Annual Report
2016

castle
ALTERNATIVE INVEST

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Further information

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

Publication date

This report was released for publication on 22 March 2017.
The subsequent event note in the financial statements has been updated to 21 March 2017.
Amounts in the report are stated in USD thousands (TUSD) unless otherwise stated.

Castle Alternative Invest AG in 2016

		December 2016	December 2015
Net asset value up 0.4 per cent	Castle Alternative Invest AG's ("Castle", "CAI" or the "Company") net asset value increased by 0.4 per cent (USD +0.08 per share) in 2016. The annualised NAV return in Dollars since inception is +5.8 per cent.	USD 19.91 per share TUSD 176,603	USD 19.83 per share TUSD 196,710
Cancellation of shares and capital reduction	The Annual General Meeting ("the AGM") of the Company, on 10 May 2016, approved a share capital reduction by way of cancellation of 1,102,327 shares. The cancellation process was completed by 5 August 2016 and the shares duly cancelled. Accordingly, the share capital of Castle Alternative Invest has been reduced from CHF 53,780,295 to CHF 48,268,660 or 9,653,732 shares.	9,653,732 shares in issue	10,756,059 shares in issue
2nd line buyback for cancellation	On 9 June 2015, the Company started the sixth share buyback for cancellation on a second trading line as approved at the 2015 AGM. A maximum of 724,526 shares can be bought back. This program was terminated early on 10 May 2016 with the Company buying back 724,526 shares; the maximum number of shares approved. On 10 May 2016 the Company announced a share buyback program by issuing put options tradable on SIX Swiss Exchange. The put options have been traded from 17 to and including 30 May 2016. Every 30 put options entitled shareholders to tender one registered share at the exercise price of CHF 17.80. In total, 315,459 registered shares were tendered which correspond to 3.27 per cent of the share capital and voting rights registered in the commercial register. It is intended that approval for the cancellation of all registered shares repurchased will be sought at the Annual General Meeting in 2017. Furthermore, following the termination of the buyback via issuance of tradable put options, the board of directors of Castle Alternative Invest Ltd. decided to launch a new share buyback program on a second trading line at SIX Swiss Exchange. It started on 6 June 2016 (first trading day) and a maximum of 649,914 registered shares (maximum 6.73 per cent of the share capital and voting rights registered in the commercial register) will be purchased for cancellation purposes.		
Share price increased by 0.9 per cent in US Dollar	The US Dollar share price increased 0.9 per cent on the SIX-Swiss Exchange during the year. The Swiss Franc price increased by 2.4 per cent from CHF 16.55 per share to CHF 16.95 per share. The discount to the NAV of the US Dollar shares narrowed to 17.63 per cent compared to 18.05 per cent in December 2015.	USD 16.40 per share	USD 16.25 per share

Chairman's statement

Dear Shareholders,

2016 marked a year highlighted by surprise election results, changes in monetary policy, and slowing growth in China. Castle Alternative Invest AG generated a modest gain of 0.4 per cent. Furthermore, the share price in Swiss Francs advanced by 2.4 per cent; in US Dollar terms, the share price gained 0.9 per cent during the course of 2016. The strongest results were generated towards the end of the year with the largest contribution stemming from Event Driven strategies, which posted strong gains in equities, currencies and energy.

By the end of the year, the NAV of the underlying portfolio had risen to USD 19.91, an increase of 0.4 per cent for the year. Since the launch of Castle Alternative Invest, the Company's NAV has increased by 5.8 per cent per annum, exceeding bond returns over that period but slightly below equity returns. The company has now established a twenty year track record of stable capital appreciation with low correlation to equity and bond market returns and low volatility.

On 10 May 2016, the company terminated its 2nd line buyback program early. Together with the completed buyback program through the issuance of tradable put options in May/June 2015, the maximum number of shares approved by shareholders at the AGM in 2015 of 1,075,605 registered shares had been reached. Consequently, the board of directors decided to launch a further buyback program via the issuance of tradable put options during the course of May 2016. In total, 315,459 registered shares were tendered, representing 3.3 per cent of the share capital and voting rights. Following the termination of the buyback via tradable put options, the Company decided to launch a new buyback program on its second trading line, which started on 6 June 2016. A maximum of 649,914 registered shares will be purchased.

The board remains convinced that a well diversified portfolio of hedge funds can deliver attractive, risk adjusted returns, associated with a manageable degree of discount volatility. We will continue our efforts to achieve this in the coming year through 2nd line share buybacks and other mechanisms, as appropriate, subject to shareholder approval.

The Company's 2017 Annual General Meeting is scheduled to take place on 16 May 2017 in Pfäffikon, SZ, Switzerland. The board welcomes the opportunity to discuss the progress of the Company with interested shareholders.

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

Yours sincerely,

Tim Steel
Chairman of the board of directors

Investment manager’s report

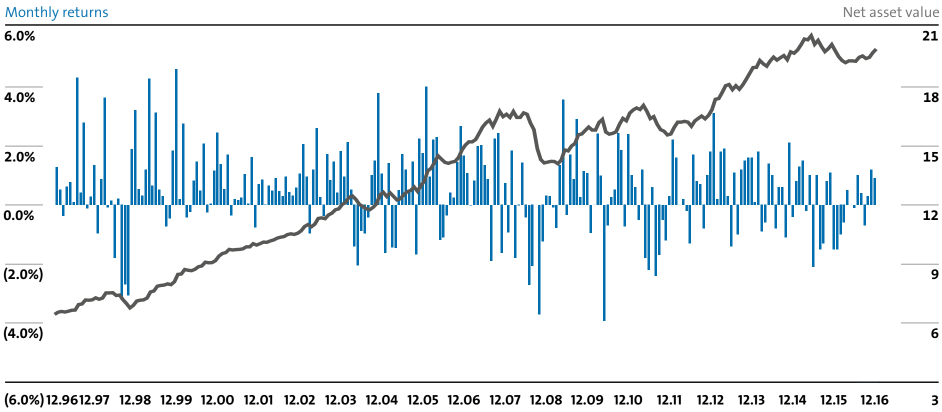
Financial markets and hedge fund strategies

Overview

Generally speaking, the “establishment” was challenged in 2016 as nationalist and protectionist forces within the US and Europe brought about change and a structural shift in the world order. Meanwhile, the media and other market pundits who had forecast that these changes would usher in the next global financial crisis were serially proven wrong as markets quickly absorbed each new paradigm.

Macro backdrop – Global equity markets had negative performance in the first two weeks of 2016 and the turmoil persisted for several more weeks due to fears of a “hard landing” in China, and concerns on the global economic outlook in general. At the beginning of the second quarter, markets had stabilised somewhat, only to be rattled again in mid-June, when the United Kingdom unexpectedly opted to leave the European Union (Brexit). Equity markets, however, proved rather resilient and quickly recovered after the initial shock. After a generally more quiet third quarter, the US election provided another big surprise in early November with Donald Trump headed to the Oval Office and the Republican Party firmly in control of the US Congress. While the initial market reaction was negative, investors soon took heart from the president-elect’s plans to boost the economy with infrastructure spending and tax cuts. Financial markets thus rallied strongly in the final two months of 2016. Other stock markets turned up as well, e.g. the Nikkei Index got a boost from renewed weakness in the Japanese Yen and a strong US Dollar respectively. Meanwhile, bonds and emerging market assets struggled in the face of rising yields and US Dollar strength.

Development NAV Castle Alternative Invest AG in USD[1]



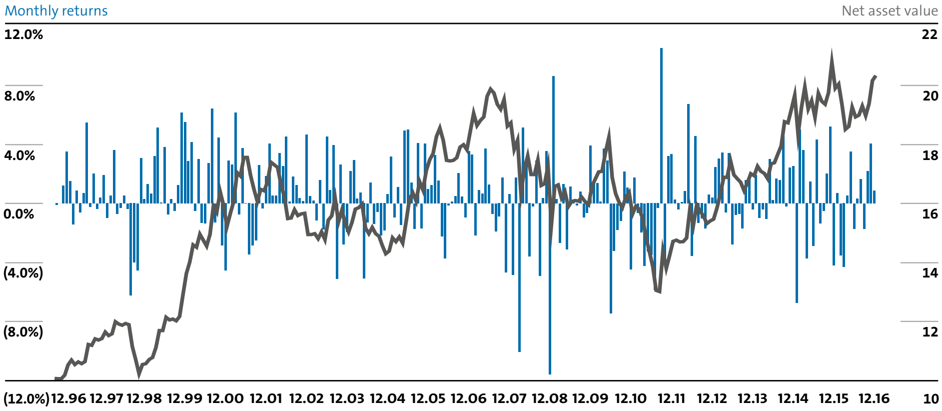
[1] Before September 1999, CAI (Overseas) Ltd. pro-forma performance numbers (real numbers adjusted for currency hedging, net of management fee and performance fee but gross of cost on CAI AG level).

Equities – Global equity markets recorded one of the worst annual kick offs in history due to concerns over the future development of the Chinese economy. This was followed by a strong rebound from mid-February led by US and EMMA equities. Recovering commodity prices and more constructive global growth expectations where the main catalysts. Despite unexpected political outcomes (e.g. UK Brexit, Trump election) most major equity markets delivered strong returns and reached new highs in the second half of 2016.

Fixed income – Government bond yields of developed markets trended down across-the-board throughout the first half of 2016, bottoming on new record low levels. Since July, yields have stabilised or even reversed the downward trend. Trump's unexpected victory shocked the bond markets. His expansionist fiscal agenda sent bond yields back to mid-2015 levels evoking significant higher inflation expectations. Albeit less pronounced than in the US, yields in European fixed income markets increased alike, particularly at the longer end of the curve. Credit premiums reached very low levels and are set to remain stable.

Commodities – Commodities finally recovered in 2016, indicating global economic and inflation normalisation. History may treat 2016 in the commodity market like 2009 in the stock market. A strong first half of the year (Bloomberg Commodity Index +13 per cent) was followed by a summer sell-off during which crude oil almost fell into bear market territory. Commodities staged a large recovery in September due to an improved demand outlook, more stimulus globally and better-than-expected economic data from China. An additional driving factor for the commodity sector was the informal OPEC meeting in Algiers and the production cut agreed at the November meeting in Vienna.

Development NAV Castle Alternative Invest AG in CHF



Castle Alternative Invest AG

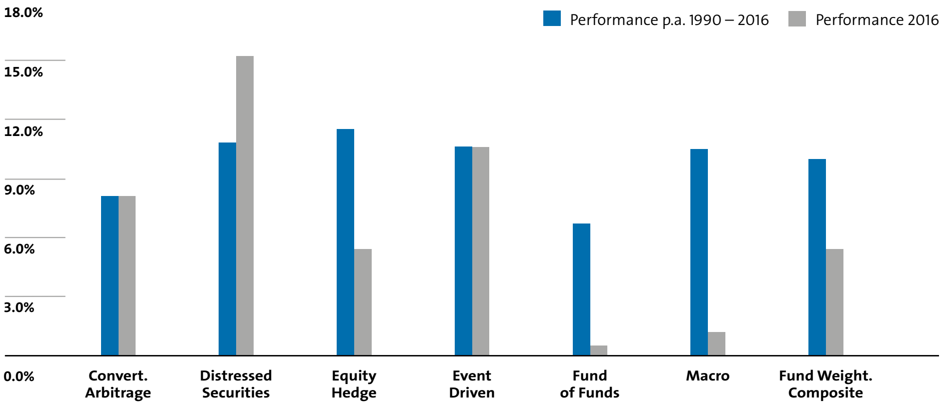
Performance

The net asset value per share of Castle Alternative Invest AG in US Dollars increased by 0.4 per cent in 2016. At the end of December 2016, Castle's shares in US Dollars were trading at a discount of 17.63 per cent to net asset value. The portfolio was invested in 30 different managers and the level of investment was 97.65 per cent.

Performance attribution

Event driven added 2.1 per cent to Castle's returns and represented the strongest contribution within the portfolio. The majority of the strategies ended the year in positive territory led by a US based manager, who returned in excess of 20 per cent. The manager was trading in a very agile manner and re-positioned his portfolio by swiftly increasing exposure towards the energy sector, thus profiting from the positive momentum in the sector.

Long-term and current performance of HFR style indices

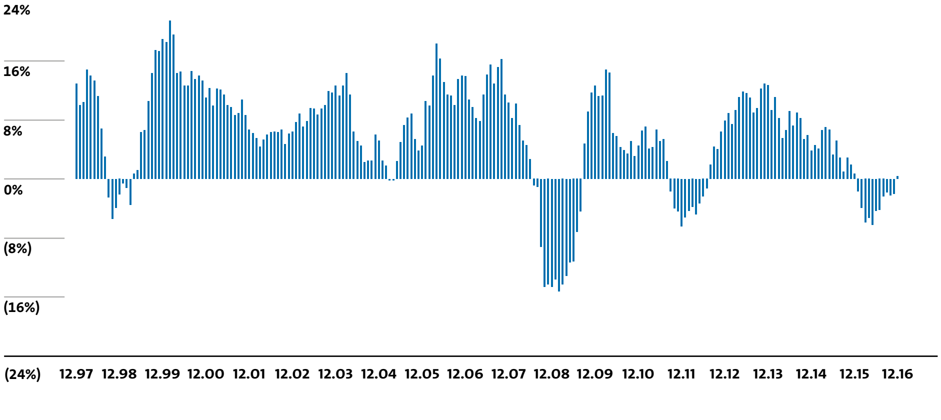


CTA/macro strategies as a group added approximately 0.9 per cent to Castle's returns. CTAs ended the year in positive territory after a rather volatile path with alternating negative and positive contributions. The latter were offering diversification benefits in particular during the most turbulent market periods like in Q1 and around Brexit. Discretionary Global Macro managers had a mixed year but commodities focused strategies drove overall results into positive territory.

Long/short equity strategies had a weak year deducting 2.3 per cent from Castle's returns. The majority of the managers ended the year in negative territory with losses mostly accumulated in the first quarter of the year. Even proven strategies with a low net exposure profile were severely challenged during the first weeks of the year. Overall results were characterised by high dispersion among managers, who could recoup some of the losses in the second half of the year as alpha generation was again realigning towards historical averages. On the positive side, two managers were able to generate results in excess of 10 per cent.

The **relative value** managers contributed 0.6 per cent to the portfolio and were able to protect the portfolio downside throughout the year.

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

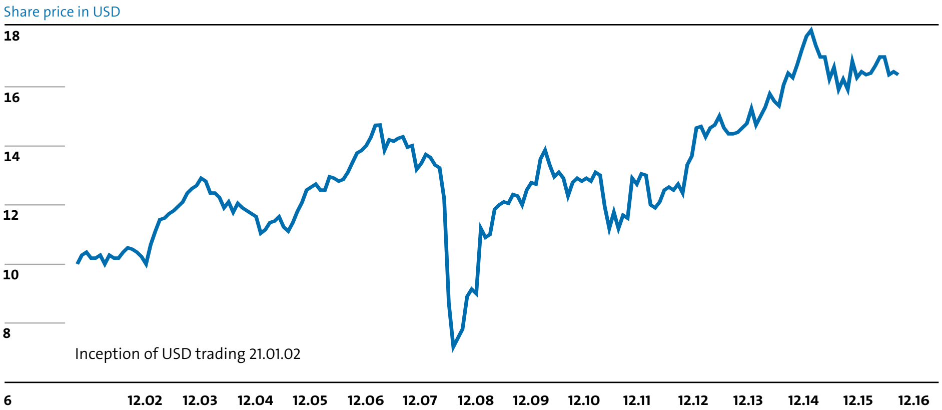


Alternative investment industry and outlook

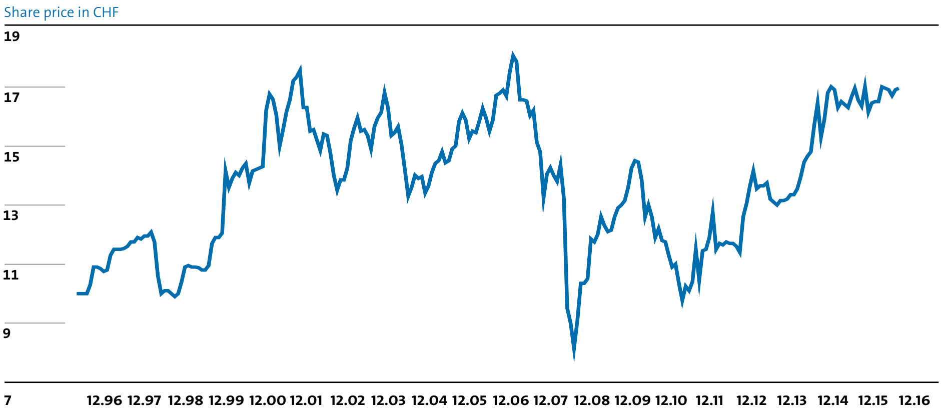
The non-investable HFRI Fund Weighted Composite Index delivered a +5.5 per cent return in 2016. All main strategies ended the year in positive territory, with Event Driven and Relative Value emerging as top performers (+10.5 per cent and +7.8 per cent). The Equity strategy posted a solid 5.5 per cent return with most gains from the Energy/Basic Materials sector. Systematic Diversified was the sole negative performer within sub-indices, but the overall Macro strategy still ended the year positively (+1.3 per cent).

Net outflows amounted to USD 70.1 billion while total industry assets reached an all-time high of USD 3.02 trillion with all the main strategies contributing positive performance-based asset changes. The total number of hedge funds and fund of funds is at 9,893.

Share price of Castle Alternative Invest AG in USD



Share price of Castle Alternative Invest AG in CHF



Investment policy

Investment objective

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

Investment policy

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

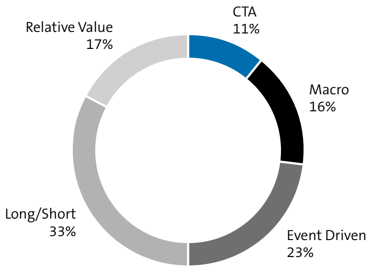
CAI Ireland invests in a diversified global portfolio of hedge funds, managed accounts and other investment vehicles that employ various non-traditional investment strategies that usually belong to the following broadly defined main strategy classes:

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

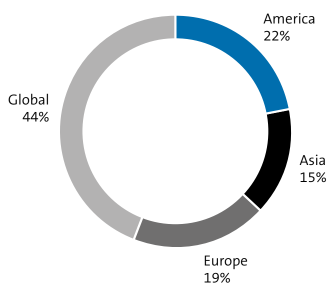
Event driven
Event driven strategies are designed to benefit from the consummation (or non-consummation) of various corporate events such as re-organisations, mergers or acquisitions, bankruptcies or various other situations. The strategies may be executed using a wide range of instruments, including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

Portfolio
Per December 2016

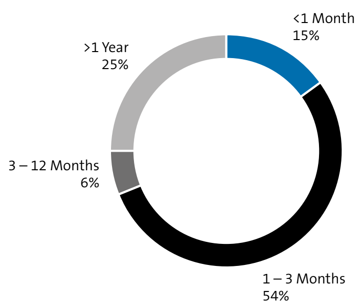
Style allocation



Geographical focus



Liquidity of investment



Top and bottom money makers 2016

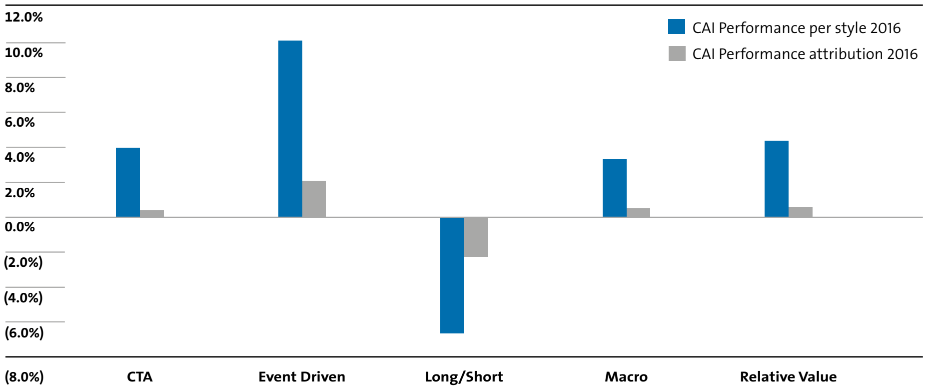
Fund	Style	Date of initial investment	Performance for 2016	2016 gain/(loss) in TUSD
Crown/Latigo Segregated Portfolio	Event Driven	January 2016	25.1%	2,821
Crown/Zebedee Segregated Portfolio	Long/Short	April 2015	13.3%	1,491
Crown/Koppenberg Segregated Portfolio	Macro	June 2012	19.5%	1,284
Crown/BLS Segregated Portfolio	Long/Short	February 2016	(14.74%)	(1,332)
Crown/Japan Opportunities Segregated Portfolio	Long/Short	February 2013	(28.16%)	(1,436)
Crown/Capeview Segregated Portfolio	Long/Short	October 2012	(15.91%)	(2,230)

Ten largest holdings

Fund	Style	USD million 31 December 2016	% of investments
Crown Managed Futures Master Segregated Portfolio	CTA	21.8	11.2%
Crown/Latigo Segregated Portfolio	Event Driven	14.4	7.4%
Crown/Zebedee Segregated Portfolio	Long/Short	12.9	6.7%
Crown/Polar Segregated Portfolio	Relative Value	12.4	6.4%
Crown/Linden Segregated Portfolio	Relative Value	12.2	6.3%
Tyrus Capital Opportunities Fund Limited	Event Driven	12.1	6.3%
Discovery Global Opportunity Fund, Ltd.	Macro	11.5	5.9%
Crown/Capeview Segregated Portfolio	Long/Short	9.6	5.0%
Crown/NJ Segregated Portfolio	Long/Short	8.8	4.6%
Crown/GLG Segregated Portfolio	Event Driven	8.6	4.5%
Subtotal of ten largest holdings		**124.4**	**64.2%**
All other investments		69.3	35.8%
Total of investments		**193.6**	**100.0%**

Style performance attribution
Per December 2016

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 to opportunistically or systematically 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.

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

Report on the audit of the consolidated financial statements

Opinion
We have audited the consolidated financial statements of Castle Alternative Invest AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2016 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Article 14 of the Directive on Financial Reporting (DFR) of SIX Swiss Exchange and Swiss law.

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

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

Our audit approach

Overview

Overall Group materiality: USD 1.98 million.

We concluded full scope audit work at all of the reporting units, which are located in Switzerland, Cayman Islands and Ireland.

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

As a key audit matter the following area of focus has been identified: Valuation and ownership of hedge funds investments.

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Audit scope

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

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

Materiality

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

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

Overall Group materiality	USD 1.98 million
How we determined it	1% of total equity
Rationale for the materiality benchmark applied	We chose total equity as the benchmark because, in our view, this is the key metric of interest to investors, and is a generally accepted measure used for companies in this industry

Key audit matters

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

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Valuation and ownership of hedge funds investments

Key audit matter	*How our audit addressed the key audit matter*
The investment portfolio comprises investments in alternative investment funds covering a wide range of hedge fund strategies. All of the Group's investments are unquoted. We focused on this area because of the significance of the hedge fund investments in the consolidated financial statements and determining the valuation methodology and the inputs require estimates and judgement to be applied by the investment manager and the board of directors. As set out in notes 3 (Critical accounting estimates) and 21 e) (Fair value estimation) investments amount to USD 193.6 million or 97.3% of Total assets. Refer to note 2 h) (iii) (Summary of accounting policies) for the valuation methods applied.	The investment valuations are prepared by the investment manager applying the valuation methods disclosed in note 2 h) (iii). We attended the meeting of the board of directors where these investment valuations were approved to observe this process. We tested the design and implementation of the controls around the approval and ongoing monitoring of unquoted hedge fund investments at the investment manager, to determine whether appropriate controls are in place and are operating effectively. No control deficiencies were identified. In addition, we reviewed the results of controls testing performed at the Ireland Subsidiary's administrator, which was made available to us in their type 2 ISAE 3402 report. This enabled us to assess the design and implementation of the controls around the valuation of unquoted hedge fund investments held by the Group, and to determine whether appropriate controls are in place and that they operated effectively throughout the year. This included controls to ensure that the ownership and valuation of investments is supported by information provided by the target hedge fund administrators. No control deficiencies were identified in the report obtained. We obtained information on the latest available valuation directly from the target hedge fund administrators or target hedge fund managers and checked that the information supported the valuations applied by the board of directors. While the valuation as provided by the target hedge fund administrators is the primary source for valuation, on a sample basis we have tested those hedge fund investments that we identified as having a higher risk of valuation error in the fair value check process described above. We challenged the procedures applied by the investment manager, including the adequacy of the inputs used as set out in note 21 e), focusing particular attention on unquoted hedge fund investments with suspended or prolonged redemption terms.

Key audit matter	*How our audit addressed the key audit matter*
	We obtained sufficient audit evidence to conclude that the inputs, estimates and methodologies used for the valuation of the unquoted hedge fund investments are within a reasonable range and that the board of directors consistently applied the valuation policies.
The hedge fund investments are safeguarded by an independent custodian. There is a risk that the Group may not have sufficient legal entitlement to these investments.	We verified the ownership of all hedge fund investments by confirming investment holdings directly with the depositary. We also confirmed the existence and ownership of 99.44% of the fair value of investments with the target hedge fund administrator, registrar or transfer agent, as appropriate, and no discrepancies were noted. The remaining 0.56% of investments was confirmed using alternative audit procedures, which included confirming those investments to the most recently available statements obtained from the Irish subsidiary's administrator.

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers AG

Daniel Pajer	Keith Killackey
Audit expert	
Auditor in charge	

Zurich, 22 March 2017

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Consolidated statement of comprehensive income

For the year ended 31 December 2016 (All amounts in USD thousands unless otherwise stated)

	Note	2016	2015
Income			
Net gain on investments designated at fair value through profit or loss	5	**2,256**	**3,197**
Income from current assets:			
Gain/(loss) on foreign exchange, net		1	(4)
Interest income	6	8	3
Other income		5	5
Total gain from current assets		**14**	**4**
Total income		**2,270**	**3,201**
Expenses			
Management and performance fees	7	(2,792)	(3,251)
Other operating expenses	8	(1,179)	(1,158)
Total operating expenses		**(3,971)**	**(4,409)**
Operating loss		**(1,701)**	**(1,208)**
Finance costs	9	(16)	(35)
Loss for the year		**(1,717)**	**(1,243)**
Total comprehensive loss for the year		**(1,717)**	**(1,243)**
Loss attributable to:			
Shareholders		(1,931)	(974)
Non-controlling interest	2 (e)	214	(269)
		(1,717)	**(1,243)**
Total comprehensive loss attributable to:			
Shareholders		(1,931)	(974)
Non-controlling interest	2 (e)	214	(269)
		(1,717)	**(1,243)**
Earnings per share (in USD) attributable to equity holders	2 (n)		
Weighted average number of shares outstanding during the year		9,386,037	10,464,896
Basic and diluted loss per share		USD (0.21)	USD (0.09)

The accompanying notes on pages 24 to 67 form an integral part of these consolidated financial statements.

Consolidated balance sheet

As of 31 December 2016 (All amounts in USD thousands unless otherwise stated)

	Note	2016	2015
Assets			
Current assets:			
Cash and cash equivalents	11	5,368	2,874
Accrued income and other receivables	12	81	33,849
Total current assets		**5,449**	**36,723**
Non-current assets:			
Investments designated at fair value through profit or loss	13	193,610	176,832
Total assets		**199,059**	**213,555**
Liabilities			
Current liabilities:			
Borrowings	14	—	10,152
Accrued expenses and other payables	15	795	1,264
Total current liabilities		**795**	**11,416**
Equity			
Shareholders' equity:			
Share capital	16	35,795	39,882
Additional paid-in capital		59,693	59,693
Less treasury shares at cost (bought for cancellation)		(13,733)	(15,099)
Retained earnings	16	94,848	112,234
Total shareholders' equity before non-controlling interest		**176,603**	**196,710**
Non-controlling interest	16	21,661	5,429
Total equity		**198,264**	**202,139**
Total liabilities and equity		**199,059**	**213,555**
Net asset value per share (in USD)	2 (n)		
Number of shares issued as at the year end		9,653,732	10,756,059
Number of treasury shares (bought for cancellation) as at the year end		(784,535)	(838,177)
Number of shares outstanding net of treasury shares as at the year end		**8,869,197**	**9,917,882**
Net asset value per share		**19.91**	**19.83**

The accompanying notes on pages 24 to 67 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2016 (All amounts in USD thousands unless otherwise stated)

	2016	2015
Cash flows from/(used in) operating activities:		
Purchase of investments	(49,400)	(58,074)
Proceeds from sales of investments	68,358	78,720
Interest received	9	3
Operating expenses paid	(3,627)	(5,093)
Net cash from operating activities	**15,340**	**15,556**
Cash flows from/(used in) financing activities:		
Finance costs	(16)	(34)
Proceeds from bank borrowings	—	10,152
Repayments of bank borrowings	(10,152)	(1,703)
Issuance of capital to non-controlling interest	17,700	—
Return of capital to non-controlling interest	(2,201)	(1,402)
Purchase of treasury shares (bought for cancellation)	(18,178)	(21,434)
Net cash used in financing activities	**(12,847)**	**(14,421)**
Net increase in cash and cash equivalents	**2,493**	**1,135**
Cash and cash equivalents, beginning of the year	**2,874**	**1,743**
Net increase in cash and cash equivalents	2,493	1,135
Net gain/(loss) on foreign exchange on cash and cash equivalents	1	(4)
Cash and cash equivalents, end of the year	**5,368**	**2,874**
Cash and cash equivalents consist of the following as at 31 December:		
Cash at banks	5,368	2,874
Total	**5,368**	**2,874**

The accompanying notes on pages 24 to 67 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2016 (All amounts in USD thousands unless otherwise stated)

	Note	Share capital	Additional paid-in capital	Less treasury shares	Retained earnings	Non-controlling interest	Total equity
1 January 2015		**45,897**	**59,693**	**(20,556)**	**134,084**	**7,204**	**226,322**
Total comprehensive loss for the year		—	—	—	(974)	(269)	(1,243)
Cancellation of treasury shares	16	(6,015)	—	26,891	(18,270)	—	2,606
Impact of CHF/USD historical rates on the cancellation of treasury shares		—	—	—	(2,606)	—	(2,606)
Purchase of treasury shares (bought for cancellation)		—	—	(21,434)	—	—	(21,434)
Return of capital to non-controlling interest		—	—	—	—	(1,506)	(1,506)
31 December 2015		**39,882**	**59,693**	**(15,099)**	**112,234**	**5,429**	**202,139**
1 January 2016		**39,882**	**59,693**	**(15,099)**	**112,234**	**5,429**	**202,139**
Total comprehensive (loss)/income for the year		—	—	—	(1,931)	214	(1,717)
Cancellation of treasury shares	16	(4,087)	—	19,544	(13,794)	—	1,663
Impact of CHF/USD historical rates on the cancellation of treasury shares		—	—	—	(1,661)	—	(1,661)
Purchase of treasury shares (bought for cancellation)		—	—	(18,178)	—	—	(18,178)
Issuance of capital to non-controlling interest		—	—	—	—	17,700	17,700
Return of capital to non-controlling interest		—	—	—	—	(1,682)	(1,682)
31 December 2016		**35,795**	**59,693**	**(13,733)**	**94,848**	**21,661**	**198,264**

The accompanying notes on pages 24 to 67 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2016
(All amounts in USD thousand unless otherwise stated)

1 Organisation and business activity

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

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

Castle Alternative Invest (Overseas) Ltd., Grand Cayman, was incorporated on 31 July 1996 as an exempted company under the laws of the Cayman Islands. The authorised share capital is USD 31,870 composed of 97,500 voting participating redeemable ordinary shares, of which none have been issued and 5,002,500 voting participating redeemable ordinary shares of which 3,862,360 have been issued and are held entirely by the Company. The Group consolidated 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 2016, its capital amounts to TUSD 189,441 (2015: TUSD 200,688) 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 Ltd., Dublin Branch (formerly LGT Bank (Ireland) Ltd.) and LGT Fund Managers (Ireland) Ltd.. 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 was 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 side pocket share class for illiquid assets (Class RI). At the same time a side pocket share class for the Cayman Subsidiary's portion of the illiquid assets was also created (Class RO). The side pocket share classes have paid out proceeds as their assets were realised. On 31 December 2012 Swiss Life fully redeemed its holding in the Class I shares. As of 31 December 2016 Swiss Life AG's holding in the remaining Class RI shares comprised 1.77 per cent (2015: 2.71 per cent) of the net asset value of the Ireland Subsidiary.

On 26 September 2016, the Ireland Subsidiary launched a new Class A share class that is owned by LGT Castle Sub-Fund, an open-ended sub-fund with limited liquidity under the Irish investment company Crown Alpha plc. As of 31 December 2016 LGT Castle Sub-Fund's holding in Class A shares comprised 9.27 per cent of the net asset value of the Ireland Subsidiary.

The Cayman Subsidiary's holding in Class O and Class RO comprised 88.96 per cent of the net asset value of the Ireland Subsidiary (2015: 97.29 per cent). The Company controls the Ireland Subsidiary and consolidates it in compliance with IFRS 10. Swiss Life AG's holding and LGT Castle Sub-Fund's holding in the Ireland Subsidiary are shown as non-controlling interests in the Group's consolidated financial statements.

The Group regards shareholders' equity as the capital it manages. The Group's investment objective is to 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 alternative investment fund manager ("AIFM") of the Group's Ireland Subsidiary provides active portfolio management, thorough due diligence and risk management. The strategy relies on the AIFM's experience and access to excellent hedge fund managers worldwide. No assurance can be given that the Group's investment objective will be achieved and investment results may vary substantially over time.

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

As of 31 December 2016 and 2015 the Group did not employ any employees.

2 Summary of accounting policies for the consolidated financial statements

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

Basis of preparation
The accompanying consolidated financial statements of the Group for the year ended 31 December 2016 have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRS) formulated by the International Accounting Standards Board (IASB) and comply with Swiss Law and the accounting guidelines laid down in the SIX Swiss Exchange's Directive on Financial Reporting (DFR) for investment companies.

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

The board 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 2016

– Amendments to IFRS 10, IFRS 12 and IAS 28, "Investment Entities: Applying the Consolidation Exception", (effective for annual periods beginning on or after 1 January 2016).
  These amendments clarify the following:
  Exemption from preparing consolidated financial statements for investment entities. The amended standard basically requires an investment entity to measure its subsidiary that is also an investment entity at fair value rather than to consolidate such subsidiary. Significant judgement is required to assess whether all of the characteristics of an investment entity are met at the level of the subsidiary and hence exemption from consolidation applies. At present, the Group believes there is scope to continue to prepare consolidated financial statements.
  A subsidiary providing services that relate to the parent's investment activities. A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
  Application of the equity method by a non-investment entity investor to an investment entity investee. When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
  Disclosures required. An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

  The amendment to IFRS 10 states that a subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity. The board of directors of the Company have made an assessment as to whether the Company's Subsidiaries meet the definition of an investment entity. IFRS 10 provides that an investment entity should have the following typical characteristics [IFRS 10:28]:
  – it has more than one investment
  – it has more than one investor
  – it has investors that are not related parties of the entity
  – it has ownership interests in the form of equity or similar interests.

  The absence of any of these typical characteristics does not necessarily disqualify an entity from being classified as an investment entity. However, an investment entity is still required to consolidate a subsidiary where that subsidiary provides services that relate to the investment entity's investment activities [IFRS 10:32].

  The Cayman Subsidiary, which holds the Ireland Subsidiary, does not have two of the above characteristics; it has just one investor and that investor is a related party. The Cayman and Ireland Subsidiaries both have an investment management agreement with LGT Capital Partners (Ireland) Ltd. and thus provide the Company with investment management services.

  After reviewing the conditions and particulars described above, the board of directors came to the opinion that the Subsidiaries do not qualify as investment entities, but are effectively operating subsidiaries. They provide requisite services to the Company and incur costs in doing so, thus the Company will continue to consolidate its Subsidiaries.

b) Standards and amendments to published standards effective after 1 January 2017 that have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group, except the following set out below:

– IFRS 9, “Financial instruments”, for annual periods beginning on or after 1 January 2018, retrospective application, earlier application permitted):The complete version of IFRS 9 “Financial Instruments” includes requirements on the classification and measurement of financial assets and liabilities; it defines three classification categories for debt instruments: amortised cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVPL”). Classification for investments in debt instruments is driven by the entity’s business model for managing financial assets and their contractual cash flows. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. No changes were introduced for the classification and measurement of financial liabilities, except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss.
  IFRS 9 also contains a new impairment model which will result in earlier recognition of losses. The expected credit losses (ECL) model is a “three-stage” model for impairment based on changes in credit quality since initial recognition.
  In addition, the new standard contains amendments to general hedge accounting that will enable entities to better reflect their risk management activities in their financial statements. The Group has yet to assess the full impact of this standard and has not yet decided when to adopt it. The implementation of these amendments would not lead to any changes in the consolidation net asset value of the Group.

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

c) Use of estimates

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

d) Basis of consolidation

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

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

The consolidated 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

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

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

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

e) Non-controlling interest holders

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

f) Foreign currency

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

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

g) Cash and cash equivalents

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

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

Under IAS 39, the Group has designated all its investments and securities into financial assets at fair value through profit or loss. This category was chosen as it reflects the business of an investment entity: 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 AIFM 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 held-for-trading. These include futures, forward contracts, options and swaps.
- Financial instruments designated at fair value through profit or loss upon initial recognition. These include financial assets that are not held for trading purposes and which may be sold.

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

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

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

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

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

A regular way purchase of financial assets held for trading is recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded. A regular way purchase of financial assets designated as fair value through profit or loss is recognised using settlement date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded. Financial liabilities are not recognised until the entity becomes party to the contractual provisions of the instrument. 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 AIFM, may perform additional procedures on fund investments, including but not limited to underlying manager/administrator due diligence and other analytical procedures. The board of directors together with the AIFM also reviews management information provided by fund investments on a 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 AIFM, will determine, in good faith, fair value by considering all appropriate and applicable factors relevant to the valuation of fund investments including, but not limited to, the following:

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

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

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

(iv) Realised gains

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

(v) Dividends

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

(vi) Interest income and finance costs

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

(vii) Offsetting

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

i) Accrued income and other receivables

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

j) Borrowings

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

k) Accrued expenses and other payables

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

l) Treasury shares

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

m) Share capital

The Company's share capital is divided into 9,653,732 (2015: 10,756,059) registered shares with a par value of CHF 5 per share. The shares are fully paid in. Each share entitles the holder to participate in any distribution of income and capital.

n) Net asset value per share and earnings per share

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

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

o) 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.

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

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

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

3 Critical accounting estimates

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

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	2016 USD	2015 USD
Swiss Francs	Year-end rates	1 CHF	0.9831	0.9997
Euro	Year-end rates	1 EUR	1.0550	1.0870
Swiss Francs	Average annual rates	1 CHF	1.0141	1.0360
Euro	Average annual rates	1 EUR	1.1019	1.1116

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:

	2016 TUSD	2015 TUSD
Realised gains/(losses), net on investments:		
CTA	—	4,652
Macro	(160)	2,552
Event Driven	1,098	7,335
Long/Short	(368)	8,999
Relative Value	1,589	4,741
Total realised gain on investments[1)]	**2,159**	**28,279**
Unrealised gains/(losses), net on investments:		
CTA	829	(5,394)
Macro	1,075	(3,594)
Event Driven	2,588	(8,160)
Long/Short	(3,750)	(3,778)
Relative Value	(645)	(4,156)
Total unrealised gain/(loss) on investments[2)]	**97**	**(25,082)**
Net gain on investments designated at fair value through profit or loss	**2,256**	**3,197**

[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:

	2016 TUSD	2015 TUSD
Realised gains/(losses), net on investments:		
America	882	(455)
Asia	(1,698)	5,324
Europe	590	4,162
Global	2,385	19,248
Total realised gain on investments[1]	**2,159**	**28,279**
Unrealised gains/(losses), net on investments:		
America	2,924	(1,757)
Asia	(3,024)	(3,448)
Europe	(1,400)	(474)
Global	1,597	(19,403)
Total unrealised gain/(loss) on investments[2]	**97**	**(25,082)**
Net gain on investments designated at fair value through profit or loss	**2,256**	**3,197**

[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	2016 TUSD	2015 TUSD
Cash and cash equivalents:		
Third party	8	3
Total	**8**	**3**

7 Management and performance fees

Management and performance fees are composed as follows:

Management and performance fees	2016 TUSD	2015 TUSD
Management fees – related party	2,792	3,251
Total	**2,792**	**3,251**

8 Other operating expenses

Other operating expenses are composed as follows:

Other operating expenses	2016 TUSD	2015 TUSD
Related party fees:		
Credit facility standby fees	47	46
Administrative fees	21	22
Directors' fees and other expenses	222	226
General manager's expenses	74	–
Domicile fees	10	10
Third party fees:		
Administrative fees	94	116
Reporting and publications	29	76
Audit fees	147	119
Custody fees	118	140
Capital taxes (Switzerland)	12	14
Insurance	11	12
Legal fees	107	70
Project expenses (share buyback)	181	183
Stock exchange listing expenses	8	8
Tax advisory fees	21	9
Other expenses	77	108
Total	**1,179**	**1,158**

9 Finance costs

Interest expense for the year was paid on:

Finance cost	2016 TUSD	2015 TUSD
Due to banks – related party	16	35
Total	**16**	**35**

10 Income taxes

Reconciliation of income tax calculated with the applicable tax rate:

Tax expense	2016 TUSD	2015 TUSD
Loss for the year before income tax	(1,717)	(1,243)
Applicable tax rate	7.8%	7.8%
Income tax	—	—
Effect from non-taxable income	—	—
Total	—	—

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

11 Cash and cash equivalents

Cash and cash equivalents consist of:

Cash and cash equivalents	2016 TUSD	2015 TUSD
Cash at banks:		
Related party	264	181
Third party	5,104	2,693
Total	**5,368**	**2,874**

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 Accrued income and other receivables

Accrued income and other receivables	2016 TUSD	2015 TUSD
Receivable for investments sold	—	22,339
Subscriptions paid in advance	—	11,500
Other receivables	81	10
Total	**81**	**33,849**

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	2016 TUSD	in %	2015 TUSD	in %
CTA	21,751	11%	20,922	12%
Macro	31,111	16%	27,201	16%
Event Driven	44,786	23%	35,812	20%
Long/Short	62,596	33%	67,412	38%
Relative Value	33,366	17%	25,485	14%
Total	**193,610**	**100%**	**176,832**	**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 2016, the Ireland Subsidiary had not redeemed any investments.

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

As of 31 December 2016 (note 13) (All amounts in USD thousands unless otherwise stated)

Amounts in TUSD	Geography	Shares as at 1.1.2016	Shares as at 31.12.2016	Total net paid in as at 1.1.2016	Invest-ments 2016	Redemp-tions 2016	Realised gain/(loss) 2016	Total net paid in as at 31.12.2016	Unrealised gain/(loss) accumulat-ed 2016	Fair value as at 31.12.2016	% of invest-ments
CTA											
Crown Managed Futures Master Segregated Portfolio	Global	6,960	6,960	14,177	—	—	—	14,177	7,574	21,751	11.2%
Total CTA				**14,177**	**—**	**—**	**—**	**14,177**	**7,574**	**21,751**	**11.2%**
Macro											
Caxton Global Investments Ltd. Class SI	Global	58,483	—	334	—	(334)	534	—	—	—	0.0%
Crown/Atreaus Segregated Portfolio	Global	—	4,960	—	7,400	—	—	7,400	(187)	7,213	3.7%
Crown/Guard Segregated Portfolio	Asia	10,000	5,332	10,000	—	(4,668)	(668)	5,332	(618)	4,715	2.4%
Crown/Koppenberg Segregated Portfolio	Global	4,598	5,099	5,098	600	—	—	5,698	1,778	7,476	3.9%
Discovery Global Opportunity Fund Ltd.	Global	12,459	12,459	5,674	—	—	—	5,674	5,777	11,452	5.9%
The Rohatyn Group Global Opportunity Fund Ltd.	Global	1	1	398	—	(22)	—	376	(120)	256	0.1%
Tudor BVI Global Fund Ltd. Legacy Class	Global	142	—	141	—	(141)	(27)	—	—	—	0.0%
Total Macro				**21,645**	**8,000**	**(5,165)**	**(160)**	**24,480**	**6,631**	**31,111**	**16.1%**
Event Driven											
Bennelong Asia Pacific Multi Strategy Equity Fund Ltd.	Asia	7,632	6,435	872	—	(137)	(62)	735	(368)	366	0.2%
Cerberus Asia Partners L.P.	Asia	1	1	—	—	—	9	—	—	—	0.0%
Crown Distressed Credit Opportunities plc[2)]	Global	11,016	8,480	959	—	(221)	347	738	1,160	1,899	1.0%
Crown/Eyck Segregated Portfolio	Europe	5,497	5,497	6,000	—	—	—	6,000	(159)	5,841	3.0%
Crown/GLG Segregated Portfolio	Europe	7,478	7,478	7,500	—	—	—	7,500	1,132	8,632	4.5%
Crown/Latigo Segregated Portfolio	America	—	11,166	—	11,500	—	—	11,500	2,920	14,420	7.4%
Crown/Seven Locks Segregated Portfolio	America	4,473	—	4,000	—	(4,000)	(271)	—	—	—	0.0%
Highland Crusader Fund II Ltd.	America	1	1	694	—	(694)	1,058	—	999	999	0.5%
Latigo Ultra Fund Ltd.	America	—	—	—	—	—	5	—	—	—	0.0%
OZ Asia Overseas Fund Ltd.	Asia	1	1	678	—	(51)	—	627	(262)	365	0.2%
OZ Overseas Fund Ltd. Tranche C shares	Global	2	2	145	—	(12)	11	134	(17)	117	0.1%
Tyrus Capital Opportunities Fund Ltd.	Global	86,627	86,626	8,516	—	—	—	8,516	3,630	12,146	6.3%
Winston Partners PE Investment Ltd.	Global	7,615	7,615	3,662	—	—	—	3,662	(3,662)	—	0.0%
Total Event Driven				**33,026**	**11,500**	**(5,114)**	**1,098**	**39,412**	**5,374**	**44,786**	**23.1%**

Amounts in TUSD	Geography	Shares as at 1.1.2016	Shares as at 31.12.2016	Total net paid in as at 1.1.2016	Invest-ments 2016	Redemp-tions 2016	Realised gain/(loss) 2016	Total net paid in as at 31.12.2016	Unrealised gain/(loss) accumulat-ed 2016	Fair value as at 31.12.2016	% of invest-ments
Long/Short											
Crown/Ariose Segregated Portfolio	Asia	—	8,000	—	8,000	—	—	8,000	(78)	7,922	4.1%
Crown/BLS Segregated Portfolio	Asia	—	9,518	—	9,400	—	—	9,400	(1,386)	8,014	4.1%
Crown/Capeview Segregated Portfolio	Europe	8,129	6,719	8,244	—	(1,410)	590	6,833	2,777	9,610	5.0%
Crown/Japan Opportunities Segregated Portfolio	Asia	4,100	—	4,199	—	(4,199)	814	—	—	—	0.0%
Crown/LBN Segregated Portfolio	Asia	7,077	—	7,000	—	(7,000)	(984)	—	—	—	0.0%
Crown/Lomas Segregated Portfolio	America	—	8,105	—	8,000	—	—	8,000	(78)	7,922	4.1%
Crown/NJ Segregated Portfolio	Global	5,540	6,247	8,036	1,000	—	—	9,036	(193)	8,843	4.6%
Crown/Tyrian Segregated Portfolio	Asia	7,089	—	7,729	—	(7,729)	(808)	—	—	—	0.0%
Crown/Zebedee Segregated Portfolio	Europe	11,711	11,711	11,711	—	—	—	11,711	1,234	12,945	6.7%
Galleon Technology Offshore Ltd.	America	57	57	1,278	—	—	—	1,278	(709)	570	0.3%
Nevsky Fund plc	Global	5,359	—	7,104	—	(7,104)	26	—	—	—	0.0%
Polo Fund	America	41,403	41,403	8,117	—	—	—	8,117	(1,548)	6,569	3.4%
Raptor Private Holdings Ltd.	America	431	397	295	—	(23)	(6)	272	(73)	200	0.1%
Total Long/Short				**63,714**	**26,400**	**(27,466)**	**(368)**	**62,648**	**(52)**	**62,596**	**32.4%**
Relative Value											
Crown/Alphadyne Segregated Portfolio	Asia	7,414	7,414	7,452	—	—	—	7,452	(93)	7,359	3.8%
Crown/Linden Segregated Portfolio	Global	4,687	6,257	5,480	3,000	—	—	8,480	3,721	12,201	6.3%
Crown/Polar Segregated Portfolio	America	—	11,909	—	12,000	—	—	12,000	350	12,350	6.4%
D.E. Shaw Composite International Ltd.	Global	1	1	—	—	—	—	—	130	130	0.1%
D.E. Shaw Composite International Ltd. Side Pocket Series	Global	1	1	437	—	(190)	—	247	1,028	1,276	0.7%
Double Black Diamond Ltd.	Global	17,984	—	6,284	—	(6,284)	1,496	—	—	—	0.0%
Drake Absolute Return Fund Ltd.	Global	43	43	89	—	—	—	89	(39)	50	0.0%
HBK Multi-Strategy Offshore Fund Ltd.	Global	—	—	—	—	—	(2)	—	—	—	0.0%
Polar Multi-Strategy Fund	America	—	—	—	—	—	95	—	—	—	0.0%
Total Relative Value				**19,742**	**15,000**	**(6,474)**	**1,589**	**28,268**	**5,098**	**33,366**	**17.2%**
Total				**152,304**	**60,900**	**(44,219)**	**2,159**	**168,985**	**24,625**	**193,610**	**100%**

1) Numbers may not fully add up due to rounding.
2) The Company has made the following commitment to an investment fund:
– Crown Distressed Credit Opportunities plc – USD 16.5 million of which USD 4.1 million is unfunded.

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

As of 31 December 2015 (note 13) (All amounts in USD thousands unless otherwise stated)

Amounts in TUSD	Geography	Shares as at 1.1.2015	Shares as at 31.12.2015	Total net paid in as at 1.1.2015	Invest-ments 2015	Redemp-tions 2015	Realised gain/(loss) 2015	Total net paid in as at 31.12.2015	Unrealised gain/(loss) accumulat-ed 2015	Fair value as at 31.12.2015	% of invest-ments
CTA											
Crown Managed Futures Master Segregated Portfolio	Global	8,550	6,960	14,776	—	(599)	4,652	14,177	6,745	20,922	11.8%
Total CTA				**14,776**	**—**	**(599)**	**4,652**	**14,177**	**6,745**	**20,922**	**11.8%**
Macro											
Caxton Global Investments Ltd. Class SI	Global	58,483	58,483	1,330	—	(996)	—	334	534	868	0.5%
Crown/Guard Segregated Portfolio	Asia	—	10,000	—	10,000	—		10,000	(358)	9,642	5.5%
Crown/Koppenberg Segregated Portfolio	Global	5,163	4,598	5,594	450	(946)	264	5,098	543	5,641	3.2%
Discovery Global Opportunity Fund Ltd.	Global	18,571	12,459	8,394	—	(2,720)	2,280	5,674	4,917	10,591	6.0%
The Rohatyn Group Global Opportunity Fund Ltd.	Global	1	1	398	—	—	—	398	(53)	345	0.2%
Tudor BVI Global Fund Ltd. Legacy Class	Global	161	142	152	—	(10)	7	141	(27)	115	0.1%
Total Macro				**15,867**	**10,450**	**(4,672)**	**2,552**	**21,645**	**5,556**	**27,201**	**15.4%**
Event Driven											
Bennelong Asia Pacific Multi Strategy Equity Fund Ltd.	Asia	7,632	7,632	872	—	—	—	872	(434)	437	0.2%
Cerberus Asia Partners L.P.	Asia	1	1	—	—	—	432	—	8	8	0.0%
Crown Distressed Credit Opportunities plc[2]	Europe	14,581	11,016	1,270	—	(310)	461	959	1,478	2,437	1.4%
Crown/Eyck Segregated Portfolio	Europe	—	5,497	—	6,000	—	—	6,000	118	6,118	3.5%
Crown/GLG Segregated Portfolio	America	7,478	7,478	7,500	—	—	—	7,500	972	8,472	4.8%
Crown/Seven Locks Segregated Portfolio	America	—	4,473	—	4,000	—	—	4,000	6	4,006	2.3%
Highland Crusader Fund II Ltd.	America	1	1	694	—	—	—	694	2,107	2,801	1.6%
Latigo Ultra Fund Ltd.	America	9,613	—	11,870	—	(11,870)	(455)	—	—	—	0.0%
OZ Asia Overseas Fund Ltd.	Asia	1	1	729	—	(51)	—	678	(140)	538	0.3%
OZ Overseas Fund Ltd. Tranche C shares	Global	2	2	187	—	(42)	20	145	(18)	127	0.1%
Third Point Ultra Ltd.	Global	2,720	—	7,058	—	(7,058)	6,877	—	—	—	0.0%
Tyrus Capital Opportunities Fund Ltd.	Global	86,627	86,627	8,516	—	—	—	8,516	2,350	10,866	6.1%
Winston Partners PE Investment Ltd.	Global	7,615	7,615	3,662	—	—	—	3,662	(3,662)	—	0.0%
Total Event Driven				**42,356**	**10,000**	**(19,330)**	**7,335**	**33,026**	**2,786**	**35,812**	**20.3%**

Amounts in TUSD	Geography	Shares as at 1.1.2015	Shares as at 31.12.2015	Total net paid in as at 1.1.2015	Investments 2015	Redemptions 2015	Realised gain/(loss) 2015	Total net paid in as at 31.12.2015	Unrealised gain/(loss) accumulated 2015	Fair value as at 31.12.2015	% of investments
Long/Short											
Crown/Capeview Segregated Portfolio	Europe	9,340	8,129	9,454	—	(1,211)	789	8,244	5,583	13,827	7.8%
Crown/Japan Opportunities Segregated Portfolio	Asia	5,120	4,100	5,219	—	(1,019)	481	4,199	2,250	6,449	3.6%
Crown/LBN Segregated Portfolio	Asia	6,500	7,077	6,500	500	—	—	7,000	(409)	6,591	3.7%
Crown/Tyrian Segregated Portfolio	Global	8,280	7,089	9,000	—	(1,271)	(21)	7,729	(789)	6,940	3.9%
Crown/NJ Segregated Portfolio	Asia	8,392	5,540	11,639	—	(3,603)	331	8,036	419	8,455	4.8%
Crown/Zebedee Segregated Portfolio	Europe	—	11,711	—	14,000	(2,289)	(39)	11,711	(289)	11,422	6.5%
Galleon Technology Offshore Ltd.	America	57	57	1,278	—	—	—	1,278	(680)	598	0.3%
Indus Pacific Opportunities Fund Ltd.	Asia	4,687	—	8,115	—	(8,115)	4,047	—	—	—	0.0%
Nevsky Fund plc	Global	5,359	5,359	7,104	—	—	—	7,104	109	7,213	4.1%
Polo Fund	America	41,403	41,403	8,117	—	—	—	8,117	(2,421)	5,696	3.2%
Raptor Private Holdings Ltd.	America	431	431	295	—	—	—	295	(74)	221	0.1%
Zebedee Focus Fund Ltd.	Europe	61,853	—	11,471	—	(11,471)	3,411	—	—	—	0.0%
Total Long/Short				**78,192**	**14,500**	**(28,978)**	**8,999**	**63,714**	**3,698**	**67,412**	**38.1%**
Relative Value											
Alphadyne Investment Strategies Fund Ltd.	Asia	—	—	—	2,724	(2,724)	42	—	—	—	0.0%
Crown/Alphadyne Segregated Portfolio	Asia	—	7,414	—	9,060	(1,608)	(8)	7,452	92	7,544	4.3%
Crown/Linden Segregated Portfolio	Global	4,687	4,687	5,480	—	—	—	5,480	2,728	8,207	4.6%
D.E. Shaw Composite International Ltd.	Global	1	1	—	—	—	—	—	154	154	0.1%
D.E. Shaw Composite International Ltd. Side Pocket Series	Global	1	1	1,172	—	(735)	—	437	1,103	1,541	0.9%
Double Black Diamond Ltd.	Global	17,984	17,984	6,284	—	—	—	6,284	1,703	7,987	4.5%
Drake Absolute Return Fund Ltd.	Global	96	43	198	—	(109)	(41)	89	(37)	52	0.0%
HBK Multi-Strategy Offshore Fund Ltd.	Global	10,926	—	6,520	—	(6,520)	4,748	—	—	—	0.0%
Total Relative Value				**19,653**	**11,784**	**(11,695)**	**4,741**	**19,742**	**5,743**	**25,485**	**14.4%**
Total				**170,844**	**46,734**	**(65,274)**	**28,279**	**152,304**	**24,528**	**176,832**	**100.0%**

[1] Numbers may not fully add up due to rounding.
[2] The Company has made the following commitment to an investment fund:
– Crown Distressed Credit Opportunities plc – USD 16.5 million of which USD 4.1 million is unfunded.

14 Borrowings

As of 31 December 2016, the Subsidiaries have a credit line of TUSD 15,000 (31 December 2015: TUSD 15,000). The credit line is granted by LGT Bank Ltd., Dublin Branch (formerly LGT Bank (Ireland) Ltd., 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. The pledged assets were deposited with LGT Bank Ltd., Vaduz and pledged in favour of the lender.

As of 31 December 2016, the Ireland Subsidiary had no borrowings from LGT Bank Ltd., Dublin Branch (formerly LGT Bank (Ireland) Ltd.) (31 December 2015: USD 10,152).

Due to banks – fixed advance	Interest rate	Maturity	Amount in TUSD
As of 31 December 2015	2.6600% (USD)	11 January 2016	10,152
Total			**10,152**

15 Accrued expenses and other payables

Accrued expenses and other payables consist of:

Accrued expenses and other payables	2016 TUSD	2015 TUSD
Accrued management fee payable – related party	223	254
Accrued general manager's expenses payable – related party	74	–
Accrued credit facility standby fees payable – related party	11	12
Accrued administrative fee payable – third party	19	17
Accrued custody fee payable – third party	21	21
Accrued withholding tax treasury shares (bought for cancellation) – third party	315	261
Accrued payable to non-controlling interest holder – third party	–	519
Other accrued expenses	132	180
Total	**795**	**1,264**

As of 31 December 2015, the obligation to the non-controlling interest holder was paid out in January 2016.

16 Shareholders’ equity

Shareholders’ equity

As of 31 December 2016 the authorised, issued and fully paid up share capital of the Company amounts to TCHF 48,269 (TUSD 35,795) and as of 31 December 2015 to TCHF 53,780 (TUSD 39,882) consisting of 9,653,732 (2015: 10,756,059) registered shares with a par value of CHF 5. The translation into US Dollar has been done at the corresponding historical foreign exchange rate. Each share entitles the holder to participate in any distribution of income and capital. The Group regards shareholders’ equity as the capital that it manages. Shareholders’ equity, including non-controlling interest holders, amounts to TUSD 198,264 as of 31 December 2016 (2015: TUSD 202,139).

During the period from 21 June 2010 to 31 December 2016 the Company purchased treasury shares on its second trading line. According to the program periods the 2nd line treasury shares were cancelled in subsequent yearly tranches.

Non-controlling interest

On 1 April 2011 Swiss Life AG partially redeemed its holding in Class I of the Ireland Subsidiary. The redemption was paid out in cash with the remaining amount being placed in a newly opened side pocket share class for illiquid assets (Class RI). At the same time a side pocket share class for the Cayman Subsidiary’s portion of the illiquid assets was also created (Class RO). The side pocket share classes have paid out proceeds as their assets were realised. On 31 December 2012 Swiss Life fully redeemed its holding in the Class I shares. As of 31 December 2016 Swiss Life AG’s holding in the remaining Class RI shares comprised 1.77 per cent (2015: 2.71 per cent) of the net asset value of the Ireland Subsidiary.

On 26 September 2016, the Ireland Subsidiary launched a new Class A share class that is owned by LGT Castle Sub-Fund, an open-ended sub-fund with limited liquidity under the Irish investment company Crown Alpha plc. As of 31 December 2016 LGT Castle Sub-Fund’s holding in Class A shares comprised 9.27 per cent of the net asset value of the Ireland Subsidiary.

The Cayman Subsidiary’s holding in Class O and Class RO comprised 88.96 per cent of the net asset value of the Ireland Subsidiary (2015: 97.29 per cent). The Company controls the Ireland Subsidiary and consolidates it in compliance with IFRS 10. Swiss Life AG’s holding and LGT Castle Sub-Fund in the Ireland Subsidiary are shown as a non-controlling interest in the Group’s consolidated financial statements.

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

Since 2010, the Company has announced openings of second trading lines on a yearly basis for the Company’s shares on the SIX Swiss Exchange. The Company is always the exclusive buyer on these trading lines and repurchases shares for the purpose of subsequently reducing its share capital. The Company has purchased treasury shares on its second trading line according to the following summaries. On 9 June 2015 and 2 June 2016, the Company purchased further treasury shares via tradable put options according to the following summaries. These treasury shares are treated as a deduction from shareholders’ equity using cost values. On 2 June 2016, every 30 put options entitled shareholders to tender one registered share at the exercise price of CHF 17.80 until 30 May 2016. The put options were traded from 17 May 2016 up to and including 30 May 2016. (On 9 June 2015, every 30 put options entitled shareholders to tender one registered share at the exercise price of CHF 17.80 until 4 June 2015. The put options were traded from 21 May 2015 up to and including 4 June 2015.). These treasury shares are treated as a deduction from shareholder's equity using total cost. Differences between the exchange rates from the time of purchase of treasury shares to the historical rates are recognised in retained earnings at the time of cancellation.

Movement of treasury shares 2nd line (bought for cancellation) held by the Company	**Number of shares**	**Average price USD**	**Total cost TUSD**
Shares held as of 1 January 2015	**674,128**	**15.66**	**10,556**
Additions 2015 (until 8 May 2015)	369,000	17.17	6,334
Additions 2015 (11 May to closing on 20 May 2015)	31,798	18.05	574
Additions 2015 (opened 15 June 2015)	455,300	17.13	7,801
Cancellation 2015	(1,043,128)	16.19	(16,891)
Shares held as of 31 December 2015	**487,098**	**17.19**	**8,374**
Additions 2016 (till 6 May 2016)	264,150	16.82	4,444
Additions 2016 (9 May to closing on 10 May 2016)	5,076	16.86	86
Additions 2016 (opened 6 June 2016)	464,000	17.14	7,953
Cancellation 2016	(751,248)	17.06	(12,819)
Shares held as of 31 December 2016	**469,076**	**17.13**	**8,037**

Movement of treasury shares via tradable put options (bought for cancellation) held by the Company	**Number of shares**	**Average price USD**	**Total cost TUSD**
Shares held as of 1 January 2015	**579,023**	**17.27**	**10,000**
Additions (9 June 2015)	351,079	19.16	6,725
Cancellation 2015	(579,023)	17.27	(10,000)
Shares held as of 31 December 2015	**351,079**	**19.16**	**6,725**
Additions (6 June 2016)	315,459	18.05	5,695
Cancellation 2016	(351,079)	19.16	(6,725)
Shares held as of 31 December 2016	**315,459**	**18.05**	**5,695**

Summary of treasury shares held as of 31 December 2015 and 2016	**Number of shares**	**Average price USD**	**Total cost TUSD**
Total of treasury shares held as of 31 December 2015			
Shares 2nd line held by the Company (bought for cancellation)	487,098	17.19	8,374
Shares via tradable put options held by the Company (bought for cancellation)	351,079	19.16	6,725
Total of treasury shares	**838,177**	**18.01**	**15,099**
Total of treasury shares held as of 31 December 2016			
Shares 2nd line held by the Company (bought for cancellation)	469,076	17.13	8,037
Shares via tradable put options held by the Company (bought for cancellation)	315,459	18.05	5,695
Total of treasury shares	**784,535**	**17.50**	**13,733**

17 Major shareholders

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

Major shareholders	31 December 2016	31 December 2015
Between 20 and 33 1/3%	LGT Group, Liechtenstein	LGT Group, Liechtenstein
Between 10% and 20%	LGT Capital Partners, Switzerland, on behalf of pension funds	LGT Capital Partners, Switzerland, on behalf of pension funds
Between 3% and 10%	Stiftung Fürst Liechtenstein II BKS Global PCC Limited, Guernsey	Stiftung Fürst Liechtenstein II BKS Global PCC Limited, Guernsey South Yorkshire Pensions Authority, United Kingdom

18 Significant fee agreements

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

a) LGT Capital Partners (Ireland) Ltd., Dublin, acts as the AIFM for the Ireland Subsidiary. The AIFM receives a fee of total 1.5 per cent (before deduction of the performance fee) per annum of the total net asset value of the Ireland Subsidiary in US Dollar as at the close of business on the final business day of each calendar month. The fee is due monthly in arrears, calculated as 0.125 per cent after the net asset value calculation. The AIFM 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 AIFM will also be reimbursed for all reasonable out-of-pocket expenses, incurred for the benefit of the Ireland Subsidiary. These arrangements are for an initial fixed term ending 17 July 2019 and can be terminated thereafter by either party with 90 days' prior written notice. LGT Capital Partners Ltd., Pfäffikon, continues to provide investment advice based on an investment advisory agreement with the AIFM. The investment advisor is remunerated by the AIFM with no extra cost to the Ireland Subsidiary.

b) LGT Capital Partners (Ireland) Ltd., Dublin, acts as the investment manager for the Cayman Subsidiary. The investment manager receives a management fee of total 1.5 per cent (before deduction of the performance fee) per annum of the total net asset value of the Cayman Subsidiary 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 Cayman Subsidiary. These arrangements are for an initial fixed term ending 17 July 2019 and can be terminated thereafter by either party with 90 days' prior written notice. LGT Capital Partners Ltd., Pfäffikon, provides investment advice based on an investment advisory agreement with the investment manager. The investment advisor is remunerated by the investment manager with no extra cost to the Cayman Subsidiary. There is no double charging of either management or performance fees across the Subsidiaries.

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

d) BNP Paribas Fund Administration Services (Ireland) (formerly Credit Suisse Administration Services (Ireland) until 30 May 2015) acts as the administrator of the Ireland Subsidiary and receives an annual fee equal to 0.05 per cent of the net asset value of the Ireland Subsidiary, payable monthly in arrears. The administrator is also entitled to an annual fee of TEUR 4.0 for each additional share class. Any disbursement incurred will be charged separately.

e) LGT Bank Ltd., Vaduz, provides administrative services for the Company and receives a flat fee of TUSD 20, payable quarterly in arrears. Any disbursements incurred will be charged separately. LGT Bank Ltd., Vaduz, also provides administrative services for the Cayman Subsidiary.

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

g) BNP Paribas Securities Services, Dublin Branch (formerly Credit Suisse International, Dublin Branch until 30 May 2015) acts as custodian of the Ireland Subsidiary and receives a custody fee equal to a maximum of 0.02 per cent per annum of the net asset value of the Ireland Subsidiary, subject to a maximum annual fee of TUSD 70. BNP Paribas Securities Services, Dublin Branch receives in addition a depositary fee of 0.03 per cent per annum of the net asset value of the Ireland Subsidiary. The depositary is also entitled to an annual fee of TUSD 7.5 for cash flow monitoring services in addition to custody and depositary fees.

h) Citco Bank Nederland N.V., Amsterdam, and Citco Global Custody N.V., Malta (formerly Citco Global Custody N.V., Amsterdam until 31 July 2015), 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 significant influence over the other party in making financial or operating decisions. In the opinion of the board of directors, the parties referred to in the schedule accompanying this note are related parties under IAS 24 "Related Party Disclosures". All related party transactions have been carried out within the normal course of business.

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

Related party transactions

Entity	Related party Relationship/Agreement(s) Direct/indirect	Terms and conditions	Transaction type	2016 TUSD	2015 TUSD
Castle Alternative Invest AG	LGT Bank Ltd./ Administrative Services Agreement/direct	Note 8	Administration fee	21	22
		Note 11	Cash at banks	203	141
	LGT Capital Partners Ltd./ Domicile Agreement/direct	Note 8	Domicile fee	10	10
	LGT Capital Partners Ltd./ Management expenses Agreement/direct	Note 8	General manager's expenses	74	—
		Note 15	General manager's expenses payable	74	—
	Directors/direct	Note 8	Directors' fee	215	216
Castle Alternative Invest (Overseas) Ltd.	LGT Capital Partners (Ireland) Ltd./ Investment Management Agreement/ direct	Note 7	Investment management fee	4	4
		Note 15	Investment management fee payable	1	1
	LGT Bank Ltd./ Administrative Services Agreement and Loan Agreement/direct	Note 11	Cash at banks	61	40
	LGT Bank Cayman Ltd./ Services Level Agreement/direct		Management services fee	5	—
	Directors/indirect	Note 8	Directors' fee	5	10
Castle Alternative Invest (International) plc	LGT Bank Ltd., Dublin Branch (formerly LGT Bank (Ireland) Ltd.)/ Loan Agreement/direct	Note 14	Due to banks: loan	—	10,152
		Note 9	Interest expense	16	35
		Note 8	Credit facility standby fee	47	46
		Note 15	Credit facility standby fees payable	11	12
	LGT Capital Partners (Ireland) Ltd./ Alternative Investment Fund Management Agreement/direct	Note 7	Investment management fee	2,788	3,247
		Note 15	Investment management fee payable	222	253
		Note 7	Performance fee	—	—
		Note 15	Performance fee payable	—	—
	Directors/indirect	Note 8/19	Directors' fee	2	—
	LGT Capital Partners Ltd./ Advisory Agreement/indirect	No direct fees	Advisory fee (no direct fees)	—	—
	LGT Fund Managers (Ireland) Ltd./ Management Agreement/indirect	No direct fees	Secretarial services (no direct fees)	—	—

The Segregated Portfolio received cash of TUSD 17,700 for the Class A class of shares launched in 2016 from the LGT Castle Sub-Fund under Crown Alpha plc. The AIFM of LGT Castle Sub-Fund is LGT Capital Partners (Ireland) Ltd., Dublin, the same AIFM as for the Ireland Subsidiary. The investment adviser is LGT Capital Partners Ltd., Pfäffikon, the same investment advisor as for the Ireland Subsidiary.

LGT Bank Ltd., Vaduz acts as custodian for the Company. Cash was deposited with LGT Bank Ltd., Vaduz at market conditions. In 2016 and 2015 no time deposit was held.

In 2016 and/or 2015 the Ireland Subsidiary was invested in the below mentioned Segregated Portfolios, which are all advised by LGT Capital Partners Ltd., an affiliate of Castle's AIFM.

- Crown Distressed Credit Opportunities plc
- Crown Managed Futures Master Segregated Portfolio
- Crown/Alphadyne Segregated Portfolio
- Crown/Ariose Segregated Portfolio
- Crown/Atreaus Segregated Portfolio
- Crown/BLS Segregated Portfolio
- Crown/Capeview Segregated Portfolio
- Crown/Eyck Segregated Portfolio
- Crown/GLG Segregated Portfolio
- Crown/Guard Segregated Portfolio
- Crown/Japan Opportunities Segregated Portfolio
- Crown/Koppenberg Segregated Portfolio
- Crown/Latigo Segregated Portfolio
- Crown/LBN Segregated Portfolio
- Crown/Linden Segregated Portfolio
- Crown/Lomas Segregated Portfolio
- Crown/NJ Segregated Portfolio
- Crown/Polar Segregated Portfolio
- Crown/Seven Locks Segregated Portfolio
- Crown/Tyrian Segregated Portfolio
- Crown/Zebedee Segregated Portfolio

The table below shows the remuneration for the members of the board of directors and member of management in the year 2016 and 2015. In addition, the Company paid a directors and officers liability insurance fee of TUSD 11 (2015: TUSD 12). Travel expenses amounted to TUSD 29 (2015: TUSD 25).

Remuneration and expenses	**2016 TUSD**	**2015 TUSD**
Chairman	61	62
Deputy chairman	46	48
Committee chairman	45	46
Members	34	35
General manager	74	—
Total	**260**	**191**

The board of directors has delegated the operational management of the Company to Benedikt Meyer as general manager. The general manager is compensated by the Company. LGT Group Foundation is the co-owner of LGT Capital Partners (Ireland) Ltd. which acts as AIFM/investment manager to the Group and receives a management fee for these services.

20 Segment reporting

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

	2016 TUSD	in %	2015 TUSD	in %
Assets				
America	43,047	22%	36,237	17%
Asia	28,750	14%	47,825	22%
Europe	42,452	21%	42,714	20%
Global	84,810	43%	86,779	41%
Total assets	**199,059**	**100%**	**213,555**	**100%**

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

21 Financial risk management

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

a) Market risks

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

The AIFM makes its decisions, including manager selections, based on a thorough understanding of the risk and performance characteristics of fund investments gained through detailed investigation and critical analysis. The AIFM selects underlying managers which it considers have robust risk controls and mechanisms. The monitoring of such fund investments is a continuous process. The investment portfolio is 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 AIFM have any ability to control or predict such market conditions. Although, with respect to market risk, the Group's investment approach is designed to achieve broad diversification on a global basis, from time to time, multiple market events could move together against the Group's underlying investments and the Group could suffer losses.

Underlying managers of fund investments may transfer a portion of the Group's investment in that fund into share classes where liquidity terms are directed by the underlying manager in accordance with the respective fund investment's offering memorandum, commonly referred to as side pocket share classes. These side pocket share classes may have restricted liquidity and prohibit the Group from fully liquidating its investments without delay. The Group's AIFM attempts to determine the fund investment's strategy on side pockets prior to making an allocation to such investment through its due diligence process. However, no assurance can be given on whether or not the fund investments will implement side pockets during the investment period. Fund investments may also, at their discretion, suspend redemptions or implement other restrictions on liquidity which could impact the Group. As of 31 December 2016, TUSD 4,329 or 2.2 per cent of net assets were considered illiquid by the Group due to restrictions implemented by certain fund investments (2015: TUSD 7,805 or 3.9 per cent).

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

As of 31 December 2016 and 2015, the Group's market risk was affected mainly by changes in actual market prices.

Value at Risk

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

Methods and Assumptions

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

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

Limitations to this Value at Risk Model

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

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

Value at Risk Summary

Value at Risk Summary	**2016**	**2015**
As of 31 December	1.07%	1.35%

The performance of the investments and the compilation of the investment portfolio held by the Group is monitored by the AIFM on a monthly basis and reviewed 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 AIFM monitors the Group's currency position on a monthly basis and the board of directors reviews it on a regular basis.

Currency risk

As of 31 December 2016	USD TUSD	CHF TUSD	Total TUSD
Assets			
Cash and cash equivalents	5,053	315	5,368
Accrued income and other receivables[1]	81	—	81
Investments designated at fair value through profit or loss	193,610	—	193,610
Total assets	**198,744**	**315**	**199,059**
Liabilities			
Accrued expenses and other payables[1]	343	452	795
Total liabilities	**343**	**452**	**795**

As of 31 December 2015	USD TUSD	CHF TUSD	Total TUSD
Assets			
Cash and cash equivalents	2,586	288	2,874
Accrued income and other receivables[1]	33,849	—	33,849
Investments designated at fair value through profit or loss	176,832	—	176,832
Total assets	**213,267**	**288**	**213,555**
Liabilities			
Borrowings	10,152	—	10,152
Accrued expenses and other payables[1]	904	360	1,264
Total liabilities	**11,056**	**360**	**11,416**

[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 AIFM 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

As of 31 December 2016	Less than 1 month TUSD	Non-interest bearing TUSD	Total TUSD
Assets			
Cash and cash equivalents	5,368	–	5,368
Accrued income and other receivables[1]	–	81	81
Investments designated at fair value through profit or loss	–	193,610	193,610
Total assets	**5,368**	**193,691**	**199,059**
Liabilities			
Accrued expenses and other payables[1]	–	795	795
Total current liabilities	**–**	**795**	**795**

As of 31 December 2015	Less than 1 month TUSD	Non-interest bearing TUSD	Total TUSD
Assets			
Cash and cash equivalents	2,874	–	2,874
Accrued income and other receivables[1]	–	33,849	33,849
Investments designated at fair value through profit or loss	–	176,832	176,832
Total assets	**2,874**	**210,681**	**213,555**
Liabilities			
Borrowings	10,152	–	10,152
Accrued expenses and other payables[1]	–	1,264	1,264
Total current liabilities	**10,152**	**1,264**	**11,416**

[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 AIFM monitors the Group's credit position on a monthly basis and the board of directors reviews it on a regular basis.

Credit risk

As of 31 December 2016	Fully performing TUSD	Total TUSD	S&P Rating
Assets			
Cash at LGT Bank Ltd., Vaduz	264	264	A+
Cash at BNP Paribas Securities Services, Dublin Branch	2,878	2,878	A
Cash at Citco Fund Services (Europe) B.V., Amsterdam	18	18	n/a
Cash at Zuercher Kantonalbank, Zurich	2,208	2,208	AAA
Accrued income and other receivables	81	81	n/a
Total exposure to credit risk	**5,449**	**5,449**	

As of 31 December 2015	Fully performing TUSD	Total TUSD	S&P Rating
Assets			
Cash at LGT Bank Ltd., Vaduz	181	181	A+
Cash at BNP Paribas Securities Services, Dublin Branch[1]	1,632	1,632	n/a
Cash at Citco Fund Services (Europe) B.V., Amsterdam	100	100	n/a
Cash at Zuercher Kantonalbank, Zurich	961	961	AAA
Accrued income and other receivables	33,849	33,849	n/a
Total exposure to credit risk	**36,723**	**36,723**	

[1] Formerly Credit Suisse until 30 May 2015.

c) Liquidity risk

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

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

As mentioned in note 14 the Subsidiaries have a credit line of total TUSD 15,000 (2015: TUSD 15,000) granted by LGT Bank Ltd., Dublin Branch (formerly LGT Bank (Ireland) Ltd., Dublin), which may be used for bridge financing purposes and helps to mitigate liquidity risk.

Liquidity risk

As of 31 December 2016	Less than 1 month TUSD	1 – 3 months TUSD	No stated maturity TUSD	Total TUSD
Liabilities				
Accrued expenses and other payables	280	515	–	795
Total current liabilities	**280**	**515**	–	**795**
Total outstanding commitment amount	**4,100**	–	–	**4,100**

As of 31 December 2015	Less than 1 month TUSD	1 – 3 months TUSD	No stated maturity TUSD	Total TUSD
Liabilities				
Borrowings	10,152	–	–	10,152
Accrued expenses and other payables	320	944	–	1,264
Total current liabilities	**10,472**	**944**	–	**11,416**
Total outstanding commitment amount	**4,100**	–	–	**4,100**

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

Liquidity risk – redemption periods

As of 31 December 2016	Less than 1 month TUSD	1–3 months TUSD	3–6 months TUSD	More than 6 months TUSD	Un-determined TUSD	Total TUSD
Redemptions periods	29,765	105,055	41,110	13,351	4,329	193,610
Total	**29,765**	**105,055**	**41,110**	**13,351**	**4,329**	**193,610**

As of 31 December 2015	Less than 1 month TUSD	1–3 months TUSD	3–6 months TUSD	More than 6 months TUSD	Un-determined TUSD	Total TUSD
Redemptions periods	20,922	91,931	43,146	13,028	7,805	176,832
Total	**20,922**	**91,931**	**43,146**	**13,028**	**7,805**	**176,832**

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

Liquidity risk – evented funds

As of 31 December 2016		Fair value TUSD
Fund investment	**Event**	
Bennelong Asia Pacific Multi Strategy Equity Fund Ltd.	Sidepocket	366
D.E. Shaw Composite International Ltd. (side pocket series)	Liquidation/ sidepocket	1,406
Drake Absolute Return Fund Ltd.	Liquidation	50
Galleon Technology Offshore Ltd.	Liquidation	570
Highland Crusader Fund II Ltd.	Liquidation	999
OZ Asia Overseas Fund Ltd.	Sidepocket	365
OZ Overseas Fund Ltd. Tranche C shares	Sidepocket	117
Raptor Private Holdings Ltd.	Liquidation	200
The Rohatyn Group Global Opportunity Fund Ltd.	Sidepocket	256
Total		**4,329**

As of 31 December 2015		Fair value TUSD
Fund investment	**Event**	
Bennelong Asia Pacific Multi Strategy Equity Fund Ltd.	Side pocket	437
Caxton Global Investments Ltd. Class SI	Side pocket	868
Cerberus Asia Partners L.P.	Side pocket	8
D.E. Shaw Composite International Ltd. (side pocket series)	Liquidation/ sidepocket	1,695
Drake Absolute Return Fund Ltd.	Liquidation	52
Galleon Technology Offshore Ltd.	Liquidation	598
Highland Crusader Fund II Ltd.	Liquidation	2,801
OZ Asia Overseas Fund Ltd.	Side pocket	538
OZ Overseas Fund Ltd. Tranche C shares	Side pocket	127
Raptor Private Holdings Ltd.	Liquidation	221
The Rohatyn Group Global Opportunity Fund Ltd.	Side pocket	345
Tudor BVI Global Fund Ltd. (legacy class)	Side pocket	115
Total		**7,805**

As discussed in note 1 side pocket 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 was due to expire on 1 July 2016 but was extended to 29 June 2018 and has a fair value of TUSD 1,899 (2015: TUSD 2,437).

In accordance with the Group's policy, the AIFM monitors the Group's liquidity position on a monthly basis and the board of directors reviews it on a 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 buyback 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. 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 will remain subject to ongoing review by the directors in light of future share trading conditions and 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 2nd 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 regulations in force at the time and with guidelines established from time to time by the board. Swiss law limits the right of a company to purchase and hold its own shares.

e) Fair value estimation

Fund investments for which market quotations are not readily available are valued at their fair values as described below. Fund investments are normally valued at their net asset value as advised by the underlying managers/administrators of such funds. Such valuations are necessarily dependent upon the reasonableness of the valuations provided by the underlying managers/administrators of such funds and whether the valuation bases used are IFRS and fair value compliant. The responsibility for determining the fair value lies exclusively with the board of directors. The board of directors under advice from the AIFM may perform additional procedures on fund investments, including but not limited to underlying manager/administrator due diligence and other analytical procedures. If the directors are aware of 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 h) (iii) for further valuation information.

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

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

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

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

The following table analyses within the fair value hierarchy the Group's financial assets (by class) measured at fair value at 31 December 2016 and 2015.

As of 31 December 2016	**Level 1 TUSD**	**Level 2 TUSD**	**Level 3 TUSD**	**Total TUSD**
Assets				
Assets designated at fair value through profit or loss:				
Investments	–	187,382	6,228	193,610
Total	**–**	**187,382**	**6,228**	**193,610**

As of 31 December 2015	**Level 1 TUSD**	**Level 2 TUSD**	**Level 3 TUSD**	**Total TUSD**
Assets				
Assets designated at fair value through profit or loss:				
Investments	–	166,590	10,242	176,832
Total	**–**	**166,590**	**10,242**	**176,832**

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. The Group does not hold level 1 investments as of 31 December 2016 and 31 December 2015.

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

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments include hedge fund investments that, due to various events and/or the illiquid nature of the underlying assets, are not readily realisable. See also note 21 c) liquidity risk. There were no transfers in 2015 and 2016.

If the value of the level 3 investments (based on year end values) had increased or decreased by 5 per cent with all other variables held constant, the impact on the consolidated statement of comprehensive income and consolidated balance sheet would have been TUSD 311 (2015: TUSD 512). For further sensitivity analysis on the investments please refer to note 21 a) (i).

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

Diversification by geography	**2016** **% of financial assets at fair value through profit or loss**	**2015** **% of financial assets at fair value through profit or loss**
America	28%	36%
Asia	6%	5%
Global	66%	59%
Total	**100%**	**100%**

As of 31 December 2016, 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 31 December 2016, the Group had received redemption proceeds amounting to TUSD 12,033.

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 side pockets which are illiquid. These side pocket positions were classified as level 3 in the annual report of 2011.

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

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

As of 31 December 2016	**Investments designated at fair value through profit or loss TUSD**
Assets	
At 1 January	10,242
Total loss	(467)
Sales	(3,547)
Transfers in/out	—
At 31 December	**6,228**
Total unrealised gain for the year included in the statement of comprehensive income for investments held at the end of the year	**1,864**

As of 31 December 2015	**Investments designated at fair value through profit or loss TUSD**
Assets	
At 1 January	13,548
Total loss	(184)
Sales	(3,122)
Transfers in/out	—
At 31 December	**10,242**
Total unrealised gain for the year included in the statement of comprehensive income for investments held at the end of the year	**880**

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

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

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

As of 31 December 2016	Commitment in TUSD	Open commitment amount in TUSD
Crown Distressed Credit Opportunities plc	16,500	4,100
Total	**16,500**	**4,100**

As of 31 December 2015	Commitment in TUSD	Open commitment amount in TUSD
Cerberus Asia Partners L.P.	5,000	—
Crown Distressed Credit Opportunities plc	16,500	4,100
Total	**21,500**	**4,100**

The nature of these commitments is that they can be called at the respective 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 2016.

23 Subsequent events

The consolidated financial statements are authorised for issue on 21 March 2017 by the board of directors. The annual general meeting called for 16 May 2017 will vote on the final acceptance of the consolidated financial statements.

Since the balance sheet date of 31 December 2016 Castle Alternative Invest AG purchased 107,650 treasury shares on its second trading line to the amount of TUSD 1,811. As of 21 March 2017 the Company held in total 892,185 treasury shares on its second trading line.

Since the balance sheet date of 31 December 2016, 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 (SZ)

Report on the audit of the financial statements

Opinion
We have audited the financial statements of Castle Alternative Invest AG ("the Company"), which comprise the balance sheet as at 31 December 2016, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements as at 31 December 2016 comply with Swiss law and the Company's articles of incorporation.

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

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

Our audit approach

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

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

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

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH8050 Zürich, Switzerland
Telefon: +41 58 792 44 00, Telefax: +41 58 792 44 10, www.pwc.ch

Overall materiality	CHF 1,796,000
How we determined it	1% of total shareholders' equity
Rationale for the materiality benchmark applied	We chose total shareholders' equity as the benchmark because, in our view, it is the benchmark against which the performance of the entity is most commonly measured, and is a generally accepted benchmark.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, are of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Responsibilities of the board of directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers AG

Daniel Pajer	Keith Killackey
Audit expert	
Auditor in charge	

Zurich, 22 March 2017

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Balance sheet

As of 31 December 2016 (All amounts in CHF thousands unless otherwise stated)

	Note	2016	2015
Assets			
Current assets:			
Cash and cash equivalents		2,453	1,103
Total current assets		**2,453**	**1,103**
Non-current assets:			
Participations	3	177,647	196,028
Total non-current assets		**177,647**	**196,028**
Total assets		**180,100**	**197,131**
Liabilities			
Current liabilities:			
Other payables		328	268
Accrued expenses		132	92
Total current liabilities		**460**	**360**
Equity			
Shareholders' equity:	7		
Share capital		48,269	53,780
Legal reserves			
Reserves from capital contributions		62,344	62,344
Other legal reserves		31,907	31,907
Accumulated surplus brought forward		50,662	63,092
Treasury shares at cost (bought for cancellation)		(13,542)	(14,352)
Total shareholders' equity		**179,640**	**196,771**
Total liabilities and equity		**180,100**	**197,131**

Statement of income and accumulated surplus/(deficit)

For the year ended 31 December 2016 (All amounts in CHF thousands unless otherwise stated)

	Note	2016	2015
Income			
Value adjustments on participations	2 b)	(21,333)	(4,886)
Dividends from participations		19,919	22,105
Gain/(loss) on foreign exchange, net		1	(304)
Other translation differences		2,993	561
Other income		1	1
Total income		**1,582**	**17,477**
Expenses			
Administrative expenses		(607)	(516)
Financial expenses		(178)	(172)
Total expenses		**(785)**	**(688)**
Profit before taxes		**797**	**16,789**
Taxes	5	(12)	(13)
Profit for the year		**785**	**16,776**
Accumulated surplus			
Accumulated surplus brought forward		63,092	63,556
Profit for the year		785	16,776
Cancellation of treasury shares		(13,215)	(17,240)
Accumulated surplus brought forward		**50,662**	**63,092**
Proposal of the board of directors for appropriation of accumulated surplus			
To be carried forward		50,662	63,092
Total		**50,662**	**63,092**

Notes to the company financial statements

For the year ended 31 December 2016
(All amounts in Swiss Francs thousands unless otherwise stated)

1 Organisation and business activity

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

Since 10 April 1997, the shares of the Company have been listed in Swiss Francs on the SIX Swiss Exchange and on 21 January 2002, a listing in US Dollar on the SIX Swiss Exchange followed.

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.

As of 31 December 2016 and 2015 the Company did not employ any employees.

2 Accounting principles

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

a) Participations
The participation in the Cayman Subsidiary is stated at acquisition cost or at the lower net realisable value. As of 31 December 2016 the participations were revalued into Swiss Francs using the net asset value of the Cayman Subsidiary at 31 December 2016 in US Dollar, converted into Swiss Francs using the year-end rate.

b) Accounting and reporting currency
The books of the Company are kept in US Dollar (functional currency). The board of directors resolved that the Company's financial statements shall be presented in Swiss Francs, in line with the provisions of the CO. As of 1 January 2015 the Company has discontinued to value its participation at the historic exchange rate and applies the modified current/non-current method as follows:

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

The translation difference from the conversion of the functional currency to the reporting currency is recorded in the statement of income as other translation differences. Net foreign exchange losses from the revaluation of an asset or liability not denominated in the Company's functional currency are charged to the statement of income, whereas net translation gains are deferred (unless such translation gains are a recovery of translation losses previously charged to the statement of income).

Balance sheet reconciliation of participation carrying value	2016 TCHF	2015 TCHF
1 January	**196,028**	**200,914**
Valuation adjustment on participation	(21,333)	(4,886)
Foreign exchange translation differences on participation (before dissolution of deferred translation gains)	2,952	—
31 December 2016	**177,647**	**196,028**

3 Participations

The Company's only direct investment is 100 per cent of the voting participating redeemable ordinary shares of the Cayman Subsidiary. The Company holds 3,862,360 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.

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.

Nominal share capital Issued and fully paid	Cayman Subsidiary TCHF	Total book value of participations TCHF
31 December 2015	39	196,028
31 December 2016	**39**	**177,647**

4 Foreign exchange rates

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

Foreign exchange rates		Unit	2016 CHF	2015 CHF
US Dollar	Year-end rates	1 USD	1.0172	1.0003
US Dollar	Average annual rates	1 USD	0.9861	0.9653

5 Taxes

The Company is taxed as a holding company and is as such liable for cantonal/communal capital taxes (reduced rates) and Swiss federal income taxes. The actual tax expenses cover all taxes through 31 December 2016.

6 Pledged assets

As of 31 December 2016, the Subsidiaries have a credit line of TUSD 15,000 (31 December 2015: TUSD 15,000). The credit line is granted by LGT Bank Ltd., Dublin Branch (formerly 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 2016, the Ireland Subsidiary had no borrowings from LGT Bank Ltd., Dublin Branch (formerly LGT Bank (Ireland) Limited) (2015: TUSD 10,152).

7 Shareholders' equity

Shareholders' equity
As of 31 December 2016 the share capital of the Company amounts to TCHF 48,269 (TUSD 35,795) and as of 31 December 2015 to TCHF 53,780 (TUSD 39,882) consisting of 9,653,732 (2015: 10,756,059) issued and fully paid registered shares with a par value of CHF 5. The reduction is due to the cancellation of 2nd line treasury shares which took place in August 2016. For more information see the paragraph "Share buyback 2nd line" below. Each share entitles the holder to participate in any distribution of income and capital.

Share buyback 2nd line (bought for cancellation)
Since 2010, the Company has announced openings of second trading lines on a yearly basis for the Company's shares on the SIX Swiss Exchange. The Company is always the exclusive buyer on these trading lines and repurchases shares for the purpose of subsequently reducing its share capital. The Company has purchased treasury shares on its second trading lines according to the following summaries. These treasury shares are treated as a deduction from shareholders' equity using cost values.

On 1 June 2016, the Company announced that the board of directors decided to launch a new share buyback program for reduction of the share capital through a 2nd line trading line on SIX Swiss Exchange. It started on 6 June 2016 and a maximum of 649,914 registered shares will be purchased.

Share buyback via tradable put options (bought for cancellation)
On 18 May 2015, the Company announced its decision to issue further put options tradable on the SIX Swiss Exchange. Every 30 put options entitled shareholders to tender one registered share at the exercise price of CHF 17.80 until 4 June 2015. The put options were traded from 21 May 2015 up to and including 4 June 2015. On 5 June 2015, the Company announced that a total of 10,532,370 put options were declared for exercise.

On 10 May 2016, the Company announced its decision to issue further put options tradable on the SIX Swiss Exchange. Every 30 put options entitled shareholders to tender one registered share at the exercise price of CHF 17.80 until 30 May 2016. The put options were traded from 17 May 2016 up to and including 30 May 2016. On 1 June 2016, the Company announced that a total of 9,463,770 put options were declared for exercise. These treasury shares are treated as a deduction from shareholders' equity using cost values.

Treasury shares

Buyback programs	From	To	Cancelled	Number of shares	Cost TUSD	Cost TCHF
Program initiated on 6 June 2013, announced on 14 May 2013						
Additions 2013	06.06.2013	31.12.2013	12.08.2014	546,000	8,072	7,391
Additions 2014	01.01.2014	01.05.2014	12.08.2014	365,000	5,472	4,867
Additions 2014	02.05.2014	16.09.2014	06.08.2015	416,128	6,423	5,797
Total				**1,327,128**	**19,967**	**18,055**
Program initiated on 2 October 2014, announced on 13 May 2014						
Additions 2014	02.10.2014	31.12.2014	06.08.2015	258,000	4,133	3,976
Additions 2015	01.01.2015	08.05.2015	06.08.2015	369,000	6,335	6,011
Additions 2015	11.05.2015	20.05.2015	05.08.2016	31,798	574	531
Total				**658,798**	**11,042**	**10,518**
Program initiated on 9 June 2015, announced on 5 June 2015						
Additions 2015	09.06.2015	31.12.2015	05.08.2016	455,300	7,801	7,563
Additions 2016	01.01.2016	06.05.2016	05.08.2016	264,150	4,445	4,374
Additions 2016	09.05.2016	10.05.2016	—	5,076	86	83
Total				**724,526**	**12,332**	**12,020**
Program initiated on 6 June 2016, announced on 1 June 2016						
Additions 2016	06.06.2016	31.12.2016	—	464,000	7,952	7,836
Total on 31 December 2016				**464,000**	**7,952**	**7,836**

Movement of treasury shares 2nd line and tradable put options (bought for cancellation)	Number of shares	Cost TUSD	Cost TCHF
Shares held as of 1 January 2015	**1,253,151**	**20,556**	**19,340**
Additions 2015 via 2nd line	856,098	14,710	14,105
Additions 2015 via tradable put options	351,079	6,724	6,258
Cancellation on 6 August 2015	(1,622,151)	(26,891)	(25,351)
Shares held as of 31 December 2015	**838,177**	**15,099**	**14,352**
Additions 2016 via 2nd line	733,226	12,483	12,293
Additions 2016 via tradable put options	315,459	5,695	5,623
Cancellation on 5 August 2016	(1,102,327)	(19,544)	(18,726)
Shares held as of 31 December 2016	**784,535**	**13,733**	**13,542**

Legal 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 legal reserves, effective 1 January 2011. The legal reserves to the amount of TCHF 100,435 were divided into legal reserves from capital contributions of TCHF 68,528 and other legal 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.

Shareholders' equity

In 2016 (all amounts in CHF thousands unless otherwise stated)

	Share capital	Legal reserves		Accumulated surplus	Treasury shares 2nd line at cost (bought for cancellation)	Total
		Reserves from capital contributions	Other legal reserve			
31 December 2015	**53,780**	**62,344**	**31,907**	**63,092**	**(14,352)**	**196,771**
Cancellation of treasury shares	(5,511)	—	—	(13,215)	18,726	—
Purchase of treasury shares (bought for cancellation)	—	—	—	—	(17,916)	(17,916)
Profit for the year	—	—	—	785	—	785
31 December 2016	**48,269**	**62,344**	**31,907**	**50,662**	**(13,542)**	**179,640**

8 Major shareholders

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

Major shareholders	31 December 2016	31 December 2015
Between 20% and 33 1/3%	LGT Group, Liechtenstein	LGT Group, Liechtenstein
Between 10% and 20%	LGT Capital Partners, Switzerland, on behalf of pension funds	LGT Capital Partners, Switzerland, on behalf of pension funds
Between 3% and 10%	Stiftung Fürst Liechtenstein II BKS Global PCC Limited, Guernsey	Stiftung Fürst Liechtenstein II BKS Global PCC Limited, Guernsey South Yorkshire Pensions Authority, United Kingdom

9 Compensation and share ownership

The annual remuneration and expense allowances paid to the members of the board of directors as well as the premium paid for the officers liability insurance are detailed within the remuneration report on pages 78 to 81 of this report.

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	2016	2015
Castle Alternative Invest AG		
Members of the board of directors		
Reto Koller	8,000	8,000
Dr André Lagger	4,755	4,755
Total	**12,755**	**12,755**
LGT Capital Partners (Ireland) Ltd.		
Members of the board of directors		
Dr Hans Markvoort	–	2,250[1)]
Dr Roberto Paganoni	4,000	4,000
Total	**4,000**	**6,250**

1) Held by relatives.

10 Auditors

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

Total audit fees charges by PricewaterhouseCoopers for the audit 2016 of the Company to TCHF 65 (2015: TCHF 61).

11 Subsequent events

The Company's financial statements are authorised for issue on 21 March 2017 by the board of directors. The annual general meeting called for 16 May 2017 will vote on the final acceptance of the Company's financial statements.

Since the balance sheet date of 31 December 2016 Castle Alternative Invest AG purchased 107,650 treasury shares on its second trading line to the amount of TUSD 1,811. As of 21 March 2017 the Company held in total 892,185 treasury shares on its second trading line.

Since the balance sheet date of 31 December 2016, 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 (SZ)

We have audited the accompanying remuneration report of Castle Alternative Invest AG for the year ended 31 December 2016.

Board of directors' responsibility

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

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance. An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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

Opinion

In our opinion, the remuneration report of Castle Alternative Invest AG for the year ended 31 December 2016 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Daniel Pajer Audit expert Auditor in charge	Keith Killackey

Zurich, 22 March 2017

Remuneration report

The remuneration report contains information about the principles of remuneration, procedures for determining remuneration and components of remuneration for the board of directors and management of Castle Alternative Invest AG. It also details the remuneration awarded in 2015 and 2016 as well as the planned components of remuneration in 2017. It is based on the provisions of the Articles of Incorporation, the transparency requirements set out in Articles 13–16 of the Swiss Ordinance against Excessive Compensation in Listed Companies (VegüV) and Article 663b^{bis} of the Swiss Code of Obligations, the SIX Swiss Exchange Directive on Information relating to Corporate Governance and the principles of the Swiss Code of Best Practice for Corporate Governance drawn up by Economiesuisse.

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

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

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

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

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

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

Structure of remuneration

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

Remuneration policy

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

Remuneration	2016 CHF	2015 CHF
Chairman	55,000	55,000
Deputy chairman	44,000	44,000
Committee chairman	44,000	44,000
Member	33,000	33,000
General manager	75,000	—

The remuneration shall be payable by the end of each quarter. The remuneration of the general manager shall be payable once per year and is due at the end of January of each calendar year.

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

Travel and other expenses	2016 CHF	2015 CHF
Switzerland based	250	250
Europe based	1,500	1,500
Overseas based	7,000	7,000

Expense accounts in excess of CHF 5,000 shall be signed off by the chairman (or, in the chairman's case, by the deputy chairman). Accounts below such may be signed off by the general manager.

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

Remuneration for financial year 2016 (Article 14 VegüV)

The table below shows the remuneration for the members of the board of directors and the management in the year 2016 and 2015. The total remuneration of the Company does not include the employers contributions to social security of TCHF 5 (31 December 2015: TCHF 6). In addition, the Company paid in 2016 a Directors and Officers liability insurance premium of TCHF 12 (31 December 2015: TCHF 11). Travel expenses amounted to TCHF 28 (31 December 2015: TCHF 25).

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

	Cash compensation CHF	Social security payments CHF	Travel and other expenses CHF	Total remuneration CHF
As of 31 December 2016				
Tim Steel, chairman	51,576	3,424	3,204	58,204
Dr Konrad Bächinger, deputy chairman	42,606	1,394	864	44,864
Reto Koller, committee chairman – audit committee	44,000	—	21,000	65,000
Dr André Lagger, committee chairman – remuneration committee	—	—	—	—
Kevin Mathews, member	33,000	—	3,000	36,000
General manager	75,000	—	—	75,000
Total	**246,182**	**4,818**	**28,068**	**279,068**

	Cash compensation CHF	Social security payments CHF	Travel and other expenses CHF	Total remuneration CHF
As of 31 December 2015				
Tim Steel, chairman	51,562	3,438	3,500	58,500
Dr Konrad Bächinger, deputy chairman	41,925	2,075	450	44,450
Reto Koller, committee chairman – audit committee	44,000	—	17,000	61,000
Dr André Lagger, committee chairman – remuneration committee	—	—	—	—
Kevin Mathews, member	33,000	—	3,500	36,500
Total	**170,487**	**5,513**	**24,450**	**200,450**

Loans and credits to board members and the management (Article 15 VegüV)
No further loans or credits by the Company or its subsidiaries for their activities have been granted to members of the board of directors in the financial year 2016.

Compensation, loans and credits to related parties (Article 16 VegüV)
No further compensation, loans or credits by the Company or its subsidiaries for their activities have been granted to any related party in the financial year 2016.

Dr André Lagger Benedikt Meyer

22 March 2017

Corporate governance

1. Group structure and shareholders

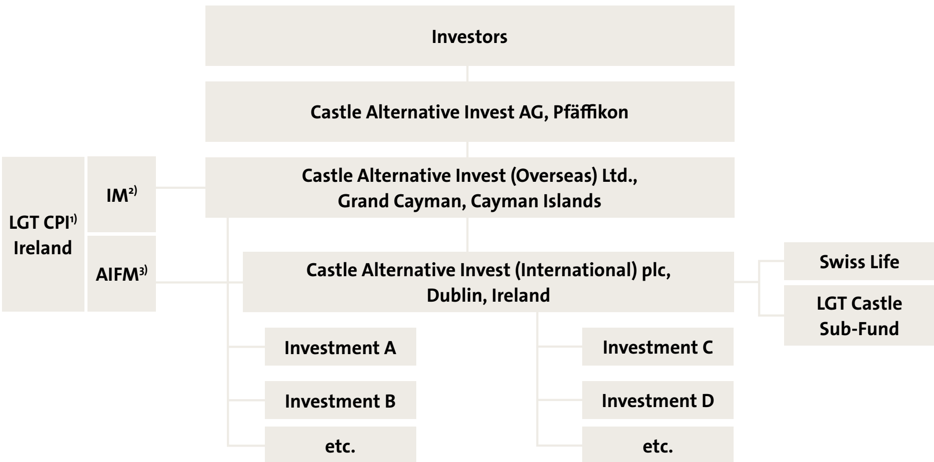
Castle Alternative Invest ("the Group") consists of Castle Alternative Invest AG ("the Company") and two fully consolidated subsidiaries as shown below and as listed in note 1 to the consolidated financial statements. The Company's registered office is Schützenstrasse 6, 8808 Pfäffikon, Switzerland.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

1.1 Significant shareholders
The shareholding structure of the Company as of 31 December 2016 is shown below:
- LGT Group Foundation, Liechtenstein, reported a holding of 31.16 per cent.
- LGT Capital Partners AG, Switzerland (as asset manager of LGT's pension foundations), reported a holding of 15.87 per cent.
- Stiftung Fürst Liechtenstein II, Liechtenstein, reported a holding of 5.49 per cent.
- BKS Global PCC Limited A, Guernsey, reported a holding of 3.09 per cent.

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

As at 31 December 2016, the Group no longer held any treasury shares that were purchased in the first line. The Group has not entered into any cross-shareholdings that exceed 5 per cent of the capital shareholding as voting rights on either side.

1.2 Group structure



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

2. Capital structure

2.1 Capital

The Company's share capital consists of 9,653,732 registered shares with a par value of CHF 5 each. The shares are listed in US Dollar and Swiss Franc at the SIX Swiss Exchange in Zurich with ISIN CH0005092751 and valor number 509275.

Since 2010, the Company has announced openings of second trading lines on a yearly basis for the Company's shares on the SIX Swiss Exchange. The Company is always the exclusive buyer on these trading lines and repurchases shares for the purpose of subsequently reducing its share capital. These shares are treated as a deduction from shareholders' equity using cost values. See also note 7 of the Company financial statements.

On 5 June 2015, the Company announced the opening of a new, 2nd line buyback program which was approved at the 2015 AGM. On 20 May 2015, the company terminated the fifth 2nd line buyback program early having announced that each shareholder would be granted, free of charge, tradable put options. As a result, 351,079 shares were tendered to the Company on 5 June 2015. On 9 June 2015, the Company started its sixth share buyback program on the second trading line. This program was terminated early on 10 May 2016 with the Company buying back 724,526 shares; the maximum number of shares approved at the 2015 AGM.

On 10 May 2016, it was announced that each shareholder would be granted, free of charge, tradable put options: 1 put option per registered share. 30 put options entitled the holder to tender 1 registered share. 315,459 shares were tendered to the Company on 1 June 2016.

On 6 June 2016, the Company started the seventh share buyback for cancellation on a second trading line, as approved at the 2016 AGM. A maximum of 649,914 shares can be bought back.

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

A detailed overview of the capital structure is shown in notes 1 and 16 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 2016 annual report.

The market capitalisation of the Company (ISIN: CH0005092751/Valor: 509275) per year end 2016 amounted to approx. TUSD 151,810. There are no outstanding convertible bonds or options issued by the Company or any of its subsidiaries on the Company's securities.

2.2 Voting rights, share registration

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

Entry of registered shares with voting rights may be refused in the following situations:
Persons not expressly declaring themselves 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 requirements stipulated by the Stock Exchange Act are complied with. The board of directors has the right to enter into agreements with nominees concerning their disclosure requirements.

Legal entities 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 restrictions are considered as one shareholder or nominee.

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

No agreements with nominees were entered into, nor were exceptions to the above regulations granted in 2016.

3. Board of directors

As of 31 December 2016, all members of the board of directors are non-executive. None of the members have been members of management of the Company or one of its subsidiaries over the last three years. Dr Andre Lagger is affiliated with LGT Group Foundation, which owns the investment manager that manages the Group's investments.

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

The board is composed of the following members:

Board of directors

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

Tim Steel, chairman

Tim Steel (British Citizen, 1952) was educated at Eton (Oppidan Scholar) and Trinity College, Cambridge (Philosophy and Law). He joined Robert Fleming as an analyst and was then a pension fund manager from 1974 to 1979. He joined Cazenove & Co in 1980 as an equity salesman and became Partner in 1982. Tim Steel ran the New York office from 1983 before returning to London in 1989 when he was made Head of UK Sales. He was appointed as managing director of Cazenove Capital Management Limited in 2000 and retired as vice chairman at the end of 2009. Since 2011 he has been a non-executive director of ProPhotonix and since 2013 chairman of Committed Capital. Since 2014 he has been a non-executive director of WH Ireland Limited and is currently serving as the chairman of that board. Tim Steel was elected at the general meeting held on 29 October 2008 and was reelected at the general meeting held in May 2016 for a term ending at the 2017 annual shareholder meeting.

Dr Konrad Bächinger, deputy chairman and remuneration committee member

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

Dr Bächinger is also deputy chairman of the board of directors of Castle Private Equity AG and chairman and board member of several investment companies managed or owned by affiliates of LGT Group Foundation. Dr Bächinger was elected to the board of directors in 1997 and was re-elected at the general meeting held on May 2016 for a term ending at the 2017 annual shareholder meeting.

Dr André Lagger, director and remuneration committee chairman

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

André Lagger was elected at the general meeting held in May 2016 for a term ending at the 2017 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 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 2016 for a term ending at the 2017 annual shareholder meeting.

Kevin Mathews, director and audit committee member

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

Kevin Mathews was elected at the general meeting held on 29 October 2008 and was re-elected at the general meeting held in May 2016 for a term ending at the 2017 annual shareholder meeting.

3.1 Responsibilities

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

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

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

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

The audit committee's duties include:

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

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

3.2 Organisation

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

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

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

The board considers agenda items laid out in the notice and agenda which are formally circulated to the board in advance of any meeting as part of the board papers. The members of the board may request any agenda items to be added that they consider appropriate for board discussion. In addition each director is required to inform the board of any potential or actual conflict of interest prior to board discussion. In 2016, three board meetings, one remuneration committee meeting and five audit committee meetings were held, with an average duration of between two and four hours. Board meetings are attended by representatives of the investment manager and the general manager. In addition to the physical meetings, various ad hoc meetings and phone conference calls were held throughout the year to deal with matters substantially of an administrative nature and these were attended by the directors available at the time.

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

3.3 Information and control

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

4. Management

4.1 General manager

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

Benedikt Meyer

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

4.2 Investment management

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

The main responsibilities of the investment manager are:

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

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

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

The fees paid to the investment manager include payment for the services of Benedikt Meyer as general manager. Other significant fee arrangements for the management of the Company's assets are listed in note 18 of the consolidated financial statements.

5. Compensation, shareholdings and loans

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

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

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

6. Voting and representation restrictions

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

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

6.2 General meeting of shareholders
The next shareholders' meeting is scheduled for 16 May 2017 and shall be convened by publication in the Swiss Official Gazette of Commerce at least 20 days prior to the date of the meeting.

Shareholders registered with voting rights in the shareholders' register until and including 8 May 2017 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 8 May 2017 and the end of the general meeting.

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

6.3 Statutory quorums

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

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

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

7. Change of control

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

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

8. Auditors

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

Total audit fees charged by PricewaterhouseCoopers for the 2016 audit amounted to TUSD 147 (2015: TUSD 119).

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

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

9. Information policy

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

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

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

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

Share information

Exchange rate CHF/USD: 1.0172

	2008	2009	2010	2011	2012	2013	2014	2015	2016	Since inception
Share information										
Number of bearer shares at year-end	38,501,000	38,501,000	19,707,060	17,481,596	16,352,817	13,371,710	12,378,210	10,756,059	9,653,732	
CAI Net asset value (USD)	14.17	15.95	16.66	15.60	16.83	18.97	19.70	19.83	19.91	
CAI Net asset value (CHF)	15.19	16.50	15.56	14.64	15.39	16.86	19.58	19.82	20.25	
CAI Closing price (USD)	7.50[3]	12.35[3]	12.30[3]	11.65[3]	12.70[3]	14.40[3]	16.45[3]	16.25[3]	16.40[3]	
CAI Closing price (CHF)	8.15	12.60	11.90	11.50	11.60	13.00	16.45	16.55	16.95	
Share performance										
CAI Net asset value (USD)	(14.6%)	12.6%	4.5%	(6.4%)	7.9%	12.7%	3.8%	0.7%	0.4%	205.8%[1]
CAI Net asset value (CHF)	(18.6%)	8.6%	(5.7%)	(5.9%)	5.1%	9.6%	16.1%	1.2%	2.2%	95.8%[2]
CAI Closing price (USD)	(47.6%)[3]	64.7%[3]	(0.4%)[3]	(5.3%)[3]	9.0%[3]	13.4%[3]	14.2%[3]	(1.2%)[3]	0.9%[3]	64.5%[3]
CAI Closing price (CHF)	(49.7%)	54.6%	(5.6%)	(3.4%)	0.9%	12.1%	26.5%	0.6%	2.4%	64.5%

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

Publication of net asset value
www.castleai.com

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

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