0.67	USD (0.35)

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 2019 (All amounts in USD thousands unless otherwise stated)

	Note	30 June 2019	31 December 2018
Assets			
Current assets:			
Cash and cash equivalents		9,002	4,617
Accrued income and other receivables		6,641	563
Total current assets		15,643	5,180
Non-current assets:			
Investments at fair value through profit or loss	4	110,921	134,230
Total non-current assets		110,921	134,230
Total assets		126,564	139,410
Liabilities			
Current liabilities:			
Borrowings		2,452	7,000
Accrued expenses and other payables		2,664	710
Total current liabilities		5,116	7,710
Equity			
Shareholders' equity:			
Share capital		27,926	27,926
Additional paid-in capital		24,428	59,693
Less treasury shares at cost (bought for cancellation)	7	(35,486)	(21,342)
Retained earnings		102,656	63,105
Total shareholders' equity before non-controlling interest		119,524	129,382
Non-controlling interest		1,924	2,318
Total equity		121,448	131,700
Total liabilities and equity		126,564	139,410
Net asset value per share (USD)			
Number of shares issued as at the period end		7,862,421	7,862,421
Number of treasury shares (bought for cancellation) as at the period end	7	(1,932,282)	(1,240,383)
Number of shares outstanding net of treasury shares as at the period end		5,930,139	6,622,038
Net asset value per share		20.16	19.54

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 2019 (All amounts in USD thousands unless otherwise stated)

	1 January – 30 June 2019	1 January – 30 June 2018
Cash flows from/(used in) operating activities:		
Purchase of investments	(16,922)	(26,500)
Proceeds from sales of investments	38,706	36,818
Interest received	26	9
Operating expenses paid	(609)	(1,772)
Net cash from operating activities	21,201	8,555
Cash flows from/(used in) financing activities:		
Finance costs	(40)	(29)
Proceeds from bank borrowings	2,452	3,302
Repayments of bank borrowings	(7,000)	(6,568)
Issuance of capital to non-controlling interest	—	1,100
Return of capital to non-controlling interest	(220)	(380)
Purchase of treasury shares (bought for cancellation)	(12,008)	(4,635)
Net cash used in financing activities	(16,816)	(7,210)
Net increase in cash and cash equivalents	4,385	1,345
Cash and cash equivalents, beginning of the period:	4,617	1,781
Net increase in cash and cash equivalents	4,385	1,345
Net gain/(loss) on foreign exchange on cash and cash equivalents	—	(1)
Cash and cash equivalents, end of the period	9,002	3,125
Cash and cash equivalents consist of the following as at 30 June:		
Cash at banks	9,002	3,125
Total	9,002	3,125

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 2019 (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 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
1 January 2019	27,926	59,693	(21,342)	63,105	2,318	131,700
Total comprehensive income for the period	—	—	—	4,286	(173)	4,113
Purchase of treasury shares (bought for cancellation)	—	—	(14,144)	—	—	(14,144)
Transfer of capital contribution reserves into accumulated surplus	—	(2,494)	—	2,494	—	—
Transfer of other legal reserves into accumulated surplus	—	(32,771)	—	32,771	—	—
Return of capital to non-controlling interest	—	—	—	—	(221)	(221)
30 June 2019	27,926	24,428	(35,486)	102,656	1,924	121,448

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 2019

(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; 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.

2. Basis of preparation

The accompanying consolidated interim financial statements of Castle Alternative Invest AG, Pfäffikon 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 2019 correspond to those in the annual report 2018, 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 2018, 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 2019

- 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);
- IFRIC 23, “Uncertainty over income tax treatments”, (1 January 2019); and
- Annual improvements 2015 – 2017, “IFRS 3, Business combinations”, IFRS 11, joint ventures”, “IAS 12, Income Taxes”, “IAS 23 Borrowing costs” (1 January 2019).

The implementation of these new standards 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.

b) Standards and amendments to published standards effective after 1 January 2019 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 2019, 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.

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 2019 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 2018.

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
- Castle Alternative Invest (International) plc, Dublin

4. 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	30.6.2019 TUSD	30.6.2018 TUSD
Profit/(loss) for the period before income tax	4,113	(3,009)
Applicable tax rate	7.8%	7.8%
Income tax	321	(235)
Effect from non-taxable income	(321)	235
Total	—	—

5. Borrowings

As of 30 June 2019, the Subsidiaries have a credit line of TUSD 15,000 (31 December 2018: 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 are deposited with LGT Bank Ltd., Vaduz and pledged in favour of the lender.

Due to banks – fixed advance	Interest rate	Maturity	Amount in TUSD
As of 30 June 2019	4.4000%	5 July 2019	2,452
Total			2,452

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

As of 30 June 2019, the Ireland Subsidiary had TUSD 2,452 borrowings from LGT Bank Ltd., Dublin Branch (31 December 2018: TUSD 7,000).

6. Investments at fair value through profit or loss

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

Investments at fair value through profit or loss¹⁾

As of 30 June 2019 (All amounts in USD thousands unless otherwise stated)

	Geography	Shares as at 1.1.2019	Shares as at 30.6.2019	Total net paid in as at 1.1.2019	Invest- ments 2019	Redemp- tions 2019	Realised gain/(loss) 2019	Total net paid in as at 30.6.2019	Unrealised gain/(loss) accumulat- ed 2019	Fair value as at 30.6.2019	% of invest- ments
CTA											
Crown A Generix plc – LGT Crown Diversified Trend Sub Fund	Global	—	1,432	—	1,422	—	—	1,422	43	1,465	1.3%
Crown/Diversified Trend Master Segregated Portfolio	Global	2,000	—	2,000	—	(2,000)	(78)	—	—	—	0.0%
Crown Managed Futures Master Segregated Portfolio	Global	3,707	3,004	9,324	—	(1,530)	470	7,794	1,044	8,838	8.0%
Total CTA				11,324	1,422	(3,530)	392	9,216	1,087	10,303	9.3%
ARP											
CC&L Q Global Equity Market Neutral Fund Ltd.	Global	—	—	—	6,000	—	—	6,000	25	6,025	5.4%
Total ARP				—	6,000	—	—	6,000	25	6,025	5.4%
Macro											
The Rohatyn Group Global Opportunity Fund Ltd.	Global	1	1	272	—	—	—	272	(198)	74	0.1%
Total Macro				272	—	—	—	272	(198)	74	0.1%
Event Driven											
Bennelong Asia Pacific Multi Strategy Equity Fund Ltd.	Asia	6,435	4,632	735	—	(206)	(166)	529	(449)	80	0.1%
Crown Distressed Credit Opportunities plc ²⁾	Global	5,344	5,344	465	—	—	—	465	631	1,096	1.0%
Crown/GLG Segregated Portfolio	Europe	4,907	572	5,592	—	(4,858)	652	734	4	738	0.7%
Crown/Latigo Segregated Portfolio	America	6,989	—	7,198	—	(7,198)	1,393	—	—	—	0.0%
Crown/Oceanwood Segregated Portfolio	Europe	10,459	5,474	10,500	—	(4,984)	16	5,516	(23)	5,493	5.0%
Crown/PW Segregated Portfolio	America	9,021	9,021	9,000	—	—	—	9,000	1,344	10,344	9.3%
Highland Crusader Fund II Ltd.	America	1	1	—	—	—	—	—	932	932	0.8%
OZ Asia Overseas Fund Ltd.	Asia	1	1	525	—	(10)	—	515	(388)	127	0.1%
OZ Overseas Fund Ltd. Tranche C shares	Global	2	2	125	—	(11)	—	114	(72)	42	0.0%
Winston Partners PE Investment Ltd.	Global	1	1	1	—	—	—	1	(1)	—	0.0%
Total Event Driven				34,141	—	(17,267)	1,895	16,874	1,978	18,852	17.0%

	Geography	Shares as at 1.1.2019	Shares as at 30.6.2019	Total net paid in as at 1.1.2019	Invest- ments 2019	Redemp- tions 2019	Realised gain/(loss) 2019	Total net paid in as at 30.6.2019	Unrealised gain/(loss) accumulat- ed 2019	Fair value as at 30.6.2019	% of invest- ments
Long/Short											
Crown/BLS Segregated Portfolio	Asia	9,518	7,485	9,400	—	(2,007)	(7)	7,393	88	7,481	6.7%
Crown/Capeview Segregated Portfolio	Europe	6,719	4,766	6,833	—	(1,952)	1,247	4,881	3,010	7,891	7.1%
Crown/Greenvale Segregated Portfolio	Global	6,623	8,073	6,500	1,500	—	—	8,000	376	8,376	7.6%
Crown/Helios Segregated Portfolio	Asia	3,112	—	4,223	—	(4,223)	(626)	—	—	—	0.0%
Crown/Lomas Segregated Portfolio	America	8,982	8,173	9,000	—	(799)	201	8,201	2,139	10,340	9.3%
Crown/Seligman Segregated Portfolio	Global	9,471	7,497	9,500	—	(1,974)	26	7,526	337	7,863	7.1%
Crown/Zebedee Segregated Portfolio	Europe	9,905	6,744	10,036	—	(3,161)	339	6,875	874	7,749	7.0%
Galleon Technology Offshore Ltd.	America	57	57	1,278	—	—	—	1,278	(1,243)	35	0.0%
Raptor Private Holdings Ltd.	America	365	365	250	—	—	—	250	(139)	111	0.1%
Total Long/Short				57,020	1,500	(14,116)	1,180	44,404	5,442	49,846	44.9%
Relative Value											
Crown/Astignes Segregated Portfolio	Asia	9,209	7,822	9,252	—	(1,387)	113	7,865	885	8,750	7.9%
Crown/Linden Segregated Portfolio	Global	4,104	3,445	5,987	—	(777)	724	5,210	3,043	8,253	7.4%
D.E. Shaw Composite International Ltd.	Global	1	1	—	—	—	—	—	94	94	0.1%
D.E. Shaw Composite International Ltd.											
Side Pocket Series	Global	1	1	—	—	—	520	—	509	509	0.5%
The Segantii Asia Pacific Equity Multi Strategy Fund	Asia	8,860	17,382	4,000	8,000	(4,000)	—	8,000	215	8,215	7.4%
Total Relative Value				19,239	8,000	(6,164)	1,357	21,075	4,746	25,821	23.3%
Total				121,996	16,922	(41,077)	4,824	97,841	13,080	110,921	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 2019 the authorised, issued and fully paid up share capital of the Company amounts to TUSD 27,926 and as of 31 December 2018 to TUSD 27,926 consisting of 7,862,421 (2018: 7,862,421) registered shares with a par value of CHF 5. In the general meeting held on 15 May 2019 the board of directors resolved to reclassify TUSD 2,494 (TCHF 2,428) capital contribution reserves in order to align the legal reserves with the standard practice of the Swiss tax authorities and TUSD 32,771 (TCHF 31,906) other legal reserves into accumulated surplus.

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 121,448 as of 30 June 2019 (2018: TUSD 131,700).

During the period from 21 June 2010 to 30 June 2019 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

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 30 June 2019 Swiss Life AG's holding in the remaining Class RI shares comprised 1.68 per cent (2018: 1.81 per cent) of the net asset value of the Ireland Subsidiary.

The Cayman Subsidiary's holding in Class O and Class RO comprised 98.32 per cent of the net asset value of the Ireland Subsidiary (2018: 98.19 per cent). The Company controls the Ireland Subsidiary and consolidates it in compliance with IFRS 10. Swiss Life AG's holding is 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 5 June 2019, the Company announced its decision to issue put options tradable on the SIX Swiss Exchange. Further information is disclosed in Note 11. (Every 20 put options entitled shareholders to tender one registered share at the exercise price of CHF 24.00 until 25 June 2019. The put options were traded from 11 June 2019 up to and including 25 June 2019.)

Treasury shares

Buyback programs	From	To	Cancelled	Number of shares	Average price USD	Cost TUSD
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 ¹⁾	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 ¹⁾	15.11.2018	29.11.2018	—	348,109	18.07	6,289
Additions 2019	01.01.2019	10.05.2019	—	324,939	16.92	5,498
Additions 2019	10.05.2019	30.06.2019	—	58,416	18.23	1,065
Additions 2019 via tradable put options ¹⁾	05.06.2019	28.06.2019	—	308,544	24.57	7,581
Total				1,494,873	18.52	27,681
Movement of treasury shares 2nd line and tradable put options (bought for cancellation)				Number of shares		Cost TUSD
Shares held as of 1 January 2018				628,682		10,919
Additions 2018 via 2 nd 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
Additions 2019 via 2 nd line				383,355		6,563
Additions 2019 via tradable put options				308,544		7,581
Shares held as of 30 June 2019				1,932,282		35,486

¹⁾ Cost includes the transaction expenses of Zürcher Kantonalbank, Zurich, for the tradeable put option which causes a dilution of the average price.

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	30.6.2019 TUSD	31.12.2018 TUSD	30.6.2018 TUSD
Castle Alternative Invest AG	LGT Bank Ltd./LGT Group/indirect	Cash at banks	179	150	134
	LGT Group Holding Ltd./ Administrative Services Agreement/direct	Administration fee	22	43	21
	LGT Capital Partners Ltd./ Domicile Agreement/direct	Domicile fee	5	10	5
	LGT Capital Partners Ltd./ Management expenses Agreement/direct	General manager's expenses	38	76	37
	Directors/direct	General manager's expenses payable	—	76	37
		Directors' fee	108	217	108
	Castle Alternative Invest (Overseas) Ltd.	LGT Capital Partners (Ireland) Ltd./ Investment Management Agreement/direct	Investment management fee	1	2
LGT Group Holding Ltd./ Administrative Services Agreement/direct		Investment management fee payable	1	1	1
LGT Bank Ltd./Loan Agreement/direct		Administration fee	5	10	5
Directors/indirect		Administration fee payable	—	—	—
		Cash at banks	33	63	69
		Directors' fee	5	5	11
Castle Alternative Invest (International) plc	LGT Bank Ltd., Dublin Branch/ Loan Agreement/direct	Due to banks: loan	2,452	7,000	3,302
		Interest expense	39	72	28
		Credit facility standby fee	23	46	23
		Credit facility standby fees payable	11	11	11
	LGT Capital Partners (Ireland) Ltd./ Alternative Investment Fund Management Agreement/direct	Investment management fee	949	2,381	1,168
	Directors/indirect	Investment management fee payable	144	160	194
	LGT Capital Partners Ltd./ Advisory Agreement/indirect	Directors' fee	1	2	—
	LGT Fund Managers (Ireland) Ltd./ Management Agreement/indirect	Advisory fee (no direct fees)	—	—	—
		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 funds below, which are all advised by LGT Capital Partners Ltd., an affiliate of Castle's AIFM.

- Crown A Generix plc – LGT Crown Diversified Trend Sub Fund
- 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

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 2019					
Income					
Net gain on investments at					
fair value through profit or loss	1,822	491	658	2,699	5,670
Other gain	26	—	—	35	61
Total income	1,848	491	658	2,734	5,731
As of 30 June 2018					
Income					
Net gain/(loss) on investments 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)

The assets are geographically allocated as follows:

	30.6.2019		31.12.2018	
	TUSD	in %	TUSD	in %
Non-current assets				
America	21,762	20%	29,530	22%
Asia	24,653	22%	27,309	20%
Europe	21,871	20%	38,422	29%
Global	42,635	38%	38,969	29%
Total non-current assets	110,921	100%	134,230	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 2019 and 31 December 2018.

As of 30 June 2019	Level 1 TUSD	Level 2 TUSD	Level 3 TUSD	Total TUSD
Assets				
Assets at fair value through profit or loss:				
Investments	—	107,821	3,100	110,921
Total	—	107,821	3,100	110,921
As of 31 December 2018	Level 1 TUSD	Level 2 TUSD	Level 3 TUSD	Total TUSD
Assets				
Assets at fair value through profit or loss:				
Investments	—	130,241	3,989	134,230
Total	—	130,241	3,989	134,230

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 2019 and 31 December 2018.

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 2019 and 2018 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	30.6.2019 % of financial assets at fair value through profit or loss	31.12.2018 % of financial assets at fair value through profit or loss
America	34%	29%
Asia	7%	10%
Global	59%	61%
Total	100%	100%

As of 30 June 2019, the Group had an investment in Highland Crusader Fund II Limited 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 Crusader Fund II Limited 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 2019, the Group had received redemption proceeds amounting to TUSD 12,033.

In the case of D.E. Shaw Composite International Limited 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 is classified as level 3 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 2019	Investments at fair value through profit or loss TUSD
Assets	
At 1 January 2019	3,989
Net change in unrealised loss	(663)
Sales	(226)
At 30 June 2019	3,100
Total realised gain for the period included in the statement of comprehensive income for investments held at the end of the period	355
As of 31 December 2018	
Assets	
At 1 January 2018	4,848
Net change in unrealised loss	(723)
Sales	(136)
At 31 December 2018	3,989
Total realised gain for the year included in the statement of comprehensive income for investments held at the end of the year	382

11. Subsequent events

Since the balance sheet date of 30 June 2019 Castle Alternative Invest AG purchased 88,806 treasury shares on its second trading line for a total consideration of TUSD 1,603. As of 22 August 2019 the Company held a total of 2,021,008 such shares in treasury shares.

At the annual meeting on 15 May 2019, a share capital reduction was approved by way of cancellation of 1,565,322 shares held in treasury.

Since the balance sheet date of 30 June 2019, 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: 0.9769

	2011	2012	2013	2014	2015	2016	2017	2018	June 2019	Since inception
Share information										
Number of bearer shares at year-end	17,481,596	16,352,817	13,371,710	12,278,310	10,756,059	9,653,732	8,721,297	7,862,421	7,862,421	
CAI Net asset value (USD)	15.60	16.83	18.97	19.70	19.83	19.91	20.12	19.54	20.16	
CAI Net asset value (CHF)	14.64	15.39	16.86	19.58	19.82	20.25	19.59	19.20	19.69	
CAI Closing price (USD)	11.65	12.70	14.40	16.45	16.25	16.40	—	—	— ⁴⁾	
CAI Closing price (CHF)	11.50	11.60	13.00	16.45	16.55	16.95	15.65	15.30	18.10	
Share performance										
CAI Net asset value (USD)	(6.40%)	7.88%	12.70%	3.85%	0.66%	0.40%	1.10%	(2.90%)	3.17%	212.96% ¹⁾
CAI Net asset value (CHF)	(5.90%)	5.12%	9.60%	16.13%	1.23%	2.17%	(3.26%)	(2.00%)	2.55%	96.90% ²⁾
CAI Closing price (USD)	(5.30%)	9.01%	13.40%	14.24%	(1.20%)	0.92%	—	—	— ⁴⁾	— ³⁾
CAI Closing price (CHF)	(3.40%)	0.87%	12.10%	26.54%	0.61%	2.42%	(7.67%)	(2.20%)	18.30%	81.00%

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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