

Semi-annual Report

June 2020

Publication date

This report was released for publication on 24 August 2020.

The subsequent event note in the financial statements has been updated to 22 August 2020.

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 2020

		30 June 2020	31 December 2019
Net asset value decreased 1.9% year to date	Castle Alternative Invest AG's ("Castle" or the "Company" or "CAI") net asset value decreased by 1.9 per cent (USD 0.29 per share) during the first half of 2020.	USD 15.00 per share TUSD 75,656	USD 15.29 per share TUSD 77,915
Share price down 3.6% on SIX, year to date to CHF 13.50	During the first half of 2020, the price in CHF decreased by 3.6 per cent.	CHF 13.50 per share	CHF 14.00 per share
Discount decreased further during the half-year	At the end of June 2020 the shares (CHF) were trading on SIX at a discount of 5 per cent to NAV.	(5.0%)	(5.3%)
Share buyback program (second line) and issued shares	<p>On 27 June 2019, following the termination of the buyback via issuance of tradable put options, the Board decided to launch a new share buyback program on a second trading line at SIX Swiss Exchange. It started on 1 July 2019 (first trading day) and a maximum of 321,165 registered shares could be purchased back.</p> <p>On 3 October 2019, the Board decided to suspend this share buyback program in order to decide on a buyback program of up to 10 per cent of its share capital as recorded in the commercial register on a further share buyback program by issuing tradeable put options.</p> <p>On 7 November 2019 Castle announced a share buyback program by issuing put options tradable on SIX Swiss Exchange. The put options were traded from 22 November 2019 to and including 04 December 2019. Every 10 put options entitled shareholders to tender one registered share at the exercise price of CHF 17.90.</p> <p>In total, 565,315 registered shares were tendered which corresponded to 8.98 per cent of the share capital and voting rights registered in the commercial register. The net purchase price was paid on 9 December 2019.</p> <p>On 10 August 2020, the cancellation of 1,253,440 own shares which was approved at the 13 May 2020 general meeting of shareholders was registered by the commercial register.</p>		

Performance during the first half of 2020

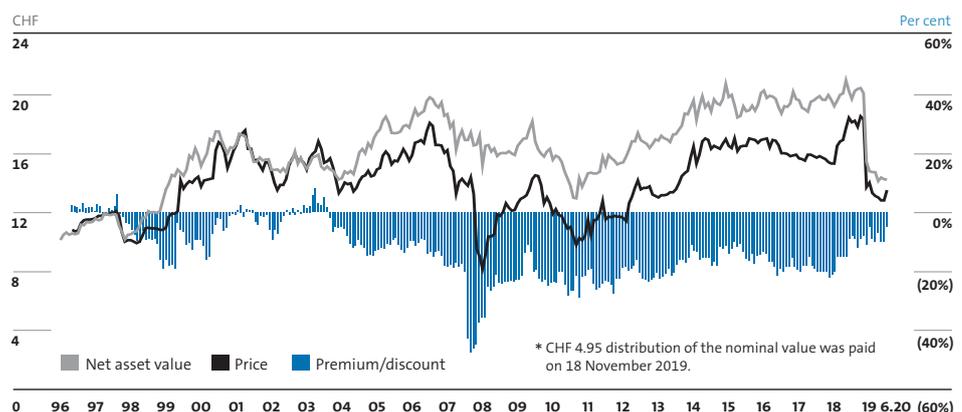
Overview

The dominant theme in the first half of 2020 has been the global impact of the Covid-19 pandemic wave, which affected first Asia, then Europe and finally reached both the North- and South-American continents. As per end of June the emergency has been alleviated only to some extent with the situation remaining critical in several regions across the globe still fighting against an increasing number of infections, restrictions are still in place in almost all countries and the race to find an effective vaccine is progressing but yet not close to successful results.

Macro backdrop

The Covid-19 emergency led to a significant drop in global GDP within a few weeks. The magnitude of the correction has been unprecedented in most countries, which didn't observe such a sharp correction since the period of the Great Depression or World War II. In both the EU and the US, politics worked frenetically in order to shape supporting measures, investments plans and solutions able to prevent a complete economic collapse and – where possible – to stimulate the economy. There have been some signs of recovery in the second part of Q2 2020 but many sectors will face a prolonged period of uncertainty due to the restrictions in place across countries, the reduced global exchange and the still fragile status of the global economy.

Development NAV Castle Alternative Invest AG in CHF



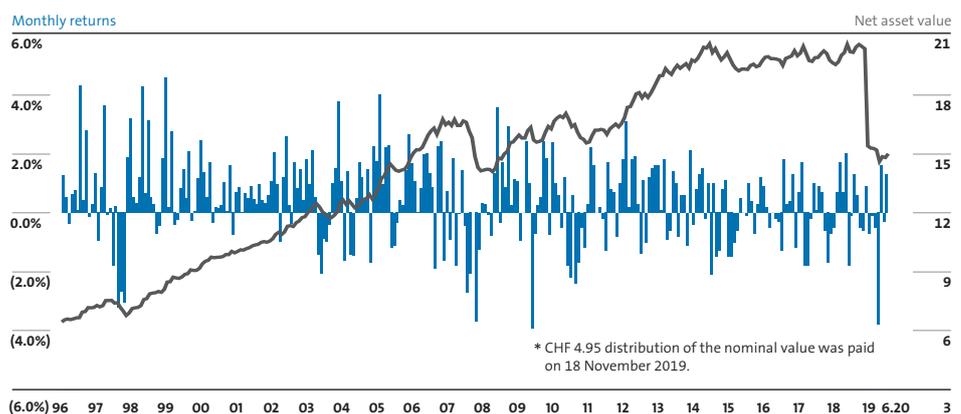
Ten largest holdings

Fund name	Style	Allocation as of 30 June 2020
Crown/Zebedee Segregated Portfolio	Long/Short	9.6%
Crown/Greenvale Segregated Portfolio	Long/Short	8.8%
Crown/Capeview Segregated Portfolio	Long/Short	8.7%
Crown/Linden Segregated Portfolio	Relative Value	8.5%
Crown/Optimas Segregated Portfolio	Long/Short	8.3%
The Segantii Asia Pacific Equity Multi Strategy Fund	Relative Value	8.0%
LGT Crown Systematic Trading Sub Fund	CTA	7.9%
Crown/PW Segregated Portfolio	Event Driven	7.9%
Crown/Astignes Segregated Portfolio	Relative Value	7.8%
Crown/Seligman Segregated Portfolio	Long/Short	7.3%
Total net assets		100.0%

Performance comparison

Fund	30 June 2020	YTD
CAI net asset value (USD)	15.00	(1.9%)
CAI net asset value (CHF)	14.21	(3.9%)
CAI closing price (CHF)	13.50	(3.6%)

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

Equity markets plunged into a bear market during the first quarter of the year and put the longest bull market in history – which started back in March 2009 – to an end. This was the fastest market decline ever observed, faster than during the GFC or the Great Depression. Every market was affected and there was basically no place to hide. At the end of March and beginning of April markets started to recover – a trend which continued during the second quarter leading US equity markets back to almost the same levels as per end of 2019 while other regions were still lagging and ended the first half of the year in negative territory.

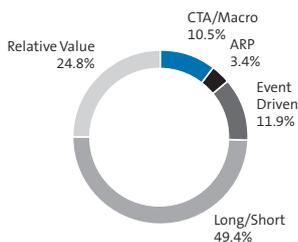
Fixed income

Fixed Income provided some protection during the Covid-19 storm with global government bonds in positive territory in Europe and US, while Japan has been lagging. On the corporate side, investment grade bonds have been also in positive territory while high yield papers – after a strong 2019 – suffered from the deteriorating economic conditions and were down both in the US and in Europe.

Commodities

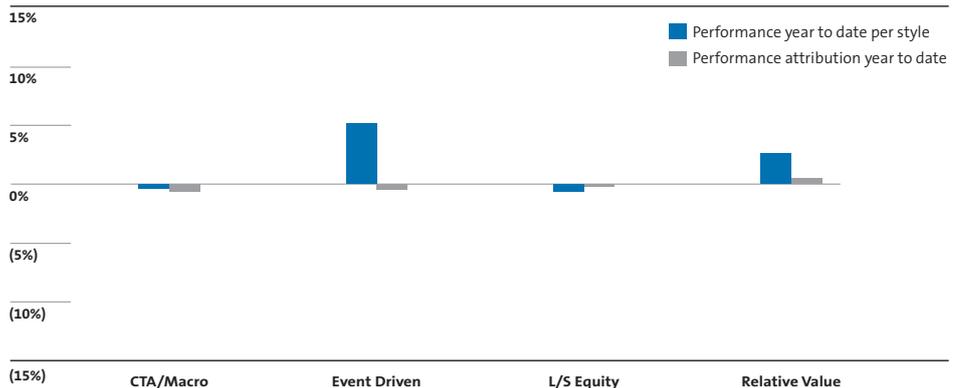
Commodities had a very volatile first half of the year with some historical market movements like the ones observed in the crude oil market during March with unprecedented declines. Oil prices recovered partially thereafter but remain still in negative territory. Gold also experienced extreme volatility and – after starting recovering around mid-March – embarked on a rally which is continuing through the summer. Industrial commodities were also impacted from the global GDP decline, resulting in a very volatile profile.

Style allocation as of 30 June 2020



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 2019 to 30 June 2020



Hedge fund strategies

Event driven deducted 0.5 per cent from Castle's returns. All the managers within the allocation were impacted – to different degrees – by the heightened markets volatility. Some portfolio positions recovered after March but the results remained – in aggregate – in negative territory.

CTA/macro strategies as a group deducted 0.6 per cent from Castle's returns. The first half of the year was characterised by high results dispersion: while trend-following strategies did well in particular in Q1, systematic macro managers had more difficulties. Trend-following managers could capitalise on bonds and commodities while equities exposure deducted, given the speed of the markets correction. Systematic macro managers suffered in particular during March and could offset some of the losses in the subsequent months.

Long/short equity deducted 0.2 per cent from Castle's returns. One manager in particular negatively impacted the overall allocation results as his exposure management proved to be unprofitable in particular end of February and March. Most of the managers were able to close the first half of the year in positive territory as their cautious stance in Q1 was rewarded by contained losses which could be recouped in the second quarter.

The **relative value** managers added 0.5 per cent to Castle's returns as the Asian managers ended the period in positive territory posting solid returns while the convertible bond manager based in New York was flat for the year.

Castle Alternative Invest

The net asset value per share of Castle Alternative Invest AG in US Dollars decreased by 1.9 per cent in the first half of 2020. Converted into Swiss Francs, it lost 3.9 per cent over the same period. At the end of December 2020, Castle's shares in Swiss Francs were trading at a discount of 5 per cent to net asset value. The portfolio was invested in 25 different managers and the level of investment was 82.8 per cent.

Unaudited consolidated statement of comprehensive income

For the period ended 30 June 2020 (All amounts in USD thousands unless otherwise stated)

	Note	1 January – 30 June 2020	1 January – 30 June 2019
Income			
Net (loss)/gain on investments at fair value through profit or loss	4	(808)	5,670
Income from current assets:			
Gain on foreign exchange, net		73	—
Interest income		12	26
Other income		74	35
Total gain from current assets		159	61
Total (loss)/income		(649)	5,731
Expenses			
Management and performance fees	8	(506)	(950)
Other operating expenses		(481)	(629)
Total operating expenses		(987)	(1,579)
Operating (loss)/profit		(1,636)	4,152
Finance costs		(1)	(39)
(Loss)/profit for the period		(1,637)	4,113
Total comprehensive (loss)/income for the period		(1,637)	4,113
(Loss)/profit attributable to:			
Shareholders		(1,511)	4,286
Non-controlling interest	2 (d)	(126)	(173)
		(1,637)	4,113
Total comprehensive (loss)/income attributable to:			
Shareholders		(1,511)	4,286
Non-controlling interest	2 (d)	(126)	(173)
		(1,637)	4,113
Earnings per share (USD) attributable to equity holders			
Weighted average number of shares outstanding during the period		5,049,216	6,402,454
Basic and diluted (loss)/profit per share		USD (0.30)	USD 0.67

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 2020 (All amounts in USD thousands unless otherwise stated)

	Note	30 June 2020	31 December 2019
Assets			
Current assets:			
Cash and cash equivalents		13,323	11,415
Accrued income and other receivables		61	27
Total current assets		13,384	11,442
Non-current assets:			
Investments at fair value through profit or loss	4	63,745	68,917
Total non-current assets		63,745	68,917
Total assets		77,129	80,359
Liabilities			
Current liabilities:			
Accrued expenses and other payables		217	613
Total current liabilities		217	613
Equity			
Shareholders' equity:			
Share capital		323	323
Additional paid-in capital		27,855	27,855
Less treasury shares at cost (bought for cancellation)	7	(24,478)	(23,731)
Retained earnings		71,956	73,467
Total shareholders' equity before non-controlling interest		75,656	77,914
Non-controlling interest		1,256	1,832
Total equity		76,912	79,746
Total liabilities and equity		77,129	80,359
Net asset value per share (USD)			
Number of shares issued as at the period end		6,297,099	6,297,099
Number of treasury shares (bought for cancellation) as at the period end	7	(1,253,440)	(1,201,030)
Number of shares outstanding net of treasury shares as at the period end		5,043,659	5,096,069
Net asset value per share		15.00	15.29

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 2020 (All amounts in USD thousands unless otherwise stated)

	1 January – 30 June 2020	1 January – 30 June 2019
Cash flows from/(used in) operating activities:		
Purchase of investments	(11,500)	(16,922)
Proceeds from sales of investments	15,864	38,706
Interest received	12	26
Operating expenses paid	(1,339)	(609)
Net cash from operating activities	3,037	21,201
Cash flows from/(used in) financing activities:		
Finance costs	(4)	(40)
Proceeds from bank borrowings	—	2,452
Repayments of bank borrowings	—	(7,000)
Return of capital to non-controlling interest	(450)	(220)
Purchase of treasury shares (bought for cancellation)	(747)	(12,008)
Net cash used in financing activities	(1,201)	(16,816)
Net increase in cash and cash equivalents	1,836	4,385
Cash and cash equivalents, beginning of the period:	11,415	4,617
Net increase in cash and cash equivalents	1,836	4,385
Net gain on foreign exchange on cash and cash equivalents	72	—
Cash and cash equivalents, end of the period	13,323	9,002
Cash and cash equivalents consist of the following as at 30 June:		
Cash at banks	13,323	9,002
Total	13,323	9,002

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 2020 (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 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
1 January 2020	323	27,855	(23,731)	73,467	1,832	79,746
Total comprehensive loss for the period	—	—	—	(1,511)	(126)	(1,637)
Purchase of treasury shares (bought for cancellation)	—	—	(747)	—	—	(747)
Return of capital to non-controlling interest	—	—	—	—	(450)	(450)
30 June 2020	323	27,855	(24,478)	71,956	1,256	76,912

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 2020

(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 2020 correspond to those in the annual report 2019, 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 2019, 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 2020

- Amendments to IFRS 3, “Business Combinations”, definition of a business (1 January 2020);
- Amendments to IAS 1 and IAS 8, “Presentation of Financial Statements” and “Accounting Policies, Changes in Accounting Estimates and Errors”, definition of material (1 January 2020);
- Amendments to IFRS 7 and IFRS 9, “Financial Instruments: Disclosures” and “Financial Instruments”, pre-replacement issues in the context of the IBOR reform (1 January 2020); and
- Amendments to References to the Conceptual Framework in IFRS Standards (1 January 2020).

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 2020 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 2020, 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 2020 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 2019.

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	30.6.2020 TUSD	30.6.2019 TUSD
(Loss)/profit for the period before income tax	(1,637)	4,113
Applicable tax rate	7.8%	7.8%
Income tax	(128)	321
Effect from non-taxable income	128	(321)
Total	—	—

5. Borrowings

As of 30 June 2020, the Ireland Subsidiary has a credit line of TUSD 15,000 (31 December 2019: 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.

As of 30 June 2020, the Ireland Subsidiary had no borrowings from LGT Bank Ltd., Dublin Branch (31 December 2019: none).

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 2020 (All amounts in USD thousands unless otherwise stated)

	Geography	Shares as at 1.1.2020	Shares as at 30.6.2020	Total net paid in as at 1.1.2020	Invest- ments 2020	Redemp- tions 2020	Realised gain/(loss) 2020	Total net paid in as at 30.6.2020	Unrealised gain/(loss) accumulat- ed 2020	Fair value as at 30.6.2020	% of invest- ments
CTA											
Crown A Generix plc –											
LGT Crown Diversified Trend Sub Fund	Global	1,432	1,432	1,422	—	—	—	1,422	128	1,550	2.4%
Crown/Diversified Trend Master											
Segregated Portfolio	Global	—	4,865	—	5,000	—	—	5,000	59	5,059	7.9%
Crown Managed Futures Master											
Segregated Portfolio	Global	1,851	—	5,132	—	(5,132)	(36)	—	—	—	0.0%
Total CTA				6,554	5,000	(5,132)	(36)	6,422	187	6,609	10.4%
Alternative Risk Premia											
CC&L Q Global Equity Market											
Neutral Fund Ltd.	Global	2,971	2,143	2,971	—	(828)	(28)	2,143	6	2,149	3.4%
Total Alternative Risk Premia				2,971	—	(828)	(28)	2,143	6	2,149	3.4%
Macro											
The Rohatyn Group Global											
Opportunity Fund Ltd.	Global	1	1	272	—	—	—	272	(193)	79	0.1%
Total Macro				272	—	—	—	272	(193)	79	0.1%
Event Driven											
Bennelong Asia Pacific Multi Strategy											
Equity Fund Ltd.	Asia	4,632	4,632	529	—	—	—	529	(451)	78	0.1%
Crown Distressed Credit											
Opportunities plc ²⁾	Global	2,731	2,731	238	—	—	—	238	194	432	0.7%
Crown/GLG Segregated Portfolio	Europe	145	145	186	—	—	—	186	(8)	178	0.3%
Crown/Oceanwood Segregated Portfolio	Europe	3,620	1,848	3,661	—	(1,782)	(16)	1,879	(413)	1,466	2.3%
Crown/PW Segregated Portfolio	America	5,490	4,235	5,469	—	(1,255)	245	4,214	817	5,031	7.9%
Highland Crusader Fund II Ltd.	America	1	1	—	—	—	148	—	405	405	0.6%
OZ Asia Overseas Fund Ltd.	Asia	1	1	442	—	(44)	—	398	(395)	3	0.0%
OZ Overseas Fund Ltd. Tranche C shares	Global	2	2	79	—	(5)	4	74	(73)	1	0.0%
Winston Partners PE Investment Ltd.	Global	1	1	1	—	—	—	1	(1)	—	0.0%
Total Event Driven				10,605	—	(3,086)	381	7,519	75	7,594	11.9%

	Geography	Shares as at 1.1.2020	Shares as at 30.6.2020	Total net paid in as at 1.1.2020	Invest- ments 2020	Redemp- tions 2020	Realised gain/(loss) 2020	Total net paid in as at 30.6.2020	Unrealised gain/(loss) accumulat- ed 2020	Fair value as at 30.6.2020	% of invest- ments
Long/Short											
Crown/Capeview Segregated Portfolio	Europe	2,712	2,996	2,827	500	—	—	3,327	2,234	5,561	8.7%
Crown/Greenvale Segregated Portfolio	Global	4,771	5,260	4,698	500	—	—	5,198	384	5,582	8.8%
Crown/Lomas Segregated Portfolio	America	4,155	4,155	4,235	—	—	—	4,235	(12)	4,223	6.6%
Crown/Optimas Segregated Portfolio	Asia	4,026	4,990	4,000	1,000	—	—	5,000	257	5,257	8.3%
Crown/Seligman Segregated Portfolio	Global	4,858	4,061	4,886	1,000	(1,672)	328	4,214	441	4,655	7.3%
Crown/Zebedee Segregated Portfolio	Europe	4,230	4,648	4,361	1,000	(382)	118	4,979	1,136	6,115	9.6%
Galleon Technology Offshore Ltd.	America	57	57	1,278	—	—	—	1,278	(1,251)	27	0.0%
Raptor Private Holdings Ltd.	America	365	365	250	—	—	—	250	(184)	66	0.1%
Total Long/Short				26,535	4,000	(2,054)	446	28,481	3,005	31,486	49.4%
Relative Value											
Crown/Astignes Segregated Portfolio	Asia	4,583	4,100	4,626	1,500	(1,733)	267	4,393	568	4,961	7.8%
Crown/Linden Segregated Portfolio	Global	2,625	2,208	4,243	1,000	(964)	1,036	4,279	1,110	5,389	8.5%
D.E. Shaw Composite International Ltd.	Global	1	1	—	—	—	—	—	61	61	0.1%
D.E. Shaw Composite International Ltd.											
Side Pocket Series	Global	1	1	—	—	—	—	—	300	300	0.5%
The Segantii Asia Pacific Equity Multi Strategy Fund	Asia	10,106	10,106	4,654	—	—	—	4,654	463	5,117	8.0%
Total Relative Value				13,523	2,500	(2,697)	1,303	13,326	2,502	15,828	24.8%
Total				60,460	11,500	(13,797)	2,066	58,163	5,582	63,745	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 2020 the authorised, issued and fully paid up share capital of the Company amounts to TUSD 323 (2019: TUSD 323) consisting of 6,297,099 (2019: 6,297,099) registered shares with a par value of CHF 0.05.

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 76,912 as of 30 June 2020 (2019: TUSD 79,746).

During the period from 21 June 2010 to 30 June 2020 the Company purchased treasury shares on its first and 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 2020 Swiss Life AG's holding in the remaining Class RI shares comprised 1.87 per cent (2019: 1.68 per cent) of the net asset value of the Ireland Subsidiary.

The Cayman Subsidiary's holding in Class O and Class RO comprised 98.13 per cent of the net asset value of the Ireland Subsidiary (2019: 98.32 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 1st and 2nd line (bought for cancellation)

Since 2010, the Company has announced openings of second trading lines on a yearly basis for the Company's shares on the SIX Swiss Exchange. The Company is always the exclusive buyer on these trading lines and repurchases shares for the purpose of subsequently reducing its share capital. The Company has purchased treasury shares on its first and second trading line according to the following summaries. These treasury shares are treated as a deduction from shareholders' equity using cost values.

Treasury shares

Buyback programs	From	To	Cancelled	Number of shares	Average price USD	Cost TUSD
Program initiated on 19 July 2018, announced on 17 July 2018						
Additions 2018	19.07.2018	31.12.2018	02.09.2019	454,865	15.93	7,248
Additions 2018 via tradable put options ¹⁾	15.11.2018	29.11.2018	02.09.2019	348,109	18.07	6,289
Additions 2019	01.01.2019	10.05.2019	02.09.2019	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
Program initiated on 1 July 2019, announced on 27 June 2019						
Additions 2019	01.07.2019	31.12.2019	—	268,755	17.81	4,787
Additions 2019 via tradable put options ¹⁾	22.11.2019	04.12.2019	—	565,315	18.22	10,298
Additions 2020	01.01.2020	30.06.2020	—	52,410	14.25	747
Total				886,480	17.86	15,832
Movement of treasury shares ordinary line, 2nd line and tradable put options (bought for cancellation)				Number of shares	Cost TUSD	
Shares held as of 1 January 2019				1,240,383	21,342	
Additions 2019 via 2 nd line				652,110	11,350	
Additions 2019 via tradable put options				873,859	17,879	
Cancellation on 2 September 2019				(1,565,322)	(26,840)	
Shares held as of 31 December 2019				1,201,030	23,731	
Additions 2020 via ordinary and 2 nd line				52,410	747	
Shares held as of 30 June 2020				1,253,440	24,478	

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	30.6.2020 TUSD	31.12.2019 TUSD	30.6.2019 TUSD	
Castle Alternative Invest AG	LGT Bank Ltd./LGT Group/indirect	Cash at banks	52	59	179	
	LGT Group Holding Ltd./ Administrative Services Agreement/direct	Administration fee	22	43	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	39	73	38	
	Directors/direct	Directors' fee	100	213	108	
	Castle Alternative Invest (Overseas) Ltd.	LGT Capital Partners (Ireland) Ltd./ Investment Management Agreement/direct	Investment management fee	4	2	1
		LGT Group Holding Ltd./ Administrative Services Agreement/direct	Investment management fee payable	2	—	1
LGT Bank Ltd./Loan Agreement/direct		Administration fee	5	10	5	
		Cash at banks	472	84	33	
Directors/indirect		Interest income	1	1	—	
Castle Alternative Invest (International) plc	Directors/indirect	Directors' fee	5	5	5	
	LGT Bank Ltd., Dublin Branch/ Loan Agreement/direct	Due to banks: loan	—	—	2,452	
		Interest expense	1	45	39	
		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	502	1,720	949	
		Investment management fee payable	84	90	144	
		Performance fee	—	139	—	
		Performance fee payable	—	139	—	
	Directors/indirect	Directors' fee	1	9	1	
	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 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 A Generix Plc – LGT Crown Systematic Trading Sub Fund
- Crown Distressed Credit Opportunities plc
- Crown/Astignes Segregated Portfolio
- Crown/Capeview Segregated Portfolio
- Crown/GLG Segregated Portfolio
- Crown/Greenvale Segregated Portfolio
- Crown/Linden Segregated Portfolio
- Crown/Lomas Segregated Portfolio
- Crown/Oceanwood Segregated Portfolio
- Crown/Optimas 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 2020					
Income					
Net gain/(loss) on investments at fair value through profit or loss	(991)	557	182	(556)	(808)
Other gain	12	—	73	74	159
Total income	(979)	557	255	(482)	(649)
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

The non-current assets are geographically allocated as follows:

	30.6.2020		31.12.2019	
	TUSD	in %	TUSD	in %
Non-current assets				
America	9,752	15%	12,392	18%
Asia	15,416	24%	14,403	21%
Europe	13,320	21%	13,903	20%
Global	25,257	40%	28,219	41%
Total non-current assets	63,745	100%	68,917	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 2020 and 31 December 2019.

As of 30 June 2020	Level 1 TUSD	Level 2 TUSD	Level 3 TUSD	Total TUSD
Assets				
Assets at fair value through profit or loss:				
Investments	—	62,292	1,453	63,745
Total	—	62,292	1,453	63,745
As of 31 December 2019	Level 1 TUSD	Level 2 TUSD	Level 3 TUSD	Total TUSD
Assets				
Assets at fair value through profit or loss:				
Investments	—	67,047	1,870	68,917
Total	—	67,047	1,870	68,917

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 2020 and 31 December 2019.

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 2020 and 2019 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	30.6.2020 % of financial assets at fair value through profit or loss	31.12.2019 % of financial assets at fair value through profit or loss
America	34%	34%
Asia	6%	8%
Global	60%	58%
Total	100%	100%

As of 30 June 2020, 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 2020, the Group had received redemption proceeds amounting to TUSD 12,181.

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 2020	Investments at fair value through profit or loss TUSD
Assets	
At 1 January 2020	1,870
Net change in unrealised loss	(368)
Sales	(49)
At 30 June 2020	1,453
Total realised gain for the period included in the statement of comprehensive income for investments held at the end of the period	152
As of 30 June 2019	
Assets	
At 1 January 2019	3,989
Net change in unrealised loss	(1,557)
Sales	(562)
At 31 December 2019	1,870
Total realised gain for the year included in the statement of comprehensive income for investments held at the end of the year	1,110

11. Subsequent events

At the annual meeting on 13 May 2020, a share capital reduction was approved by way of cancellation of 1,253,440 shares held in treasury. The cancellation took place on the 12 August 2020.

Since the balance sheet date of 30 June 2020 Castle Alternative Invest AG didn't purchased any treasury shares on its ordinary or second trading. As of 21 August 2020 the Company held no such shares in treasury shares.

Since the balance sheet date of 30 June 2020, 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: 0.9664

	2012	2013	2014	2015	2016	2017	2018	2019 ³⁾	June 2020	Since inception
Share information										
Number of bearer shares at year-end	16,352,817	13,371,710	12,378,210	10,756,059	9,653,732	8,721,297	7,862,421	6,297,099	6,297,099	
CAI Net asset value (USD)	16.83	18.97	19.70	19.83	19.91	20.12	19.54	15.29	15.00	
CAI Net asset value (CHF)	15.39	16.86	19.58	19.82	20.25	19.59	19.20	14.78	14.21	
CAI Closing price (USD)	12.70 ³⁾	14.40 ³⁾	16.45 ³⁾	16.25 ³⁾	16.4 ³⁾	— ⁴⁾	— ⁴⁾	— ⁴⁾	— ⁴⁾	
CAI Closing price (CHF)	11.60	13.00	16.45	16.55	16.95	15.65	15.30	14.00	13.50	
Share performance										
CAI Net asset value (USD)	7.9%	12.7%	3.8%	0.7%	0.4%	1.1%	(2.9%)	4.3%	(1.9%)	132.86% ¹⁾
CAI Net asset value (CHF)	5.1%	9.6%	16.1%	1.2%	2.2%	(3.3%)	(2.0%)	2.2%	(3.9%)	42.10% ²⁾
CAI Closing price (USD)	9.0% ³⁾	13.4% ³⁾	14.2% ³⁾	(1.2%) ³⁾	0.9% ³⁾	— ⁴⁾	— ⁴⁾	— ⁴⁾	— ⁴⁾	— ³⁾
CAI Closing price (CHF)	0.9%	12.1%	26.5%	0.6%	2.4%	(7.7%)	(2.2%)	(8.5%)	(3.6%)	35.00%

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 USD listing was discontinued on 15 September 2017.

⁵⁾ CHF 4.95 distribution of the nominal value was paid value 18 November 2019.

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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