Annual Report

2012

castle
ALTERNATIVE INVEST

Contents

Further information

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

Publication date

This report was released for publication on 2 April 2013.
The subsequent event note in the financial statements has been updated to 2 April 2013.
Amounts in the report are stated in USD thousands (TUSD) unless otherwise stated.

Castle Alternative Invest AG in 2012

		December 2012	December 2011
Net asset value up 7.9 per cent	Castle Alternative Invest AG's ("Castle AI", "Castle", "CAI" or the "Company") net asset value increased by 7.9 per cent (USD +1.23 per share) in 2012. The annualised NAV return in Dollars since inception is +6.2 per cent.	USD 16.83 per share TUSD 235,266	USD 15.60 per share TUSD 250,452
Cancellation of shares and capital reduction	The Annual General Meeting of the Company, on 15 May 2012, approved a share capital reduction by way of cancellation of 1,128,779 shares being the majority of the shares purchased in last year's second line buyback programme. The cancellation process had been completed by 24 August 2012 and the shares duly cancelled. Accordingly, the share capital of Castle AI has been reduced from CHF 87,407,980 to CHF 81,764,085 or 16,352,817 shares.	16,352,817 shares in issue	17,481,596 shares in issue
Treasury shares	As at 31 December 2012, the Company held 1,303,487 shares in treasury. Of those treasury shares, Swiss Life is the beneficial owner of 430,406 shares; however the whole of 1,303,487 shares have been treated as treasury shares for accounting and reporting purposes.	1,303,487	1,735,487
Second line buy back for cancellation	On 22 June 2012, the Company announced the opening of a new, second line buy back programme which was approved at the 2012 AGM. Accordingly a second trading line denominated in CHF was opened on the SIX Swiss Exchange on 28 June 2012, and will remain open until 5 June 2013 at the latest. The Company is the exclusive buyer on the second line and repurchases shares for the purpose of subsequently reducing its share capital. It is intended that a resolution be proposed to the 2013 AGM to reduce the capital of the Company by the full amount of shares acquired in second line trading.		
Share price increased by 9.0 per cent	The US Dollar share price increased 9.0 per cent on the SIX-Swiss Exchange during the year. The Swiss Franc price increased by 0.9 per cent from CHF 11.50 per share to CHF 11.60 per share partly due to the strengthening of the Swiss Franc versus the US Dollar. The discount to the NAV of the US Dollar shares narrowed to 24.5 per cent compared to 25.3 per cent in December 2011.	USD 12.70 per share	USD 11.65 per share

Chairman’s statement

Dear shareholders,

2012 was another challenging year for investors, although it ended on a strong note. Castle Alternative Invest AG managed to make steady progress despite the volatility in the middle of the year. The European crisis continued to undermine sentiment in the first half of the year until the intervention of Mario Draghi in July finally managed to draw a line in the sand for investors fearing a break up of the Euro. Political uncertainty in the US and China also sapped investor confidence at times and managers in some cases again found it hard to stay ahead of the rapid swings in sentiment that resulted. However, the overall results of the funds which we held were broadly satisfactory in 2012 with all four major fund styles contributing positively to returns for the year.

The Company’s NAV rose by 7.9 per cent over the year, putting us towards the upper end of returns for funds of hedge funds generally. The Company now possesses a sixteen year track record of stable capital appreciation, relatively uncorrelated to equity and bond market returns and with low volatility. Since inception, the Company’s NAV has increased by 6.2 per cent per annum, exceeding both equity and bond returns over that sixteen year period. All the main fund styles delivered positive returns, with event driven managers doing particularly well. That Group as a whole was up 18.2 per cent, with Third Point Ultra, a US based event driven manager, producing the best returns of all. Other notable contributions came from Discovery Global Opportunity Fund (Global macro focused on emerging markets) and Oceanwood Global Opportunities Fund (event driven).

During 2012 the balance of supply and demand for the Company’s shares was unfavourably affected by the need of a number of significant institutional shareholders to reduce or eliminate their holdings for regulatory and other reasons. This institutional share “overhang” now seems to have been largely eliminated, which should lead to a smaller absolute discount and reduced discount volatility in the coming year.

On 22 June 2012, the Company instituted this year’s second line buyback programme. Over the course of 2012, the share price in US Dollars was up 9.0 per cent. By 1 March 2013, the Company had purchased 1,149,956 shares through second line trading, which successfully moved the share price back above CHF 12.50 and reduced the discount below 20 per cent from almost 30 per cent a month earlier. A further 1,303,487 shares were held in treasury. A resolution will be proposed at the 2013 Annual General Meeting to reduce the capital of the Company by the amount of shares acquired in the current second line trading, together with the 573,170 shares that remain uncancelled from last year’s buyback programme. At the forthcoming AGM, it will be proposed that a new second line buyback programme be instituted as soon as possible.

In recognition of the long-term track record of the portfolio and the quality of the service it continues to receive, the board believes that the continued appointment of the manager on the terms agreed is in the interests of shareholders as a whole. Furthermore, as a result of the control and review processes in place, the directors are of the view that the Company has adequate resources to continue to operate within its stated objectives for the foreseeable future. Accordingly the accounts are drawn up on the basis that the Company is a going concern.

The board remains convinced that a well diversified portfolio of hedge funds can deliver attractive, risk-adjusted returns but this must be associated with only a modest degree of discount volatility and stronger share price performance. We will continue our efforts to achieve this in the coming year, not only through share buybacks (as we have done in the past) but also using such other techniques as may be permitted within existing regulations and which are tax efficient to investors.

Finally, as your chairman, I would like to thank you for your continuing support for the Company as it enters its seventeenth year.

Yours sincerely,

Tim Steel
Chairman of the board of directors

Investment manager's report

Financial markets and hedge fund strategies

Financial market backdrop

Most asset classes moved higher in 2012 given the accommodative macro backdrop engineered by the central banks. The first and second quarters alternated between euphoria and disenchantment, and markets rallied in the third quarter after the "Draghi put" heralded a "risk-on" environment. The final quarter saw stabilisation on the back of several important political events in the US, China and Japan.

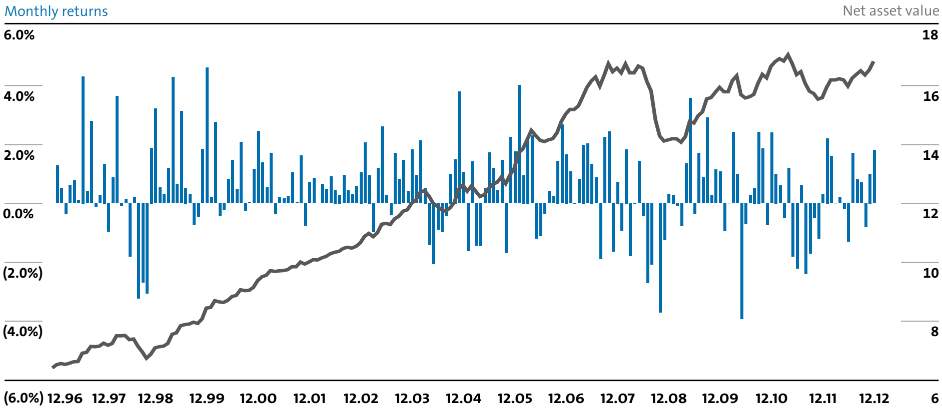
Macro – Central bankers around the globe committed to multiple stimulus packages in order to jump-start the economy. In the US, the Federal Reserve announced that it would purchase USD 40 billion of mortgage-backed securities and USD 45 billion of Treasuries on a monthly basis. Unlike earlier programmes, these initiatives are open-ended and will be continued as long as the unemployment rate is above 6.5 per cent. The "fiscal cliff" was another major concern and it was resolved only shortly before year-end.

In Europe, the announcement of the LTRO (Long-Term Refinancing Operation) by the ECB in the first quarter reduced the risk of a systematic breakdown in Europe. However, concerns over a Euro breakup led to heightened market volatility in the second quarter, which reversed in July after Mario Draghi pledged that the ECB would do "whatever it takes" to support the Euro and the Eurozone economy.

In China, signs emerged in the latter part of the year which suggested that an end to the slowdown may be imminent. Over in Japan, the victory of the Liberal Democrats and a stimulus package announced in the fourth quarter led to a sharp decline in the Yen and breathed new life into Japanese equities.

Equities – The markets remained macro driven as in the previous year until August when the ECB pledged unconditional support for the Eurozone economy, which removed the tail risk in the equity markets. In the US, the S&P 500 advanced 13 per cent whereas in Europe, while the benchmark STOXX

Development NAV Castle Alternative Invest AG in USD[1]



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

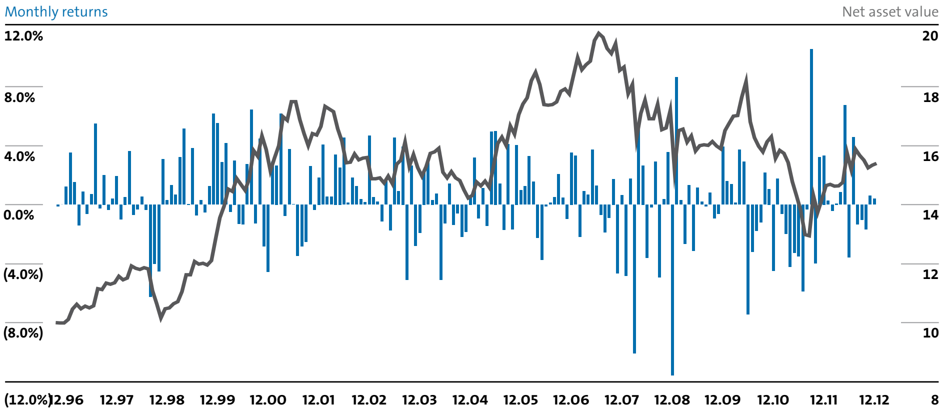
600 rallied 14 per cent, returns were varied across the region with markets such as Germany up as much as 29 per cent. Both geographies ended the year close to or at their year highs led by financials and other cyclicals. The Asia-Pacific region gained 14 per cent and in Japan, the Nikkei was up 17 per cent in the fourth quarter alone and returned 23 per cent for the year. The emerging markets ended the year 15 per cent higher.

Fixed income – Risk assets outperformed the safe havens as low interest rates maintained by the global central banks led to a hunt for yield. Among the sovereigns, the PIGS countries were strong performers, notably Greece whose yield declined to 12 per cent at year-end from 35 per cent a year ago. Yields on emerging market debt touched all-time lows. High-yield debt delivered strong returns (with the lowest-rated issues generating the highest returns) as spreads narrowed to 5.5 per cent at year-end from 7.3 per cent at the beginning of 2012. For Treasuries, as the front end was anchored by the Federal Reserve’s commitment to maintain short-term rates at close to zero, the action was at the long end of the yield curve. 10-year Treasuries traded in a wide range even though at year-end, the yield of 1.78 per cent was hardly changed from the 1.89 per cent the previous year.

Commodities – The DJ-UBS Commodities Index lost 1.1 per cent in 2012. Precious metals was the top-performing sector, up 6 per cent, while energy was the worst, down 9 per cent. Soybeans delivered the highest returns, up 16 per cent, while the worst performing commodity was coffee, down 36 per cent.

Currencies – The most notable FX move in 2012 was the depreciation of the Japanese Yen in the fourth quarter, in the magnitude of 11 per cent against the Dollar and 14 per cent against the Euro. Aside from the Yen move, the Euro lost 5 per cent against the Dollar in the second quarter when the fear of a Euro breakup dominated the headlines.

Development NAV Castle Alternative Invest AG in CHF



Castle Alternative Invest AG

Performance

In 2012, Castle advanced by 7.9 per cent after all fees based on the US Dollar NAV, compared with a 13.1 per cent return for the MSCI World Index. In Swiss Francs, the NAV increased by 5.1 per cent. Since the Company's inception, the NAV in US Dollars has risen 161.3 per cent, which corresponds to an annualised net return of 6.2 per cent. The high water mark was reached in April 2011.

The standard deviation and downside deviation in 2012 were 3.8 per cent and 2.0 per cent annualised respectively based on the development of the NAV in US Dollars. Since inception, the standard deviation was 5.5 per cent annualised and the downside deviation was 3.7 per cent annualised. The Sharpe and Sortino ratios in 2012 (assuming a risk free rate of 1.0 per cent per annum) were 1.8 and 3.4 respectively, and since inception, 1.0 and 1.4 respectively. The correlation of Castle to the MSCI World Index since inception was 0.5, while the correlation to the JPM Global Government Bond Index was negative at —0.1, reinforcing Castle's long term credentials as a lowly correlated investment strategy.

At the end of the year, the share price of Castle was CHF 11.60, which represented a discount of 24.6 per cent to the Company's NAV of CHF 15.39. The discount in US Dollar during the year ranged from 17.9 per cent to 27.4 per cent.

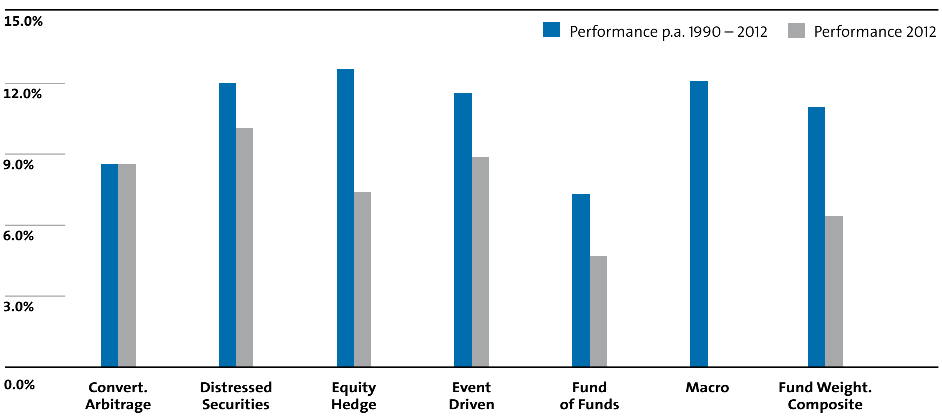
Performance attribution

All four main styles generated profits in 2012. The best performing style was event driven which advanced 18.2 per cent, followed by relative value, up 8.3 per cent and long/short equity, up 3.6 per cent. CTA/macro gained 2.7 per cent.

When accounting for the four style classes' portfolio weights, their respective gross contributions to performance were as follows: event driven 3.6 per cent, relative value 1.3 per cent, long/short equity 1.0 per cent and CTA/macro 0.7 per cent.

Event driven managers were able to capture the large opportunity set that resulted from the high demand for refinancings, restructurings, acquisitions and spinoffs. Renewed activity in the restructuring of European bank balance sheets led to a gradual appreciation of bank hybrid positions. Distressed debt also performed well, as discounts narrowed as the economy came out of recession. In structured credit, holdings in non-agency RMBS were particularly profitable. During the pullback in the second quarter, managers opportunistically added to sold-off names, refocused on catalyst-driven holdings

Long-term and current performance of HFR style indices



and repositioned their hedges to reduce basis risk. These measures enabled them to capture the market upturn during the second half of the year.

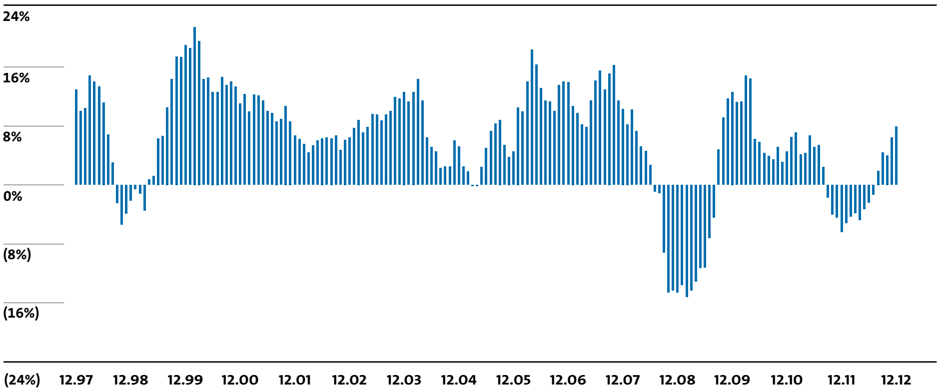
All the **relative value** managers were in positive territory in 2012, with stable and attractive risk-adjusted returns generated across a broad array of sub-strategies. Managers generally maintained a defensive, market-neutral stance which enabled them to limit their correlation to the broader markets. Profits were derived in structured credit in the US, with performance driven by CLO equity, RMBS and synthetic CDO trading. Further gains came from equity relative value, directional credit and corporate credit.

After a challenging 2011, the **long/short equity** managers entered the year with a defensive stance and as a result were only able to capture a small part of the tailwind in the equities markets during the first quarter. However, this moderately bearish stance enabled them to preserve some capital during the second quarter, especially in May when the markets lost 7 per cent in one month on the back of fears of a Euro breakup. Some managers traded around their core positions opportunistically during whip-sawing markets, which not only dampened volatility but added to the bottom line as well. As the year progressed, gross and net exposures were raised – some to multi-month highs – and the managers were well equipped to perform as the markets continued to advance. Share prices traded more in line with corporate results after the summer, which along with a decline in correlations, yielded a fertile backdrop for stockpickers. This positive environment in which active management is being rewarded has continued into 2013.

Within **global macro**, gains were made in the US on the back of accurate predictions regarding GDP growth and optimal positioning going into the resolution of the "fiscal cliff". Profits were generated in interest rates in Europe and the emerging markets, while toward year end, shorts in the Japanese Yen against longs in Japanese equities added to returns. The allocation to commodities detracted from returns and its overall exposure and directionality were reduced over the course of the year.

Within **CTAs**, managers had to contend with a challenging year but nevertheless performed very well during equity market stress periods, especially in May. Trend-following managers had particular difficulty as most markets exhibited low and declining volatility and became highly correlated during frequent market reversals driven by headline events. Meanwhile, short-term managers, fundamental strategies and CTA multi-strategy approaches contributed positively. In terms of sector performance, equities and fixed income markets were positive contributors during the year while commodity and currency markets were particularly challenging. The most profitable contracts included Euro Bunds, S&P, DAX and soybeans. The largest detractors were corn and sugar.

Rolling 12 month returns (NAV) Castle Alternative Invest AG in USD



The largest contributor to performance was Third Point Ultra, a US-based event driven manager that reaped large profits from contrarian positions in equities and credit as well as long positions in Greek sovereign debt, the latter of which were entered into at the bottom of the downturn. The second largest contributor was the Discovery Global Opportunity Fund, a global macro manager that primarily invests in the emerging economies across all asset classes. This is followed by another event driven manager, Oceanwood Global Opportunities, which was able to capitalise on the myriad of opportunities that arose as European banks were mandated to alter their capital structures in order to satisfy new regulations.

On the negative side, the largest loss was incurred by the Amiya Global Emerging Opportunities Fund, a long/short equity manager that held a net short stance throughout most of the year. The second largest detractor was Crown Managed Futures, which is a diversified programme of managed accounts with systematic CTAs and global macro traders. This is followed by the Clive Fund, a global macro manager focused on commodities.

Portfolio composition

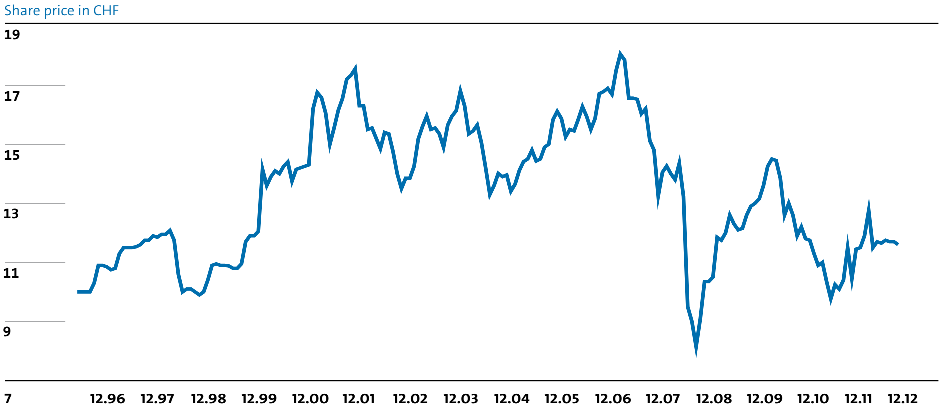
Throughout the year, the portfolio had an overweight to CTA/macro managers due to the flexibility and liquidity of the style class and also to gain exposure to certain themes. This came at the expense of the allocations to long/short equity and relative value, both of which were underweight throughout the year. The allocation to event driven was largely in line with the strategic allocation.

As of December 2012, the portfolio allocations were 28 per cent CTA/macro, 22 per cent event driven, 32 per cent per cent long/short equity and 18 per cent per cent relative value.

The two largest positions in the portfolio were the same as in year-end 2011. The largest was Crown Managed Futures, which is a diversified programme of managed accounts with systematic CTAs and global macro traders. The second largest was the Discovery Global Opportunity Fund, a global macro manager focused on the emerging markets.

Compared with a year ago, the portfolio became more concentrated. Five managers were fully redeemed during the year and five more as of year-end, while four new managers were added to the portfolio, one in global macro, two in long/short equity and one in event driven. An investment in a long/short equity manager was transferred from a fund format to a managed account. The investment degree of the portfolio fluctuated between 95 per cent and 99 per cent. No balance sheet leverage was employed at any time during 2012.

Share price of Castle Alternative Invest AG in CHF



Hedge fund industry and outlook

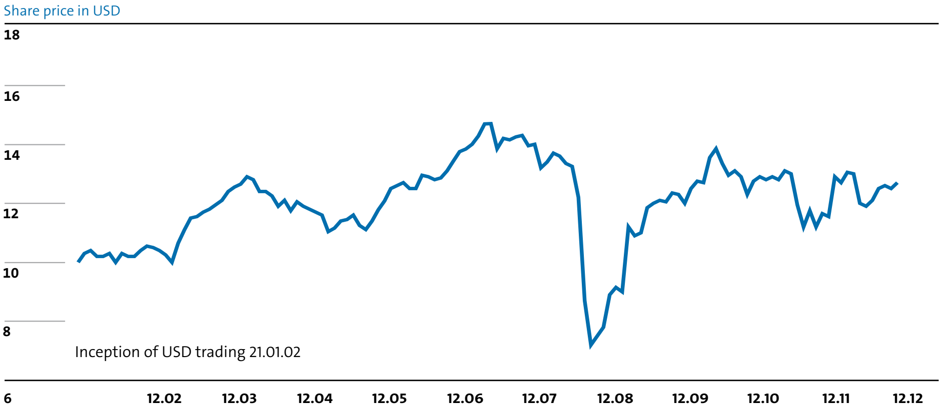
The HFRI Fund Weighted Composite Index delivered a 6.4 per cent return in 2012 with broad-based gains across most strategies with the notable exception of equity hedge-short bias. The strategy that generated the highest returns was relative value, up 10.6 per cent.

Investors continued to allocate to hedge funds in 2012 and industry assets grew by 12 per cent to an all-time high of USD 2.2 trillion. Net asset inflow was USD 34 billion compared with USD 70 billion in 2011. CTA/macro and relative value strategies received net inflows while long/short equity and event driven strategies suffered from net outflows. New launches exceeded liquidations and the total number of hedge funds and fund of funds surpassed 9,800 – the second highest figure after the peak in 2007.

The returns in 2012 confirm that Castle Alternative Invest's approach of combining rigorous manager selection, prudent risk management and a dynamic allocation to those strategies with the most favourable expected risk/rewards continues to deliver stable, non-correlated returns with low volatility, as it has done for the past 16 years. We believe that this approach will continue to deliver superior absolute performance and are confident that in the not too distant future, we will surpass our high water mark reached in April 2011.

LGT Swiss Life Non Traditional Advisers AG

Share price of Castle Alternative Invest AG in USD



Investment policy

Investment objective

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

Investment policy

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

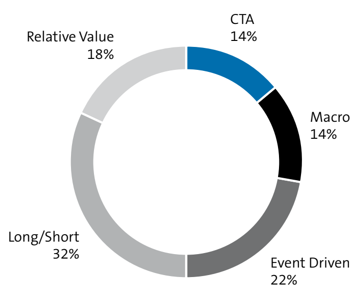
CAI Ireland invests in a diversified global portfolio of hedge funds, managed accounts and other investment vehicles that employ various non-traditional investment strategies that usually belong to the following broadly defined main strategy classes:

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

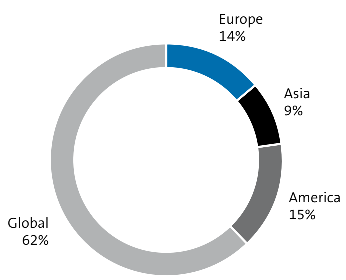
Event driven
Event driven strategies are designed to benefit from the consummation (or non-consummation) of various corporate events such as re-organisations, mergers or acquisitions, bankruptcies or various other situations. The strategies may be executed using a wide range of instruments, including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

Portfolio
Per December 2012

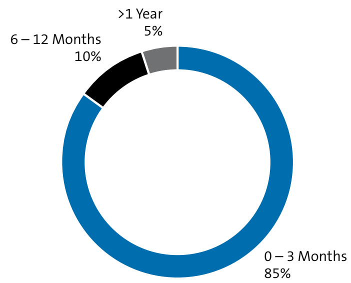
Style allocation



Geographical focus



Liquidity of investment



Top and bottom money makers 2012

Fund	Style	Date of initial investment	Performance for 2012	2012 gain/loss in USD million
Third Point Ultra Ltd.	Event Driven	January 11	33.4%	4.4
Discovery Global Opportunity Fund, Ltd.	Macro	January 08	14.7%	3.4
Oceanwood Global Opportunities Fund	Event Driven	November 10	24.9%	3.0
Clive Fund Ltd.	Macro	June 09	(9.3%)	(0.7)
Crown Managed Futures Master Segregated Portfolio	CTA	June 03	(2.0%)	(0.9)
Amiya Global Emerging Opportunities Fund Limited	L/S Equity	July 11	(7.0%)	(1.1)

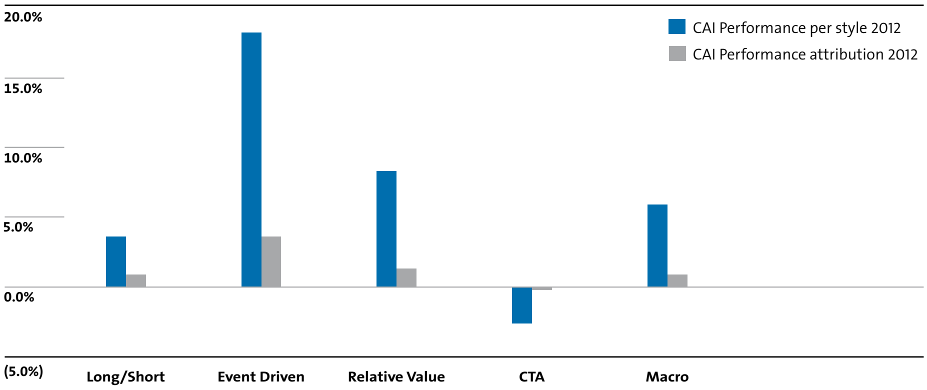
Ten largest holdings

Fund	Style	USD million 31 December 2012	% of investments
Crown Managed Futures Master Segregated Portfolio	CTA	45.9	14.2%
Zebedee Focus Fund Ltd.	Long/Short	20.1	6.2%
HBK Offshore Fund Ltd.	Relative Value	19.8	6.1%
Third Point Ultra Ltd.	Event Driven	17.6	5.5%
Discovery Global Opportunity Fund Ltd.	Macro	16.3	5.1%
Amiya Global Emerging Opportunities Fund Ltd.	Long/Short	14.9	4.6%
Crown/Linden Segregated Portfolio	Relative Value	14.1	4.4%
Indus Pacific Opportunities Fund Ltd.	Long/Short	14.1	4.4%
Caxton Global Investments Ltd. Class A	Macro	13.3	4.1%
Blue Mountain Credit Alternative Fund Ltd.	Relative Value	12.1	3.7%
Subtotal of ten largest holdings		**188.2**	**58.3%**
All other investments		134.4	41.7%
Total of investments		**322.6**	**100.0%**

Style performance attribution

Per December 2012

Estimated performance of styles before cost in USD



Relative value

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

CTA/macro

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

Asset allocation

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

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

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

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

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

Borrowings

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

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

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

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

CAI Ireland may enter into OTC derivative transactions and other arrangements with counterparties and where assets are transferred to a counterparty the following restrictions apply:

(i) Where CAI Ireland enters into transactions with any single counterparty which may give rise to counterparty risk exposure in excess of 40 per cent of its net asset value, such transactions must be made in accordance with the conditions applicable to the appointment of prime brokers as set out in Section 2 of the draft Guidance Note/04 of the Central bank of Ireland. The total exposure will be calculated to include outstanding indebtedness from the counterparty to CAI Ireland, any securities issued by the counterparty held by CAI Ireland, any deposits CAI Ireland has made with the counterparty, any collateral passed by CAI Ireland to the counterparty and any other form of exposure to the counterparty;
(ii) Counterparty must have a minimum credit rating of at least A2/P2 by Standard & Poor's and Moody's Investors Service or an equivalent rating from a recognised rating agency; and
(iii) The percentage limitations set forth above are measured on a running net asset value. Action will be taken as soon as reasonably practical in the event that any of the foregoing restrictions are breached, except where the breach is due to appreciation or depreciation of CAI Ireland's assets, changes in exchange rates, or by reason of the receipt of rights, bonuses, benefits in the nature of capital or by reason of any other action affecting every holder of that investment in which case the position will be corrected with due regard to the best interests of its shareholders.

If and for so long as is required by the UK Listing Rules in relation to investment entities, the Company has adopted the following investment restrictions:

– Any material change in the Company's published investment policy will only be made with the prior approval of Shareholders by ordinary resolution.
– Not more than 10 per cent of the value of the Company's assets will be invested in other closed-ended investment funds listed on the Official List of the UK Listing Authority ("the Official List") except for those which themselves have published investment policies to invest not more than 15 per cent of their total assets in other closed-ended investment funds listed on the Official List.

Report of the statutory auditor on the consolidated financial statements

to the general meeting of
Castle Alternative Invest AG, Pfäffikon

As statutory auditor, we have audited the consolidated financial statements of Castle Alternative Invest AG, which comprise the balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes (pages 18 to 62), for the year ended 31 December 2012.

Board of directors' responsibility
The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), the Article 14 of the Directive on Financial Reporting (DFR) of the SIX Swiss Exchange and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with the Article 14 of the Directive on Financial Reporting (DFR) of the SIX Swiss Exchange as well as Swiss law.

Emphasis of matter
In accordance with Article 16 of the Directive on Financial Reporting (DFR) of the SIX Swiss Exchange we draw attention to notes 3, 13, and 21e) of the consolidated financial statements. As indicated in note 13, the financial statements include unquoted investments stated at their fair value of USD 323 million. Because of the inherent uncertainty associated with the valuation of such investments and the absence of a liquid market, these fair values may differ from their realisable values, and the difference could be material. The determination of the fair values of these investments is the responsibility of the board of directors. The valuation procedures used are disclosed in note 3, 13 and 21e) of the consolidated financial statements. We have reviewed the procedures applied by the board of directors in valuing such investments and have viewed the underlying documentation. While in the circumstances the procedures appear to be reasonable and the documentation appropriate, the determination of fair values involves subjective judgment which cannot be independently verified. Our opinion is not qualified in respect of this matter.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

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

PricewaterhouseCoopers Ltd.

Guido Andermatt	**Rebecca Berlinger**
Audit expert	Audit expert
Auditor in charge	

Zurich, 2 April 2013

Audited consolidated statement of comprehensive income

For the year ended 31 December 2012 (All amounts in USD thousands unless otherwise stated)

	Note	2012	2011
Income			
Net gain/(loss) on investments designated at fair value through profit or loss	5	**26,299**	**(19,642)**
Income from current assets:			
Loss on foreign exchange, net		(7)	(14)
Interest income	6	9	16
Other income		32	250
Total income from current assets		**34**	**252**
Total income/(loss)		**26,333**	**(19,390)**
Expenses			
Management and performance fees	7	(6,293)	(7,372)
Other operating expenses	8	(1,531)	(1,727)
Total operating expenses		**(7,824)**	**(9,099)**
Operating profit/(loss)		**18,509**	**(28,489)**
Finance costs	9	(13)	(35)
Profit/(loss) for the year		**18,496**	**(28,524)**
Total comprehensive income/(loss) for the year		**18,496**	**(28,524)**
Profit/(loss) attributable to:			
Shareholders		10,122	(19,165)
Non-controlling interest	2 (f)	8,374	(9,359)
		18,496	**(28,524)**
Total comprehensive income/(loss) attributable to:			
Shareholders		10,122	(19,165)
Non-controlling interest	2 (f)	8,374	(9,359)
		18,496	**(28,524)**
Earnings per share (in USD) attributable to equity holders			
Weighted average number of shares outstanding during the year	2 (o)	14,258,135	15,608,324
Basic profit/(loss) per share		USD 0.71	USD (1.23)
Diluted profit/(loss) per share		USD 0.71	USD (1.23)

The accompanying notes on pages 24 to 62 form an integral part of these consolidated financial statements.

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Audited consolidated balance sheet

As of 31 December 2012 (All amounts in USD thousands unless otherwise stated)

	Note	2012	2011
Assets			
Current assets:			
Cash and cash equivalents	11	27,758	8,517
Other current assets	12	56,814	547
Total current assets		**84,572**	**9,064**
Non-current assets:			
Investments designated at fair value through profit or loss	13	322,579	394,552
Total assets		**407,151**	**403,616**
Liabilities			
Current liabilities:			
Due to banks: overdraft	14	—	789
Accounts payable and accrued liabilities	15	152,632	1,379
Total current liabilities		**152,632**	**2,168**
Equity			
Shareholders' equity:			
Share capital	16	56,182	62,394
Additional paid-in capital		63,137	63,137
Less treasury shares at cost	16	(14,867)	(19,794)
Less treasury shares 2nd line at cost (bought for cancellation)	16	(19,045)	(6,582)
Retained earnings		144,393	141,250
Total shareholders' equity		**229,800**	**240,405**
Non-controlling interest	16, 2 (f)	24,719	161,043
Total equity		**254,519**	**401,448**
Total liabilities and equity		**407,151**	**403,616**

Audited consolidated balance sheet (continued)

As of 31 December 2012 (All amounts in USD thousands unless otherwise stated)

	Note	2012	2011
Net asset value per share (in USD)	2 (o)		
Number of shares issued as at the year end		16,352,817	17,481,596
Number of treasury shares as at the year end		(1,303,487)	(1,735,487)
Number of treasury shares 2nd line (bought for cancellation) as at the year end		(1,496,670)	(555,580)
Number of shares outstanding net of treasury shares as at the year end		**13,552,660**	**15,190,529**
Net asset value per share		**16.96**	**15.83**
Adjustment from allocating treasury shares proportionately to non-controlling interest	2 (f)		
Total shareholders' equity before adjustment		229,800	240,405
Adjustment to shareholders' equity		5,466	10,047
Total shareholders' equity after adjustment		**235,266**	**250,452**
Number of treasury shares allocated to non-controlling interest		430,406	862,406
Number of shares outstanding after adjustment		**13,983,066**	**16,052,935**
Net asset value per share (in USD) after allocating treasury shares proportionately to non-controlling interest		**16.83**	**15.60**

The accompanying notes on pages 24 to 62 form an integral part of these consolidated financial statements.

Audited consolidated statement of cash flows

For the year ended 31 December 2012 (All amounts in USD thousands unless otherwise stated)

	Note	2012	2011
Cash flows from/(used in) operating activities:			
Purchase of investments		(56,329)	(92,893)
Proceeds from sales of investments		117,616	257,778
Interest received	6	9	16
Operating expenses paid	8	(9,129)	(8,679)
Net cash from operating activities		**52,167**	**156,222**
Cash flows from/(used in) financing activities:			
Interest paid	9	(13)	(34)
Non-controlling interest capital transactions	16	(5,970)	(137,815)
Purchase of treasury shares 2nd line (bought for cancellation)	16	(26,154)	(6,582)
Net cash used in financing activities		**(32,137)**	**(144,431)**
Net increase in cash and cash equivalents		**20,030**	**11,791**
Cash and cash equivalents, beginning of the year		**7,728**	**(4,063)**
Cash and cash equivalents, end of the year		**27,758**	**7,728**
Cash and cash equivalents consist of the following as at 31 December:			
Cash at banks	11	22,108	8,517
Time deposits < 90 days	11	5,650	—
Overdraft		—	(789)
Total		**27,758**	**7,728**
Non-cash transactions:			
Switching of share classes:			
Purchase of investments[1]		(12,529)	(2,441)
Proceeds from sales of investments[1]		12,529	2,441
Capital transaction in-kind:			
Redemption in-kind[2]		5,427	(1,040)
Treasury shares used for redemption in-kind[2]		(5,427)	1,040
Total		—	—

[1] These two lines show the non-cash movements that occur when the Group switches from one share class of an investment fund into another share class of the same fund.
[2] These two lines show the non-cash movements that occurred in 2011 and 2012 when Swiss Life AG switched their holding in the Company to a direct holding in the Ireland Subsidiary and the redemption in-kind using treasury shares which took place in 2011 and 2012. See also notes 1 and 16.

The accompanying notes on pages 24 to 62 form an integral part of these consolidated financial statements.

Audited consolidated statement of changes in equity

For the year ended 31 December 2012 (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 2011	**73,072**	**63,137**	**(51,323)**	**180,226**	**309,130**	**574,242**
Total comprehensive loss for the period	—	—	—	(19,165)	(9,359)	(28,524)
Cancellation of treasury shares 2nd line	(10,678)	—	30,617	(19,939)	—	—
Purchase of treasury shares 2nd line (bought for cancellation)	—	—	(6,582)	—	—	(6,582)
Non-controlling interest transactions:						
Treasury shares used for redemption in-kind	—	—	912	128	(1,040)	—
Capital transactions	—	—	—	—	(137,688)	(137,688)
31 December 2011	**62,394**	**63,137**	**(26,376)**	**141,250**	**161,043**	**401,448**
1 January 2012	**62,394**	**63,137**	**(26,376)**	**141,250**	**161,043**	**401,448**
Total comprehensive income for the period	—	—	—	10,122	8,374	18,496
Cancellation of treasury shares 2nd line	(6,212)	—	13,691	(7,479)	—	—
Purchase of treasury shares 2nd line (bought for cancellation)	—	—	(26,154)	—	—	(26,154)
Non-controlling interest transactions:						
Treasury shares used for redemption in-kind	—	—	4,927	500	(5,427)	—
Capital transactions	—	—	—	—	(139,271)	(139,271)
31 December 2012	**56,182**	**63,137**	**(33,912)**	**144,393**	**24,719**	**254,519**

The accompanying notes on pages 24 to 62 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2012
(All amounts in USD thousands 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 and on 21 January 2002, a listing in US Dollar on the SIX Swiss Exchange followed. As of 5 June 2009 the Company is also listed in US Dollar on the London Stock Exchange.

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

On 16 September 2010 the Company announced that it had entered into an agreement with Swiss Life AG, its largest shareholder, pursuant to which it intended to effect a reduction of the Company's share capital from TCHF 192,505 to TCHF 98,535 through the cancellation of 18,793,940 shares held by Swiss Life AG. The proposal was approved at the extraordinary general meeting held on 12 October 2010 and the restructuring was completed on 20 December 2010. In return Swiss Life AG received a substantially equivalent proportion of shares in the Ireland Subsidiary, the entity through which the majority of the Company's portfolio of investments is held. During the period from 21 June 2010 to 31 December 2012 the Company purchased treasury shares on its second trading line. According to the programme periods the second line treasury shares were cancelled in August 2011 and in August 2012. As of 31 December 2012 the Company's share capital amounts to TCHF 81,764 or 16,352,817 shares (2011: TCHF 87,408 or 17,481,596 shares).

Castle Alternative Invest (Overseas) Ltd., Grand Cayman, was incorporated on 31 July 1996 as an exempted company under the laws of the Cayman Islands. The authorised share capital is USD 31,100, composed entirely of voting participating redeemable ordinary shares, which are held entirely by the Company. The Group consolidates the Cayman Subsidiary in compliance with IFRS 10.

Castle Alternative Invest (International) plc, Dublin, was established as an open-ended investment company with variable capital and limited liability under the laws of Ireland on 19 February 2001. At 31 December 2012, its capital amounts to TUSD 266,778 (2011: TUSD 422,011) and it is a subsidiary of the Cayman Subsidiary. The Ireland Subsidiary became active on 19 December 2001 after receiving authorisation from the Central Bank of Ireland. The share capital is divided into management shares and participating shares. The management shares are held by LGT Group Foundation, LGT Bank (Ireland) Limited and LGT Fund Managers (Ireland) Limited. With effect from 16 December 2010 the Ireland Subsidiary was restructured into an open-ended investment company with limited liquidity, variable capital and limited liability. At the same time the participating shares were split into two classes of shares; Class O and Class I. Class O is held by the Cayman Subsidiary and Class I is held by Swiss Life AG.

On 1 April 2011 Swiss Life AG partially redeemed its holding in Class I of the Ireland Subsidiary. The redemption was paid out in cash with the remaining amount being placed in a newly opened sidepocket share class for illiquid assets (Class RI). At the same time a sidepocket share class for the Cayman Subsidiary's portion of the illiquid assets was also created (Class RO). The sidepocket share classes have paid out proceeds as their assets were realised. On 31 December 2012 Swiss Life fully redeemed its holding in the Class I shares. As per 31 December 2012 Swiss Life AG's holding in the remaining Class RI shares comprised 9.27 per cent (2011: Class I and Class RI: 38.16 per cent) of the net asset value of the Ireland Subsidiary. The Cayman Subsidiary's holding in Class O and Class RO comprised 90.73 per cent of the net asset value of the Ireland Subsidiary (2011: 61.84 per cent). The Company controls the Ireland Subsidiary and consolidates it in compliance with IFRS 10. Swiss Life AG's holding in the Ireland Subsidiary is shown as a non-controlling interest in the Group's consolidated financial statements.

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

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

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

As of 31 December 2012 and 2011 the Group did not employ any employees.

2 Summary of accounting policies for the consolidated financial statements

Basis of preparation

The accompanying consolidated financial statements of the Group for the year ended 31 December 2012 have been prepared in accordance with International Financial Reporting Standards (IFRS) formulated by the International Accounting Standards Board (IASB) and comply with Swiss Law and the accounting guidelines laid down in the Directive on Financial Reporting (DFR) of the SIX Swiss Exchange as well as the guidelines set out by the United Kingdom Listing Authority.

The consolidated financial statements of the Group have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss.

The board considers the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for the shareholders to assess the Company's performance, business model and strategy.

a) Standards and amendments to published standards that are mandatory for the financial year beginning on or after 1 January 2012

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Group.

b) Standards and amendments to published standards effective after 1 January 2012 that have been early adopted

- IFRS 10, "Consolidated Financial Statements", (effective 1 January 2013). The new standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It supersedes IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities" and is effective for annual periods beginning on or after 1 January 2013. The Group decided for early adoption in 2011;
- IFRS 12, "Disclosure of Interests in Other Entities", (effective 1 January 2013) applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. The Group decided for early adoption in 2011.

c) Standards and amendments to published standards effective after 1 January 2012 that have not been early adopted

- Amendment to IAS 1, "Financial statement presentation" regarding other comprehensive income (effective 1 July 2012). The main change resulting from these amendments is a requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially recycled to profit or loss (reclassification adjustments). The amendments do not address which items are presented in OCI. This new standard will not have any effect on the Group's financial statements; and
- IFRS 13, "Fair value measurement", (effective 1 January 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This new standard is not expected to have a material impact on the Group's financial statements; and
- IFRS 9, "Financial instruments", (effective 1 January 2015). This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace IAS 39, "Financial instruments: Recognition and measurement". IFRS 9 has two measurement categories:

amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group has yet to assess the full impact of this standard and has not yet decided when to adopt it.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

d) Use of estimates

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

e) Basis of consolidation

The consolidated financial statements are based on the financial statements of the individual Group companies prepared using uniform accounting principles and drawn up in accordance with the regulations governing the rendering of accounts in terms of the Listing Regulations of the SIX Swiss Exchange, of the guidelines set out by the United Kingdom Listing Authority and with the IFRS issued by the IASB.

The consolidated 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

In May 2011 the IASB issued IFRS 10, "Consolidated financial statements", which replaces all of the guidance on control and consolidation in IAS 27, "Consolidated and separate financial statements", and SIC-12, "Consolidation – special purpose entities". As mentioned in note 2 b) the Group, in 2011, chose to early adopt IFRS 10. The revised definition of control focuses on the need to have both power and variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. In light of the new definition of control, the Group reassessed its ability to direct the activities that significantly influence returns for each of the Subsidiaries and came to the conclusion that the adoption of IFRS 10 had no impact for the Group and the Ireland and Cayman Subsidiaries continued to be consolidated as they fulfil the new prerequisites.

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

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

f) Non-controlling interest

Non-controlling interests 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 interests and to the shareholders.

Under the accounting provisions of IFRS, treasury shares held by Group entities must be deducted from equity and eliminated from the Group's number of outstanding shares. For the Group this also includes the treasury shares held for and on behalf of the non-controlling interest. In order to arrive at the true economic value of the Group, the non-controlling interest's portion of the treasury shares has been adjusted for. On the consolidated balance sheet the cost value (2012: TUSD 5,466, 2011: TUSD 10,047) for these shares has been added back to shareholders' equity and the number of shares (2012: 430,406, 2011: 862,406) has also been added back to the number of outstanding shares. These adjustments result in an economic net asset value per share of USD 16.83 (2011: USD 15.60).

g) Foreign currency

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

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

h) Cash and cash equivalents

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

i) Financial instruments

Under IAS 39, the Group has designated all its investments and securities into the financial assets at fair value through profit or loss category. This category was chosen as it reflects the business of an investment fund: the assets are managed and their performance evaluated on a fair value basis and management decisions are therefore reflected in the consolidated statement of comprehensive income. The Group's policy is for the investment manager and the board of directors to evaluate the information about these financial assets on a fair value basis together with other related financial information. The category of financial assets and liabilities at fair value through profit or loss comprises:

– Financial instruments designated at fair value through profit or loss upon initial recognition. These include financial assets that are not held for trading purposes but which may be sold.
– Financial assets other than those at fair value through profit or loss, are classified as loans and receivables and are carried at amortised cost, less impairment losses, if any.
– Financial liabilities that are not designated at fair value through profit or loss include payables under repurchase agreements and accounts payable.

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

Regular way purchases and sales of financial assets are recognised on a trade date basis. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded. Financial liabilities are not recognised until the entity becomes party to the contractual provisions of the instrument. Financial instruments are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards.

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

(iii) Fair value measurement principles and estimation
Fund investments for which market quotations are not readily available are valued at their fair values as described in the process below. The fund investments are normally valued at the underlying net asset value as advised by the managers/administrators of these funds, unless the directors are aware of good reason why such a valuation would not be the most appropriate indicator of fair value. Such valuations are necessarily dependent upon the reasonableness of the valuations provided by the underlying managers/administrators of such funds and whether the valuation bases used are IFRS and fair value compliant. The responsibility for determining the fair value lies exclusively with the board of directors. The board of directors, under advice from the investment manager, may perform additional procedures on fund investments, including but not limited to underlying manager/administrator due diligence and other analytical procedures. The board of directors together with the investment manager also reviews management information provided by fund investments on a regular basis. 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 investment manager, 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 investment manager; 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.

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

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

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

j) Other current assets
Other current assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

k) Due to banks
Amounts due to banks are recognised initially at fair value, net of transaction costs incurred. Due to banks are subsequently stated at amortised cost; any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

l) Accounts payable and accrued liabilities
Accounts payable and accrued liabilities are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

m) Treasury shares
The Company can buy and sell treasury shares in accordance with the Company's articles of association, Swiss company law and in compliance with the listing rules of the SIX Swiss Exchange and the United Kingdom Listing Authority. Treasury shares are treated as a deduction from shareholders' equity. The gains and losses on sales of treasury shares are credited or charged to the retained earnings account.

n) Share capital
The Company's share capital is divided into 16,352,817 (2011: 17,481,596) registered shares with a par value of CHF 5 per share. The shares are fully paid in.

o) Net asset value per share and earnings per share
The net asset value per share is calculated by dividing the net assets included in the consolidated balance sheet (excluding non-controlling interest) by the number of participating shares outstanding less treasury shares at the year end.

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

p) Taxes

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.

q) 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 investment manager 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 investment manager 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.

r) Related parties

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

3 Critical accounting estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are the fair value of non-quoted investments. The fair value of financial instruments that are not traded in an active market is determined by reference to the published net asset values of such underlying funds, as adjusted where relevant by the board of directors as described in the accounting policies. In the case of such an adjustment, changes in assumptions could affect the reported fair value of these investments. The variety of valuation bases that may be adopted, the quality of management information provided by fund investments and the lack of liquid markets for such fund investments means that there are inherent difficulties in determining the fair values of these investments that cannot be fully eliminated. Therefore, the amounts realised on the sale or redemption of fund investments may differ from the fair values reflected in these financial statements and the differences may be material.

4 Foreign exchange rates

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

Foreign exchange rates	**Unit**	**2012 USD**	**2011 USD**
Year-end rates			
Swiss Francs	1 CHF	1.0934	1.0653
British Pounds	1 GBP	1.6242	1.5509

Foreign exchange rates	**Unit**	**2012 USD**	**2011 USD**
Average annual rates			
Swiss Francs	1 CHF	1.0716	1.1357
British Pounds	1 GBP	1.5925	1.6104

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

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

	2012 TUSD	2011 TUSD
Realised gains/(losses), net on investments:		
CTA	—	6,588
Macro	8,855	17,401
Event Driven	2,331	(987)
Long/Short	619	1,272
Relative Value	7,385	11,239
Total realised gain on investments[1]	**19,190**	**35,513**
Unrealised gains/(losses), net on investments:		
CTA	(919)	(10,464)
Macro	(5,449)	(22,047)
Event Driven	12,890	(6,022)
Long/Short	2,867	(7,436)
Relative Value	(2,280)	(9,186)
Total unrealised gain/(loss) on investments[2]	**7,109**	**(55,155)**
Net gain/(loss) on investments designated at fair value through profit or loss	**26,299**	**(19,642)**

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

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

	2012 TUSD	2011 TUSD
Realised gains/(losses), net on investments:		
America	1,097	7,919
Asia	36	(6,128)
Europe	545	383
Global	17,512	30,543
Other	—	2,796
Total realised gain on investments[1]	**19,190**	**35,513**
Unrealised gains/(losses), net on investments:		
America	4,165	(10,616)
Asia	1,344	2,234
Europe	4,414	(1,582)
Global	(2,814)	(42,425)
Other	—	(2,766)
Total unrealised gain/(loss) on investments[2]	**7,109**	**(55,155)**
Net gain/(loss) on investments designated at fair value through profit or loss	**26,299**	**(19,642)**

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

6 Interest income

Interest income for the year was earned on:

Interest income	2012 TUSD	2011 TUSD
Cash and cash equivalents:		
Third party	9	16
Total	**9**	**16**

7 Management and performance fees

Management and performance fees are composed as follows:

Management and performance fees	2012 TUSD	2011 TUSD
Management fees – related party	6,209	7,280
Performance fees – related party	84	92
Total	**6,293**	**7,372**

8 Other operating expenses

Other operating expenses are composed as follows:

Other operating expenses	2012 TUSD	2011 TUSD
Related party fees:		
Credit facility standby fees	48	56
Administrative fees	28	37
Directors' fees	241	242
Domicile fees	10	10
Third party fees:		
Administrative fees	222	255
Reporting and publications	91	182
Audit fees	173	160
Custody fees	85	97
Capital taxes (Switzerland)	11	8
Insurance	15	43
Legal fees	101	135
Broker fees and expenses	75	131
Project expenses (share buy back/capital reduction)	110	109
Stock exchange listing expenses	42	42
Tax advisory fees	18	10
Other expenses	261	210
Total	**1,531**	**1,727**

9 Finance costs

Interest expense for the year was paid on:

Finance cost	2012 TUSD	2011 TUSD
Due to banks – related party	2	33
Due to banks – third party	11	2
Total	**13**	**35**

10 Income taxes

Reconciliation of income tax calculated with the applicable tax rate:

Tax expense	2012 TUSD	2011 TUSD
Profit/(loss) for the year before income tax	18,496	(28,524)
Applicable tax rate	7.8%	7.8%
Income tax	1,443	—
Effect from non-taxable income	(1,443)	—
Total	—	—

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

11 Cash and cash equivalents

Cash and cash equivalents consist of:

Cash and cash equivalents	2012 TUSD	2011 TUSD
Cash at banks:		
Related party	148	74
Third party	21,960	8,443
Time deposits:		
Third party	5,650	—
Total	**27,758**	**8,517**

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

12 Other current assets

Other current assets	2012 TUSD	2011 TUSD
Receivable for investments sold	47,521	502
Subscriptions paid in advance	3,800	—
Other receivables	5,493	45
Total	**56,814**	**547**

13 Investments designated at fair value through profit or loss

The investments are allocated according to style as follows:

Investments designated at fair value through profit or loss	2012 TUSD		2011 TUSD	
CTA	45,890	14%	46,809	12%
Macro	44,614	14%	79,065	20%
Event Driven	69,301	22%	101,934	26%
Long/Short	103,243	32%	99,210	25%
Relative Value	59,531	18%	67,534	17%
Total	**322,579**	**100%**	**394,552**	**100%**

The details of the investments are shown in the investment table on pages 38 to 41.

As at the balance sheet date of 31 December 2012, the Ireland Subsidiary had redeemed the following investments:

Fund investment	Value TUSD	Type of redemption
Third Point Ultra Limited	5,996	Partial redemption
Total	**5,996**	

These investments are included in the schedule of investments on pages 38 to 41 as the transfer of all substantial risks and rewards, in the ordinary course of business, does not occur until a number of days after the relevant valuation date for the redemptions.

These redemptions resulted in the redemption proceeds being received subsequent to the balance sheet date, either in full or in part (with either creation of sidepocket share classes or hold backs that will be paid at a later date). As of the date of authorisation of these consolidated financial statements TUSD 5,250 had been received. These redemptions had no impact on the net asset value of the Group as at the balance sheet date.

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

As of 31 December 2012 (note 13) (All amounts in USD thousands unless otherwise stated)

Amounts in TUSD	Geography	Shares as at 1.1.2012	Shares as at 31.12.2012	Total net paid in as at 1.1.2012	Investments 2012	Redemptions 2012	Realised gain/(loss) 2012	Total net paid in as at 31.12.2012	Unrealised gain/(loss) accumulated 2012	Fair value as at 31.12.2012	% of investments
CTA											
Crown Managed Futures Master Segregated Portfolio	Global	18,571	18,571	27,972	—	—	—	27,972	17,918	45,890	14.2%
Total CTA				**27,972**	—	—	—	**27,972**	**17,918**	**45,890**	**14.2%**
Macro											
Blenheim Global Markets Fund Ltd.	Global	996	—	10,048	—	(10,048)	546	—	—	—	0.0%
Caxton Global Investments Ltd. Class A	Global	17,405	17,405	1,846	—	—	—	1,846	11,447	13,293	4.1%
Caxton Global Investments Ltd. Class SI	Global	41,650	41,650	1,247	—	(25)	—	1,222	181	1,403	0.4%
Clive Fund Ltd.	Global	79,647	—	10,290	—	(10,290)	344	—	—	—	0.0%
Crown Koppenberg Segregated Portfolio	Global	—	2,828	—	3,000	—	—	3,000	(74)	2,926	0.9%
Discovery Global Opportunity Fund Ltd.	Global	36,481	22,916	16,169	—	(5,935)	3,732	10,234	6,096	16,330	5.1%
The Rohatyn Group Global Opportunity Fund Ltd.	Global	1	1	470	1	—	—	471	182	653	0.2%
Tudor BVI Global Fund Ltd. Class B	Global	87	87	5,423	9,041	(5,431)	3,610	9,033	551	9,585	3.0%
Tudor BVI Global Fund Ltd. Legacy Class	Global	484	313	482	—	(170)	45	312	113	424	0.1%
Wexford Offshore Spectrum Fund Ltd.	Global	1,556	—	9,144	—	(9,144)	577	—	—	—	0.0%
Total Macro				**55,120**	**12,042**	**(41,044)**	**8,855**	**26,118**	**18,496**	**44,614**	**13.8%**
Event Driven											
Alden Global Distressed Opportunities Fund	Global	1	—	5,700	—	(5,700)	1,870	—	—	—	0.0%
Alden Global Value Recovery Fund	Global	2,600	—	2,600	—	(2,600)	(342)	—	—	—	0.0%
Bennelong Asia Pacific Multi Strategy Equity Fund Ltd.	Asia	9,400	9,400	940	—	—	—	940	(48)	892	0.3%
Cerberus Asia Partners L.P.	Asia	1	1	—	—	—	31	—	877	877	0.3%
Crown Distressed Credit Opportunities plc[2]	Global	98,520	55,483	8,574	—	(3,742)	1,626	4,831	2,690	7,522	2.3%
Crown GLG Segregated Portfolio	Europe	—	7,478	—	7,500	—	—	7,500	188	7,688	2.4%
Greywolf Capital Overseas Fund	America	1	1	1,012	—	(69)	(35)	943	(751)	191	0.1%
GS Special Opportunities (Asia) Offshore Fund Ltd.	Asia	1	1	—	—	—	—	—	33	33	0.0%
Headstart Fund Ltd.	Asia	1	1	855	—	—	—	855	(599)	256	0.1%
Highland Crusader Fund II Ltd.	America	1	1	8,265	—	(6,085)	—	2,181	2,226	4,407	1.4%
Latigo Ultra Fund Ltd.[3]	America	14,911	9,547	14,911	—	(5,365)	112	9,547	268	9,814	3.0%
Latigo Ultra Access Fund Ltd.	America	64	44	64	—	(20)	3	44	8	52	0.0%
Oceanwood Global Opportunities Fund	Europe	145,000	—	14,500	—	(14,500)	830	—	—	—	0.0%
OZ Asia Overseas Fund Ltd.	Asia	1	1	975	—	(83)	5	892	(2)	891	0.3%
OZ Overseas Fund Ltd. Tranche C shares	Global	2	2	795	—	(177)	(66)	618	(131)	487	0.2%
Plainfield 2009 Liquidation Ltd.[4]	Global	96,646	10,414	9,665	—	(8,623)	(6,030)	1,041	(783)	259	0.1%
SerVertis Fund I Ltd.[2]	America	8,193	8,211	8,250	—	(908)	—	7,342	2,091	9,433	2.9%
Third Point Ultra Ltd.	Global	14,000	14,000	14,000	—	—	—	14,000	3,603	17,603	5.5%
Tyrus Capital Opportunities Fund Ltd.	Global	101,721	86,627	10,000	—	(1,484)	31	8,516	377	8,893	2.8%
Winston Partners PE Investment Ltd.	Global	7,615	7,615	3,662	—	—	—	3,662	(3,662)	—	0.0%

Amounts in TUSD	Geography	Shares as at 1.1.2012	Shares as at 31.12.2012	Total net paid in as at 1.1.2012	Investments 2012	Redemptions 2012	Realised gain/(loss) 2012	Total net paid in as at 31.12.2012	Unrealised gain/(loss) accumulated 2012	Fair value as at 31.12.2012	% of investments
Zais Matrix VI-F Ltd.	Global	1	1	3,667	—	(3,667)	4,295	—	4	4	0.0%
Total Event Driven				**108,435**	**7,500**	**(53,023)**	**2,331**	**62,912**	**6,389**	**69,301**	**21.5%**
Long/Short											
Amiya Global Emerging Opportunities Fund Ltd.	Global	57,639	73,045	12,000	3,620	(231)	(112)	15,388	(469)	14,919	4.6%
Capeview Azri 2X Fund[5]	Europe	40,000	—	4,169	—	(4,169)	430	—	—	—	0.0%
Capeview Azri Fund Ltd.[5]	Europe	40,000	—	5,078	1,010	(6,088)	193	—	—	—	0.0%
Crown Amazon Segregated Portfolio	Asia	8,679	8,679	9,000	—	—	—	9,000	1,907	10,907	3.4%
Crown Capeview Segregated Portfolio	Europe	—	10,000	—	10,000	—	—	10,000	605	10,605	3.3%
Crown KC Segregated Portfolio	America	11,998	6,313	12,165	—	(5,165)	1,139	7,000	(39)	6,961	2.2%
Crown Marshall Wace Segregated Portfolio	Europe	—	5,869	—	7,000	—	—	7,000	(20)	6,980	2.2%
Crown Sandler Segregated Portfolio	America	—	7,057	—	7,000	—	—	7,000	169	7,169	2.2%
Dabroes Offshore Investment Fund Ltd.	Europe	10,955	—	11,144	—	(11,144)	(908)	—	—	—	0.0%
Galleon Technology Offshore Ltd.	America	57	57	1,292	—	—	—	1,292	(461)	831	0.3%
Indus Pacific Opportunities Fund Ltd.	Asia	7,437	7,437	12,354	—	—	—	12,354	1,715	14,069	4.4%
Polo Fund	America	54,318	54,318	11,484	—	—	—	11,484	(1,438)	10,045	3.1%
Raptor Private Holdings Ltd.	America	2,189	1,215	1,501	—	(668)	(123)	833	(181)	652	0.2%
Zebedee Focus Fund Ltd.	Europe	98,333	98,333	17,993	—	—	—	17,993	2,110	20,102	6.2%
Total Long/Short				**98,179**	**28,631**	**(27,466)**	**619**	**99,344**	**3,899**	**103,243**	**32.0%**
Relative Value											
Arrowgrass International Fund Ltd.	Global	66,297	—	6,984	—	(6,984)	2,288	—	—	—	0.0%
Blue Mountain Credit Alternative Fund Ltd.	Global	49,130	103,930	6,037	4,357	—	4,356	10,393	1,679	12,072	3.7%
Crown Linden Segregated Portfolio	Global	12,132	9,907	13,250	—	(2,225)	776	11,025	3,060	14,084	4.4%
D.E. Shaw Composite International Ltd.	Global	1	1	—	—	—	165	—	569	569	0.2%
D.E. Shaw Composite International Ltd. Side Pocket Series	Global	1	1	1,465	—	(163)	—	1,301	608	1,909	0.6%
Double Black Diamond Ltd.	Global	26,730	26,730	9,340	—	—	—	9,340	925	10,265	3.2%
Drake Absolute Return Fund Ltd.	Global	903	561	1,867	—	(706)	(199)	1,161	(320)	841	0.3%
HBK Offshore Fund Ltd.	Global	40,883	40,883	12,728	—	—	—	12,728	7,062	19,791	6.1%
Total Relative Value				**51,670**	**4,357**	**(10,079)**	**7,385**	**45,948**	**13,583**	**59,531**	**18.5%**
Total				**341,376**	**52,530**	**(131,612)**	**19,190**	**262,294**	**60,285**	**322,579**	**100.0%**

[1] Numbers may not fully add up due to rounding.
[2] The Company has made the following commitments to investment funds:
– Crown Distressed Credit Opportunities plc – USD 16.5 million (USD 4.1 million not yet paid in)
– SerVertis Fund I Ltd. – USD 16.5 million (USD 4.1 million not yet paid in)
[3] Latigo Ultra Fund was formerly known as SEG Latigo Ultra Fund Ltd.
[4] Plainfield 2009 Liquidation Ltd. was formerly known as Plainfield Special Situations Offshore Feeder Fund Ltd.
[5] Capeview Azri 2X Fund was formerly known as Trafalgar Azri 2X Fund and Capeview Azri Fund Ltd. was formerly known as Trafalgar Azri Fund Ltd.

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

As of 31 December 2011 (note 13) (All amounts in USD thousands unless otherwise stated)

Amounts in TUSD	Geography	Shares as at 1.1.2011	Shares as at 31.12.2011	Total net paid in as at 1.1.2011	Investments 2011	Redemptions 2011	Realised gain/(loss) 2011	Total net paid in as at 31.12.2011	Unrealised gain/(loss) accumulated 2011	Fair value as at 31.12.2011	% of investments
CTA											
Crown Managed Futures Master Segregated Portfolio	Global	23,224	18,571	33,843	—	(5,870)	6,588	27,972	18,837	46,809	11.9%
Total CTA				**33,843**	**—**	**(5,871)**	**6,588**	**27,972**	**18,837**	**46,809**	**11.9%**
Macro											
Blenheim Global Markets Fund Ltd.	Global	1,186	996	11,770	—	(1,722)	1,078	10,048	951	10,999	2.8%
Caxton Global Investments Ltd. Preference Shares	Global	41,355	17,405	4,386	—	(2,540)	15,055	1,846	11,191	13,037	3.3%
Caxton Global Investments Ltd. Class SI	Global	17,700	41,650	623	801	(177)	—	1,247	72	1,319	0.3%
Clive Fund Ltd.	Global	79,647	79,647	10,290	—	—	—	10,290	1,016	11,306	2.9%
Crown GTS Segregated Portfolio	Global	—	—	—	6,500	(6,500)	(683)	—	—	—	0.0%
Discovery Global Opportunity Fund Ltd.	Global	36,481	36,481	16,169	—	—	—	16,169	6,465	22,634	5.7%
Global Trading Strategies (Cayman) Fund	Global	7,959	—	14,708	—	(14,708)	213	—	—	—	0.0%
The Rohatyn Group Global Opportunity Fund Ltd.	Global	949	1	947	—	(477)	184	470	217	687	0.2%
Tudor BVI Global Fund Ltd. Class B	Global	83	87	5,019	405	—	—	5,423	3,614	9,037	2.3%
Tudor BVI Global Fund Ltd. Legacy Class	Global	1,029	484	1,027	—	(545)	151	482	124	605	0.2%
Wexford Offshore Spectrum Fund Ltd.	Global	2,606	1,556	14,537	—	(5,393)	1,402	9,144	295	9,439	2.4%
Total Macro				**79,477**	**7,706**	**(32,063)**	**17,401**	**55,120**	**23,945**	**79,065**	**20.0%**
Event Driven											
Alden Global Distressed Opportunities Fund	Global	1	1	11,400	—	(5,700)	(3,200)	5,700	1,419	7,119	1.8%
Alden Global Value Recovery Fund	Global	2,600	2,600	2,600	—	—	—	2,600	(407)	2,193	0.6%
Bennelong Asia Pacific Multi Strategy Equity Fund Ltd.	Asia	9,784	9,400	978	—	(38)	9	940	486	1,426	0.4%
Centaurus Alpha Fund Ltd.	Global	1,054	—	152	—	(152)	(5)	—	—	—	0.0%
Centaurus Small and Mid Cap Int. Risk Arbitrage Fund	Global	131,951	—	13,000	39	(13,039)	726	—	—	—	0.0%
Cerberus Asia Partners L.P.	Asia	4,999,998	1	—	—	—	—	—	923	923	0.2%
Crown Distressed Credit Opportunities plc[2]	Global	97,422	98,520	8,054	990	(470)	398	8,574	2,494	11,068	2.8%
Greywolf Capital Overseas Fund	America	1,013	1	1,012	—	—	—	1,012	(507)	505	0.1%
GS Special Opportunities (Asia) Offshore Fund Ltd.	Asia	3,500	1	—	—	—	—	—	35	35	0.0%
Headstart Fund Ltd.	Asia	1	1	1,111	—	(257)	—	855	(598)	256	0.1%
Highland Crusader Fund II Ltd.	America	—	1	1,112	10,349	(2,083)	—	8,265	439	8,704	2.2%
Latigo Ultra Fund Ltd.[3]	America	13,673	14,911	18,419	1,493	(5,001)	3,556	14,911	(1,087)	13,824	3.5%
Latigo Ultra Access Fund Ltd.	America	—	64	—	64	—	—	64	(7)	57	0.0%
Oceanwood Global Opportunities Fund	Europe	100,000	145,000	10,000	4,500	—	—	14,500	(2,205)	12,295	3.1%
OZ Asia Overseas Fund Ltd.	Asia	1,866	1	1,636	—	(660)	(17)	975	(10)	965	0.2%
OZ Overseas Fund Ltd. Tranche C shares	Global	1,156	2	1,295	—	(500)	(24)	795	(103)	692	0.2%
Plainfield 2009 Liquidation Ltd.[4]	Global	158,920	96,646	15,892	—	(6,227)	(2,866)	9,665	(6,828)	2,836	0.7%
SerVertis Fund I Ltd.[2]	America	8,193	8,193	8,250	—	—	—	8,250	781	9,031	2.3%
Third Point Ultra Ltd.	Global	—	14,000	—	14,000	—	—	14,000	(840)	13,160	3.3%

Amounts in TUSD	Geography	Shares as at 1.1.2011	Shares as at 31.12.2011	Total net paid in as at 1.1.2011	Investments 2011	Redemptions 2011	Realised gain/(loss) 2011	Total net paid in as at 31.12.2011	Unrealised gain/(loss) accumulated 2011	Fair value as at 31.12.2011	% of investments
Tyrus Capital Opportunities Fund Ltd.	Global	—	101,721	—	10,000	—	—	10,000	(296)	9,704	2.5%
Winston Partners PE Investment Ltd.	Global	7,615	7,615	3,662	—	—	—	3,662	(3,662)	—	0.0%
Zais Matrix VI-F Ltd.	Global	22,135	1	16,500	—	(12,833)	436	3,667	3,475	7,142	1.8%
Total Event Driven				**113,961**	**41,435**	**(46,961)**	**(987)**	**108,435**	**(6,501)**	**101,934**	**25.9%**
Long/Short											
Amiya Global Emerging Opportunities Fund Ltd.	Global	—	57,639	—	12,000	—	—	12,000	545	12,545	3.2%
Capeview Azri 2X Fund[5]	Europe	1	40,000	1	169	—	169	4,169	174	4,343	1.1%
Capeview Azri Fund Ltd.[5]	Europe	2	40,000	2	1,078	—	78	5,078	63	5,140	1.3%
Clairvoyance Asia Fund Ltd.	Asia	5,892	—	13,273	—	(13,273)	(482)	—	—	—	0.0%
Crown Amazon Segregated Portfolio	Asia	6,000	8,679	6,000	3,000	—	—	9,000	1,820	10,820	2.7%
Crown KC Segregated Portfolio	America	17,833	11,998	18,000	—	(5,835)	1,013	12,165	10	12,175	3.1%
Crown Penta Segregated Portfolio	Asia	16,900	16,900	16,900	—	(16,900)	(7,703)	—	—	—	0.0%
Dabroes Offshore Investment Fund Ltd.	Europe	4,000	10,955	4,000	7,144	—	144	11,144	(936)	10,209	2.6%
Difiglia Partners (Cayman) Ltd.	America	5,000	—	5,000	—	(5,000)	(128)	—	—	—	0.0%
Galleon Technology Offshore Ltd.	America	1,309	57	426	1,273	(407)	934	1,292	(188)	1,104	0.3%
Indus Pacific Opportunities Fund Ltd.	Asia	10,887	7,437	17,833	—	(5,479)	888	12,354	(118)	12,237	3.1%
Nevsky Fund Ltd.	Other	1,503	—	11,845	—	(11,845)	2,796	—	—	—	0.0%
Polo Fund	America	36,174	54,318	10,890	3,000	(2,407)	2,652	11,484	(1,463)	10,021	2.5%
Raptor Private Holdings Ltd.	America	3,110	2,189	2,132	—	(632)	(107)	1,501	(250)	1,251	0.3%
Real Return Asian Fund	Asia	59,875	—	14,000	—	(14,000)	1,026	—	—	—	0.0%
Zebedee Focus Fund Ltd.	Europe	55,933	98,333	10,000	7,993	—	(7)	17,993	1,373	19,366	4.9%
Total Long/Short				**138,300**	**35,656**	**(75,777)**	**1,272**	**98,179**	**1,031**	**99,210**	**25.1%**
Relative Value											
Arrowgrass International Fund Ltd.	Global	238,891	66,297	25,166	—	(18,182)	5,064	6,984	1,796	8,780	2.2%
Blue Mountain Credit Alternative Fund Ltd.	Global	49,130	49,130	6,037	—	—	—	6,037	4,356	10,393	2.6%
Crown Linden Segregated Portfolio	Global	18,882	12,132	20,000	—	(6,750)	3,992	13,250	3,108	16,358	4.1%
D.E. Shaw Composite International Ltd.	Global	119	1	—	—	—	251	—	891	891	0.2%
D.E. Shaw Composite International Ltd. Side Pocket Series	Global	1	1	1,729	—	(265)	—	1,465	619	2,084	0.5%
DKR SoundShore Oasis Fund Ltd.	Asia	322	—	725	—	(725)	159	—	—	—	0.0%
Double Black Diamond Ltd.	Global	90,000	26,730	9,000	340	—	340	9,340	(126)	9,213	2.3%
Drake Absolute Return Fund Ltd.	Global	989	903	2,046	—	(179)	(65)	1,867	(661)	1,206	0.3%
HBK Offshore Fund Ltd.	Global	47,878	40,883	14,906	—	(2,178)	861	12,728	5,881	18,609	4.7%
Prologue Feeder Fund Ltd.	Global	4,618	—	7,020	—	(7,020)	636	—	—	—	0.0%
Total Relative Value				**86,629**	**340**	**(35,299)**	**11,239**	**51,670**	**15,864**	**67,534**	**17.1%**
Total				**452,210**	**85,137**	**(195,971)**	**35,513**	**341,376**	**53,176**	**394,552**	**100.0%**

[1] Numbers may not fully add up due to rounding.
[2] The Company has made the following commitments to investment funds:
– Crown Distressed Credit Opportunities plc – USD 16.5 million (USD 4.6 million not yet paid in)
– SerVertis Fund I Ltd. – USD 16.5 million (USD 4.1 million not yet paid in)
[3] Latigo Ultra Fund was formerly known as SEG Latigo Ultra Fund Ltd.
[4] Plainfield 2009 Liquidation Ltd. was formerly known as Plainfield Special Situations Offshore Feeder Fund Ltd.
[5] Capeview Azri 2X Fund was formerly known as Trafalgar Azri 2X Fund and Capeview Azri Fund Ltd. was formerly known as Trafalgar Azri Fund Ltd.

14 Due to banks

As of 31 December 2012, the Subsidiaries have a credit line of TUSD 15,000 (December 2011: TUSD 15,000). Since 1 April 2011, the Subsidiaries have a further credit line of TUSD 4,000 (31 December 2011: TUSD 4,000) in order to service potential capital calls within the share class RO of the Ireland Subsidiary. The credit lines are granted by LGT Bank (Ireland) Limited, Dublin and are secured by the participating shares of the Ireland Subsidiary as well as the voting participating redeemable ordinary shares of the Cayman Subsidiary. The pledged assets are deposited with LGT Bank Ltd., Vaduz and pledged in favour of the lender.

Since 1 April 2011, the Ireland Subsidiary also has a further credit line of TUSD 4,000 (31 December 2011: TUSD 4,000) in order to service potential capital calls within the share class RI of the Ireland Subsidiary. The credit line is granted by Swiss Life AG, Zurich.

As of 31 December 2012, the credit lines were not used (31 December 2011: not used). As of 31 December 2011, the Company had an overdraft of TUSD 789 with Zuercher Kantonalbank.

15 Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of:

Accounts payable and accrued liabilities	**2012 TUSD**	**2011 TUSD**
Accrued management fee payable – related party	517	541
Accrued performance fee payable – related party	84	
Accrued credit facility standby fees – related party	3	12
Accrued administrative fee payable – related party	1	2
Accrued administrative fee payable – third party	18	19
Accrued custody fee payable – third party	6	6
Other accrued liabilities	152,003	799
Total	**152,632**	**1,379**

Other accrued liabilities include TUSD 146,580 redemption payable to Swiss Life AG and TUSD 4,810 payable to the sidepockets. These obligations have been paid out in February 2013.

16 Shareholders’ equity

Shareholders’ equity

As of 31 December 2012 the authorised, issued and fully paid up share capital of the Company amounts to TCHF 81,764 (TUSD 56,182) and as of 31 December 2011 to 87,408 (TUSD 62,394) consisting of 16,352,817 (2011: 17,481,596) registered shares with a par value of CHF 5. The translation into US Dollar has been done at the corresponding historical foreign exchange rate. Each share entitles the holder to participate in any distribution of income and capital. The Group regards shareholders’ equity as the capital that it manages. Shareholders’ equity, including non-controlling interests, amounts to TUSD 254,519 as of 31 December 2012 (2011: TUSD 401,448).

On 16 September 2010 the Company announced that it had entered into an agreement with Swiss Life AG, its largest shareholder, pursuant to which it intended to effect a reduction of the Company’s share capital from TCHF 192,505 to TCHF 98,535 through the cancellation of 18,793,940 shares held by Swiss

Life AG. The proposal was approved at the extraordinary general meeting held on 12 October 2010 and the restructuring was completed on 20 December 2010. In return Swiss Life AG received a substantially equivalent proportion of shares in the Ireland Subsidiary, the entity through which the majority of the Company's portfolio of investments is held. During the period from 21 June 2010 to 31 December 2012 the Company purchased treasury shares on its second trading line. According to the programme periods the second line treasury shares were cancelled in August 2011 and in August 2012. As of 31 December 2012 the Company's share capital amounts to TCHF 81,764 or 16,352,817 shares (2011: TCHF 87,408 or 17,481,596 shares).

Non-controlling interest

On 1 April 2011 Swiss Life AG partially redeemed its holding in Class I of the Ireland Subsidiary. The redemption was paid out in cash with the remaining amount being placed in a newly opened side-pocket share class for illiquid assets (Class RI). At the same time a sidepocket share class for the Cayman Subsidiary's portion of the illiquid assets was also created (Class RO). The sidepocket share classes have paid out proceeds as their assets were realised. On 31 December 2012 Swiss Life fully redeemed its holding in the Class I shares. As per 31 December 2012 Swiss Life AG's holding in the remaining Class RI shares comprised 9.27 per cent (2011: Class I and Class RI: 38.16 per cent) of the net asset value of the Ireland Subsidiary. The Cayman Subsidiary's holding in Class O and Class RO comprised 90.73 per cent of the net asset value of the Ireland Subsidiary (2011: 61.84 per cent). The Company controls the Ireland Subsidiary and consolidates it in compliance with IFRS 10. Swiss Life AG's holding in the Ireland Subsidiary is shown as a non-controlling interest in the Group's consolidated financial statements.

Treasury shares

During the period from 1 January to 31 December 2012 the Ireland Subsidiary used 432,000 treasury shares of the Company to the value of TCHF 5,220 (TUSD 5,427) for the redemption in-kind of the Ireland Subsidiary. During the period from 1 January to 31 December 2011 the Ireland Subsidiary used 80,000 treasury shares of the Company to the value of TCHF 967 (TUSD 1,040) for the redemption in-kind of the Ireland Subsidiary which took place in August 2011. As at 31 December 2012 the Ireland Subsidiary held in total 1,303,487 (31.12.2011: 1,735,487) treasury shares of the Company. A reserve out of share capital premium has been created for these treasury shares using cost values of TCHF 15,751 (TUSD 14,867) (31.12.2011: TCHF 20,971 (TUSD 19,794)).

Share buyback second line (bought for cancellation)

On 15 June 2010, the Company announced the opening of a second trading line for the Company's shares on the SIX Swiss Exchange starting from 21 June 2010. The Company was the exclusive buyer on this trading line and repurchased shares for the purpose of subsequently reducing its share capital. During the period from 21 June to 15 October 2010 the Company purchased 2,225,464 treasury shares on its second trading line to the amount of TUSD 30,617. These second line treasury shares were cancelled in August 2011.

On 17 May 2011 the Company decided to open a new second line share buyback programme, which was then initiated on 19 July 2011. During the period from 19 July to 31 December 2011 the Company purchased 555,580 treasury shares on its second trading line to the amount of TCHF 5,901 (TUSD 6,582) as of 31 December 2011. These treasury shares are treated as a deduction from shareholders' equity using cost values of TCHF 5,901 (TUSD 6,582). During the period from 1 January to 5 June 2012 the Company purchased 1,146,369 treasury shares on its second trading line (programme 17 May 2011) to the amount of TCHF 13,627 (TUSD 14,622). Altogether, in this programme 1,701,949 treasury shares were bought and 1,128,779 of these were cancelled in August 2012. The remaining 573,170 treasury shares are treated as a deduction from shareholders' equity using cost values of TCHF 7,081 (TUSD 7,513) as of 31 December 2012.

Movement of treasury shares held by Subsidiaries	Number	Average price USD	Total cost TUSD	Market value TUSD
Shares held as of 1 January 2011	**1,815,487**	**11.41**	**20,706**	**22,401**
Additions 2011	(80,000)	11.41	(912)	(1,040)
Shares held as of 31 December 2011	**1,735,487**	**11.41**	**19,794**	**20,218**
Redemption 2012	(432,000)	11.41	(4,927)	(5,427)
Shares held as of 31 December 2012	**1,303,487**	**11.41**	**14,867**	**16,554**

Movement of treasury shares 2nd line (bought for cancellation) held by the Company	Number	Average price USD	Total cost TUSD	Market value TUSD
Shares held as of 1 January 2011	**2,225,464**	**13.76**	**30,617**	**27,373**
Cancellation 2011	(2,225,464)	13.76	(30,617)	—
Addition 2011	555,580	11.85	6,582	6,473
Shares held as of 31 December 2011	**555,580**	**11.85**	**6,582**	**6,473**
Cancellation 2012	(1,128,779)	12.13	(13,691)	—
Addition 2012 (till 17 April 2012)	573,199	12.40	7,109	—
Addition 2012 (18 April to closing on 5 June 2012)	573,170	13.11	7,513	7,279
Addition 2012 (opened 28 June 2012)	923,500	12.49	11,532	11,728
Shares held as of 31 December 2012	**1,496,670**	**12.72**	**19,045**	**19,008**

Summary of treasury shares held as of 31 December 2012 and 2011	Number	Average price USD	Total cost TUSD	Market value TUSD
Total of treasury shares held as of 31 December 2011				
Shares held by Subsidiaries	1,735,487	11.41	19,794	20,218
Shares 2nd line held by the Company (bought for cancellation)	555,580	11.85	6,582	6,473
Total of treasury shares	**2,291,067**	**11.51**	**26,376**	**26,691**
Total of treasury shares held as of 31 December 2012				
Shares held by Subsidiaries	1,303,487	11.41	14,867	16,554
Shares 2nd line held by the Company (bought for cancellation)	1,496,670	12.72	19,045	19,008
Total of treasury shares	**2,800,157**	**12.11**	**33,912**	**35,562**

On 15 May 2012 the Company decided to open a further second line share buyback programme, which was then initiated on 28 June 2012. During the period from 28 June to 31 December 2012 the Company purchased 923,500 treasury shares on its second trading line to the amount of TCHF 10,872 (TUSD 11,532) as of 31 December 2012. These treasury shares are treated as a deduction from shareholders' equity using cost values.

As of 31 December 2012 the Company holds 573,170 treasury shares of the share buyback program initiated on 19 July 2011 and 923,500 treasury shares of the share buyback program initiated on 28 June 2012, with a total of 1,496,670 treasury shares with a cost value of TCHF 17,953 (TUSD 19,045) as of 31 December 2012.

Altogether the Group holds 2,800,157 treasury shares as at 31 December 2012 (31.12.2011: 2,291,067).

17 Major shareholders

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

Major shareholders	31 December 2012	31 December 2011
More than 33 1/3%	—	—
Between 10% and 20%	LGT Group, Liechtenstein LGT Capital Management, Switzerland, on behalf of pension funds	—
Between 3% and 10%	Co-operative Asset Management, United Kingdom Fürstentum Liechtenstein II Stiftung	LGT Group, Liechtenstein Co-operative Asset Management, United Kingdom LGT Capital Management, Switzerland, on behalf of pension funds Pensionskasse/Vorsorgestiftung of Schweiz. Nationalbank, Switzerland Fürstentum Liechtenstein II Stiftung

18 Significant fee agreements

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

a) LGT Swiss Life Non Traditional Advisers Aktiengesellschaft, Vaduz, acts as the investment manager and receives a management fee of total 1.5 per cent (before deduction of the performance fee) per annum of the total net assets of the Subsidiaries in US Dollar as at the close of business on the final business day of each calendar month. The management fee is due monthly in arrears of 0.125 per cent after the net asset value calculation. The investment manager also receives a performance fee of 10 per cent of the net new trading gains of the Subsidiaries since the previous payment of such performance fee. This performance fee will be paid annually and any previous losses shall be recouped before payment of such performance fee ("high water mark"). Performance fees are payable in arrears. Performance fees of shares redeemed during a performance period shall be paid out within 30 days after the date of redemption. The calculated net asset value is net of all accrued fees. The investment manager will also be reimbursed for all reasonable out-of-pocket expenses, incurred for the benefit of the Company. As a result of the restructuring described in note 1 the investment management agreement was replaced on 16 December 2010. The investment manager's role is governed through the investment management agreements with the Subsidiaries. These arrangements are for an initial fixed term ending in 2014 and can be terminated thereafter by either party with six months' prior written notice.

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

c) LGT Bank Limited, Vaduz, provides administrative services for the Company and since 2005 receives a flat fee of TUSD 20, payable quarterly in arrears. Any disbursements incurred will be charged separately. Also, effective 1 January 2009, LGT Bank Limited, Vaduz took over the administration of the Cayman Subsidiary from LGT Fund Managers (Ireland) Limited, Dublin.

d) Credit Suisse Administration Services (Ireland) acts as the administrator of the Ireland Subsidiary and receives an annual fee equal to 0.06 per cent per annum of the net asset value at the end of each quarter. Any disbursement incurred will be charged separately.

e) Credit Suisse International, Dublin Branch acts as custodian of the Ireland Subsidiary and receives a trustee fee equal to a maximum of 0.02 per cent per annum of the net asset value of the Ireland Subsidiary. It is also entitled to custody fees equal to 0.02 per cent of the net asset value, subject to a maximum annual fee of TUSD 70.

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

19 Significant transactions with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise considerable 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 and on an at arm's length basis.

Related party transactions

Entity	Related party Relationship/Agreement(s) Direct/indirect	Terms and conditions	Transaction type	2012 TUSD	2011 TUSD
Castle Alternative Invest AG	LGT Bank Limited/ Administrative Services Agreement/direct	Note 8	Administration fee	21	22
		Note 11	Cash at banks	104	65
	LGT Capital Partners Limited/ Domicile Agreement/direct	Note 8	Domicile fee	10	10
	Directors/direct	Note 8/19	Directors' fee	231	237
Castle Alternative Invest (Overseas) Limited	LGT Swiss Life Non Traditional Advisers AG/ Investment Management Agreement/direct	Note 7	Investment management fee	10	11
		Note 15	Investment management fee payable	2	2
	LGT Bank Limited/ Administrative Services Agreement and Loan Agreement/direct	Note 8	Administration fee	7	15
		Note 15	Administration fee payable	1	2
		Note 11	Cash at banks	44	9
	LGT Bank (Ireland) Limited/ Loan Agreement/direct	Note 9	Interest expense	—	1
	Directors/indirect	Note 8/19	Directors' fee	10	5
Castle Alternative Invest (International) plc	LGT Swiss Life Non Traditional Advisers AG/ Investment Management Agreement/direct	Note 7	Investment management fee	6,199	7,269
		Note 15	Investment management fee payable	515	539
		Note 7	Performance fee	84	92
		Note 15	Performance fee payable	84	—
	LGT Bank (Ireland) Limited/ Loan Agreement/direct	Note 8	Credit facility standby fee	48	56
		Note 15	Credit facility standby fees payable	3	12
		Note 9	Interest expense	2	32
	LGT Bank Limited/ Administrative Services Agreement/direct	Note 11	Cash at banks	—	—
	LGT Capital Partners Limited/ Advisory Agreement/indirect	No direct fees	Advisory fee (no direct fees)	—	—
	LGT Capital Partners (Ireland) Limited/ Advisory Agreement/indirect	No direct fees	Advisory fee (no direct fees)	—	—
	LGT Fund Managers (Ireland) Limited/ Investment Management Agreement/ indirect	No direct fees	Investment management fee (no direct fees)	—	—

LGT Group Foundation, Vaduz, is the controlling shareholder of the investment manager, LGT Swiss Life Non Traditional Advisers AG, Vaduz. The investment manager is entitled to a management fee from the Subsidiaries (1.5 per cent of net assets in USD before deduction of the accrual of the performance fee) and a performance fee.

LGT Bank Limited, Vaduz acts as custodian for the Company. Cash was deposited with LGT Bank Limited, Vaduz at market conditions. In 2012 and 2011 no time deposit was held.

The Ireland Subsidiary is invested in the Crown Managed Futures Master Segregated Portfolio, Crown Distressed Credit Opportunities plc, Crown KC Segregated Portfolio, Crown Linden Segregated Portfolio, Crown Amazon Segregated Portfolio, Crown Koppenberg Segregated Portfolio, Crown Sandler Segregated Portfolio, Crown GLG Segregated Portfolio, Crown Capeview Segregated Portfolio and Crown Marshall Wace Segregated Portfolio, which are all advised by LGT Capital Partners AG, an affiliate of Castle's investment manager.

The table below shows the remuneration for the members of the board of directors in the year 2012 and 2011. In addition, the Company paid a directors and officers liability insurance fee of TUSD 15 (2011: TUSD 43). Travel expenses amounted to TUSD 33 (2011: TUSD 32).

	Compensation TUSD
As of 31 December 2012	
Chairman	63
Deputy chairman	51
Committee chairman	47
Members	47
Total board of directors	**208**
As of 31 December 2011	
Chairman	65
Deputy chairman	54
Committee chairman	49
Members	42
Total board of directors	**210**

20 Segment reporting

The sole operating segment of the Group reflects the internal management structure and is evaluated on an overall basis. Revenue is derived by investing in a portfolio of hedge funds 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 assets are geographically allocated as follows:

	2012 TUSD	in %	2011 TUSD	in %
Assets				
America	57,477	14%	56,671	14%
Asia	27,924	7%	27,163	7%
Europe	105,524	26%	59,869	15%
Global	216,226	53%	259,913	64%
Total assets	**407,151**	**100%**	**403,616**	**100%**

The Group has a diversified shareholder population. For more information on the largest shareholders see note 17.

21 Financial instruments and associated risks

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

a) Market risks

(i) Price risk – The investments held in the portfolio may be realised only after several years and their fair values may change significantly. The investment manager, LGT Swiss Life Non Traditional Advisers AG, Vaduz, provides the Group with investment opportunities that are consistent with the Group's objectives. The investment portfolio is regularly reviewed by the board of directors.

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

The board of directors reviews and agrees policies with the investment manager for managing its risk exposure. The investment manager provides the Group with investment recommendations that are consistent with the Group's objectives.

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

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

Underlying managers of fund investments may transfer a portion of the Group's investment in that fund into share classes where liquidity terms are directed by the underlying manager in accordance with the respective fund investment's offering memorandum, commonly referred to as sidepocket share classes. These sidepocket share classes may have restricted liquidity and prohibit the Group from fully liquidating its investments without delay. The Group's investment manager attempts to determine the fund investment's strategy on sidepockets prior to making an allocation to such investment through its due diligence process. However, no assurance can be given on whether or not the fund investments will implement sidepockets during the investment period. Fund investments may also, at their discretion, suspend redemptions or implement other restrictions on liquidity which could impact the Group. As at 31 December 2012, TUSD 15,576 or 6.1 per cent of net assets were considered illiquid by the Group due to restrictions implemented by certain fund investments (2011: TUSD 25,489 or 6.3 per cent).

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

As of 31 December 2012 and 2011, the Group's market risk was affected mainly by changes in actual market prices.

Value at Risk

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

Methods and Assumptions

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

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

Limitations to this Value at Risk Model

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

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

Value at Risk summary

Value at Risk summary	**2012**	**2011**
As of 31 December	0.99%	1.26%

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

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

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

Currency risk

In 2012 and 2011

As of 31 December 2012	USD TUSD	CHF TUSD	Total TUSD
Assets			
Cash and cash equivalents	27,398	360	27,758
Investments designated at fair value through profit or loss	322,579	—	322,579
Other assets[1]	56,814	—	56,814
Total assets	**406,791**	**360**	**407,151**
Liabilities			
Accounts payable and accrued liabilities[1]	152,137	495	152,632
Total liabilities	**152,137**	**495**	**152,632**
Total equity	**254,519**	—	**254,519**
Total liabilities and equity	**406,656**	**495**	**407,151**

As of 31 December 2011	USD TUSD	CHF TUSD	Total TUSD
Assets			
Cash and cash equivalents	8,516	1	8,517
Investments designated at fair value through profit or loss	394,552	—	394,552
Other assets[1]	547	—	547
Total assets	**403,615**	**1**	**403,616**
Liabilities			
Due to banks	789	—	789
Accounts payable and accrued liabilities[1]	678	701	1,379
Total liabilities	**1,467**	**701**	**2,168**
Total equity	**401,448**	—	**401,448**
Total liabilities and equity	**402,915**	**701**	**403,616**

[1] Provided for reconciliation purposes only.

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

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

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

Interest rate risk

In 2012 and in 2011

As of 31 December 2012	Less than 1 month TUSD	Non-interest bearing TUSD	Total TUSD
Assets			
Cash and cash equivalents	27,758	–	27,758
Other current assets[1]	–	56,814	56,814
Investments designated at fair value through profit or loss	–	322,579	322,579
Total assets	**27,758**	**379,393**	**407,151**
Liabilities			
Accounts payable and accrued liabilities[1]	–	152,632	152,632
Total current liabilities	**–**	**152,632**	**152,632**

As of 31 December 2011	Less than 1 month TUSD	Non-interest bearing TUSD	Total TUSD
Assets			
Cash and cash equivalents	8,517	–	8,517
Other current assets[1]	–	547	547
Investments designated at fair value through profit or loss	–	394,552	394,552
Total assets	**8,517**	**395,099**	**403,616**
Liabilities			
Due to banks	789	–	789
Accounts payable and accrued liabilities[1]	–	1,379	1,379
Total current liabilities	**789**	**1,379**	**2,168**

[1] Provided for reconciliation purposes only.

b) Credit risk

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

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

The schedule below summarises the Group's exposure to credit risks.

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

Credit risk

In 2012 and in 2011

As of 31 December 2012	Fully performing TUSD	Total TUSD	S&P Rating
Assets			
Cash at LGT Bank Limited, Vaduz	148	148	A+
Cash at Credit Suisse (International) Dublin Branch	25,775	25,775	A+
Cash at Citco Fund Services (Europe) B.V., Amsterdam	76	76	n/a
Cash at Zuercher Kantonalbank, Zurich	1,759	1,759	AAA
Other current assets	56,814	56,814	n/a
Total exposure to credit risk	**84,572**	**84,572**	

As of 31 December 2011	Fully performing TUSD	Total TUSD	S&P Rating
Assets			
Cash at LGT Bank Limited, Vaduz	74	74	A+
Cash at Credit Suisse (International) Dublin Branch	7,912	7,912	A+
Cash at Citco Fund Services (Europe) B.V., Amsterdam	39	39	n/a
Cash at Zuercher Kantonalbank, Zurich	492	492	AAA
Other current assets	547	547	n/a
Total exposure to credit risk	**9,064**	**9,064**	

c) **Liquidity risk**

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

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

As mentioned in note 14 the Subsidiaries have a credit line of total TUSD 19,000 (2011: TUSD 19,000) granted by LGT Bank (Ireland) Limited, Dublin, which may be used for bridge financing purposes and helps to mitigate liquidity risk. The Ireland Subsidiary has a further credit line of TUSD 4,000 granted by Swiss Life AG.

Liquidity risk

In 2012 and in 2011

As of 31 December 2012	**Less than 1 month TUSD**	**1 – 3 months TUSD**	**No stated maturity TUSD**	**Total TUSD**
Liabilities				
Due to banks	–	–	–	–
Accounts payable and accrued liabilities	655	151,977	–	152,632
Total current liabilities	**655**	**151,977**	–	**152,632**
Total outstanding commitment amount	**8,200**	–	–	**8,200**

As of 31 December 2011	**Less than 1 month TUSD**	**1 – 3 months TUSD**	**No stated maturity TUSD**	**Total TUSD**
Liabilities				
Due to banks	789	–	–	789
Accounts payable and accrued liabilities	598	781	–	1,379
Total current liabilities	**1,387**	**781**	–	**2,168**
Total outstanding commitment amount	**8,687**	–	–	**8,687**

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

Liquidity risk – redemption periods

In 2012 and in 2011

As of 31 December 2012	Less than 1 month TUSD	1 – 3 months TUSD	3 – 6 months TUSD	More than 6 months TUSD	Undetermined TUSD	Total TUSD
Redemptions periods	45,890	227,824	—	33,289	15,576	322,579
Total	**45,890**	**227,824**	—	**33,289**	**15,576**	**322,579**

As of 31 December 2011	Less than 1 month TUSD	1 – 3 months TUSD	3 – 6 months TUSD	More than 6 months TUSD	Undetermined TUSD	Total TUSD
Redemptions periods	46,809	270,187	—	52,067	25,489	394,552
Total	**46,809**	**270,187**	—	**52,067**	**25,489**	**394,552**

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

Liquidity risk – evented funds

In 2012 and in 2011

As of 31 December 2012		Fair value TUSD
Fund investment	**Event**	
Bennelong Asia Pacific Multi Strategy Equity Fund Ltd.	Sidepocket	892
Caxton Global Investments Ltd. Class SI	Sidepocket	1,403
Cerberus Asia Partners L.P.	Sidepocket	877
D.E. Shaw Composite International Ltd. (sidepocket series)	Sidepocket	2,478
Drake Absolute Return Fund Ltd.	Liquidation	841
Galleon Technology Offshore Ltd.	Liquidation	831
Greywolf Capital Overseas Fund	Sidepocket	191
GS Special Opportunities (Asia) Offshore Fund Ltd.	Suspended	33
Headstart Fund Ltd.	Liquidation	256
Highland Crusader Fund II Ltd.	Liquidation	4,407
OZ Asia Overseas Fund Ltd.	Sidepocket	891
OZ Overseas Fund Ltd. Tranche C shares	Sidepocket	487
Plainfield Special Situations Offshore Feeder Fund Ltd.	Liquidation	259
Raptor Private Holdings Ltd.	Liquidation	652
The Rohatyn Group Global Opportunity Fund Ltd.	Sidepocket	654
Tudor BVI Global Fund Ltd. (legacy class)	Sidepocket	424
Total		**15,576**

As of 31 December 2011		Fair value TUSD
Fund investment	**Event**	
Bennelong Asia Pacific Multi Strategy Equity Fund Ltd.	Sidepocket	1,426
Caxton Global Investments Ltd. Class SI	Sidepocket	1,319
Cerberus Asia Partners L.P.	Sidepocket	923
D.E. Shaw Composite International Ltd. (sidepocket series)	Sidepocket	2,975
Drake Absolute Return Fund Ltd.	Liquidation	1,206
Galleon Technology Offshore Ltd.	Liquidation	1,104
Greywolf Capital Overseas Fund	Sidepocket	505
GS Special Opportunities (Asia) Offshore Fund Ltd.	Suspended	35
Headstart Fund Ltd.	Liquidation	256
Highland Crusader Fund II Ltd.	Liquidation	8,704
OZ Asia Overseas Fund Ltd.	Sidepocket	965
OZ Overseas Fund Ltd. Tranche C shares	Sidepocket	692
Plainfield Special Situations Offshore Feeder Fund Ltd.	Liquidation	2,836
Raptor Private Holdings Ltd.	Liquidation	1,251
The Rohatyn Group Global Opportunity Fund Ltd.	Sidepocket	687
Tudor BVI Global Fund Ltd. (legacy class)	Sidepocket	605
Total		**25,489**

As discussed in note 1 sidepocket share classes were created for illiquid assets. In addition to the evented funds, the following investments are considered illiquid due to their nature or, as set out in their issuing documents, exhibit longer notice periods and will therefore take longer to redeem.

Crown Distressed Credit Opportunities plc will expire on 1 July 2013 with up to three one-year extensions and has a fair value of TUSD 7,522 (2011: TUSD 11,068). SerVertis Fund I Ltd. is redeemable on a semi-annual basis with 180 days notice and has a fair value of TUSD 9,433 (2011: TUSD 9,031).

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

d) Capital risk management

Discount control
The directors recognise the importance to shareholders of the Company's share price performance in the secondary market. Accordingly, the directors may take steps from time to time with a view to seeking to limit the prevailing discount to net asset value at which the shares trade. In particular, the directors may authorise repurchases of shares for cancellation and the utilisation of the Company's powers to buy back shares to be held in treasury for re-sale from time to time.

(i) Repurchase of shares for cancellation – The directors may implement share repurchases for cancellation of up to 10 per cent of the Company's issued share capital if shares have traded on the London Stock Exchange at an average discount of more than 15 per cent to net asset value per share over any rolling 52 week period commencing from 5 June 2009. The directors currently anticipate that any such repurchases will be made at a price of up to 95 per cent. of the prevailing net asset value per share, although the repurchase price and the average discount threshold will remain subject to ongoing review by the directors in the light of future share trading conditions and the current Listing Rules as well as the pertinent regulations of the SIX Swiss Exchange and the Swiss Takeover Board. The Company will arrange to repurchase shares for cancellation in accordance with Swiss regulations. It is currently anticipated that the Company would use one of the following methods to repurchase the shares: a fixed-price repurchase offer, the issuance of put options or the establishment on the SIX Swiss Exchange of a second line of trading to repurchase the shares at market price. The actual method used by the Company to repurchase shares for cancellation will depend on the market and regulatory situation at the time of implementation, full details of which would be provided to shareholders when seeking approval for the share repurchase.

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

e) Fair value estimation
Fund investments for which market quotations are not readily available are valued at their fair values as described below. Fund investments are normally valued at their net asset value as advised by the underlying managers/administrators of such funds. Such valuations are necessarily dependent upon the reasonableness of the valuations provided by the underlying managers/administrators of such funds and whether the valuation bases used are IFRS and fair value compliant. The responsibility for determining the fair value lies exclusively with the board of directors. The board of directors under advice from the investment manager 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. See note 2 i) (iii) for further valuation information.

IFRS 7 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 that 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 and liabilities (by class) measured at fair value at 31 December 2012 and 2011.

As of 31 December 2012	Level 1 TUSD	Level 2 TUSD	Level 3 TUSD	Total TUSD
Assets				
Assets designated at fair value through profit or loss:				
Fund investments	–	290,048	32,531	322,579
Total assets measured at fair value	**–**	**290,048**	**32,531**	**322,579**

As of 31 December 2011	Level 1 TUSD	Level 2 TUSD	Level 3 TUSD	Total TUSD
Assets				
Assets designated at fair value through profit or loss:				
Fund investments	–	348,964	45,588	394,552
Total assets measured at fair value	**–**	**348,964**	**45,588**	**394,552**

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. The Group does not hold level 1 investments as at 31 December 2012 and 2011.

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

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments include hedge fund investments that, due to various events and/or the illiquid nature of the underlying assets, are not readily realisable. See also note 21 c) liquidity risk.

The following table presents the transfers between levels for the year ended 31 December 2011. There were no transfers in 2012.

At 31 December 2011	**Level 1 TUSD**	**Level 2 TUSD**	**Level 3 TUSD**	**Total TUSD**
Transfers between levels:				
Investments designated at fair value through profit or loss	—	(31,013)	31,013	—

As at 31 December 2012, the Group had an investment in Highland Crusader Fund II Limited ("Highland") for which the valuation is complex as the fund holds a large number of illiquid investments. The Group redeemed its entire position as of 30 June 2008, however, due to the illiquidity of the portfolio and increasing redemption requests, the investment manager of Highland decided to suspend redemption payments. After further losses, the investment manager proposed that the fund be wound up in its entirety making the value of all outstanding balances including prior redemption requests dependent on the realised value of assets as the fund is liquidated. Investors accepted this distribution scheme in the summer of 2011 and the investment was therefore classified as a level 3 investment in the 2011 annual report. Since the acceptance of the distribution plan, up to 25 March 2013, the Group had received redemption proceeds amounting to TUSD 8,797.

In the case of D.E. Shaw Composite International Ltd. and Caxton Global Investments Ltd., redemptions from these funds during 2011 resulted in a proportion of the redemption proceeds being distributed in the form of sidepockets which are illiquid. These sidepocket positions were classified as level 3 in the annual report of 2011.

The Group's investments in Crown Distressed Credit Opportunities plc and SerVertis Fund I Ltd. were reclassified from level 2 to level 3 in the 2011 annual report. Though these investments are of very good quality, their liquidity terms imply that they can only be liquidated over a prolonged timeframe due to their private equity like nature. These investments were made at a time when all the assets of the Group belonged to the close ended listed Company and thus such liquidity terms were deemed compatible with the Group's liquidity requirements.

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

As of 31 December 2012	**Investments designated at fair value through profit or loss TUSD**
Assets	
At 1 January	45,588
Total gains or losses	5,574
Sales	(18,631)
Transfers in/out	—
At 31 December	**32,531**
Total unrealised loss for the year included in the statement of comprehensive income for investments held at the end of the year	**(4,581)**

As of 31 December 2011	**Investments designated at fair value through profit or loss TUSD**
Assets	
At 1 January	25,392
Total gains or losses	(2,999)
Purchases (transfer from other current assets)	5,588
Sales	(13,406)
Transfers in/out	31,013
At 31 December	**45,588**
Total unrealised gain for the year included in the statement of comprehensive income for investments held at the end of the year	**(1,782)**

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

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

As of 31 December 2012	Commitment in TUSD	Open commitment amount in TUSD
Cerberus Asia Partners L.P.	5,000	—
Crown Distressed Credit Opportunities plc	16,500	4,100
GS Special Opportunities (Asia) Offshore Fund Ltd.	3,500	—
SerVertis Fund I Ltd.	16,500	4,100
Zais Matrix VI-F Ltd.	16,500	—
Total	**58,000**	**8,200**

As of 31 December 2011	Commitment in TUSD	Open commitment amount in TUSD
Cerberus Asia Partners L.P.	5,000	—
Crown Distressed Credit Opportunities plc	16,500	4,587
GS Special Opportunities (Asia) Offshore Fund Ltd.	3,500	—
SerVertis Fund I Ltd.	16,500	4,100
Zais Matrix VI-F Ltd.	16,500	—
Total	**58,000**	**8,687**

The nature of these commitments is that they can be called at the investment managers' discretion. The management confirms that there are no other commitments, contingencies or other transactions that could have a material effect upon the financial situation of the Group as of 31 December 2012.

23 Subsequent events

The consolidated financial statements are authorised for issue on 2 April 2013 by the board of directors. The annual general meeting called for 14 May 2013 will vote on the final acceptance of the consolidated financial statements.

Since the balance sheet date of 31 December 2012 Castle Alternative Invest AG purchased 306,456 treasury shares on its second trading line to the amount of TUSD 4,048. As at 31 March 2013 the Company held in total 1,803,126 treasury shares on its second trading line.

Since the balance sheet date of 31 December 2012, there have been no material events that could impair the integrity of the information presented in the financial statements.

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

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Castle Alternative Invest AG, which comprise the balance sheet, statement of income and notes (pages 66 to 72) for the year ended 31 December 2012.

Board of directors' responsibility
The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2012 comply with Swiss law and the Company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

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

PricewaterhouseCoopers Ltd.

Guido Andermatt	**Rebecca Berlinger**
Audit expert	Audit expert
Auditor in charge	

Zurich, 2 April 2013

Balance sheet

As of 31 December 2012 (All amounts in CHF thousands unless otherwise stated)

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	1,704	523
Other current assets	14	41
Total current assets	**1,718**	**564**
Non-current assets:		
Participations	200,915	200,915
Total non-current assets	**200,915**	**200,915**
Total assets	**202,633**	**201,479**
Liabilities		
Current liabilities:		
Overdraft	—	741
Other accrued liabilities	453	657
Deferred translation gain	329	243
Total current liabilities	**782**	**1,641**
Equity		
Shareholders' equity:		
Share capital	81,764	87,408
Share capital premium – legal reserves from capital contributions	52,777	47,557
Share capital premium – legal reserves from capital contributions – reserve for own shares at cost	15,751	20,971
Share capital premium – general reserve	31,907	31,907
Share capital premium – general reserve – reserve for own shares at cost	—	—
Treasury shares 2nd line at cost (bought for cancellation)	(17,953)	(5,901)
Accumulated surplus	37,605	17,896
Total shareholders' equity	**201,851**	**199,838**
Total liabilities and equity	**202,633**	**201,479**

Statement of income and accumulated surplus/(deficit)

For the year ended 31 December 2012 (All amounts in CHF thousands unless otherwise stated)

	2012	2011
Income		
Dividend income from subsidiary	27,328	5,917
(Loss)/gain on foreign exchange, net	(4)	1
Other income	1	12
Total income	**27,325**	**5,930**
Expenses		
Other expenses	(802)	(846)
Total expenses	**(802)**	**(846)**
Profit before taxes	**26,523**	**5,084**
Taxes	(10)	(6)
Profit for the year	**26,513**	**5,078**
Accumulated surplus/(deficit)		
Accumulated surplus brought forward	17,896	33,652
Profit for the year	26,513	5,078
Cancellation of treasury shares 2nd line	(6,804)	(20,834)
Accumulated surplus brought forward	**37,605**	**17,896**
Proposal of the board of directors for appropriation of accumulated surplus		
To be carried forward	37,605	17,896
Total	**37,605**	**17,896**

Notes to the company financial statements

For the year ended 31 December 2012
(All amounts in CHF thousands unless otherwise stated)

1 Organisation and business activity

Castle Alternative Invest AG, Pfäffikon ("the Company") was incorporated on 30 July 1996 as a joint stock corporation under Swiss laws.

Since 10 April 1997, the shares of the Company have been listed in Swiss Francs on the SIX Swiss Exchange and on 21 January 2002, a listing in US Dollar on the SIX Swiss Exchange followed. As of 5 June 2009 the Company is also listed in US Dollar on the London Stock Exchange.

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

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

2 Accounting principles

a) Accounting and reporting currency
The books of the Company are kept in US Dollar. Exchange differences arising from currencies other than US Dollar are reflected in the statement of income. The US Dollar financial statements were translated into Swiss Francs as follows:

– Assets and liabilities by applying the year-end exchange rate except for the participations in subsidiaries and the shareholders' equity which were translated at the historical exchange rate.
– Income and expenses at the average exchange rate for the year.

In accordance with local practice, net translation losses are charged to the statement of income, wheras net translation gains are deferred.

b) Participations
Participations in subsidiaries are stated at acquisition cost or at the lower net realisable value.

3 Participation

The Company's only direct investment is 100 per cent of the voting participating redeemable ordinary shares of the Cayman Subsidiary, an investment company under the laws of the Cayman Islands. The Company holds 1,397,778 voting participating redeemable ordinary shares at CHF 0.01 each. The Cayman Subsidiary is invested in the Ireland Subsidiary, an open ended investment company with variable capital under the laws of Ireland.

On 1 April 2011 Swiss Life AG partially redeemed its holding in Class I of the Ireland Subsidiary. The redemption was paid out in cash with the remaining amount being placed in a newly opened side-pocket share class for illiquid assets (Class RI). At the same time a sidepocket share class for the Cayman

Subsidiary's portion of the illiquid assets was also created (Class RO). The sidepocket share classes have paid out proceeds as their assets were realised. On 31 December 2012 Swiss Life fully redeemed its holding in the Class I shares. As per 31 December 2012 Swiss Life AG's holding in the remaining Class RI shares comprised 9.27 per cent (2011: Class I and Class RI: 38.16 per cent) of the net asset value of the Ireland Subsidiary. The Cayman Subsidiary's holding in Class O and Class RO comprised 90.73 per cent of the net asset value of the Ireland Subsidiary (2011: 61.84 per cent). The Company controls the Ireland Subsidiary and consolidates it in compliance with IFRS 10. Swiss Life AG's holding in the Ireland Subsidiary is shown as a non-controlling interest in the Group's consolidated financial statements.

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

4 Taxes

The Company is taxed as a holding company and is as such liable for cantonal/communal capital taxes (reduced rates) and Swiss federal income taxes. The actual tax expenses cover all taxes through 31 December 2012.

5 Pledged assets

As of 31 December 2012, the Subsidiaries have a credit line of TUSD 19,000 (31 December 2011: TUSD 19,000). The credit line is granted by LGT Bank (Ireland) Limited, Dublin and is secured by the participating shares of the Ireland Subsidiary as well as the voting participating redeemable ordinary shares of the Cayman Subsidiary, which are directly held by the Company. The pledged assets are deposited with LGT Bank Limited, Vaduz and pledged in favour of the lender. As of 31 December 2012 the credit lines are undrawn (2011: Nil).

6 Shareholders' equity

Shareholders' equity
The share capital of the Company amounts as of 31 December 2012 to TCHF 81,764 (TUSD 56,182) and as of 31 December 2011 to 87,408 (TUSD 62,394) consisting of 16,352,817 (2011: 17,481,596) issued and fully paid registered shares with a par value of CHF 5. The reduction is due to the cancellation of second line treasury shares which took place in August 2012. For more information see the paragraph "Share buyback second line" below. The translation in US Dollar has been done at the corresponding historical foreign exchange rate. Each share entitles the holder to participate in any distribution of income and capital.

Treasury shares
During the period from 1 January to 31 December 2012 the Ireland Subsidiary used 432,000 treasury shares to the value of TCHF 5,220 (TUSD 5,427) for the redemption in-kind of the Ireland Subsidiary. During the period from 1 January to 31 December 2011 the Ireland Subsidiary used 80,000 treasury shares to the value of TCHF 967 (TUSD 1,040) for the redemption in-kind of the Ireland Subsidiary which took place in August 2011. As at 31 December 2012 the Ireland Subsidiary held in total 1,303,487 (31.12.2011: 1,735,487) treasury shares. A reserve out of share capital premium has been created for these treasury shares using cost values of TCHF 15,751 (TUSD 14,867) (31.12.2011: TCHF 20,971 (TUSD 19,794).

Share buyback second line (bought for cancellation)
On 15 June 2010, the Company announced the opening of a second trading line for the Company's shares on the SIX Swiss Exchange starting from 21 June 2010. The Company was the exclusive buyer on this trading line and repurchased shares for the purpose of subsequently reducing its share capital. During the period from 21 June to 15 October 2010 the Company purchased 2,225,464 treasury shares on its second trading line to the amount of TCHF 31,961 (TUSD 30,617). These second line treasury shares were cancelled in August 2011.

On 17 May 2011 the Company decided to open a new second line share buyback programme, which was then initiated on 19 July 2011. During the period from 19 July to 31 December 2011 the Company purchased 555,580 treasury shares on its second trading line to the amount of TCHF 5,901 (TUSD 6,582) as of 31 December 2011. These treasury shares are treated as a deduction from shareholders' equity using cost values of TCHF 5,901 (TUSD 6,582). During the period from 1 January to 5 June 2012 the Company purchased 1,146,369 treasury shares on its second trading line (programme 17 May 2011) to the amount of TCHF 13,627 (TUSD 14,622). Altogether, in this programme 1,701,949 treasury shares were bought and 1,128,779 of these were cancelled in August 2012. The remaining 573,170 treasury shares are treated as a deduction from shareholders' equity using cost values of TCHF 7,081 (TUSD 7,513) as of 31 December 2012.

On 15 May 2012 the Company decided to open a further second line share buyback programme, which was then initiated on 28 June 2012. During the period from 28 June to 31 December 2012 the Company purchased 923,500 treasury shares on its second trading line to the amount of TCHF 10,857 (TUSD 11,532) as of 31 December 2012. These treasury shares are treated as a deduction from shareholders' equity using cost values.

As of 31 December 2012 the Company holds 573,170 treasury shares of the share buyback programme initiated on 19 July 2011 and 923,500 treasury shares of the share buyback programme initiated on 28 June 2012 to a total of 1,496,670 treasury shares with a cost value of TCHF 17,953 (TUSD 19,045) as of 31 December 2012.

Shareholders' equity

In 2012 (TCHF)

	Share capital	Share capital premium				Accumulated surplus	Total
		Legal reserves from capital contributions	Legal reserves from capital contributions – reserve for own shares at cost	General reserve	Treasury shares 2nd line at cost (bought for cancellation)		
31 December 2011	87,408	47,557	20,971	31,907	(5,901)	17,896	199,838
Cancellation of treasury shares 2nd line	(5,644)	—	—	—	12,448	(6,804)	—
Redemption in-kind	—	5,220	(5,220)	—	—	—	—
Purchase of treasury shares 2nd line (bought for cancellation)	—	—	—	—	(24,500)	—	(24,500)
Profit for the year	—	—	—	—	—	26,513	26,513
31 December 2012	**81,764**	**52,777**	**15,751**	**31,907**	**(17,953)**	**37,605**	**201,851**

Allocation of general reserves
Under Swiss tax law effective 1 January 2011, repayments of capital contribution reserves established since 1997 are no longer subject to withholding tax deduction. In order to establish the amount of capital contribution reserves that the Company may be able to repay to shareholders without being subject to the withholding tax deduction that applies to dividends paid out of retained earnings, the board of directors received shareholder approval at the 2011 annual general meeting for the allocation of the general reserves, effective 1 January 2011. The general reserves to the amount of TCHF 100,435 were divided into legal reserves from capital contributions of TCHF 68,528 and general reserves of TCHF 31,907 on 1 January 2011. The amount the Company allocated to the legal reserves from capital contributions deviates slightly from the standard practice of the Swiss tax authorities in that the Company has not deducted the share capital increase expenses. Following the redemption in-kind using treasury shares in August 2011 TCHF 15,582 was reallocated by the board of directors from the general reserves – reserve for own shares at cost to the general reserves and the same amount was allocated from the legal reserves from capital contributions to the legal reserves from capital contributions – reserve for own shares at cost.

7 Major shareholders

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

Major shareholders	31 December 2012	31 December 2011
More than 33 1/3%	–	–
Between 10% and 20%	LGT Group, Liechtenstein LGT Capital Management, Switzerland, on behalf of pension funds	–
Between 3% and 10%	Co-operative Asset Management, United Kingdom Fürstentum Liechtenstein II Stiftung	LGT Group, Liechtenstein Co-operative Asset Management, United Kingdom LGT Capital Management, Switzerland, on behalf of pension funds Pensionskasse/Vorsorgestiftung of Schweiz. Nationalbank, Switzerland Fürstentum Liechtenstein II Stiftung

8 Compensation and share ownership

The table below shows the remuneration for the members of the board of directors in the year 2012 and 2011. In addition, the Company paid a directors and officers liability insurance fee of TUSD 15 (2011: TUSD 43).

In 2012 and in 2011 (All amounts in CHF thousands unless otherwise stated)

Chairman	55
Deputy chairman	44
Committee chairman	44
Member	33

Travel and other expenses related to attendance of board meetings shall be covered by an expense allowance for each meeting in Switzerland, physically attended, as follows: Switzerland based CHF 100, Europe based CHF 1,000, Overseas based CHF 5,000.

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

Share ownership	2012	2011
Castle Alternative Invest AG		
Members of the board of directors		
Reto Koller	8,000	4,000
Dr André Lagger	4,755	4,755
General manager		
Mark White	10,000	10,000
Total	**22,755**	**18,755**
LGT Swiss Life Non Traditional Advisers AG		
Members of the board of directors		
Dr Roberto Paganoni	4,000	4,000
General manager		
Dr Thomas Weber	34,150	34,150
Total	**38,150**	**38,150**

9 Risk management

The board of directors, together with the investment manager, assesses the potential impact of the identified risk factors on the financial performance of the Group and implements risk management policies accordingly. The Company is fully integrated into the group-wide risk assessment process. Certain risk factors are dealt with in the investment guidelines, which provide the general frame-work under which the Group's operations are carried out. The internal control system framework on financial reporting defines further control measures to address financial risks. For further details on financial risks, refer to note 21 to the consolidated financial statements.

The board of directors reviews the potential risk factors, including those arising from accounting and financial reporting, and assesses their potential impact on the Group's operations on a regular basis, but at least annually.

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Crown Managed Futures Master Segregated Portfolio

Management philosophy

Crown Managed Futures is a fully transparent, highly liquid managed account investment vehicle for investing in the CTA/Global Macro style. The Crown Managed Futures programme allows investors to access an actively managed portfolio of Commodity Trading Advisors (CTA) and Global Macro managers, which utilise a variety of trading strategies to invest in the global financials and commodities markets. Crown Managed Futures aims to deliver attractive returns with low correlation to traditional markets and a negative correlation to the world equity markets.

Manager

LGT Capital Partners Ltd. is a leading institutional alternative asset and fund of funds manager, currently managing over USD 25 billion in hedge fund and private equity investments on a global basis. LGT Capital Partners Ltd. dedicated team of over 190 experienced professionals with 35 nationalities is responsible for the investment management of the Castle and Crown alternative investment programs.

Style
CTA

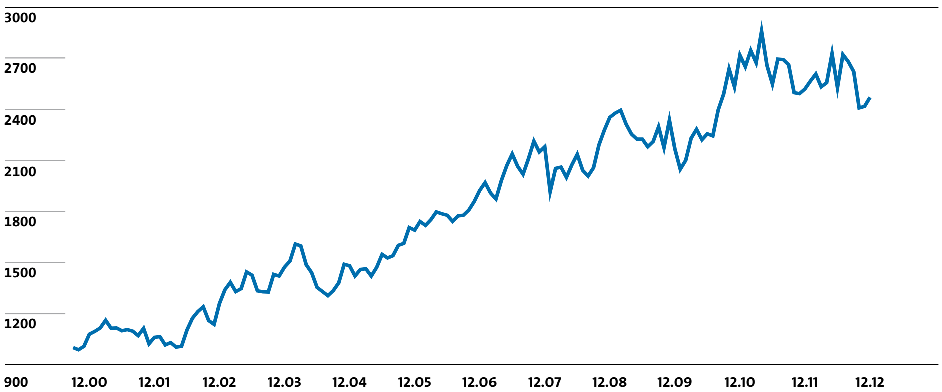
Management company
LGT Capital Partners (Ireland) Ltd.

Manager
LGT Capital Partners Ltd.

Inception of the fund
October 2000

Date of initial investment
June 2003

Performance



Zebedee Focus Fund Limited

Management philosophy

The manager combines bottom-up stock-picking with top-down macro views and market timing. The manager invests only in large to mega cap stocks and index futures so the portfolio is very liquid. The strategy is short-term, flexible, directional and aggressive. Technical analysis is employed to ensure that investments are made without market headwinds. Risk management is discretionary.

Manager

Prior to founding Zebedee in 2000, Julian Edwards was the CIO of Dune Partners (1999 – 2000). Between 1995 and 1999, he was the European strategist at UBS Warburg where he was ranked #1 – 3 by Institutional Investor and various other firms. Between 1995 and 1999, he was a fund manager in European equities at Barings Asset Management. Mr Edwards graduated from Cambridge with a M.A. in Classics (First Class).

Style
L/S Equity

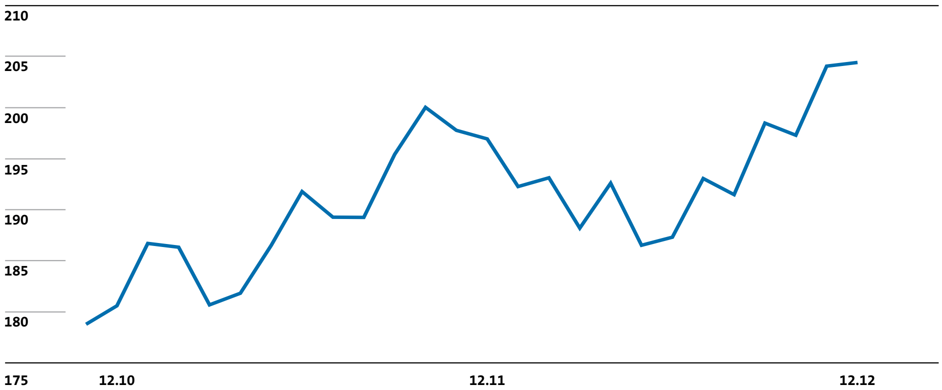
Management company
Zebedee Capital Partners L.L.P.

Manager
Julian Edwards

Inception of the fund
February 2008

Date of initial investment
December 2010

Performance



HBK Offshore Fund Ltd.

Management philosophy

This is a truly global multi-strategy fund with a focus on relative value and event driven (distressed and risk arbitrage) with a long and successful track record. HBK is set up as a partnership structure with 11 partners and 180 employees of which 44 are investment professionals. The senior management team has been working together for more than 18 years. Insiders – current partners, employees, retired partners – are the largest investor group in the multi-strategy funds.

Manager

Jamiel A. Akhtar has been associated with HBK since 1993 and is a managing director of the investment manager. Mr Akhtar is primarily responsible for developed markets fixed income investments and other non-corporate credits. Mr Akhtar received an A.B. degree cum laude in Economics in 1993 from Harvard College. Rich Booth has now been appointed co-manager of the fund.

Style
Relative Value

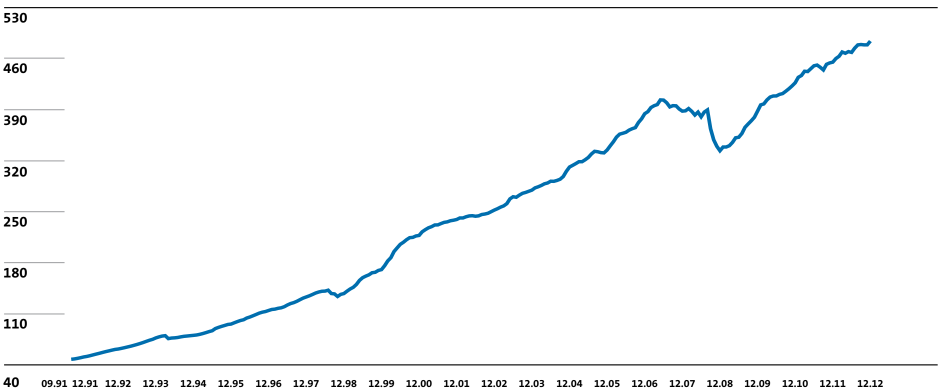
Management company
HBK Investments L.P.

Manager
Jamiel A. Akhtar

Inception of the fund
March 1996

Date of initial investment
April 1998

Performance



Third Point Ultra Ltd.

Management philosophy

Third Point was launched by Daniel Loeb in June 1995 with US Dollar 3 million of family capital, focusing on US Event Driven strategies. The Fund's initial mandate was to invest in distressed debt, risk arbitrage, mutual conversions, liquidating trusts and financial services investments. In December 1996, the offshore version was launched and in May 1997, Loeb introduced a leveraged offshore vehicle Ultra (formerly Point West International). All three funds are designed to run pari passu, although Ultra uses higher leverage (typically a 1.5x to 2.0x).

Manager

Daniel S. Loeb acts as CEO and CIO of the fund and is the managing member of the investment manager. Prior, he was vice president in the High Yield department of Citicorp Inc.

Style
Event Driven

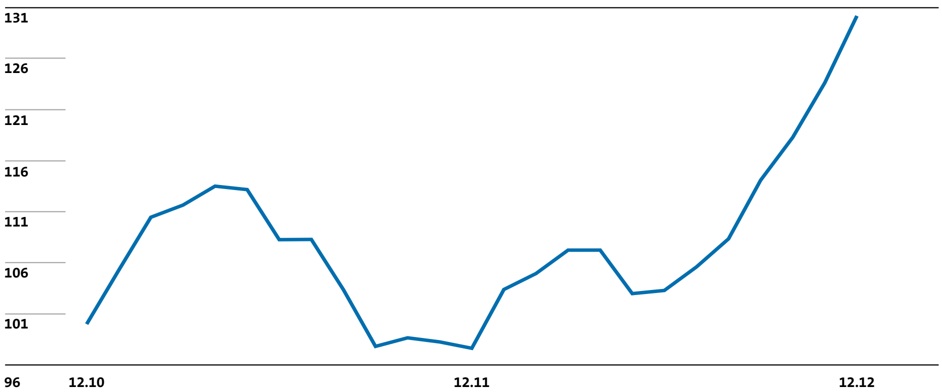
Management company
Third Point L.L.C.

Manager
Daniel S. Loeb

Inception of the fund
May 1997

Date of initial investment
January 2011

Performance



Discovery Global Opportunity Fund Ltd.

Management philosophy

The Global Opportunity Fund ("GOF") invests primarily in emerging market economies expressing themes using equities, debt and currencies. Discovery employs a combination of macro top-down analysis and fundamental bottom-up security selection, typically centred on specific themes within an economic region or individual country, sector within a country, or sector in an economic region. The asset class and security best reflecting the theses are chosen and managed with feedback received from regional contacts. Discovery's access to local investment professionals, management teams and policy makers help set them apart from other emerging market specialists.

Manager

Robert Citrone has been advising and managing emerging market portfolios for the past 17 years. He joined Tiger Management in January 1995 to head global emerging market investments. As a managing director of Tiger, he had been responsible for the strategic investment recommendations on currencies, fixed income, and equities in emerging markets. Mr Citrone originated and built the Emerging Market Fixed Income and Currency Group at Fidelity Investments in 1990.

Style
Macro

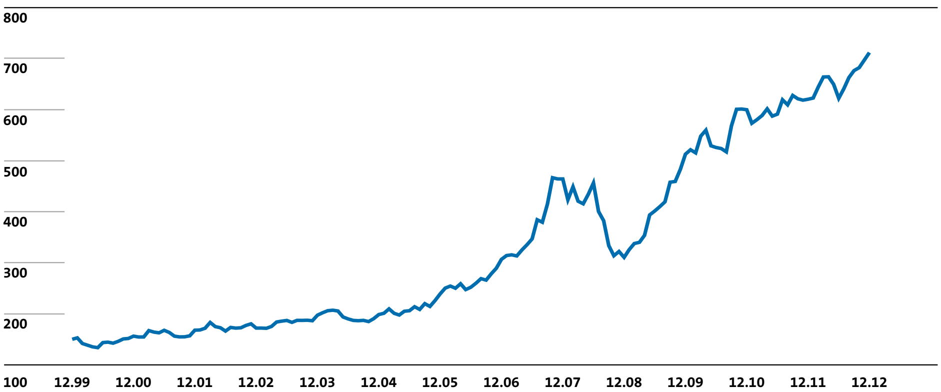
Management company
Discovery Capital Management, L.L.C.

Manager
Robert Citrone

Inception of the fund
August 1999

Date of initial investment
January 2008

Performance



Amiya Global Emerging Opportunities Fund Limited

Management philosophy

The Amiya Global Emerging Opportunities fund combines a top down and bottom up approach investing primarily in global Emerging Market Equity. The fund employs a strong bias to liquid/large cap equities and inherently BRIC markets. The currency exposure is arbitrarily hedged and the leverage limited to 50 per cent of NAV. The exposure management is flexible and regionally the fund aims to be diversified investing maximum 25 per cent in a single country.

Manager

Ian Mukherjee is the chief investment officer of the investment manager. Prior to joining the investment manager, he served in a number of roles at Goldman Sachs including managing director and Partner. From 1990 – 1995 Mr Mukherjee was involved with managing a Japanese warrants and convertible arbitrage strategy at Goldman Sachs. From 1995 – 1996 Mr Mukherjee was the co-head of Asian share trading at Goldman Sachs in London. Between 1996 and 2002 he was the head of Asian share cash and proprietary trading at Goldman Sachs in Hong Kong. Mr Mukherjee was also the head of Asian share business from 1999 – 2002. Mr Mukherjee was a proprietary trader in Goldman Sachs Principal Strategies group in London from 2002 – 2004. Mr Mukherjee graduated from the University of Salford with a joint honors degree in Biochemistry and Chemistry.

Style
L/S Equity

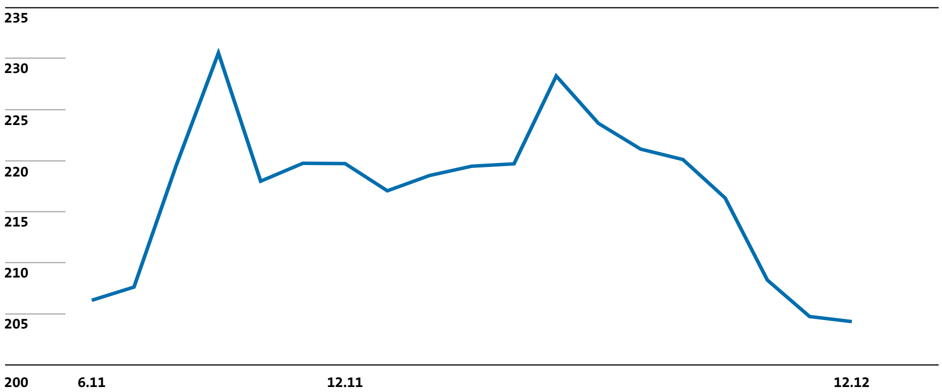
Management company
Amiya Capital L.L.P.

Manager
Ian Mukherjee

Inception of the fund
August 2005

Date of initial investment
July 2011

Performance



Crown/Linden Segregated Portfolio

Management philosophy

Linden concentrates on volatility-sensitive and credit-sensitive strategies, based on a skill set in gamma trading and capital structure arbitrage. The two portfolio components work in a complementary fashion, as the former (mostly convertible arbitrage) is long volatility and short credit, while the latter tends to have a short volatility and long credit profile. Volatility arbitrage may serve as a partial hedge to the credit book.

Manager

LGT Capital Partners Ltd. is a leading institutional alternative asset and fund of funds manager, currently managing over USD 25 billion in hedge fund and private equity investments on a global basis. LGT Capital Partners Ltd. dedicated team of over 190 experienced professionals with 35 nationalities is responsible for the investment management of the Castle and Crown alternative investment programmes.

Style
Relative Value

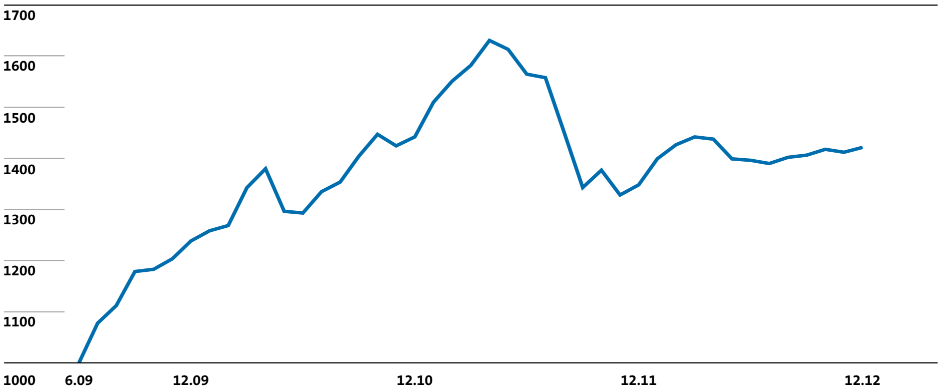
Management company
LGT Bank in Liechtenstein (Cayman) Ltd.

Manager
LGT Capital Partners (Ireland) Ltd.

Inception of the fund
July 2009

Date of initial investment
July 2009

Performance



Indus Pacific Opportunities Fund Ltd.

Management philosophy

The fund invests in smaller companies across the Pan Asian region, and has a meaningful amount (40 – 70 per cent) of focus on Japan. Gross exposure typically ranges between 100 – 200 per cent and net exposure between 40 – 75 per cent, albeit exposure management can be more flexible in times of market stress. The portfolio manager trades with a catalyst focus where possible, and uses the wider pool of research analysts and knowledge within the broader Indus Capital organisation.

Manager

Byron Gill is the portfolio manager for the Smaller Companies Fund and manages the Tokyo research office of Indus Capital Partners. Mr Gill has been analysing Japanese companies for ten of his last 13 years in Japan. He joined Soros Fund Management in 1999 as the Chief Representative of its Tokyo office and co-founded Indus Capital in 2000. Prior to this, he has worked as research analyst for Citi and SBC Warburg.

Style
Long/Short

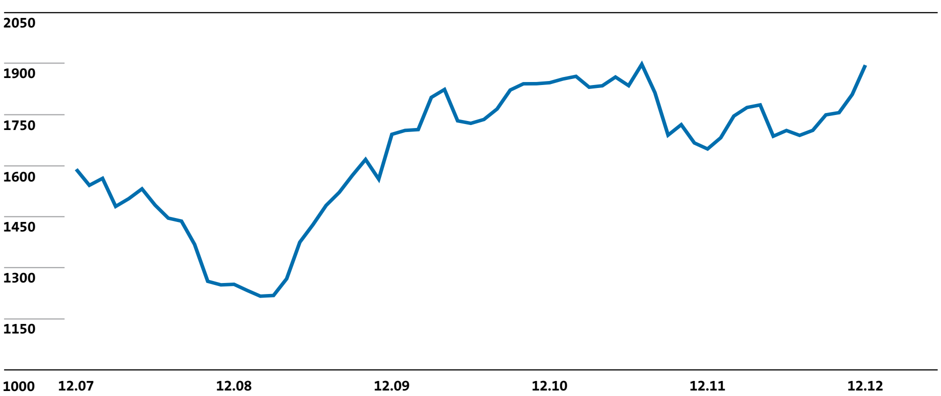
Management company
Indus Capital Partners, L.L.C.

Manager
Byron Gill

Inception of the fund
November 2004

Date of initial investment
January 2008

Performance



Caxton Global Investments Ltd.

Management philosophy

The fund's principal activity is trading in the international currency, financial, commodities and securities markets. The fund is able to trade in all exchange and over-the-counter markets, and to trade in derivative products and other instruments. The fund expects to focus primarily on world-wide equities, commodities, currency and interest rates, with the major emphasis of its trading activity in currencies as well as government and other fixed-income securities. The fund also intends to invest generally up to 15 per cent of its aggregate net assets in "Strategic Investments" – potentially less liquid investments for which market quotation may not be available and which are contemplated to be held on a long-term basis.

Manager

Mr Bruce S. Kovner is the sole shareholder, a director and the chairman of Caxton Corp. He is individually registered pursuant to the CE Act as a CTA. Mr Kovner also was the president of Steinhardt Management Company, Inc. and an affiliated investment management company during 1990. Mr Kovner was a senior vice president of Commodities Corporation, an international commodities trading firm, from January 1978 until April 1983, when he formed Caxton Corp. Mr Kovner's career has included an extensive background in commodity analysis, with emphasis in the foreign exchange, financial instruments and metals markets. From 1970 until he joined Commodities Corporation in 1978, Mr Kovner did consulting work on public policy questions for, among others, the United States Congress, The National Science Foundation, the University of Pennsylvania, Harvard University and the State of New York. From 1968 until 1970, he was a teaching fellow in Government at Harvard University. Mr Kovner received a B.A. degree with honours from Harvard College and did graduate work in political science at Harvard University.

Style
Macro

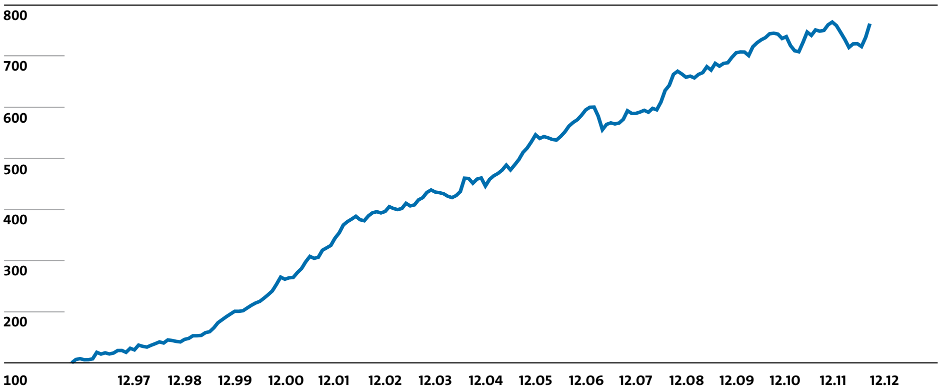
Management company
Caxton Associates, L.L.C.

Manager
Bruce Kovner

Inception of the fund
February 1997

Date of initial investment
February 1997

Performance



Blue Mountain Credit Alternatives Fund Ltd.

Management philosophy

The fund’s strategy is to engage in relative value trades within the whole spectrum of the credit market and to capitalise on relative mispricing of credit risk. Apart from transactions in the cash market, the fund will make heavy use of various types of credit derivatives. The evaluation of trading opportunities is grounded on quantitative as well as fundamental credit analysis.

Manager

Mr Andrew T. Feldstein is Co-Founder, CEO and a managing principal of Blue Mountain Capital Partners. Until July 2003, when he left to establish Blue Mountain Capital Partners, Mr Feldstein had been a managing director at J.P. Morgan where he held a number of senior positions across the derivatives and credit markets, with responsibilities across structuring, trading, risk management, research and sales. Most recently he served as Head of North American Structured Credit and Structured Products. Prior he had held positions as Head of Global Credit Portfolio Management; Head of North American High Yield Sales, Trading and Research; and Head of North American Structured Finance. He joined JPM in February of 1993, working in interest rate derivatives until 1995, when he joined the Structured Finance business. Prior to joining JPM, he worked as an attorney at Sullivan & Cromwell and as a consultant at Bain & Co.

Style
Relative Value

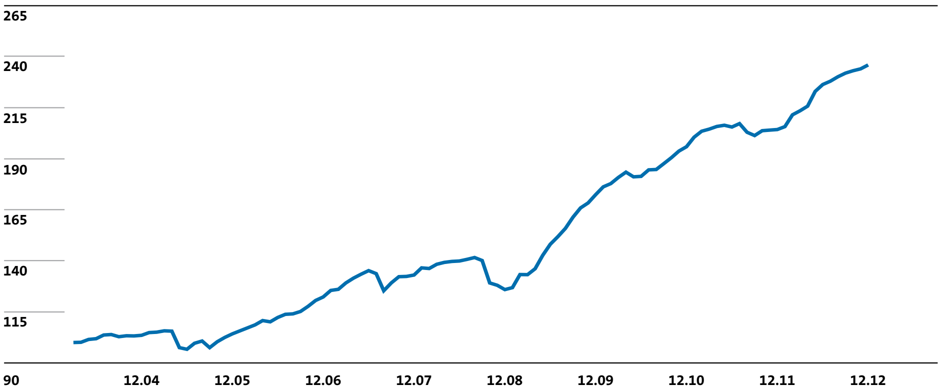
Management company
BlueMountain Capital Management, L.L.C.

Manager
Andrew T. Feldstein

Inception of the fund
November 2003

Date of initial investment
April 2004

Performance



Corporate governance compliance disclosure

1. Company listings and applicable regulations

The Company is committed to high standards of corporate governance.

The Company is subject to the corporate governance regulations of the SIX Swiss Exchange as well as the London Stock Exchange, as its shares are listed on both exchanges.

By following the SIX Swiss Exchange Directive on Information relating to Corporate Governance, dated 29 October 2008, the board believes that the Company has complied with the corporate governance regulations of its country of incorporation (Switzerland) and the following statements detail how these provisions and obligations have been applied to the affairs to the Company during the year under review.

Complying with regulations for its London listing, the board also believes that the principles and recommendations of the revised AIC Code of Corporate Governance issued in February 2013 by the Association of Investment Companies, are appropriate to its circumstances and the following statements detail how these principles have been applied to the affairs of the Company during the year under review.

In January 2013, the UK Financial Reporting Council confirmed that investment companies who report in accordance with the revised AIC Code are deemed to have met their obligations under the UK Corporate Governance Code. The principles laid down by the two Codes are similar but there are some areas where the AIC Code is more specifically applicable to investment companies.

The board believes that the Company has complied in all significant ways with the principles and recommendations of the revised AIC Code during the year under review and thereby the provisions of the UK Corporate Governance Code that are relevant to the Company, except as set out below. In addition, the UK Corporate Governance Code includes provisions relating to:

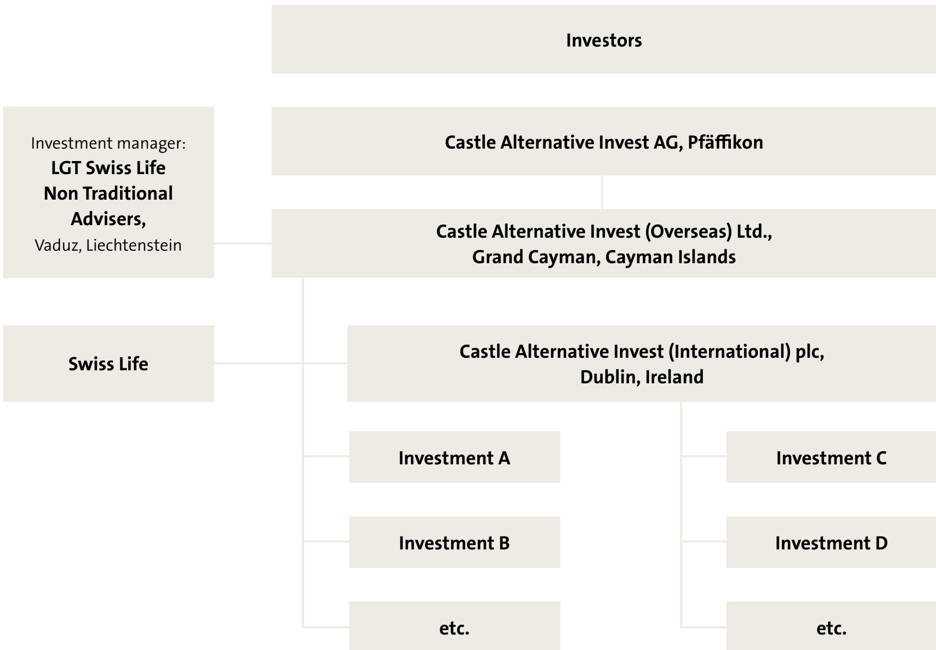
– the role of the chief executive
– executive directors' remuneration

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. The Company has therefore not reported further in respect of these provisions.

2. Group structure and shareholders

2.1. Group structure

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



2.2 Significant shareholders

The Stock Exchange Act requires shareholders holding 3 per cent or more of the Company's voting rights to disclose certain transactions in the Company's shares. Such shareholders are disclosed in note 17 to the consolidated financial statements. Since 2011, the following relevant disclosures were made to the Company:

2011

– A shareholder group represented by LGT Capital Management AG notified the reduction in holding below 5 per cent (January 2011) and below 3 per cent (May 2011).
  The Company notified that its own shares crossed 10 per cent due to the capital reduction (August 2011).

2012

– The Company notified that its own shares crossed 15 per cent due to purchases in the second line (March 2012).
  Futureal 2 Global Euro Szarmaztatott Befektetesi Alap notified that it holds 3 per cent of the Company's issued shares (July 2012).
  The Company notified that its own shares fell below 15 per cent due to the cancellation of the majority of shares purchased in the second line (August 2012).

A shareholder group of the pension funds of LGT notified that its holding rose above 10 per cent as a result of the capital reduction line (August 2012).
The Company notified that its own shares crossed 15 per cent due to purchases in the second line (September 2012).
Futureal 2 Global Euro Szarmaztatott Befektetesi Alap notified that it holds less than 3 per cent of the Company's issued shares (October 2012).

No cross-shareholdings between group companies existed at year-end 2012.

2.3. Capital structure

2.3.1 Capital

The Company's share capital consists of 16,352,817 registered shares with a par value of CHF 5 each. The shares are listed in USD and CHF at the SIX Swiss Exchange in Zurich with ISIN CH0005092751 and valor number 509.275. The Company's shares are also listed in USD at the London Stock Exchange. Prior to a conversion and 10:1 share split on 16 December 2008, the Company had issued 3,850,100 registered shares of CHF 50 par value each. Following a resolution approved at the General Meeting on 15 May, 2012 the number of registered shares was reduced by 1,128,779 shares to 16,352,817 shares.

The Company has not issued any participation certificates, dividend-rights certificates, convertible bonds, options or profit sharing certificates. Shares of the subsidiaries are not listed.

A detailed overview of the capital structure is shown in note 1 to the consolidated financial statements. Changes in capital within the last two financial years can be seen from the consolidated statements of changes in shareholders' equity on page 23 of the 2012 annual report.

2.3.2 Voting rights, share registration

Each share confers the right to one vote.

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

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

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

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

No agreements with nominees were entered into, nor were exceptions to the above regulations granted in 2012.

3. Board of directors

The board is the elected body of the Company chosen by its shareholders to govern the affairs of the Company. It can consist of three to nine directors, according to Article 13 of the Articles of Association.

3.1 Directors
Directors of the board are elected at the Company's AGM for a term of one year. The board in its current composition was elected or re-elected at the AGM on 15 May 2012 for a period of one year to end on the date of the next AGM. Accordingly, each director's appointment is reviewed annually prior to submission for re-election and there currently exists no other restrictions on the tenure of directors. The board believes that length of service does not compromise the independence or contribution of directors of a closed ended investment company, such as the Company, where experience and continuity can be a significant strength. The board, as a whole, proposes new board appointments to the shareholders meeting. All of the directors are non-executive directors. None of the directors has any significant business connections with the Company or its Subsidiaries.

The majority of the directors, including the chairman, are independent with no relationships with the Company or the investment manager and exercise independent judgment in decision-making. At each independent director's re-appointment his/her continuing independence is reviewed and is one of the determining factors for re-appointment.

The board believes that as the chairman is independent and having regard to the size of the Company, there is no necessity to appoint a senior independent director.

Directors are not supplied with individual letters of appointment as their duties and responsibilities are clearly contained within the Company's organisational regulations. The board is composed of the following directors as detailed in pages 88 and 89 of the 2012 Annual Report.

Board of directors

The board considers that it is well represented with the balance and blend of skills, experience and expertise of its directors. To ensure its ongoing effectiveness, the board undertakes an annual review of its performance. This review consists of interviews of individual directors with the chairman. The appraisal of the chairman is carried out by the deputy chairman. The performance evaluation allows the Company to constructively appraise the contributions of its directors with a view to identifying any training needs and thereby improve the functioning of the board.

**Tim Steel,
chairman**

Tim Steel (British Citizen, 1952) was educated at Eton (Oppidan Scholar) and Trinity College, Cambridge (Philosophy and Law). He joined Robert Fleming as an analyst and was then a pension fund manager from 1974 to 1979. He joined Cazenove & Co in 1980 as an equity salesman and became Partner in 1982. Tim Steel ran the New York office from 1983 before returning to London in 1989 when he was made Head of UK Sales. He was appointed as managing director of Cazenove Capital Management Limited in 2000 retired as vice chairman at the end of 2009.
Tim Steel was elected at the general meeting held on 29 October 2008 and was reelected at the general meeting held in May 2012 for a term ending at the 2013 annual shareholder meeting.

**Dr Konrad Bächinger,
deputy chairman**

Dr Konrad Bächinger (Swiss citizen, born 1950) received a Ph.D. in law from the University of Zurich. He was admitted to the bar in 1977. He acted subsequently as legal counsel for the St. Gallische Creditanstalt and as head of legal department of Adolph Saurer AG. In 1984, he joined LGT Bank in Liechtenstein as general counsel. In 1989 he was appointed managing director and head of legal matters and project department. In 1990 he became member of the executive board of the bank, heading commercial banking and legal matters. In 1998 he became chief executive officer of LGT Capital Management. In April, 2001 Dr Bächinger was appointed to the group executive committee of Liechtenstein Global Trust, now known as LGT Group Foundation. In 2006, he became a senior advisor of LGT Group Foundation and in 2010 he retired from LGT. Dr Bächinger is also deputy chairman of the board of directors of Castle Private Equity AG and of several investment companies managed or advised by affiliates of LGT Group Foundation.
Dr Bächinger was elected to the board of directors in 1997 and was re-elected at the general meeting held on May 2012 for a term ending at the 2013 annual shareholder meeting.

Dr André Lagger, director

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

André Lagger was elected at the general meeting held in May 2012 for a term ending at the 2013 annual shareholder meeting.

Reto Koller, director and audit committee chairman

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

Reto Koller was elected at the general meeting held on 29 October 2008 and was re-elected at the general meeting held in May 2012 for a term ending at the 2013 annual shareholder meeting.

Kevin Mathews, director

Kevin Mathews (Irish citizen, 1960) received a diploma in financial services from the Institute of Bankers at University College Dublin in 1995 and is a Qualified Financial Adviser (QFA). He joined the Irish Department of Labour in Dublin prior to working in key account management for Svenska Handelsbanken in Luxemburg between 1986 and 1995. He was managing director of LGT Bank (Ireland) between 1995 and 2006, during which time he also acted as director of a number of fund-of-hedge funds and private equity funds. He is currently providing consultancy and advisory services to banking, investment funds, local government and charitable organisations.

Kevin Mathews was elected at the general meeting held on 29 October 2008 and was re-elected at the general meeting held in May 2012 for a term ending at the 2013 annual shareholder meeting.

3.2 Responsibilities

The principal responsibilities of the board as defined in the Swiss Code of Obligations and the Company's Articles of Association and Organisational Regulations are:

(i) organisation of the Company's main structures, including planning, management and reporting procedures and its internal risk control systems;
(ii) determination of the investment policy and supervision of its implementation;
(iii) preparation of the Company's annual, semi-annual and quarterly financial statements and reports;
(iv) appointment and supervision of the Company's general manager, the investment manager and service providers.

All directors share these responsibilities jointly. No specific tasks have been allocated to individual directors.

3.3 Organisation

The board has delegated the operational management of the Company to Mark White as general manager (see below), in accordance with Art. 716b CO and the Articles of Association and Organisational Regulations of the Company. Mr White does not receive any compensation from the Company for acting as its general manager as Mr White is employed by an affiliate of the Company's investment manager (see below).

The board has delegated the management of the Company's assets in accordance with the investment policy and guidelines to LGT Swiss Life Non Traditional Advisers, the investment manager (see below). The board regularly reviews the performance of the investment manager and considers any amendments to the Investment Management Agreement. In the opinion of the board the continuing appointment of the investment manager on the terms of the Investment Management Agreement continues to be in the best interest of Shareholders as the performance of the Company's NAV has been favourable to the interests of the shareholders.

The board resolves by majority vote with the presence of a majority of directors. Decisions can be taken by phone conference or circular resolution unless a board member requests otherwise. The board meets as often as business matters require, however at least four times a year and discusses all matters of importance to the Company and regularly reviews strategy.

In 2011 and 2012, four board meetings were held respectively with an average duration of approx. three hours. The investment manager and the general manager as a rule participate in board meetings. The performance of service providers are reviewed by the board through regular compliance reports received from the Company's Subsidiaries and through discussions with the auditor in the course of the annual audit.

Board member	Board meetings attended
Tim Steel (chairman)	4
Dr Konrad Bächinger (deputy chairman)	4
Dr André Lagger	4
Reto Koller	4
Kevin Mathews	4

In addition to board meetings, individual directors interacted frequently with the investment manager and the general manager during the course of the year under review.

3.4 Information and control

In order to fulfill its responsibilities towards all stakeholders of the Company the board has instituted an internal control and management information system that enables it to monitor, manage and control the Company's various risks. As such, apart from information provided to the board at its regular meetings, the board receives a monthly information package regarding the affairs of the Company, including the status of the Company portfolio. The board also instituted a written control plan that provides the board with information and reports with regard to the various control items. Directors may request additional information or details through the general manager.

3.5 Board committees

An audit committee has been established, of which all directors are members. The board believes that given the size and nature of the Company, all members of the board, including the independent chairman, should be a member of the audit committee. This way, all members of the board will be fully aware of all issues concerning the Company. The chairman of the audit committee is Reto Koller, an independent director.

During 2012, the audit committee met five times and all the members of the committee attended all meetings.

The audit committee's duties include, but are not limited to:

(i) selecting the auditor (for approval at the AGM), including, considering its objectivity and independence, as well as determining and supervising the terms of their engagement;

(ii) monitoring the integrity of the financial statements; and

(iii) reviewing the effectiveness of the risk management and internal control systems in place in the Company.

During 2012, the audit committee has reviewed the effectiveness of the Company's internal control system and it considers it adequate and effective.

In proposing to the board and the AGM to reappoint PricewaterhouseCoopers (PWC) as the Company's external auditor, the committee has not only evaluated the independence of PWC with regard to the Company's audit work but also took into consideration PWC's effectiveness of the audit process. The committee considered it to be in the best interest of the Company to choose the same external auditor as the Company's investment manager as the committee believes this to be the most effective solution since the investment management functions for the Company form an integral part of the investment manager's overall investment management and operational functions.

Members of the audit committee have direct access to the Company auditors, PWC and met with them several times during the course of the year under review. PWC have confirmed to the audit committee that they have complied with all relevant independence standards.

Following a review from the audit committee and given the nature and size of the Company, the board has concluded that there is currently no need for the Company to have its own internal audit function.

Given the size and nature of the Company, it is not currently deemed necessary to form separate Management Engagement, Remuneration or Nomination committees. Due to its size, the board as a whole is capable of dealing with all such matters and all members of the board are fully aware of all issues concerning the Company.

3.6 Compensation, shareholdings and loans

The principles and elements of the board's compensation were introduced at an Extraordinary General Meeting of shareholders on 29 October 2008 and have remained unchanged since then. The members of the board of directors are entitled to compensation as follows:

Chairman	TCHF	55
Deputy chairman	TCHF	44
Committee chairman	TCHF	44
Member	TCHF	33

Travel and other expenses related to attendance of board meetings are covered by an expense allowance for each meeting in Switzerland, physically attended, as follows: Switzerland based CHF 100, Europe based CHF 1,000, Overseas based CHF 5,000.

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

4. Company management

4.1 Operational management

The board has delegated the operational management of the Company to Mark White as general manager.

Mark White

(British citizen, 1955) has 36 years' experience in investment management, 13 of which were spent in Asia. In March 2005, he joined KGR Capital (Europe) Ltd., part of an Asian Fund of Hedge Funds Group, which was acquired by LGT Capital Partners in September 2008. He was subsequently appointed general manager of LGT Capital Partners (UK) Ltd. Previously, he was CEO of JPMorgan Fleming Asset Management (UK) Ltd, responsible for its international institutional businesses. He is a non-executive director of Ellis Brady Absolute Return Fund Ltd., F&C Global Smaller Companies Plc and Impax Asset Management Group Plc.

As stated earlier, the general manager of the Company does not receive any compensation for his services to the Company.

4.2 Investment management

LGT Swiss Life Non Traditional Advisers AG, Vaduz, has been appointed investment manager. The investment manager is responsible for the management of the Company's assets in accordance with the investment policy and guidelines. The main responsibilities of the investment manager are:

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

The role of the investment manager is governed through investment management agreements with the Company subsidiaries. These agreements will terminate on 30 April, 2014. However, these agreements shall remain in force and effect thereafter unless and until terminated by one of the parties giving not less than 6 months' notice in writing to the other party. The compensation of the investment manager is shown in note 7 and 18 of the consolidated financial statements.

The board of the investment manager is affiliated with LGT Group Foundation or with Swiss Life AG. LGT Group Foundation owns 56.3 per cent, Swiss Life AG owns 43.7 per cent of the investment manager.

4.3 Investment adviser
For the portfolio management of the Company, LGT Swiss Life Non Traditional Advisers AG makes use of the hedge fund investment team of LGT Capital Partners Ltd. The team consists of over 50 hedge funds professionals combining American, European and Asian education, investment experience and networks on a global basis.

5. Voting and representation restrictions

5.1 Voting restrictions
The Articles of Association of the Company do not contain any statutory voting rights restrictions other than those disclosed in section 2 above. No exceptions were granted in the year under review.

The convocation of the Annual General Meeting of shareholders and the addition of items to its agenda conform with the regulations of the Swiss Code of Obligations.

5.2 General meeting of shareholders (AGM)
The shareholders' meeting shall be convened by publication in the Swiss Official Gazette of Commerce at least twenty days prior to the date of the meeting.

Shareholders registered with voting rights in the shareholders' register until and including 6 May 2013 shall receive, with their invitation to the annual general meeting, a registration card to apply for an admission card and voting documentation. No new share registrations with voting rights shall be made in the shareholders' register between 6 May 2013 and the end of the general meeting.

Shareholders representing at least 10 per cent of the share capital may request that an extraordinary shareholder meeting be convened. Shareholders representing shares with an aggregate nominal value of at least CHF 1 million may request that an item be included in the agenda of the shareholders' meeting.

Such requests must be made in writing at least 35 days before the date of the meeting, specify the item to be included in the agenda and contain the proposal on which the shareholder requests a vote.

5.3 Statutory quorums
The Articles of Association contain the following voting quora that extend beyond the thresholds of simple and qualified majority prescribed in the Swiss Code of Obligations:
– the easement or abolition of the restriction of the transferability of the registered shares;
– the conversion of registered shares into bearer shares and bearer shares into registered shares;
– the abolition of restrictions in the Articles of Association concerning the passing of a resolution by the shareholders' meeting;

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

6. Change of control

The Company has stated in article 6 of its Articles of Association that a shareholder holding more than a certain threshold of the voting rights of the Company is not obliged to make a public offer to acquire all shares of the Company pursuant to articles 32 and 52 of the Swiss Stock Exchange Act.

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

7. Auditor

PricewaterhouseCoopers Ltd., Zurich, is the statutory auditor of the Company. They accepted the mandate as statutory auditor in 2001. Guido Andermatt, the auditor in charge, took up office in 2008.

Total audit fees charged by PricewaterhouseCoopers Ltd. for the 2012 audit amounted to TUSD 173 (2011: TUSD 160). There were no additional fees invoiced by PricewaterhouseCoopers Ltd. in 2012 (2011: Nil).

Supervision of the audit takes place in various meetings and discussions between the auditors and the audit committee throughout the year.

8. Information policy and shareholder relations

The Company considers regular communication with shareholders to be very important and welcomes ongoing dialogue with shareholders to ensure it is aware of any matters of concern. On a regular basis, the investment manager meets with institutional and other shareholders and reports their views and areas of concern to the board. In addition, the chairman and individual directors are available to meet with major shareholders if required.

As previously described, a general meeting of shareholders (AGM) is held annually and shareholders are encouraged to attend.

The Company publishes an annual report per December year-end and semi-annual and quarterly reports per March, June, and September. Furthermore, the Company publishes monthly portfolio updates and weekly net asset values.

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

Shareholders wishing to communicate with the chairman or other directors may do so by writing to the Secretary at the Company's registered address.

Share information

Exchange rate CHF/USD: 0.9146

	2004	2005	2006	2007	2008	2009	2010	2011	2012	Since inception
Share information										
Number of bearer shares at year-end	38,501,000	38,501,000	38,501,000	38,501,000	38,501,000	38,501,000	19,707,060	17,481,596	16,352,817	
CAI Net asset value (USD)	12.64	13.20	15.04	16.60	14.17	15.95	16.66	15.60	16.83	
CAI Net asset value (CHF)	14.31	17.40	18.36	18.65	15.19	16.50	15.56	14.64	15.39	
CAI Closing price (USD)	12.05[3]	11.40[3]	13.10[3]	14.30[3]	7.50[3]	12.35[3]	12.30[3]	11.65[3]	12.70[3]	
CAI Closing price (CHF)	13.60	14.90	15.87	16.20	8.15	12.60	11.90	11.50	11.60	
Share performance										
CAI Net asset value (USD)	5.2%	4.5%	13.9%	10.3%	(14.6%)	12.6%	4.5%	(6.4%)	7.9%	161.3%[1]
CAI Net asset value (CHF)	(4.3%)	21.6%	5.6%	1.6%	(18.6%)	8.6%	(5.7%)	(5.9%)	5.1%	53.9%[2]
CAI Closing price (USD)	(0.4%)[3]	(5.4%)[3]	14.9%[3]	9.2%[3]	(47.6%)[3]	64.7%[3]	(0.4%)[3]	(5.3%)[3]	9.0%[3]	16.5%[3]
CAI Closing price (CHF)	(8.7%)	9.6%	6.5%	2.1%	(49.7%)	54.6%	(5.6%)	(3.4%)	0.9%	16.0%

[1] Before September 1999, CAI (Overseas) Ltd. pro-forma performance numbers (real numbers adjusted for currency hedging, net of management fee and performance fee but gross of cost on CAI AG level).
[2] CHF 2.61 write-off of incorporation costs due to accounting principle changes (IAS).
[3] Inception of US Dollar trading 21 January 2002.

Price information
Reuters RIC: CHF "CASNn.S", USD "CASNnu.S"
Reuters Contributors Page: LGTY
Bloomberg: CHF "CASN SW <Equity>", USD "CASND SW <Equity>"
Investdata: CHF "509275,4", USD "509275,349"

Listing
SIX Swiss Exchange: 509.275 (Swiss security number)

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

Investment manager
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Telephone +423 235 2424, Telefax +423 235 2425, E-mail lgt.nta@lgt.com
General manager: Dr Thomas Weber

Auditor
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