Annual Report

2013

castle
ALTERNATIVE INVEST

Contents

Further information

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

Publication date

This report was released for publication on 1 April 2014.
The subsequent event note in the financial statements has been updated to 31 March 2014.
Amounts in the report are stated in USD thousands (TUSD) unless otherwise stated.

Castle Alternative Invest AG in 2013

		December 2013	December 2012
Net asset value up 12.7 per cent	Castle Alternative Invest AG's ("Castle", "CAI" or the "Company") net asset value increased by 12.7 per cent (USD +2.14 per share) in 2013. The annualised NAV return in Dollars since inception is +6.6 per cent.	USD 18.97 per share TUSD 241,694	USD 16.83 per share TUSD 229,800
Share price increased by 13.4 per cent	The USD share price increased 13.4 per cent on the SIX-Swiss Exchange during the year. The Swiss franc price increased by 12.1 per cent from CHF 11.60 per share to CHF 13.00 per share. The discount to the NAV of the USD shares narrowed marginally to 24.1 per cent compared to 24.5 per cent in December 2012.	USD 14.40 per share	USD 12.70 per share
Cancellation of shares and capital reduction	The annual general meeting of the Company, on 14 May 2013, approved a share capital reduction by way of cancellation of 2,981,107 shares. The cancellation process was completed by 22 August 2013 and the shares duly cancelled. Accordingly, the share capital of Castle AI has been reduced from CHF 81,764,085 to CHF 66,858,550 or 13,371,710 shares.	13,371,710 shares in issue	16,352,817 shares in issue
Second line buy back for cancellation	On 6 June 2013, the Company announced the opening of a new, second line buy back programme which was approved at the 2013 AGM. On 25 July 2013 Castle Alternative Invest AG announced that it has received an exemption from the Swiss Takeover Board for its second line share buyback programme initiated on 6 June 2013. Under the exemption, from 21 August 2013, the daily volume limit amounts to 5,000 shares per day. A further 82,500 shares were purchased for cancellation in the previous second line buyback programme which ended on 5 June 2013. It is intended that a resolution be proposed to the 2014 annual general meeting to reduce the capital of the Company by the full amount of shares acquired in second line trading.		

Chairman's statement

Dear shareholders,

2013 proved to be a good year for most investors and it ended on a particularly strong note. Castle Alternative Invest AG ("the Company") made steady progress despite the volatility caused by the prospect of the US Federal Reserve Board beginning to "taper" its purchases of US bonds. Political uncertainty in the US and China again sapped investor confidence at times during the year. However, overall, the results of the funds which we held were generally satisfactory in 2013, with all four major fund styles contributing positively to returns for the year.

The Company's NAV rose by more than 12 per cent over the year, putting us towards the upper end of returns for all funds of hedge funds. The Company now possesses a seventeen year track record of stable capital appreciation with low correlation to equity and bond market returns and low volatility. Over the course of the year, the share price was up 13.4 per cent in US Dollars and 12.1 per cent in Swiss Francs.

On 6 June 2013, the Company initiated the current second line buyback programme, the fourth so far. By 31 March 2014, the Company had purchased 811,000 shares (6.1 per cent of the shares outstanding) through second line trading in the current programme. New regulations introduced in 2013 limited the number of shares the Company could buy on the second line to a maximum of 5,000 shares per day. A resolution will be proposed at the 2014 annual general meeting to reduce the capital of the Company by the amount of shares acquired in the current second line trading, together with the 82,500 shares that remain to be cancelled from last year's buyback programme.

For the full year 2013, the NAV of the underlying portfolio rose by 12.7 per cent overall in US Dollars. Since inception, the Company's NAV has increased by 6.6 per cent per annum exceeding both equity and bond returns over that period. All the main fund styles delivered positive returns, with event driven managers doing particularly well: this fund style as a whole was up 20.6 per cent, with Third Point Ultra, a US based event driven manager, producing the best returns of all. Other notable contributions came from Discovery Global Opportunity Fund (Global macro focussed on emerging markets) and Indus Pacific Opportunities Fund (pan Asia long/short).

On 31 January 2014, an extraordinary general meeting of the Company approved a proposal to cancel the listing of the Company’s shares on the London Stock Exchange. The cancellation took effect on 3 March 2014. The Company’s shares continue to be listed on the SIX Swiss Exchange.

The board remains convinced that a well diversified portfolio of hedge funds can deliver attractive risk adjusted returns. Ideally, this should be associated with a modest degree of discount volatility. We will continue our efforts to achieve this in the coming year through second line share buybacks as we have done in the past. Regrettably, our ability to do this in 2013 was restricted by the newly imposed limits on the volume of shares that can be bought back by the Company each day.

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

Yours sincerely,

Tim Steel
Chairman of the board of directors

Investment manager's report

Financial markets and hedge fund strategies

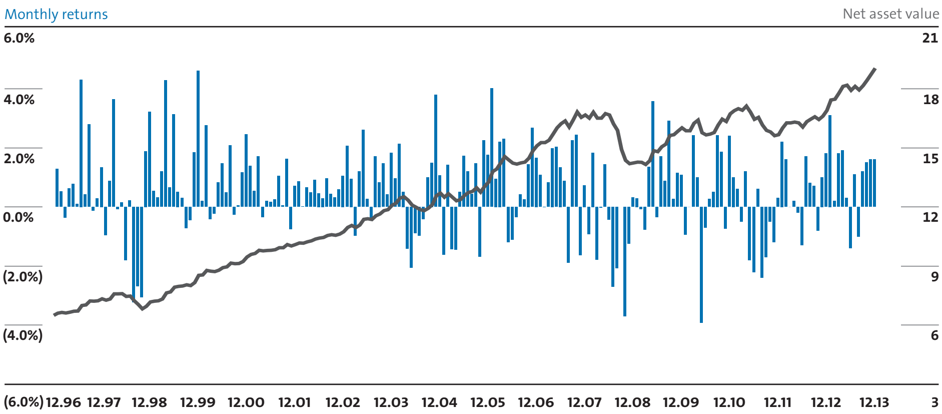
Financial market backdrop

2013 was a year marked by a gradual return to normality and continued accommodative monetary policy. "Abenomics" and "tapering" were new terms introduced to the financial vocabulary, and most asset classes delivered gains with the notable exception of the emerging markets and gold.

Macro – Global growth was moderate with an upswing in the developed countries and weakness in the large emerging markets. The Eurozone emerged from recession in mid-2013 partly due to low interest rates and as peripheral countries adjusted their current account balances. In the US, spending cuts and tax increases (negative effects of the fiscal cliff) were offset by expansionary monetary policy which boosted the labour market, with unemployment falling to 6.7 per cent in December, down from 8 per cent in 2012. The US federal government was partially shut down for 3 weeks in October (the first time in 17 years) due to a budget impasse. After much speculation which started in May/June over the timing and magnitude of tapering, outgoing Fed chairman Bernanke announced in December that the Central Bank would reduce its bond-buying program by USD 10 billion a month from USD 85 billion to USD 75 billion. In Japan, a three-pronged economic plan that included printing money, government stimulus and structural reforms ("Abenomics") was introduced to stimulate growth. The target is to double the country's monetary base within two years and double its inflation target to 2 per cent. In China, the once-a-decade transfer of power took place in March. The country continued to shift from an export-oriented economic model to one focused on domestic consumption, with a lower annual growth target of 7.5 per cent.

Equities – On the back of a rosier macroeconomic backdrop and low interest rates, global equities rallied. The best performing major bourse was Japan – helped by the weaker Yen – which gained 51 per cent. The S&P advanced 30 per cent (the best year since 1997) while the Nasdaq reached a 13-year high (but remained 15 per cent below its peak reached in 2000). European equities were up 17 per cent led by the peripheral markets (Ireland +33 per cent). Emerging markets declined 5 per cent as a group.

Development NAV Castle Alternative Invest AG in USD[1)]



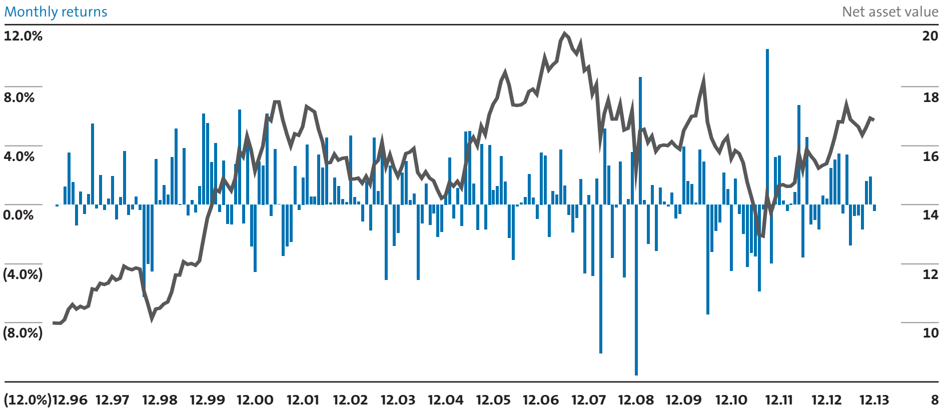
1) Before September 1999, CAI (Overseas) Ltd. pro-forma performance numbers (real numbers adjusted for currency hedging, net of management fee and performance fee but gross of cost on CAI AG level)

Fixed income – While short-term interest rates remained low, the yield curve steepened with the spread between 2-year and 10-year Treasuries widening from 150 bps in January to a one year high of 265 bps in December. In Europe, peripheral sovereign bonds outperformed as spreads against Bunds tightened on the back of austerity measures and signs of growth. Corporate bond spreads also narrowed, especially the high yield segment, where spreads ended the year at 436 bps, a tightening of 120 bps.

Commodities – The DJ-UBS Commodities Index declined by 9.6 per cent in 2013. The most notable move was in gold which lost 28 per cent to USD 1,205, back to 2010 levels. This first annual loss in 13 years brought an end to a decade of rising gold prices.

Currencies – The Japanese Yen weakened a further 17 per cent against the Dollar, down to 105 in December from 87 at the beginning of the year. The Euro rose 4.5 per cent against the Dollar and ended the year at 1.38. Also notable was the significant weakening of selected emerging market currencies on the back of tapering fears. In particular, the "fragile five" countries – Brazil, Turkey, India, Indonesia and South Africa – all of which have large current account deficits, are dependent on foreign funds flows and are victims of higher interest rates in the US, suffered the most. Their currencies declined an average of 20 per cent against the Dollar.

Development NAV Castle Alternative Invest AG in CHF



Castle Alternative Invest AG

Performance

In 2013, Castle's NAV in US Dollar advanced by 12.7 per cent, after all fees, compared with a 26.1 per cent return for the MSCI World Index. In Swiss Francs, the NAV increased by 9.6 per cent. Since the Company's inception, the NAV in US Dollars has risen 195 per cent, which corresponds to an annualised net return of 6.6 per cent. Castle ended 2013 at its high water mark.

The standard deviation and downside deviation in 2013 were 4.3 per cent and 1.8 per cent annualised respectively based on the NAV in US Dollar. Since inception, the standard deviation was 5.4 per cent annualised and the downside deviation was 3.3 per cent annualised. The Sharpe and Sortino ratios in 2013 (assuming a risk free rate of 1.0 per cent per annum) were 2.9 and 7.0 respectively, and since inception, 1.0 and 1.7 respectively. The correlation of Castle to the MSCI World Index since inception was 0.5, while the correlation to the JPM Global Government Bond Index was negative at –0.1, reinforcing Castle's long term credentials as a lowly correlated investment strategy.

At the end of the year, the share price of Castle was CHF 13.00, which represented a discount of 22.9 per cent to the Company's NAV of CHF 16.86. The discount during the year ranged from 15.5 per cent to 27.4 per cent.

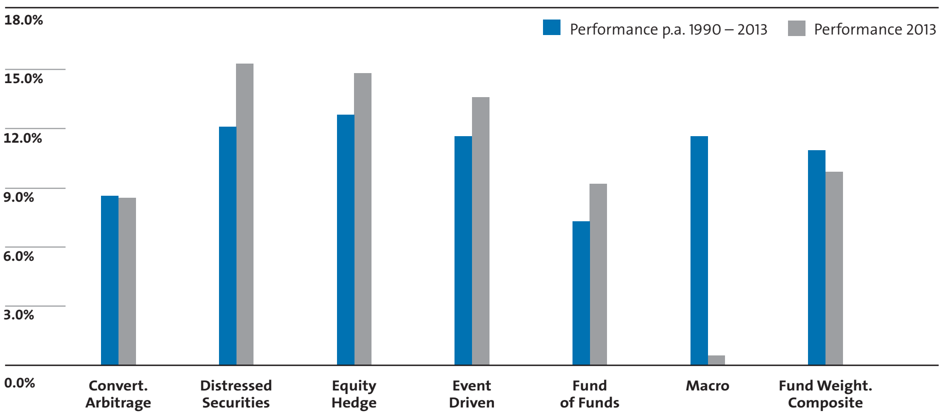
Performance attribution

All four main styles generated profits in 2013. The best performing style was event driven which gained 20.6 per cent, followed by long/short equity, up 15.9 per cent, then CTA/macro up 11.1 per cent, and relative value, up 8.5 per cent.

When accounting for the four style classes' portfolio weights, their respective gross contributions to performance were as follows: long/short equity: 4.9 per cent; event driven: 4.3 per cent; CTA/macro: 2.5 per cent and relative value: 1.5 per cent.

Long/short equity managers delivered strong results in 2013 with a combination of beta and alpha capture – both in the long and short books. Net exposure was raised throughout the course of the year while gross exposures remained rather stable. Managers that operate on low net exposures and seek to deliver gains through alpha generation performed particularly well. These "market neutral" managers were able to outperform their respective long only counterparts while employing only half the

Long-term and current performance of HFR style indices



market exposure. Early in the year, investments were made into two bespoke managed accounts that focus exclusively on long/short opportunities in Japan. These investments enabled Castle to take part in the "Abenomics" rally.

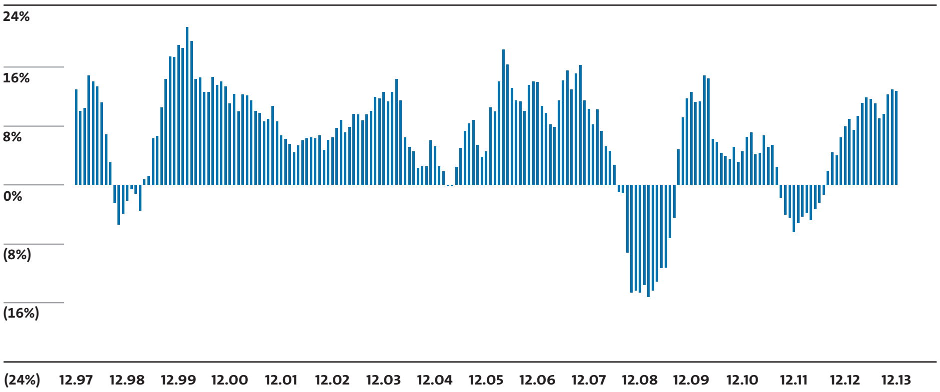
Event driven managers benefited from the improving economy, which enabled companies to increase their stock buybacks, raise dividends and enter into more merger and acquisition activity. The equity-sensitive activist managers took advantage of the increase in corporate events, in particular in the US and in Japan. The credit-oriented investments were supported by favourable financing conditions and continued low default rates. Distressed debt was particularly strong and outperformed the higher rated asset classes. Late in 2013, a new investment was made into a fundamental credit and distressed manager that seeks to take advantage of idiosyncratic opportunities emerging in Europe as a result of large-scale restructurings.

CTAs suffered a very challenging summer but nevertheless ended 2013 in marginally positive territory. The short-term traders delivered the largest gains (especially the momentum models), the fundamental trading strategies were profitable while trend-following strategies saw a large dispersion of returns and only eked out a small gain due to active portfolio management actions. In terms of sectors, equities delivered the bulk of the gains while interest rates incurred the largest losses. The most profitable contracts were longs in the S&P and the EuroStoxx and short positions in the Yen, while the largest money loser was 10-year Treasury futures. The energy complex (heating oil, natural gas, gas oil, crude oil) was among the largest losers as sharp price reversals during the second half of the year surrounding geopolitical events and supply/demand issues resulted in a challenging market environment.

The **global macro** managers were able to capture many of the dominant market moves in 2013. The reflationary theme in Japan was played through being long the Nikkei and short the Yen, while in Europe it was expressed through peripheral sovereign bonds and European indices. In the US, some managers correctly interpreted the comments by the Federal Reserve and were appropriately positioned for the onset of tapering, which enabled them to capture the steepening of the US yield curve.

The **relative value** managers took advantage of a wider opportunity set for arbitrage trades within the equity space to generate returns in equity market neutral strategies. Stable gains were generated in fixed income despite the uncertainty surrounding Fed tapering. The convertible arbitrage managers caught the tailwind from tightening credit spreads and strong equity markets.

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



The largest contributor to performance was the Discovery Global Opportunity Fund, a global macro manager that generated significant profits in 2013 from the developed markets – namely the US and Japan. The second top performer was the Third Point Ultra Ltd., a US-based event driven manager that reaped large profits from contrarian positions in equities and credit. These two managers were number two and number one in contribution in 2012 respectively. The Indus Pacific Opportunities Fund, Ltd., a pan Asia-focused long/short manager that tactically increased its overweight to Japan in 2013, was third.

There were hardly any losses in Castle in 2013. The bottom 10 positions together only incurred a 0.2 per cent loss in total, largely due to the small size of those holdings.

Portfolio composition

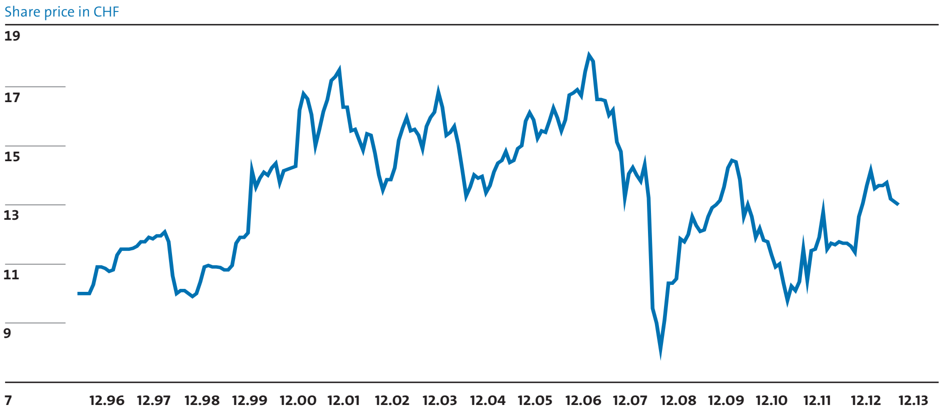
Throughout the course of the year, the allocation to L/S equity was raised from 32 per cent to 34 per cent. In particular, the exposure to market neutral (discretionary) managers was raised in light of an increase in alpha opportunities in that segment. Event driven moved from an underweight to an in line-weighting given the positive outlook for both the equity-sensitive and credit sensitive strategies. These increases were made at the expense of relative value, and from the multi-strategy sub-style in particular. The portfolio was overweight CTA managers at the beginning of the year and neutral weight by year-end, with part of the exposure being shifted to macro.

As of December 2013, the portfolio allocations were 34 per cent long/short equity, 27 per cent event driven, 24 per cent CTA/macro and 15 per cent relative value.

The two largest positions in the portfolio were the same as at the end of 2011 and 2012. The largest was Crown Managed Futures, which is a diversified program of managed accounts with systematic CTAs and global macro traders. The second largest was the Discovery Global Opportunity Fund, a global macro manager that expresses its views through equities, debt and currencies.

During the year, two managers were fully redeemed while four new managers were added to the portfolio, three in long/short equity and one in event driven. The investment degree of the portfolio fluctuated between 93 per cent and 99 per cent. No balance sheet leverage was employed at any time during 2013.

Share price of Castle Alternative Invest AG in CHF



Hedge fund industry and outlook

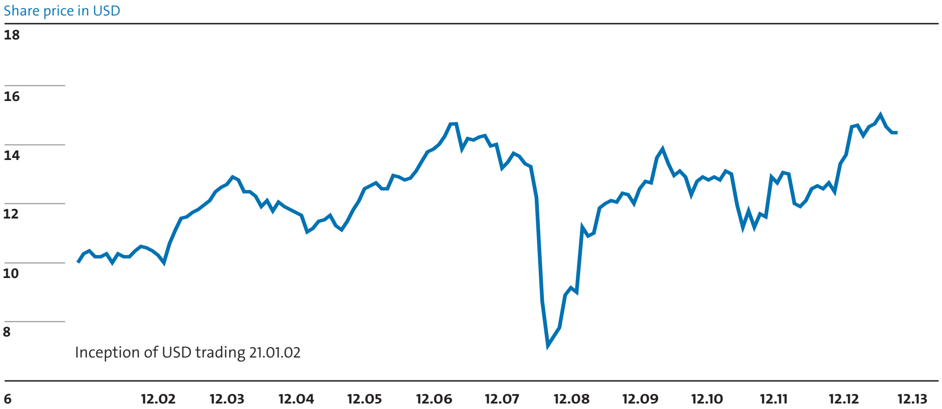
The HFRI Fund Weighted Composite Index delivered a 9.2 per cent return in 2013. Most strategies delivered gains with the exception of macro which incurred a minor loss of 0.5 per cent. The top performing strategy was Equity Hedge, up 14.3 per cent followed by event driven, up 12.5 per cent.

The industry continued to attract investor allocations. Net inflows amounted to USD 64 billion and total industry assets reached an all-time high of USD 2.6 trillion, an increase of 17 per cent compared with 2012 and a rise of 87 per cent compared with 2008. All the main strategies received net inflows with the exception of macro. The total number of hedge funds and fund of funds surpassed 9,900 – the second highest figure after the peak in 2007.

Castle Alternative Invest ended the year 2013 at the highest NAV in its 17-year history. The results confirmed the approach that a combination of rigorous manager selection, prudent risk management and dynamic allocation to those strategies with the most favourable expected risk/rewards continues to deliver stable, non-correlated returns with low volatility. We are confident that this approach will continue to deliver superior absolute performance in 2014.

LGT Capital Partners (Ireland) Limited

Share price of Castle Alternative Invest AG in USD



Investment policy

Investment objective

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

Investment policy

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

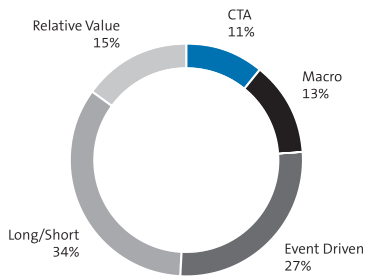
CAI Ireland invests in a diversified global portfolio of hedge funds, managed accounts and other investment vehicles that employ various non-traditional investment strategies that usually belong to the following broadly defined main strategy classes:

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

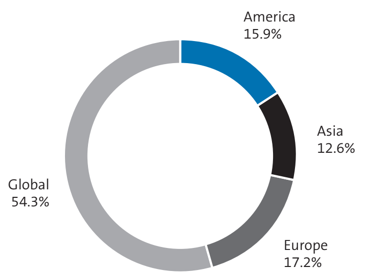
Event driven
Event driven strategies are designed to benefit from the consummation (or non-consummation) of various corporate events such as re-organisations, mergers or acquisitions, bankruptcies or various other situations. The strategies may be executed using a wide range of instruments, including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

Portfolio
Per December 2013

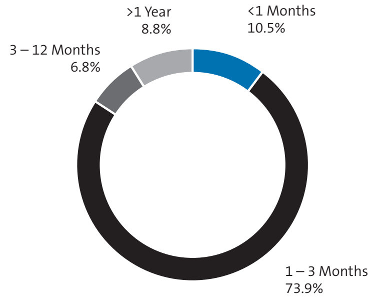
Style allocation



Geographical focus



Liquidity of investment



Top and bottom money makers 2013

Fund	Style	Date of initial investment	Performance for 2013	2013 gain/(loss) in USD million
Discovery Global Opportunity Fund, Ltd.	Macro	January 2008	26.4%	3,991
Third Point Ultra Ltd.	Event Driven	January 2011	38.0%	3,964
Indus Pacific Opportunities Fund, Ltd.	L/S Equity	January 2008	27.4%	2,437
Cerberus Asia Partner, L.P.	Event Driven	May 2002	In liquidation	(62)
Galleon Offshore Liquidating Trust – Galleon Technology Sub-Trust	L/S Equity	November 1996	In liquidation	(68)
D.E. Shaw Composite International Fund	Relative Value	June 2001	In liquidation	(72)

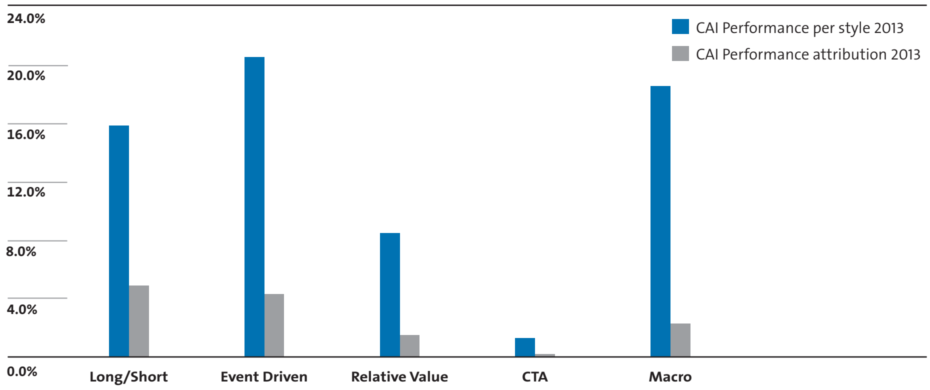
Ten largest holdings

Fund	Style	USD million 31 December 2013	% of investments
Crown Managed Futures Master Segregated Portfolio	CTA	25.8	10.5%
Discovery Global Opportunity Fund Ltd.	Macro	16.8	6.8%
Zebedee Focus Fund Ltd.	Long/Short	14.2	5.8%
Third Point Ultra Ltd.	Event Driven	13.1	5.3%
Crown/Capeview Segregated Portfolio	Long/Short	12.2	5.0%
Latigo Ultra Fund Ltd.	Event Driven	12.2	5.0%
Indus Pacific Opportunities Fund Ltd.	Long/Short	11.3	4.6%
HBK Offshore Fund Ltd.	Relative Value	10.9	4.4%
Tyrus Capital Opportunities Fund Ltd.	Event Driven	10.2	4.2%
Blue Mountain Credit Alternative Fund Ltd.	Relative Value	9.8	4.0%
Subtotal of ten largest holdings		**136.5**	**55.5%**
All other investments		109.2	44.5%
Total of investments		**245.7**	**100.0%**

Style performance attribution

Per December 2013

Estimated performance of styles before cost in USD



Relative value

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

CTA/macro

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

Asset allocation

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

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

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

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

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

Borrowings

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

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

Investment restrictions

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

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

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

(i) Where CAI Ireland enters into transactions with any single counterparty which may give rise to counterparty risk exposure in excess of 40 per cent of its net asset value, such transactions must be made in accordance with the conditions applicable to the appointment of prime brokers as set out in Section 2 of the draft Guidance Note/04 of the Central Bank of Ireland. The total exposure will be calculated to include outstanding indebtedness from the counterparty to CAI Ireland, any securities issued by the counterparty held by CAI Ireland, any deposits CAI Ireland has made with the counterparty, any collateral passed by CAI Ireland to the counterparty and any other form of exposure to the counterparty;

(ii) Counterparty must have a minimum credit rating of at least A2/P2 by Standard & Poor's and Moody's Investors Service or an equivalent rating from a recognised rating agency; and

(iii) The percentage limitations set forth above are measured on a running net asset value. Action will be taken as soon as reasonably practical in the event that any of the foregoing restrictions are breached, except where the breach is due to appreciation or depreciation of CAI Ireland's assets, changes in exchange rates, or by reason of the receipt of rights, bonuses, benefits in the nature of capital or by reason of any other action affecting every holder of that investment in which case the position will be corrected with due regard to the best interests of its shareholders.

Report of the statutory auditor on the consolidated financial statements

to the general meeting of
Castle Alternative Invest AG, Pfäffikon

As statutory auditor, we have audited the consolidated financial statements of Castle Alternative Invest AG, which comprise the balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes (pages 18 to 63), for the year ended 31 December 2013.

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

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

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

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with the Article 14 of the Directive on Financial Reporting (DFR) of the SIX Swiss Exchange as well as Swiss law.

Emphasis of matter
In accordance with Article 16 of the Directive on Financial Reporting (DFR) of the SIX Swiss Exchange we draw attention to note 3, 13, and 21 e) of the consolidated financial statements. As indicated in note 13, the financial statements include unquoted investments stated at their fair value of USD 246 million. Because of the inherent uncertainty associated with the valuation of such investments and the absence of a liquid market, these fair values may differ from their realisable values, and the difference could be material. The determination of the fair values of these investments is the responsibility of the board of directors. The valuation procedures used are disclosed in note 3, 13 and 21 e) of the consolidated financial statements. We have reviewed the procedures applied by the board of directors in valuing such investments and have viewed the underlying documentation. While in the circumstances the procedures appear to be reasonable and the documentation appropriate, the determination of fair values involves subjective judgment which cannot be independently verified. Our opinion is not qualified in respect of this matter.

Report on other legal requirements

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

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

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

PricewaterhouseCoopers Ltd.

Guido Andermatt	**Rolf Birrer**
Audit expert	Audit expert
Auditor in charge	

Zürich, 1 April 2014

Audited consolidated statement of comprehensive income

For the year ended 31 December 2013 (All amounts in USD thousands unless otherwise stated)

	Note	2013	2012
Income			
Net gain on investments designated at fair value through profit or loss	5	**32,157**	**26,299**
Income from current assets:			
Gain/(loss) on foreign exchange, net		1	(7)
Interest income	6	17	9
Other income		21	32
Total income from current assets		**39**	**34**
Total income		**32,196**	**26,333**
Expenses			
Management and performance fees	7	(5,932)	(6,293)
Other operating expenses	8	(1,316)	(1,531)
Total operating expenses		**(7,248)**	**(7,824)**
Operating profit		**24,948**	**18,509**
Finance costs	9	—	(13)
Profit for the year		**24,948**	**18,496**
Total comprehensive income for the year		**24,948**	**18,496**
Profit attributable to:			
Shareholders		23,445	10,122
Non-controlling interest	2 (e)	1,503	8,374
		24,948	**18,496**
Total comprehensive income attributable to:			
Shareholders		23,445	10,122
Non-controlling interest	2 (e)	1,503	8,374
		24,948	**18,496**
Earnings per share (in USD) attributable to equity holders			
Weighted average number of shares outstanding during the year	2 (n)	13,042,069	14,258,135
Basic profit per share		USD 1.80	USD 0.71
Diluted profit per share		USD 1.80	USD 0.71

The accompanying notes on pages 24 to 63 form an integral part of these consolidated financial statements.

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Audited consolidated balance sheet

As of 31 December 2013 (All amounts in USD thousands unless otherwise stated)

	Note	2013	2012[1]
Assets			
Current assets:			
Cash and cash equivalents	11	6,718	27,758
Other current assets	12	7,762	56,814
Total current assets		**14,480**	**84,572**
Non-current assets:			
Investments designated at fair value through profit or loss	13	245,696	322,579
Total assets		**260,176**	**407,151**
Liabilities			
Current liabilities:			
Due to banks: loan	14	380	—
Accounts payable and accrued liabilities	15	6,030	152,632
Total current liabilities		**6,410**	**152,632**
Equity			
Shareholders' equity:			
Share capital	16	49,581	60,635
Additional paid-in capital		59,693	63,892
Less treasury shares at cost	16	—	(14,867)
Less treasury shares 2nd line at cost (bought for cancellation)	16	(9,291)	(19,045)
Retained earnings		141,711	139,185
Total shareholders' equity		**241,694**	**229,800**
Non-controlling interest		12,072	24,719
Total equity		**253,766**	**254,519**
Total liabilities and equity		**260,176**	**407,151**

Audited consolidated balance sheet (continued)

As of 31 December 2013 (All amounts in USD thousands unless otherwise stated)

	Note	2013	2012[1]
Net asset value per share (in USD)	2 (n)		
Number of shares issued as at the year end		13,371,710	16,352,817
Number of treasury shares as at the year end		—	(1,303,487)
Number of treasury shares 2nd line (bought for cancellation) as at the year end		(628,500)	(1,496,670)
Number of shares outstanding net of treasury shares as at the year end		**12,743,210**	**13,552,660**
Net asset value per share		**18.97**	**16.96**
Adjustment from allocating treasury shares proportionately to non-controlling interest	16, 2 (e)		
Total shareholders' equity before adjustment		241,694	229,800
Adjustment to shareholders' equity		—	5,466
Total shareholders' equity after adjustment		**241,694**	**235,266**
Number of treasury shares allocated to non-controlling interest		—	430,406
Number of shares outstanding after adjustment		**12,743,210**	**13,983,066**
Net asset value per share (in USD) after allocating treasury shares proportionately to non-controlling interest		**18.97**	**16.83**

[1] The previous years figures have been adjusted to bring the USD amounts into line with the historical CHF/USD foreign exchange rates for share capital and additional paid-in capital. See note 2 for further information.

The accompanying notes on pages 24 to 63 form an integral part of these consolidated financial statements.

Audited consolidated statement of cash flows

For the year ended 31 December 2013 (All amounts in USD thousands unless otherwise stated)

	Note	2013	2012
Cash flows from/(used in) operating activities:			
Purchase of investments		(32,875)	(56,329)
Proceeds from sales of investments		171,746	117,616
Interest received	6	17	9
Operating expenses paid	8	(3,901)	(9,129)
Net cash from operating activities		**134,987**	**52,167**
Cash flows from/(used in) financing activities:			
Interest paid	9	—	(13)
Proceeds from bank borrowings		380	—
Non-controlling interest capital transactions, net	16	(138,685)	(5,970)
Purchase of treasury shares 2nd line (bought for cancellation)	16	(17,722)	(26,154)
Net cash used in financing activities		**(156,027)**	**(32,137)**
Net (decrease)/increase in cash and cash equivalents		**(21,040)**	**20,030**
Cash and cash equivalents, beginning of the year		**27,758**	**7,728**
Cash and cash equivalents, end of the year		**6,718**	**27,758**
Cash and cash equivalents consist of the following as at 31 December:			
Cash at banks	11	6,718	22,108
Time deposits < 90 days		—	5,650
Total		**6,718**	**27,758**
Non-cash transactions:			
Switching of share classes:			
Purchase of investments[1]		—	(12,529)
Proceeds from sales of investments[1]		—	12,529
Capital transaction in-kind:			
Redemption in-kind[2]		6,171	5,427
Treasury shares used for redemption in-kind[2]		(6,171)	(5,427)
Total		—	—

[1] These two lines show the non-cash movements that occur when the Group switches from one share class of an investment fund into another share class of the same fund.
[2] These two lines show the non-cash movements that occurred when Swiss Life AG received treasury shares held by the Ireland Subsidiary as a redemption in-kind.

The accompanying notes on pages 24 to 63 form an integral part of these consolidated financial statements.

Audited consolidated statement of changes in equity

For the year ended 31 December 2013 (All amounts in USD thousands unless otherwise stated)

	Share capital	Additional paid-in capital	Less treasury shares	Retained earnings	Non-controlling interest	Total equity
1 January 2012 (as previously published)	**62,394**	**63,137**	**(26,376)**	**141,250**	**161,043**	**401,448**
Adjustment due to change in accounting policy[1]	2,426	755	—	(3,181)	—	—
1 January 2012 (restated)[1]	**64,820**	**63,892**	**(26,376)**	**138,069**	**161,043**	**401,448**
Total comprehensive income for the year	—	—	—	10,122	8,374	18,496
Cancellation of treasury shares 2nd line	(6,212)	—	13,691	(7,479)	—	—
Adjustment due to CHF/USD historical rates[1] for the cancellation of treasury shares 2nd line	2,027	—	—	(2,027)	—	—
Purchase of treasury shares 2nd line (bought for cancellation)	—	—	(26,154)	—	—	(26,154)
Non-controlling interest transactions:						
Treasury shares used for redemption in-kind	—	—	4,927	500	(5,427)	—
Capital transactions	—	—	—	—	(139,271)	(139,271)
31 December 2012[1]	**60,635**	**63,892**	**(33,912)**	**139,185**	**24,719**	**254,519**
1 January 2013	**60,635**	**63,892**	**(33,912)**	**139,185**	**24,719**	**254,519**
Total comprehensive income for the year	—	—	—	23,445	1,503	24,948
Cancellation of treasury shares 2nd line	(7,817)	—	27,476	(16,245)	—	3,414
Impact of CHF/USD historical rates on the cancellation of treasury shares 2nd line	—	—	—	(3,414)	—	(3,414)
Cancellation of treasury shares	(3,237)	(4,199)	9,958	—	—	2,522
Impact of CHF/USD historical rates on the cancellation of treasury shares	—	—	—	(2,522)	—	(2,522)
Purchase of treasury shares 2nd line (bought for cancellation)	—	—	(17,722)	—	—	(17,722)
Non-controlling interest transactions:						
Treasury shares used for redemption in-kind	—	—	4,909	1,262	(6,171)	—
Capital transactions	—	—	—	—	(7,979)	(7,979)
31 December 2013	**49,581**	**59,693**	**(9,291)**	**141,711**	**12,072**	**253,766**

[1] The previous years figures have been adjusted to bring the USD amounts into line with the historical CHF/USD foreign exchange rates for share capital and additional paid-in capital. See note 2 for further information.

The accompanying notes on pages 24 to 63 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2013
(All amounts in USD thousands unless otherwise stated)

1 Organisation and business activity

Castle Alternative Invest AG, Pfäffikon ("the Company"), is a joint stock corporation established for an indefinite period in the Canton of Schwyz, Switzerland, by deed dated 24 July 1996. The Company was registered in the Commercial Register of the Canton of Schwyz on 30 July 1996. The Company's business is principally conducted through two subsidiaries; Castle Alternative Invest (Overseas) Ltd., Grand Cayman ("the Cayman Subsidiary") and Castle Alternative Invest (International) plc, Dublin ("the Ireland Subsidiary"). Since 10 April 1997, the shares of the Company have been listed in Swiss Francs on the SIX Swiss Exchange and on 21 January 2002, a listing in US Dollar on the SIX Swiss Exchange followed. As of 5 June 2009 the Company is also listed in US Dollar on the London Stock Exchange. Following an extraordinary general meeting of the Company on 31 January 2014, the London listing was cancelled on 3 March 2014.

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

On 16 September 2010 the Company announced that it had entered into an agreement with Swiss Life AG, its largest shareholder, pursuant to which it intended to effect a reduction of the Company's share capital from TCHF 192,505 to TCHF 98,535 through the cancellation of 18,793,940 shares held by Swiss Life AG. The proposal was approved at the extraordinary general meeting held on 12 October 2010 and the restructuring was completed on 20 December 2010. In return Swiss Life AG received a substantially equivalent proportion of shares in the Ireland Subsidiary, the entity through which the majority of the Company's portfolio of investments is held. During the period from 21 June 2010 to 31 December 2013 the Company purchased treasury shares on its second trading lines. According to the program periods the second line treasury shares were cancelled in August 2011, August 2012 and August 2013. As of 31 December 2013 the Company's share capital amounts to TCHF 66,859 or 13,371,710 shares (2012: TCHF 81,764 or 16,352,817 shares).

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

Castle Alternative Invest (International) plc, Dublin, was established as an open-ended investment company with variable capital and limited liability under the laws of Ireland on 19 February 2001. At 31 December 2013, its capital amounts to TUSD 255,717 (2012: TUSD 266,778) and it is a subsidiary of the Cayman Subsidiary. The Ireland Subsidiary became active on 19 December 2001 after receiving authorisation from the Central Bank of Ireland. The share capital is divided into management shares and participating shares. The management shares are held by LGT Group Foundation, LGT Bank (Ireland) Limited and LGT Fund Managers (Ireland) Limited. With effect from 16 December 2010 the Ireland Subsidiary was restructured into an open-ended investment company with limited liquidity, variable capital and limited liability. At the same time the participating shares were split into two classes of shares; Class O and Class I. Class O is held by the Cayman Subsidiary and Class I 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 per 31 December 2013 Swiss Life AG's holding in the remaining Class RI shares comprised 4.81 per cent (2012: 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 95.19 per cent of the net asset value of the Ireland Subsidiary (2012: 90.73 per cent). The Company controls the Ireland Subsidiary and consolidates it in compliance with IFRS 10. Swiss Life AG's holding in the Ireland Subsidiary is shown as a non-controlling interest in the Group's consolidated financial statements.

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

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

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

As of 31 December 2013 and 2012 the Group did not employ any employees.

2 Summary of accounting policies for the consolidated financial statements

Basis of preparation

The accompanying consolidated financial statements of the Group for the year ended 31 December 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS) formulated by the International Accounting Standards Board (IASB) and comply with Swiss Law and the accounting guidelines laid down in the Directive on Financial Reporting (DFR) of the SIX Swiss Exchange.

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.

In previous years the US Dollar amounts for the formation of reserves for treasury shares and the cancellation of treasury shares on its second trading line were converted from Swiss Francs to US Dollars using the exchange rates from the time of purchase of these treasury shares instead of the historical rates from when the share capital and additional paid-in capital were paid in. During 2013, the Group changed its accounting policy for the treatment of the exchange rates for the cancellation of treasury shares from exchange rates from the time of purchase of treasury shares to historical rates. Management judges that the new policy is preferable as it results in better presentation of the individual accounts of the shareholders' equity. Adjustments have been made to the opening figures per 1 January 2012 and to the 2012 comparative figures. The resulting differences between the two different exchange rates have been recognised in retained earnings (31.12.2011: decrease of TUSD 3,181, 31.12.2012: decrease of TUSD 2,027), share capital (31.12.2011: increase of TUSD 2,426, 31.12.2012: increase of TUSD 2,027) and additional paid-in capital (31.12.2011: increase of TUSD 755), as shown in the consolidated statement of changes in equity on page 23. This change in accounting policy has not led to changes to the net asset values of previous periods.

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 2013

- IFRS 10, "Consolidated Financial Statements", (effective 1 January 2013). The new standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It supersedes IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities" and is effective for annual periods beginning on or after 1 January 2013. The Group decided for early adoption in 2011;
- IFRS 12, "Disclosure of Interests in Other Entities", (effective 1 January 2013) applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. The Group decided for early adoption in 2011;
- IFRS 13, "Fair value measurement", (effective 1 January 2013). The standard improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS; and
- Amendments to IFRS 7, "Disclosures – Offsetting financial assets and financial liabilities" (effective 1 January 2013) require additional disclosures to enable users of financial statements to evaluate the effect or the potential effects of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The amendments did not have any impact on the Group's financial statements.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2013 that would be expected to have a material impact on the Group.

b) Standards and amendments to published standards effective after 1 January 2013 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 2013, 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”, (effective date open). This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace IAS 39, “Financial instruments: Recognition and measurement”. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group has yet to assess the full impact of this standard and has not yet decided when to adopt it; and
– Amendments to IAS 32, “Offsetting financial assets and financial liabilities”, (effective 1 January 2014). These amendments clarify the offsetting criteria in IAS 32 and address inconsistencies in their application. This includes clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement. These amendments are not expected to have a material impact on the Group’s financial statements.

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

c) 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 judgements 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 IFRS issued by the IASB.

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

– Castle Alternative Invest (Overseas) Ltd., Grand Cayman
– Castle Alternative Invest (International) plc, Dublin

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

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

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

Under the accounting provisions of IFRS, treasury shares held by Group entities must be deducted from equity and eliminated from the Group's number of outstanding shares. For the Group this also includes the treasury shares held for and on behalf of the non-controlling interest. In order to arrive at the true economic value of the Group, the non-controlling interest's portion of the treasury shares has been adjusted for. On the consolidated balance sheet the value (2013: TUSD Nil, 2012: TUSD 5,466) for these shares has been added back to shareholders' equity and the number of shares (2013: Nil, 2012: 430,406) has also been added back to the number of outstanding shares. In 2012, these adjustments resulted in an economic net asset value per share of USD 16.83.

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

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

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 instruments
Under IAS 39, the Group has designated all its investments and securities into the financial assets at fair value through profit or loss category. This category was chosen as it reflects the business of an investment fund: the assets are managed and their performance evaluated on a fair value basis and management decisions are therefore reflected in the consolidated statement of comprehensive income. The Group's policy is for the investment manager and the board of directors to evaluate the information about these financial assets on a fair value basis together with other related financial information. The category of financial assets and liabilities at fair value through profit or loss comprises:
– Financial instruments designated at fair value through profit or loss upon initial recognition. These include financial assets that are not held for trading purposes but which may be sold.

- Financial assets other than those at fair value through profit or loss, are classified as loans and receivables and are carried at amortised cost, less impairment losses, if any.
- Financial liabilities that are not designated at fair value through profit or loss include payables under repurchase agreements and accounts payable.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

m) Share capital
The Company's share capital is divided into 13,371,710 (2012: 16,352,817) registered shares with a par value of CHF 5 per share. The shares are fully paid in.

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 interest) by the number of participating shares outstanding less treasury shares at the year end.

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

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 investment manager is considered to be the chief operating decision-maker. An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other operating segments.

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

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**	**2013 USD**	**2012 USD**
Year-end rates			
Swiss Francs	1 CHF	1.1254	1.0934
British Pounds	1 GBP	1.6566	1.6242

Foreign exchange rates	**Unit**	**2013 USD**	**2012 USD**
Average annual rates			
Swiss Francs	1 CHF	1.0819	1.0716
British Pounds	1 GBP	1.5664	1.5925

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:

	2013 TUSD	2012 TUSD
Realised gains/(losses), net on investments:		
CTA	9,652	—
Macro	13,434	8,855
Event Driven	3,554	2,331
Long/Short	4,410	619
Relative Value	6,408	7,385
Total realised gain on investments[1]	**37,458**	**19,190**
Unrealised gains/(losses), net on investments:		
CTA	(8,981)	(919)
Macro	(8,319)	(5,449)
Event Driven	7,998	12,890
Long/Short	7,015	2,867
Relative Value	(3,014)	(2,280)
Total unrealised (loss)/gain on investments[2]	**(5,301)**	**7,109**
Net gain on investments designated at fair value through profit or loss	**32,157**	**26,299**

[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:

	2013 TUSD	2012 TUSD
Realised gains/(losses), net on investments:		
America	1,663	1,097
Asia	3,005	36
Europe	1,090	545
Global	31,700	17,512
Total realised gain on investments[1]	**37,458**	**19,190**
Unrealised gains/(losses), net on investments:		
America	3,997	4,165
Asia	2,081	1,344
Europe	4,017	4,414
Global	(15,396)	(2,814)
Total unrealised (loss)/gain on investments[2]	**(5,301)**	**7,109**
Net gain on investments designated at fair value through profit or loss	**32,157**	**26,299**

[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	2013 TUSD	2012 TUSD
Cash and cash equivalents:		
Third party	17	9
Total	**17**	**9**

7 Management and performance fees

Management and performance fees are composed as follows:

Management and performance fees	2013 TUSD	2012 TUSD
Management fees – related party	3,997	6,209
Performance fees – related party	1,935	84
Total	**5,932**	**6,293**

8 Other operating expenses

Other operating expenses are composed as follows:

Other operating expenses	2013 TUSD	2012 TUSD
Related party fees:		
Credit facility standby fees	55	48
Administrative fees	22	28
Directors' fees	244	241
Domicile fees	11	10
Third party fees:		
Administrative fees	141	222
Reporting and publications	25	91
Audit fees	191	173
Custody fees	64	85
Capital taxes (Switzerland)	13	11
Insurance	15	15
Legal fees	168	101
Broker fees and expenses	51	75
Project expenses (share buy back/capital reduction)	152	110
Stock exchange listing expenses	29	42
Tax advisory fees	13	18
Other expenses	122	261
Total	**1,316**	**1,531**

9 Finance costs

Interest expense for the year was paid on:

Finance cost	2013 TUSD	2012 TUSD
Due to banks – related party	–	2
Due to banks – third party	–	11
Total	–	**13**

10 Income taxes

Reconciliation of income tax calculated with the applicable tax rate:

Tax expense	2013 TUSD	2012 TUSD
Profit for the period before income tax	24,948	18,496
Applicable tax rate	7.8%	7.8%
Income tax	1,946	1,443
Effect from non-taxable income	(1,946)	(1,443)
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	2013 TUSD	2012 TUSD
Cash at banks:		
Related party	295	148
Third party	6,423	21,960
Time deposits:		
Third party	—	5,650
Total	**6,718**	**27,758**

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

12 Other current assets

Other current assets	2013 TUSD	2012 TUSD
Receivable for investments sold	4,127	47,521
Subscriptions paid in advance	3,590	3,800
Other receivables	45	5,493
Total	**7,762**	**56,814**

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	2013 TUSD		2012 TUSD	
CTA	25,761	11%	45,890	14%
Macro	30,962	13%	44,614	14%
Event Driven	66,924	27%	69,301	22%
Long/Short	83,976	34%	103,243	32%
Relative Value	38,073	15%	59,531	18%
Total	**245,696**	**100%**	**322,579**	**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 2013, the Ireland Subsidiary had redeemed the following investments:

Fund investment	Value TUSD	Type of redemption
Blue Mountain Credit Alternative Fund Ltd.	4,905	Partial redemption
Crown/Japan Segregated Portfolio	1,000	Partial redemption
HBK Offshore Fund Ltd.	2,500	Partial redemption
Latigo Ultra Access Fund Ltd.	64	Full redemption
Third Point Ultra Ltd.	949	Partial redemption
Total	**9,418**	

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

These redemptions resulted in the redemption proceeds being received subsequent to the balance sheet date, either in full or in part (with either creation of side pocket share classes or hold backs that will be paid at a later date). As of the date of authorisation of these consolidated financial statements TUSD 9,409 had been received. These redemptions had no impact on the net asset value of the Group as at the balance sheet date.

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

As of 31 December 2013 (note 13) (All amounts in USD thousands unless otherwise stated)

Amounts in TUSD	Geography	Shares as at 1.1.2013	Shares as at 31.12.2013	Total net paid in as at 1.1.2013	Investments 2013	Redemptions 2013	Realised gain/(loss) 2013	Total net paid in as at 31.12.2013	Unrealised gain/(loss) accumulated 2013	Fair value as at 31.12.2013	% of investments
CTA											
Crown Managed Futures Master Segregated Portfolio	Global	18,571	10,209	27,972	—	(11,148)	9,652	16,824	8,937	25,761	10.5%
Total CTA				**27,972**	**—**	**(11,148)**	**9,652**	**16,824**	**8,937**	**25,761**	**10.5%**
Macro											
Caxton Global Investments Ltd. Class A	Global	17,405	—	1,846	—	(1,846)	11,447	—	—	—	0.0%
Caxton Global Investments Ltd. Class SI	Global	41,650	58,483	1,222	297	—	—	1,519	182	1,701	0.7%
Crown/Koppenberg Segregated Portfolio	Global	2,828	4,282	3,000	1,580	—	—	4,580	202	4,782	1.9%
Discovery Global Opportunity Fund Ltd.	Global	22,916	18,571	10,234	—	(1,840)	1,729	8,394	8,358	16,752	6.8%
The Rohatyn Group Global Opportunity Fund Ltd.	Global	1	1	471	—	(46)	32	425	134	559	0.2%
Tudor BVI Global Fund Ltd. Class B	Global	87	54	9,033	—	(3,435)	208	5,598	1,163	6,761	2.8%
Tudor BVI Global Fund Ltd. Legacy Class	Global	313	270	312	—	(41)	19	269	139	408	0.2%
Total Macro				**26,118**	**1,877**	**(7,210)**	**13,434**	**20,785**	**10,177**	**30,962**	**12.6%**
Event Driven											
Bennelong Asia Pacific Multi Strategy Equity Fund Ltd.	Asia	9,400	7,632	940	—	(68)	(6)	872	(162)	710	0.3%
Cerberus Asia Partners L.P.	Asia	1	1	—	—	—	110	—	664	664	0.3%
Crown/Capeview Recovery Segregated Portfolio	Europe	—	7,000	—	7,000	—	—	7,000	213	7,213	2.9%
Crown Distressed Credit Opportunities plc[2)]	Global	55,483	32,096	4,831	—	(2,037)	1,370	2,795	2,596	5,391	2.2%
Crown/GLG Segregated Portfolio	Europe	7,478	7,478	7,500	—	—	—	7,500	1,188	8,688	3.5%
Greywolf Capital Overseas Fund	America	1	1	943	—	(49)	(31)	893	(738)	155	0.1%
GS Special Opportunities (Asia) Offshore Fund Ltd.	Asia	1	1	—	—	—	30	—	—	—	0.0%
Headstart Fund Ltd.	Asia	1	1	855	—	—	—	855	(606)	248	0.1%
Highland Crusader Fund II Ltd.	America	1	1	2,181	—	(1,487)	—	694	2,613	3,306	1.3%
Latigo Ultra Fund Ltd.	America	9,547	9,613	9,547	708	—	708	10,254	1,954	12,209	5.0%
Latigo Ultra Access Fund Ltd.	America	44	—	44	—	(44)	20	—	—	—	0.0%
OZ Asia Overseas Fund Ltd.	Asia	1	1	892	—	(131)	48	761	(133)	629	0.3%
OZ Overseas Fund Ltd. Tranche C shares	Global	2	2	618	—	(206)	(30)	412	(143)	269	0.1%
Plainfield 2009 Liquidation Ltd.	Global	10,414	—	1,041	—	(1,041)	(766)	—	—	—	0.0%
SerVertis Fund I Ltd.[2)]	America	8,211	8,211	7,342	—	(6,628)	—	714	3,447	4,161	1.7%
Third Point Ultra Ltd.	Global	14,000	7,610	14,000	—	(6,390)	2,098	7,610	5,470	13,080	5.3%
Tyrus Capital Opportunities Fund Ltd.	Global	86,627	86,627	8,516	—	—	—	8,516	1,686	10,202	4.2%
Winston Partners PE Investment Ltd.	Global	7,615	7,615	3,662	—	—	—	3,662	(3,662)	—	0.0%
Zais Matrix VI-F Ltd.	Global	1	—	—	—	—	4	—	—	—	0.0%
Total Event Driven				**62,912**	**7,708**	**(18,082)**	**3,554**	**52,538**	**14,386**	**66,924**	**27.2%**

Amounts in TUSD	Geography	Shares as at 1.1.2013	Shares as at 31.12.2013	Total net paid in as at 1.1.2013	Invest-ments 2013	Redemp-tions 2013	Realised gain/(loss) 2013	Total net paid in as at 31.12.2013	Unrealised gain/(loss) accumulat-ed 2013	Fair value as at 31.12.2013	% of invest-ments
Long/Short											
Amiya Global Emerging Opportunities Fund Ltd.	Global	73,045	—	15,388	—	(15,388)	(468)	—	—	—	0.0%
Crown/Amazon Segregated Portfolio	Asia	8,679	—	9,000	—	(9,000)	1,860	—	—	—	0.0%
Crown/Capeview Segregated Portfolio	Europe	10,000	9,340	10,000	—	(546)	154	9,454	2,771	12,225	5.0%
Crown/Japan Segregated Portfolio	Asia	—	5,901	—	6,000	—	—	6,000	1,829	7,829	3.2%
Crown/Tyrian Segregated Portfolio	Global	—	8,280	—	9,000	—	—	9,000	601	9,601	3.9%
Crown/KC Segregated Portfolio	America	6,313	—	7,000	—	(7,000)	373	—	—	—	0.0%
Crown/Marshall Wace Segregated Portfolio	America	5,869	5,869	7,000	—	—	—	7,000	709	7,709	3.1%
Crown/NJ Segregated Portfolio	Asia	—	6,789	—	8,500	—	—	8,500	1,183	9,683	3.9%
Crown/Sandler Segregated Portfolio	America	7,057	3,779	7,000	—	(3,251)	249	3,749	460	4,209	1.7%
Galleon Technology Offshore Ltd.	America	57	57	1,292	—	(14)	—	1,278	(616)	662	0.3%
Indus Pacific Opportunities Fund Ltd.	Asia	7,437	4,687	12,354	—	(4,240)	962	8,115	3,190	11,304	4.6%
Polo Fund	America	54,318	41,403	11,484	—	(3,367)	458	8,117	(1,864)	6,253	2.5%
Raptor Private Holdings Ltd.	America	1,215	552	833	—	(455)	(114)	378	(95)	283	0.1%
Zebedee Focus Fund Ltd.	Europe	98,333	61,853	17,993	—	(6,522)	936	11,471	2,748	14,219	5.8%
Total Long/Short				**99,344**	**23,500**	**(49,782)**	**4,410**	**73,062**	**10,914**	**83,976**	**34.2%**
Relative Value											
Blue Mountain Credit Alternative Fund Ltd.	Global	103,930	77,520	10,393	—	(2,641)	427	7,752	2,051	9,803	4.0%
Crown/Linden Segregated Portfolio	Global	9,907	4,687	11,025	—	(5,545)	1,938	5,480	1,987	7,467	3.0%
D.E. Shaw Composite International Ltd.	Global	1	1	—	—	—	40	—	502	502	0.2%
D.E. Shaw Composite International Ltd. Side Pocket Series	Global	1	1	1,301	—	(31)	—	1,270	469	1,739	0.7%
Double Black Diamond Ltd.	Global	26,730	17,984	9,340	—	(3,056)	444	6,284	1,212	7,496	3.1%
Drake Absolute Return Fund Ltd.	Global	561	96	1,161	—	(963)	(249)	198	(58)	140	0.1%
HBK Offshore Fund Ltd.	Global	40,883	20,941	12,728	—	(6,208)	3,810	6,520	4,406	10,926	4.4%
Total Relative Value				**45,948**	—	**(18,445)**	**6,408**	**27,503**	**10,570**	**38,073**	**15.5%**
Total				**262,294**	**33,085**	**(104,667)**	**37,458**	**190,712**	**54,984**	**245,696**	**100.0%**

[1] Numbers may not fully add up due to rounding.
[2] The Company has the following unfunded commitments to investment funds:
– Crown Distressed Credit Opportunities plc – USD 4.1 million
– SerVertis Fund I Ltd. – USD 4.1 million

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

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

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

Amounts in TUSD	Geography	Shares as at 1.1.2012	Shares as at 31.12.2012	Total net paid in as at 1.1.2012	Invest-ments 2012	Redemp-tions 2012	Realised gain/(loss) 2012	Total net paid in as at 31.12.2012	Unrealised gain/(loss) accumulat-ed 2012	Fair value as at 31.12.2012	% of invest-ments
Tyrus Capital Opportunities Fund Ltd.	Global	101,721	86,627	10,000	—	(1,484)	31	8,516	377	8,893	2.8%
Winston Partners PE Investment Ltd.	Global	7,615	7,615	3,662	—	—	—	3,662	(3,662)	—	0.0%
Zais Matrix VI-F Ltd.	Global	1	1	3,667	—	(3,667)	4,295	—	4	4	0.0%
Total Event Driven				**108,435**	**7,500**	**(53,023)**	**2,331**	**62,912**	**6,389**	**69,301**	**21.5%**
Long/Short											
Amiya Global Emerging Opportunities Fund Ltd.	Global	57,639	73,045	12,000	3,620	(231)	(112)	15,388	(469)	14,919	4.6%
Capeview Azri 2X Fund[5]	Europe	40,000	—	4,169	—	(4,169)	430	—	—	—	0.0%
Capeview Azri Fund Ltd.[5]	Europe	40,000	—	5,078	1,010	(6,088)	193	—	—	—	0.0%
Crown/Amazon Segregated Portfolio	Asia	8,679	8,679	9,000	—	—	—	9,000	1,907	10,907	3.4%
Crown/Capeview Segregated Portfolio	Europe	—	10,000	—	10,000	—	—	10,000	605	10,605	3.3%
Crown/KC Segregated Portfolio	America	11,998	6,313	12,165	—	(5,165)	1,139	7,000	(39)	6,961	2.2%
Crown/Marshall Wace Segregated Portfolio	Europe	—	5,869	—	7,000	—	—	7,000	(20)	6,980	2.2%
Crown/Sandler Segregated Portfolio	America	—	7,057	—	7,000	—	—	7,000	169	7,169	2.2%
Dabroes Offshore Investment Fund Ltd.	Europe	10,955	—	11,144	—	(11,144)	(908)	—	—	—	0.0%
Galleon Technology Offshore Ltd.	America	57	57	1,292	—	—	—	1,292	(461)	831	0.3%
Indus Pacific Opportunities Fund Ltd.	Asia	7,437	7,437	12,354	—	—	—	12,354	1,715	14,069	4.4%
Polo Fund	America	54,318	54,318	11,484	—	—	—	11,484	(1,438)	10,045	3.1%
Raptor Private Holdings Ltd.	America	2,189	1,215	1,501	—	(668)	(123)	833	(181)	652	0.2%
Zebedee Focus Fund Ltd.	Europe	98,333	98,333	17,993	—	—	—	17,993	2,110	20,102	6.2%
Total Long/Short				**98,179**	**28,631**	**(27,466)**	**619**	**99,344**	**3,899**	**103,243**	**32.0%**
Relative Value											
Arrowgrass International Fund Ltd.	Global	66,297	—	6,984	—	(6,984)	2,288	—	—	—	0.0%
Blue Mountain Credit Alternative Fund Ltd.	Global	49,130	103,930	6,037	4,357	—	4,356	10,393	1,679	12,072	3.7%
Crown/Linden Segregated Portfolio	Global	12,132	9,907	13,250	—	(2,225)	776	11,025	3,060	14,084	4.4%
D.E. Shaw Composite International Ltd.	Global	1	1	—	—	—	165	—	569	569	0.2%
D.E. Shaw Composite International Ltd. Side Pocket Series	Global	1	1	1,465	—	(163)	—	1,301	608	1,909	0.6%
Double Black Diamond Ltd.	Global	26,730	26,730	9,340	—	—	—	9,340	925	10,265	3.2%
Drake Absolute Return Fund Ltd.	Global	903	561	1,867	—	(706)	(199)	1,161	(320)	841	0.3%
HBK Offshore Fund Ltd.	Global	40,883	40,883	12,728	—	—	—	12,728	7,062	19,791	6.1%
Total Relative Value				**51,670**	**4,357**	**(10,079)**	**7,385**	**45,948**	**13,583**	**59,531**	**18.5%**
Total				**341,376**	**52,530**	**(131,612)**	**19,190**	**262,294**	**60,285**	**322,579**	**100.0%**

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

14 Due to banks

As of 31 December 2013, the Subsidiaries have a credit line of TUSD 15,000 (31 December 2012: TUSD 15,000). The Subsidiaries have a further credit line of TUSD 4,000 (31 December 2012: TUSD 4,000) in order to service potential capital calls within the share class RO of the Ireland Subsidiary. The credit lines are granted by LGT Bank (Ireland) Limited, Dublin and are secured by the participating shares of the Ireland Subsidiary as well as the voting participating redeemable ordinary shares of the Cayman Subsidiary. The pledged assets are deposited with LGT Bank Ltd., Vaduz and pledged in favour of the lender.

The Ireland Subsidiary also has a further credit line of TUSD 4,000 (31 December 2012: TUSD 4,000) in order to service potential capital calls within the share class RI of the Ireland Subsidiary. The credit line is granted by Swiss Life AG, Zurich.

As of 31 Decemeber 2013, the Ireland Subsidiary had borrowed TUSD 380 from LGT Bank (Ireland) Limited. As of 31 December 2012, the credit lines were not used.

Due to banks – fixed advance	**Interest rate**	**Maturity**	**Amount in TUSD**
As of 31 December 2013	2.2375% (USD)	7 January 2014	380
Total			**380**

15 Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of:

Accounts payable and accrued liabilities	**2013 TUSD**	**2012 TUSD**
Accrued management fee payable – related party	324	517
Accrued performance fee payable – related party	1,935	84
Accrued credit facility standby fees – related party	12	3
Accrued administrative fee payable – related party	—	1
Accrued administrative fee payable – third party	12	18
Accrued custody fee payable – third party	4	6
Other accrued liabilities	3,744	152,003
Total	**6,031**	**152,632**

As of 31 December 2013, other accrued liabilities include TUSD 2,595 payable to the sidepocket. This obligation was paid out in January 2014. As of 31 December 2012, other accrued liabilities include TUSD 146,580 redemption payable to Swiss Life AG and TUSD 4,810 payable to the sidepocket. These obligations were paid out in February 2013.

16 Shareholders’ equity

Shareholders’ equity

As of 31 December 2013 the authorised, issued and fully paid up share capital of the Company amounts to TCHF 66,859 (TUSD 49,581) and as of 31 December 2012 to TCHF 81,764 (TUSD 60,635) consisting of 13,371,710 (2012: 16,352,817) registered shares with a par value of CHF 5. The translation into US Dollar has been done at the corresponding historical foreign exchange rate. Each share entitles the holder to participate in any distribution of income and capital. The Group regards shareholders’ equity as the capital that it manages. Shareholders’ equity, including non-controlling interests, amounts to TUSD 256,361 as of 31 December 2013 (2012: TUSD 254,519).

During the period from 21 June 2010 to 31 December 2013 the Company purchased treasury shares on its second trading line. According to the program periods the second line treasury shares were cancelled in August 2011, August 2012 and August 2013.

Non-controlling interest

On 1 April 2011 Swiss Life AG partially redeemed its holding in Class I of the Ireland Subsidiary. The redemption was paid out in cash with the remaining amount being placed in a newly opened side-pocket share class for illiquid assets (Class RI). At the same time a side pocket share class for the Cayman Subsidiary’s portion of the illiquid assets was also created (Class RO). The side pocket share classes have paid out proceeds as their assets were realised. On 31 December 2012 Swiss Life fully redeemed its holding in the Class I shares. As per 31 December 2013 Swiss Life AG’s holding in the remaining Class RI shares comprised 4.81 per cent (2012: 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 95.19 per cent of the net asset value of the Ireland Subsidiary (2012: 90.73 per cent). The Company controls the Ireland Subsidiary and consolidates it in compliance with IFRS 10. Swiss Life AG’s holding in the Ireland Subsidiary is shown as a non-controlling interest in the Group’s consolidated financial statements.

Treasury shares

On 1 February 2013 the Ireland Subsidiary transferred 873,081 treasury shares of the Company, to the value of TUSD 10,826, from the Ireland Subsidiary to the Cayman Subsidiary. On 8 August 2013 the Cayman Subsidiary transferred these shares to the value of TUSD 12,747 to the Company. These 873,081 treasury shares were cancelled in August 2013.

During the period from 1 January to 31 December 2013 the Ireland Subsidiary used the remaining 430,406 treasury shares of the Company to the value of TUSD 6,171 (31.12.2012: 432,000 treasury shares sold for the value of TUSD 5,427) for the redemptions in-kind of the Class RI shares of the Ireland Subsidiary.

As at 31 December 2013, the Ireland Subsidiary no longer held any treasury shares (31.12.2012: 1,303,487 treasury shares). Treasury shares were treated as a deduction from the consolidated shareholders’ equity using cost values: 31.12.2012: TUSD 14,867.

Share buyback second 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. See also note 6 of the Company financial statements.

Movement of treasury shares held by Subsidiaries	Number	Average price USD	Total cost TUSD	Market value TUSD
Shares held as of 1 January 2012	**1,735,487**	**11.41**	**19,794**	**20,218**
Redemption 2012	(432,000)	11.41	(4,927)	(5,427)
Shares held as of 31 December 2012	**1,303,487**	**11.41**	**14,867**	**16,554**
Redemption 2013	(1,303,487)	11.41	(14,867)	(18,918)
Shares held as of 31 December 2013	—	—	—	—

Movement of treasury shares 2nd line (bought for cancellation) held by the Company	Number	Average price USD	Total cost TUSD	Market value TUSD
Shares held as of 1 January 2012	**555,580**	**11.85**	**6,582**	**6,473**
Additions 2012 (till 17 April 2012)	573,199	12.40	7,109	—
Additions 2012 (18 April to closing on 5 June 2012)	573,170	13.11	7,513	7,279
Additions 2012 (opened 28 June 2012)	923,500	12.49	11,532	11,728
Cancellation 2012	(1,128,779)	12.13	(13,691)	—
Shares held as of 31 December 2012	**1,496,670**	**12.72**	**19,045**	**19,008**
Additions 2013 (till 2 May 2013)	611,356	13.79	8,431	—
Additions 2013 (21 May to closing on 5 June 2013)	82,500	14.78	1,219	1,188
Additions 2013 (opened 6 June 2013)	546,000	14.78	8,072	7,862
Cancellation 2013	(2,108,026)	13.03	(27,476)	—
Shares held as of 31 December 2013	**628,500**	**14.78**	**9,291**	**9,050**

Summary of treasury shares held as of 31 December 2013 and 2012	Number	Average price USD	Total cost TUSD	Market value TUSD
Total of treasury shares held as of 31 December 2012				
Shares held by Subsidiaries	1,303,487	11.41	14,867	16,554
Shares 2nd line held by the Company (bought for cancellation)	1,496,670	12.72	19,045	19,008
Total of treasury shares	**2,800,157**	**12.11**	**33,912**	**35,562**
Total of treasury shares held as of 31 December 2013				
Shares 2nd line held by the Company (bought for cancellation)	628,500	14.78	9,291	9,050
Total of treasury shares	**628,500**	**14.78**	**9,291**	**9,050**

17 Major shareholders

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

Major shareholders	31 December 2013	31 December 2012
More than 33 1/3%	–	–
Between 20% and 33 1/3%	LGT Group, Liechtenstein	–
Between 10% and 20%	LGT Capital Management, Switzerland, on behalf of pension funds	LGT Group, Liechtenstein LGT Capital Management, Switzerland, on behalf of pension funds
Between 3% and 10%	Stiftung Fürst Liechtenstein II Ironsides Partners, USA	Stiftung Fürst Liechtenstein II Co-operative Asset Management, 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) Effective as of 1 October 2013, LGT Capital Partners (Ireland) Limited, Dublin, has taken over the investment management duties from LGT Swiss Life Non Traditional Advisers Aktiengesellschaft, Vaduz, for the Cayman and the Ireland Subsidiaries. LGT Capital Partners Limited, Pfaeffikon acts as the investment advisor for LGT Capital Partners (Ireland) Limited, Dublin. 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 assets of the Subsidiaries in US Dollar as at the close of business on the final business day of each calendar month. The management fee is due monthly in arrears of 0.125 per cent after the net asset value calculation. The investment manager also receives a performance fee of 10 per cent of the net new trading gains of the Subsidiaries since the previous payment of such performance fee. This performance fee will be paid annually and any previous losses shall be recouped before payment of such performance fee ("high water mark"). Performance fees are payable in arrears. Performance fees of shares redeemed during a performance period shall be paid out within 30 days after the date of redemption. The calculated net asset value is net of all accrued fees. The investment manager will also be reimbursed for all reasonable out-of-pocket expenses, incurred for the benefit of the Company. These arrangements are for an initial fixed term ending in 2014 and can be terminated thereafter by either party with six months' prior written notice.

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

c) LGT Bank Limited, Vaduz, provides administrative services for the Company and since 2005 receives a flat fee of TUSD 20, payable quarterly in arrears. Any disbursements incurred will be charged separately. LGT Bank Limited, Vaduz, provides administrative services for the Cayman Subsidiary. The total administrative fees for the Group are limited to 0.06 per cent of the net asset value of the Irish and the Cayman subsidiaries.

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

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

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

19 Significant transactions with related parties

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

Related party transactions

Entity	Related party Relationship/Agreement(s) Direct/indirect	Terms and conditions	Transaction type	2013 TUSD	2012 TUSD
Castle Alternative Invest AG	LGT Bank Limited/ Administrative Services Agreement/direct	Note 8	Administration fee	22	21
		Note 11	Cash at banks	139	104
	LGT Capital Partners Limited/ Domicile Agreement/direct	Note 8	Domicile fee	11	10
	Directors/direct	Note 8/19	Directors' fee	233	231
Castle Alternative Invest (Overseas) Limited	LGT Swiss Life Non Traditional Advisers AG/ Investment Management Agreement/direct	Note 7	Investment management fee	98	10
		Note 15	Investment management fee payable	—	2
	LGT Capital Partners (Ireland) Limited/ Investment Management Agreement/ indirect	Note 7	Investment management fee	2	—
		Note 15	Investment management fee payable	2	—
	LGT Bank Limited/ Administrative Services Agreement and Loan Agreement/direct	Note 8	Administration fee	—	7
		Note 15	Administration fee payable	—	1
		Note 11	Cash at banks	156	44
	Directors/indirect	Note 8/19	Directors' fee	11	10
Castle Alternative Invest (International) plc	LGT Swiss Life Non Traditional Advisers AG/ Investment Management Agreement/direct	Note 7	Investment management fee	2,941	6,199
		Note 15	Investment management fee payable	—	515
		Note 7	Performance fee	766	84
		Note 15	Performance fee payable	766	84
	LGT Bank (Ireland) Limited/ Loan Agreement/direct	Note 14	Due to banks: loan	380	—
		Note 8	Credit facility standby fee	55	48
		Note 15	Credit facility standby fees payable	12	3
		Note 9	Interest expense	—	2
	LGT Capital Partners (Ireland) Limited/ Investment Management Agreement/ indirect	Note 7	Investment management fee	956	—
		Note 15	Investment management fee payable	322	—
		Note 7	Performance fee	1,169	—
		Note 15	Performance fee payable	1,169	—
	LGT Capital Partners Limited/ Advisory Agreement/indirect	No direct fees	Advisory fee (no direct fees)	—	—
	LGT Fund Managers (Ireland) Limited/ Management Agreement/indirect	No direct fees	Secretarial services (no direct fees)	—	—

LGT Group Foundation, Vaduz, is the controlling shareholder of the investment manager, LGT Capital Partners (Ireland) Limited, Dublin (until 30 September 2013: LGT Swiss Life Non Traditional Advisers AG, Vaduz). The investment manager is entitled to a management fee from the Subsidiaries (1.5 per cent of net assets in USD before deduction of the accrual of the performance fee) and a performance fee.

LGT Bank Limited, Vaduz acts as custodian for the Company. Cash was deposited with LGT Bank Limited, Vaduz at market conditions. In 2013 and 2012 no time deposit was held.

In 2013 and/or 2012 the Ireland Subsidiary was invested in the below mentioned Segregated Portfolios, which are all advised by LGT Capital Partners Limited, an affiliate of Castle's investment manager.

– Crown Managed Futures Master Segregated Portfolio
– Crown Distressed Credit Opportunities plc
– Crown/Amazon Segregated Portfolio
– Crown/Capeview Recovery Segregated Portfolio
– Crown/GLG Segregated Portfolio
– Crown/Japan Segregated Portfolio
– Crown/KC Segregated Portfolio
– Crown/Koppenberg Segregated Portfolio
– Crown/Linden Segregated Portfolio
– Crown/Marshall Wace Segregated Portfolio
– Crown/NJ Segregated Portfolio
– Crown/Sandler Segregated Portfolio
– Crown/Tyrian Segregated Portfolio

The table below shows the remuneration for the members of the board of directors in the year 2013 and 2012. In addition, the Company paid a directors and officers liability insurance fee of TUSD 14 (2012: TUSD 15). Travel expenses amounted to TUSD 31 (2012: TUSD 33).

	Compensation TUSD
As of 31 December 2013	
Chairman	64
Deputy chairman	52
Committee chairman	48
Members	47
Total board of directors	**211**
As of 31 December 2012	
Chairman	63
Deputy chairman	51
Committee chairman	47
Members	47
Total board of directors	**208**

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:

	2013 TUSD	in %	2012 TUSD	in %
Assets				
America	39,882	15%	57,477	14%
Asia	31,083	12%	27,924	7%
Europe	51,063	20%	105,524	26%
Global	138,148	53%	216,226	53%
Total assets	**260,176**	**100%**	**407,151**	**100%**

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

21 Financial instruments and associated risks

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

a) Market risks

(i) Price risk – The investments held in the portfolio may be realised only after several years and their fair values may change significantly. The investment manager, LGT Capital Partners (Ireland) Limited, Dublin, provides the Group with investment opportunities that are consistent with the Group's objectives. The investment portfolio is regularly reviewed by the board of directors.

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

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

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

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

Underlying managers of fund investments may transfer a portion of the Group's investment in that fund into share classes where liquidity terms are directed by the underlying manager in accordance with the respective fund investment's offering memorandum, commonly referred to as 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 investment manager 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 at 31 December 2013, TUSD 11,975 or 4.7 per cent of net assets were considered illiquid by the Group due to restrictions implemented by certain fund investments (2012: TUSD 15,576 or 6.1 per cent).

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

As of 31 December 2013 and 2012, 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	**2013**	**2012**
As of 31 December	1.34%	0.99%

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

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

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

Currency risk

In 2013 and in 2012

As of 31 December 2013	USD TUSD	CHF TUSD	Total TUSD
Assets			
Cash and cash equivalents	6,429	289	6,718
Investments designated at fair value through profit or loss	245,696	—	245,696
Other assets[1]	7,762	—	7,762
Total assets	**259,887**	**289**	**260,176**
Liabilities			
Due to banks	380	—	380
Accounts payable and accrued liabilities[1]	5,613	417	6,030
Total liabilities	**5,993**	**417**	**6,410**
Total equity	**253,766**	—	**253,766**
Total liabilities and equity	**259,759**	**417**	**260,176**

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

[1] Provided for reconciliation purposes only.

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

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

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

Interest rate risk

In 2013 and 2012

As of 31 December 2013	Less than 1 month TUSD	Non-interest bearing TUSD	Total TUSD
Assets			
Cash and cash equivalents	6,718	—	6,718
Other current assets[1]	—	7,762	7,762
Investments designated at fair value through profit or loss	—	245,696	245,696
Total assets	**6,718**	**253,458**	**260,176**
Liabilities			
Due to banks	380	—	380
Accounts payable and accrued liabilities[1]	—	6,030	6,030
Total current liabilities	**380**	**6,030**	**6,410**

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

[1] Provided for reconciliation purposes only.

b) Credit risk

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

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

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

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

Credit risk

In 2013 and in 2012

As of 31 December 2013	Fully performing TUSD	Total TUSD	S&P Rating
Assets			
Cash at LGT Bank Limited, Vaduz	295	295	A+
Cash at Credit Suisse (International) Dublin Branch	5,890	5,890	n/a
Cash at Citco Fund Services (Europe) B.V., Amsterdam	65	65	n/a
Cash at Zuercher Kantonalbank, Zurich	468	468	AAA
Other current assets	7,762	7,762	n/a
Total exposure to credit risk	**14,480**	**14,480**	

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

c) Liquidity risk

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

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

As mentioned in note 14 the Subsidiaries have a credit line of total TUSD 19,000 (2012: TUSD 19,000) granted by LGT Bank (Ireland) Limited, Dublin, which may be used for bridge financing purposes and helps to mitigate liquidity risk. The Ireland Subsidiary has a further credit line of TUSD 4,000 (2012: TUSD 4,000) granted by Swiss Life AG.

Liquidity risk

In 2013 and in 2012

As of 31 December 2013	**Less than 1 month TUSD**	**1 – 3 months TUSD**	**No stated maturity TUSD**	**Total TUSD**
Liabilities				
Due to banks	380	–	–	380
Accounts payable and accrued liabilities	5,484	545	1	6,030
Total current liabilities	**5,864**	**545**	**1**	**6,410**
Total outstanding commitment amount	**8,200**	–	–	**8,200**

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

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

Liquidity risk – redemption periods

In 2013 and in 2012

As of 31 December 2013	Less than 1 month TUSD	1 – 3 months TUSD	3 – 6 months TUSD	More than 6 months TUSD	Unde-termined TUSD	Total TUSD
Redemptions periods	25,761	181,656	—	26,304	11,975	245,696
Total	**25,761**	**181,656**	—	**26,304**	**11,975**	**245,696**

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

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

Liquidity risk – evented funds

In 2013 and 2012

As of 31 December 2013		Fair value TUSD
Fund investment	**Event**	
Bennelong Asia Pacific Multi Strategy Equity Fund Ltd.	Sidepocket	710
Caxton Global Investments Ltd. Class SI	Sidepocket	1,701
Cerberus Asia Partners L.P.	Sidepocket	664
D.E. Shaw Composite International Ltd. (sidepocket series)	Sidepocket	2,241
Drake Absolute Return Fund Ltd.	Liquidation	140
Galleon Technology Offshore Ltd.	Liquidation	662
Greywolf Capital Overseas Fund	Sidepocket	155
Headstart Fund Ltd.	Liquidation	248
Highland Crusader Fund II Ltd.	Liquidation	3,306
OZ Asia Overseas Fund Ltd.	Sidepocket	629
OZ Overseas Fund Ltd. Tranche C shares	Sidepocket	269
Raptor Private Holdings Ltd.	Liquidation	283
The Rohatyn Group Global Opportunity Fund Ltd.	Sidepocket	559
Tudor BVI Global Fund Ltd. (legacy class)	Sidepocket	408
Total		**11,975**

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

As 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 expired on 1 July 2013 with up to three one-year extensions and has a fair value of TUSD 5,391 (2012: TUSD 7,522). SerVertis Fund I Ltd. is redeemable on a semi-annual basis with 180 days notice and has a fair value of TUSD 4,161 (2012: TUSD 9,433).

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

d) Capital risk management

Discount control

The directors recognise the importance to shareholders of the Company's share price performance in the secondary market. Accordingly, the directors may take steps from time to time with a view to seeking to limit the prevailing discount to net asset value at which the shares trade. In particular, the directors may authorise repurchases of shares for cancellation and the utilisation of the Company's powers to buy back shares to be held in treasury for resale 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 the light of share trading conditions and the pertinent regulations of the SIX Swiss Exchange and the Swiss Takeover Board.

(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 investment manager may perform additional procedures on fund investments, including but not limited to underlying manager/administrator due diligence and other analytical procedures. If the directors are aware of a good reason why a particular fund valuation would not be the most appropriate indicator of fair value the directors will work with the underlying manager of that investment in an attempt to obtain more meaningful fair value information. See note 2 h) (iii) for further valuation information.

IFRS 7 requires the Group to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurements. The hierarchy has the following levels:

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

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

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

The following table analyses within the fair value hierarchy the Group's financial assets (by class) measured at fair value at 31 December 2013 and 2012.

As of 31 December 2013	**Level 1 TUSD**	**Level 2 TUSD**	**Level 3 TUSD**	**Total TUSD**
Assets				
Assets designated at fair value through profit or loss:				
Fund investments	–	224,168	21,528	245,696
Total	**–**	**224,168**	**21,528**	**245,696**

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

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. The Group does not hold level 1 investments as at 31 December 2013 and 2012.

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 2012 and 2013.

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	**2013** **% of financial assets at fair value through profit or loss**	**2012** **% of financial assets at fair value through profit or loss**
America	39%	47%
Asia	8%	7%
Global	53%	46%
Total	**100%**	**100%**

For a sensitivity analysis on the level 3 investments please refer to note 21 a) (i).

As at 31 December 2013, 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 March 2014, the Group had received redemption proceeds amounting to TUSD 10,281.

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 and SerVertis Fund I Ltd. were reclassified from level 2 to level 3 in the 2011 annual report. Though these investments are of very good quality, their liquidity terms imply that they can only be liquidated over a prolonged timeframe due to their private equity like nature. These investments were made at a time when all the assets of the Group belonged to the 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 2013	**Investments designated at fair value through profit or loss TUSD**
Assets	
At 1 January	32,531
Total gain	2,666
Sales	(13,669)
Transfers in/out	—
At 31 December	**21,528**
Total unrealised gain for the year included in the statement of comprehensive income for investments held at the end of the year	**453**

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

The table below analyses within the fair value hierarchy the financial assets and liabilities (by class) not measured at fair value, but for which fair values are disclosed at 31 December 2013 and 31 December 2012.

As of 31 December 2013	**Level 1 TUSD**	**Level 2 TUSD**	**Level 3 TUSD**	**Total TUSD**
Assets				
Cash and cash equivalents	6,718	—	—	6,718
Other current assets	—	7,762	—	7,762
Total	**6,718**	**7,762**	—	**14,480**
Liabilities				
Due to banks	380	—	—	380
Accounts payable and accrued liabilities	—	6,030	—	6,030
Total	**380**	**6,030**	—	**6,410**

As of 31 December 2012	**Level 1 TUSD**	**Level 2 TUSD**	**Level 3 TUSD**	**Total TUSD**
Assets				
Cash and cash equivalents	27,758	—	—	27,758
Other current assets	—	56,814	—	56,814
Total	**27,758**	**56,814**	—	**84,572**
Liabilities				
Accounts payable and accrued liabilities	—	152,632	—	152,632
Total	—	**152,632**	—	**152,632**

The assets and liabilities included in the above table are carried at amortised cost; their carrying values are a reasonable approximation of fair value. Cash and cash equivalents comprise demand, call and term deposits with a maturity of three months or less. Cash and cash equivalents are recorded at nominal value. Other current assets are recognised initially at fair value and subsequently measured at amortised cost. Amounts due to banks are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Accounts payable and accrued liabilities are recognised initially at fair value and subsequently stated at amortised cost.

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 2013	Commitment in TUSD	Open commitment amount in TUSD
Cerberus Asia Partners L.P.	5,000	—
Crown Distressed Credit Opportunities plc	16,500	4,100
SerVertis Fund I Ltd.	16,500	4,100
Zais Matrix VI-F Ltd.	16,500	—
Total	**54,500**	**8,200**

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

The nature of these commitments is that they can be called at the investment managers' discretion. The management confirms that there are no other commitments, contingencies or other transactions that could have a material effect upon the financial situation of the Group as of 31 December 2013.

23 Subsequent events

The consolidated financial statements are authorised for issue on 1 April 2014 by the board of directors. The annual general meeting called for 13 May 2014 will vote on the final acceptance of the consolidated financial statements.

Since the balance sheet date of 31 December 2013 Castle Alternative Invest AG purchased 265,000 treasury shares on its second trading line to the amount of TUSD 3,959. As at 31 March 2014 the Company held in total 893,500 treasury shares on its second trading line.

On 31 January 2014, at the extraordinary general meeting of Castle Alternative Invest AG, the directors were authorised to take the necessary steps to effect the cancellation of the share listing on the London Stock Exchange. The cancellation took effect on 3 March 2014. The Company's shares will continue to be listed on the SIX Swiss Exchange.

Since the balance sheet date of 31 December 2013, there have been no material events that could impair the integrity of the information presented in the financial statements.

Report of the statutory auditor

to the general meeting of
Castle Alternative Invest AG, Pfäffikon

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Castle Alternative Invest AG, which comprise the balance sheet, statement of income and notes (pages 66 to 73) for the year ended 31 December 2013.

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

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

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

Opinion
In our opinion, the financial statements for the year ended 31 December 2013 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

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

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

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

PricewaterhouseCoopers Ltd.

Guido Andermatt	**Rolf Birrer**
Audit expert	Audit expert
Auditor in charge	

Zürich, 1 April 2014

Balance sheet

As of 31 December 2013 (All amounts in CHF thousands unless otherwise stated)

	2013	2012
Assets		
Current assets:		
Cash and cash equivalents	539	1,704
Other current assets	22	14
Total current assets	**561**	**1,718**
Non-current assets:		
Participations	200,915	200,915
Total non-current assets	**200,915**	**200,915**
Total assets	**201,476**	**202,633**
Liabilities		
Current liabilities:		
Other accrued liabilities	370	453
Deferred translation gain	281	329
Total current liabilities	**651**	**782**
Equity		
Shareholders' equity:		
Share capital	66,859	81,764
Share capital premium – legal reserves from capital contributions	62,344	52,777
Share capital premium – legal reserves from capital contributions – reserve for own shares at cost	—	15,751
Share capital premium – general reserve	31,907	31,907
Treasury shares 2nd line at cost (bought for cancellation)	(8,558)	(17,953)
Accumulated surplus	48,273	37,605
Total shareholders' equity	**200,825**	**201,851**
Total liabilities and equity	**201,476**	**202,633**

Statement of income and accumulated surplus/(deficit)

For the year ended 31 December 2013 (All amounts in CHF thousands unless otherwise stated)

	2013	2012
Income		
Realised loss on subsidiary	(1,166)	—
Dividend income from subsidiary	27,865	27,328
Loss on foreign exchange, net	(2)	(4)
Other income	1	1
Total income	**26,698**	**27,325**
Expenses		
Other expenses	(770)	(802)
Total expenses	**(770)**	**(802)**
Profit before taxes	**25,928**	**26,523**
Taxes	(12)	(10)
Profit for the year	**25,916**	**26,513**
Accumulated surplus/(deficit)		
Accumulated surplus brought forward	37,605	17,896
Profit for the year	25,916	26,513
Cancellation of treasury shares 2nd line	(15,248)	(6,804)
Accumulated surplus brought forward	**48,273**	**37,605**
Proposal of the board of directors for appropriation of accumulated surplus		
To be carried forward	48,273	37,605
Total	**48,273**	**37,605**

Notes to the company financial statements

For the year ended 31 December 2013
(All amounts in CHF thousands unless otherwise stated)

1 Organisation and business activity

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

Since 10 April 1997, the shares of the Company have been listed in Swiss Francs on the SIX Swiss Exchange and on 21 January 2002, a listing in US Dollar on the SIX Swiss Exchange followed. As of 5 June 2009 the Company is also listed in US Dollar on the London Stock Exchange. Following an extraordinary general meeting of the Company on 31 January 2014, the London listing was cancelled on 3 March 2014.

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

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

2 Accounting principles

Applying the transitional provisions of the new accounting law, these Company financial statements have been prepared in accordance with the provisions on accounting and financial reporting of the Swiss Code of Obligations effective until 31 December 2012.

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

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

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

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

3 Participation

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

On 1 April 2011 Swiss Life AG partially redeemed its holding in Class I of the Ireland Subsidiary. The redemption was paid out in cash with the remaining amount being placed in a newly opened side-pocket share class for illiquid assets (Class RI). At the same time a side pocket share class for the Cayman Subsidiary's portion of the illiquid assets was also created (Class RO). The side pocket share classes have paid out proceeds as their assets were realised. On 31 December 2012 Swiss Life fully redeemed its holding in the Class I shares. As per 31 December 2013 Swiss Life AG's holding in the remaining Class RI shares comprised 4.81 per cent (2012: 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 95.19 per cent of the net asset value of the Ireland Subsidiary (2012: 90.73 per cent). The Company controls the Ireland Subsidiary and consolidates it in compliance with IFRS 10. Swiss Life AG's holding in the Ireland Subsidiary is shown as a non-controlling interest in the Group's consolidated financial statements.

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

4 Taxes

The Company is taxed as a holding company and is as such liable for cantonal/communal capital taxes (reduced rates) and Swiss federal income taxes. The actual tax expenses cover all taxes through 31 December 2013.

5 Pledged assets

As of 31 December 2013, the Subsidiaries have a credit line of TUSD 19,000 (31 December 2012: TUSD 19,000). The credit line is granted by LGT Bank (Ireland) Limited, Dublin and is secured by the participating shares of the Ireland Subsidiary as well as the voting participating redeemable ordinary shares of the Cayman Subsidiary, which are directly held by the Company. The pledged assets are deposited with LGT Bank Limited, Vaduz and pledged in favour of the lender. As of 31 December 2013, the Ireland Subsidiary had borrowed TUSD 380 from LGT Bank (Ireland) Limited. As of 31 December 2012, the credit lines were not used.

6 Shareholders' equity

Shareholders' equity

The share capital of the Company amounts as of 31 December 2013 to TCHF 66,859 (TUSD 49,581) and as of 31 December 2012 to TCHF 81,764 (TUSD 60,635) consisting of 13,371,710 (2012: 16,352,817) issued and fully paid registered shares with a par value of CHF 5. The reduction is due to the cancellation of second line treasury shares which took place in August 2013. For more information see the paragraph "Share buyback second line" below. The translation in US Dollar has been done at the corresponding historical foreign exchange rate. Each share entitles the holder to participate in any distribution of income and capital.

Treasury shares

On 1 February 2013 the Ireland Subsidiary transferred 873,081 treasury shares of the Company, to the value of TCHF 9,776 (TUSD 10,826), from the Ireland Subsidiary to the Cayman Subsidiary. On 8 August 2013 the Cayman Subsidiary transferred these shares to the value of TCHF 11,716 (TUSD 12,747) to the Company. These 873,081 treasury shares were cancelled in August 2013.

During the period from 1 January to 31 December 2013 the Ireland Subsidiary used the remaining 430,406 treasury shares to the value of TCHF 5,201 (TUSD 6,171) (31.12.2012: 432,000 treasury shares sold for the value of TCHF 5,220 (TUSD 5,427)) for the redemptions in-kind of the Class RI shares of the Ireland Subsidiary.

As at 31 December 2013 the Ireland Subsidiary no longer held any treasury shares (31.12.2012: 1,303,487). A reserve out of share capital premium had been created for these treasury shares using cost values: 31.12.2012: TCHF 15,751 (TUSD 14,867).

Share buyback second 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.

Treasury shares 2nd line (bought for cancellation)

Programs	From	To	Cancelled	Number	Cost TUSD	Cost TCHF
Program initiated on 19 July 2011, decided on 17 May 2011						
Additions 2011	19.7.2011	31.12.2011	20.8.2012	555,580	6,582	5,901
Additions 2012	1.1.2012	17.4.2012	20.8.2012	573,199	7,109	6,547
Additions 2012	18.4.2012	5.6.2012	23.8.2013	573,170	7,513	7,081
Total				**1,701,949**	**21,204**	**19,529**
Program initiated on 28 June 2012, decided on 15 May 2012						
Additions 2012	28.06.2012	31.12.2012	23.8.2013	923,500	11,532	10,872
Additions 2013	1.1.2013	2.5.2013	23.8.2013	611,356	8,431	7,834
Additions 2013	21.5.2013	5.6.2013	—	82,500	1,219	1,167
Total				**1,617,356**	**21,182**	**19,873**
Program initiated on 6 June 2013, decided on 14 May 2013						
Additions 2013	6.6.2013	31.12.2013	—	546,000	8,072	7,391
Total				**546,000**	**8,072**	**7,391**
Movement of treasury shares 2nd line (bought for cancellation)						
Shares held as of 1 January 2012				555,580	6,582	5,901
Additions 2012				2,069,869	26,154	24,500
Cancellation on 20 August 2012				(1,128,779)	(13,691)	(12,448)
Shares held as of 31 December 2012				**1,496,670**	**19,045**	**17,953**
Additions 2013				1,239,856	17,722	16,392
Cancellation on 23 August 2013				(2,108,026)	(27,476)	(25,787)
Shares held as of 31 December 2013				**628,500**	**9,291**	**8,558**

Allocation of general reserves

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

Shareholders' equity

In 2013 (TCHF)

	Share capital	Share capital premium				Accumulated surplus	Total
		Legal reserves from capital contributions	Legal reserves from capital contributions – reserve for own shares at cost	General reserve	Treasury shares 2nd line at cost (bought for cancellation)		
31 December 2012	81,764	52,777	15,751	31,907	(17,953)	37,605	201,851
Cancellation of treasury shares 2nd line	(10,539)	—	—	—	25,787	(15,248)	—
Transfer of treasury shares in-kind	—	10,550	(10,550)	—	—	—	—
Cancellation of treasury shares	(4,366)	(6,184)	—	—	—	—	(10,550)
Redemption in-kind	—	5,201	(5,201)	—	—	—	—
Purchase of treasury shares 2nd line (bought for cancellation)	—	—	—	—	(16,392)	—	(16,392)
Profit for the year	—	—	—	—	—	25,916	25,916
31 December 2013	**66,859**	**62,344**	—	**31,907**	**(8,558)**	**48,273**	**200,825**

7 Major shareholders

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

Major shareholders	31 December 2013	31 December 2012
More than 33 1/3%	—	—
Between 20% and 33 1/3%	LGT Group, Liechtenstein	—
Between 10% and 20%	LGT Capital Management, Switzerland, on behalf of pension funds	LGT Group, Liechtenstein LGT Capital Management, Switzerland, on behalf of pension funds
Between 3% and 10%	Stiftung Fürst Liechtenstein II Ironsides Partners, USA	Stiftung Fürst Liechtenstein II Co-operative Asset Management, United Kingdom

8 Compensation and share ownership

The table below shows the remuneration for the members of the board of directors in the year 2013 and 2012. In addition, the Company paid a directors and officers liability insurance fee of TCHF 13 (2012: TCHF 14).

In 2013 and in 2012 (All amounts in CHF thousands unless otherwise stated)

Chairman	55
Deputy chairman	44
Committee chairman	44
Member	33

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

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

Share ownership	2013	2012
Castle Alternative Invest AG		
Members of the board of directors		
Reto Koller	8,000	8,000
Dr André Lagger	4,755	4,755
General manager		
Mark White	10,000	10,000
Total	**22,755**	**22,755**
LGT Swiss Life Non Traditional Advisers AG		
Members of the board of directors		
Dr Roberto Paganoni	4,000	4,000
General manager		
Dr Thomas Weber	34,150	34,150
Total	**38,150**	**38,150**
LGT Capital Partners (Ireland) Ltd.		
Members of the board of directors		
Hans Markvoort	800[1]	–
Dr Roberto Paganoni	4,000	4,000
Tycho Sneyers	89,428	19,011
Dr Thomas Weber	34,150	34,150
Total	**127,578**	**57,161**

[1] Held by relatives.

9 Risk management

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

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

Crown Managed Futures Master Segregated Portfolio

Management philosophy

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

Manager

LGT Capital Partners Ltd. is a leading institutional alternative asset and fund of funds manager, currently managing over USD 29 billion in hedge fund and private equity investments on a global basis. LGT Capital Partners Ltd. dedicated team of over 200 experienced professionals with 35 nationalities is responsible for the investment management of the Castle and Crown alternative investment programs.

Style
CTA

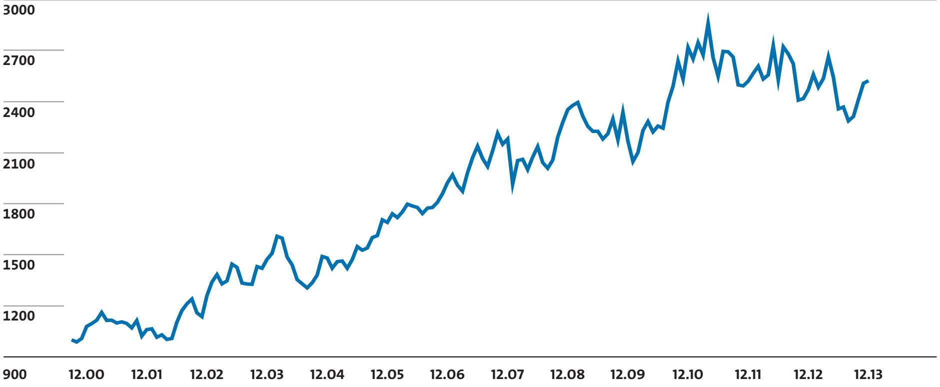
Management company
LGT Capital Partners
(Ireland) Ltd.

Manager
LGT Capital Partners Ltd.

Inception of the fund
October 2000

Date of initial investment
June 2003

Performance



Discovery Global Opportunity Fund Ltd.

Management philosophy

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

Manager

Robert Citrone has been advising and managing emerging market portfolios for the past 18 years. He joined Tiger Management in January 1995 to head global emerging market investments. As a managing director of Tiger, he had been responsible for the strategic investment recommendations on currencies, fixed income, and equities in emerging markets. Mr Citrone originated and built the Emerging Market Fixed Income and Currency Group at Fidelity Investments in 1990.

Style
Macro

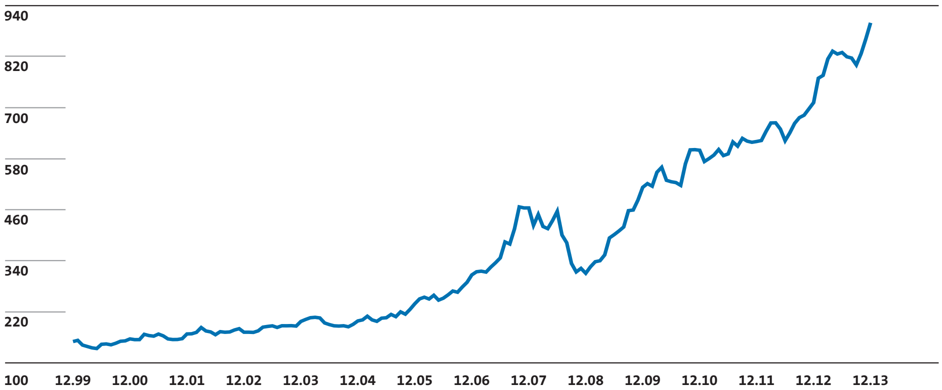
Management company
Discovery Capital Management, L.L.C.

Manager
Robert Citrone

Inception of the fund
August 1999

Date of initial investment
January 2008

Performance



Zebedee Focus Fund Limited

Management philosophy

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

Manager

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

Style
L/S Equity

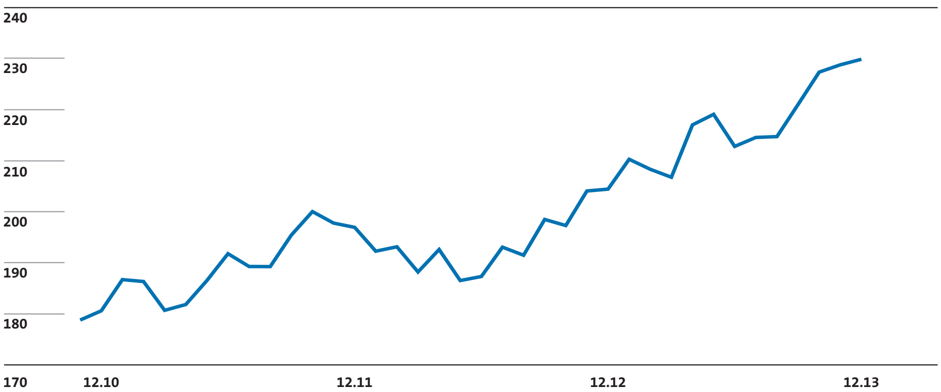
Management company
Zebedee Capital Partners L.L.P.

Manager
Julian Edwards

Inception of the fund
February 2008

Date of initial investment
December 2010

Performance



Third Point Ultra Ltd.

Management philosophy

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

Manager

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

Style
Event Driven

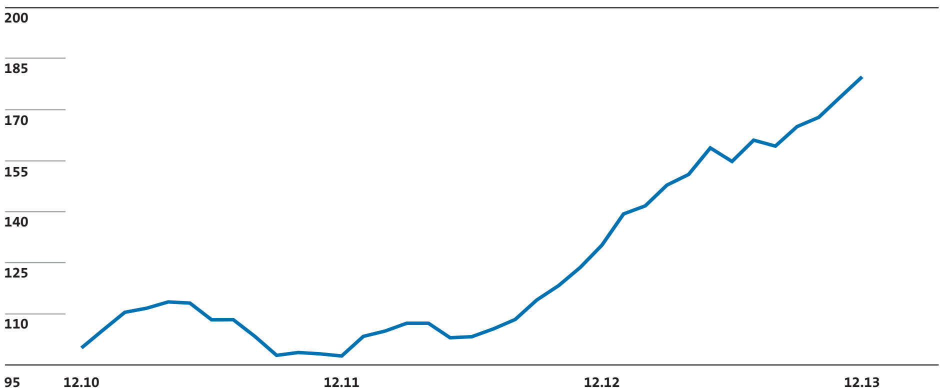
Management company
Third Point L.L.C.

Manager
Daniel S. Loeb

Inception of the fund
May 1997

Date of initial investment
January 2011

Performance



Crown/Capeview Segregated Portfolio

Management philosophy

Capeview is a fundamentals-based, European long/short manager with a primary focus on companies in developed Europe (mostly UK), limited focus on Southern Europe and no focus on Eastern Europe. The manager uses equities as well as derivatives (mostly single stock options) to express their views. The longs and shorts are generally independent of each other and the manager targets alpha generation in both books. The fund invests in liquid stocks only with some tactical macro trading overlay. Gross exposure is between 100 per cent and 150 per cent in normal market conditions with a moderate net long or net short stance.

Manager

LGT Capital Partners Ltd. is a leading institutional alternative asset and fund of funds manager, currently managing over USD 29 billion in hedge fund and private equity investments on a global basis. LGT Capital Partners Ltd. dedicated team of over 200 experienced professionals with 35 nationalities is responsible for the investment management of the Castle and Crown alternative investment programs.

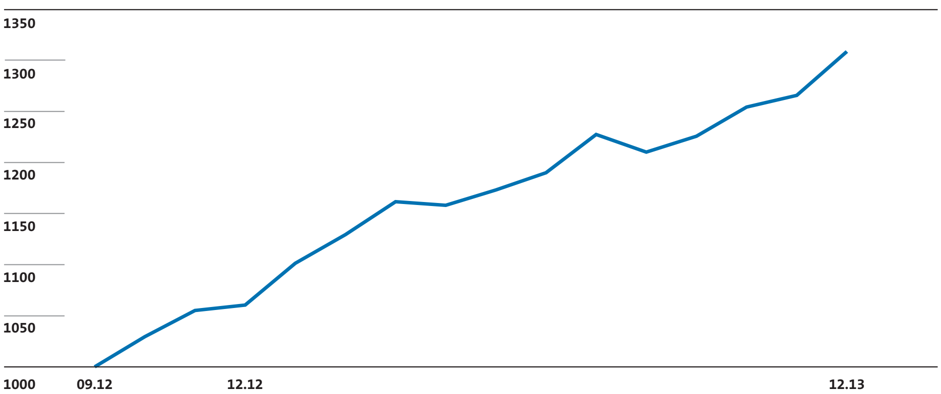
Style
L/S Equity

Management company
LGT Capital Partners (Ireland) Ltd.

Inception of the fund
October 2012

Date of initial investment
October 2012

Performance



Latigo Ultra Fund, Ltd.

Management philosophy

Latigo Capital Partners is focused on US event-driven opportunities predominately in the high-yield and distressed credit space. The investment approach includes capital structure arbitrage, directional long/short investing in mispriced credits, distressed securities, litigation claims, modest equity exposure and other catalyst-driven strategies. In particular, one of the key strengths of the Latigo team is its expertise in fundamental credit analysis combined with sound legal expertise and restructuring experience. Through their extensive in-depth research, Latigo is able to capitalise on complex credit situations which other investors tend to overlook or misjudge.

Manager

David Ford was most recently a Principal and Portfolio Manager at Satellite Asset Management, L.P. Mr Ford joined Satellite from Och Ziff Capital Management in the summer of 2002. Mr Ford joined Och Ziff in early 2000 to launch the distressed component of the firm's fixed income business. From 1994 – 1999 Mr Ford was the Portfolio Manager of ING Barings' proprietary North American distressed securities and merger arbitrage portfolios. He has an MBA from Columbia University.

Style
Event Driven

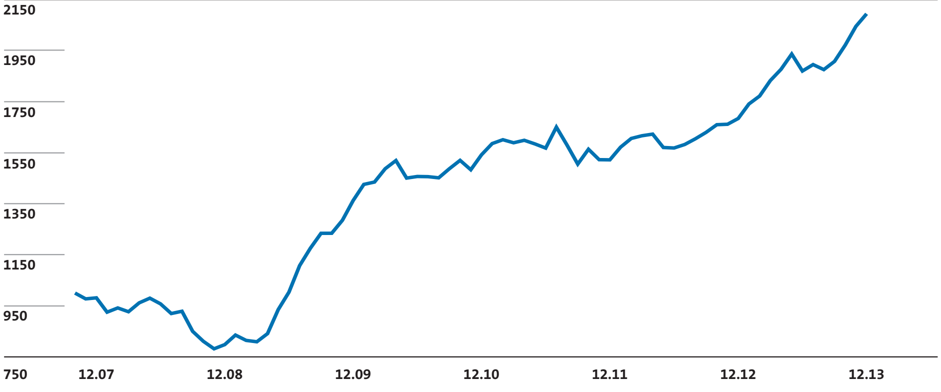
Management company
Latigo Partners L.P.

Manager
David Ford

Inception of the fund
October 2007

Date of initial investment
August 2009

Performance



Indus Pacific Opportunities Fund Ltd.

Management philosophy

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

Manager

Byron Gill is the portfolio manager for the Smaller Companies Fund and manages the Tokyo research office of Indus Capital Partners. Mr Gill has been analysing Japanese companies for 11 of his last 14 years in Japan. He joined Soros Fund Management in 1999 as the Chief Representative of its Tokyo office and co-founded Indus Capital in 2000. Prior to this, he has worked as research analyst for Citi and SBC Warburg.

Style
Long/Short

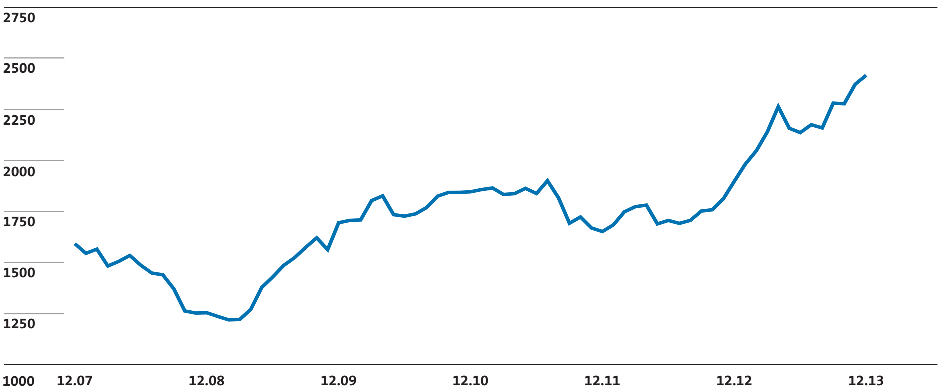
Management company
Indus Capital Partners, L.L.C.

Manager
Byron Gill

Inception of the fund
November 2004

Date of initial investment
January 2008

Performance



HBK Offshore Fund Ltd.

Management philosophy

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

Manager

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

Style
Relative Value

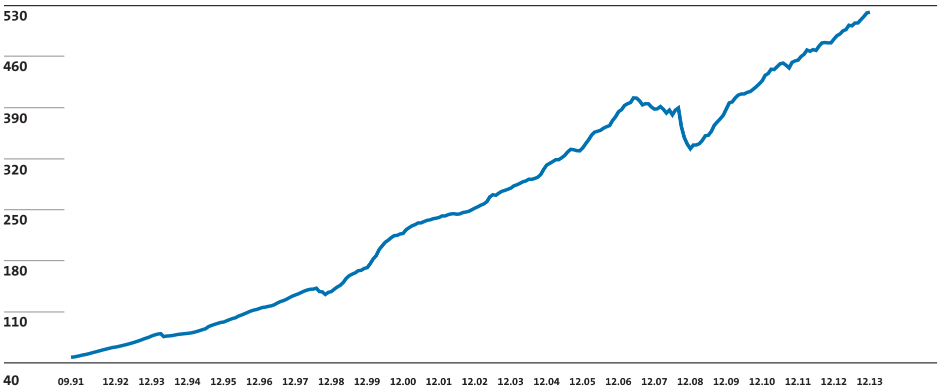
Management company
HBK Investments L.P.

Manager
Jamiel A. Akhtar

Inception of the fund
March 1996

Date of initial investment
April 1998

Performance



Tyrus Capital Opportunities Fund

Management philosophy

The fund will focus on liquid, mainly equity trades across developed markets and certain investments in the liquid developing markets. The Opportunity Fund will only invest within catalyst value trades and not follow any classical merger arbitrage ideas. Value are opportunities which arise from evolution of mergers and takeovers, restructuring situations and situation created by Tyrus.

Manager

Tony Chedraoui has near complete control of the Company. He owns 97 per cent of the votes in the UK entity, while Mark Madden, Charles Hopkinson-Woolley and Xavier Freixes each hold one per cent. Mr Chedraoui was formerly Global Head of Event-Driven Strategies at Deephaven and Portfolio Manager of the Deephaven European Event Fund. Before joining Deephaven in 2006, he spent six and a half years at Lehman Brothers, firstly in investment banking where he focused on mergers and acquisitions and then as a proprietary trader managing an event-driven strategy. He has an MSc in Finance from the Hautes Etudes Commerciales in France and a BSc in Computer and Communication Engineering from the American University of Beirut.

Style
Event Driven

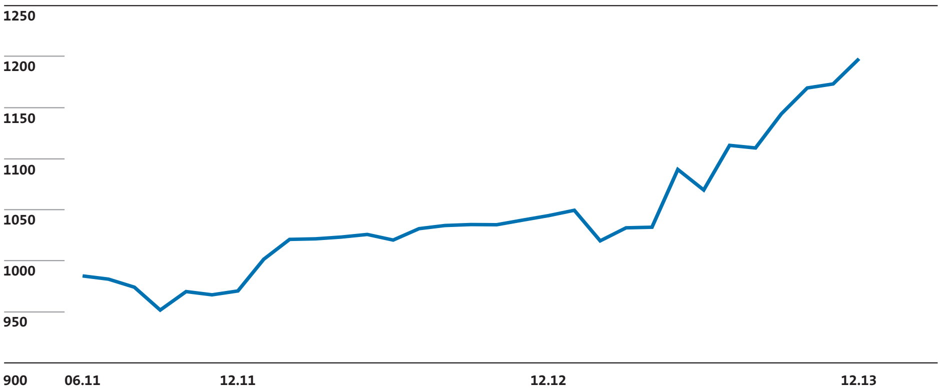
Management company
Tyrus Capital Management Company Ltd.

Manager
Tony Chedraoui

Inception of the fund
March 2011

Date of initial investment
June 2011

Performance



Blue Mountain Credit Alternatives Fund Ltd.

Management philosophy

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

Manager

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

Style
Relative Value

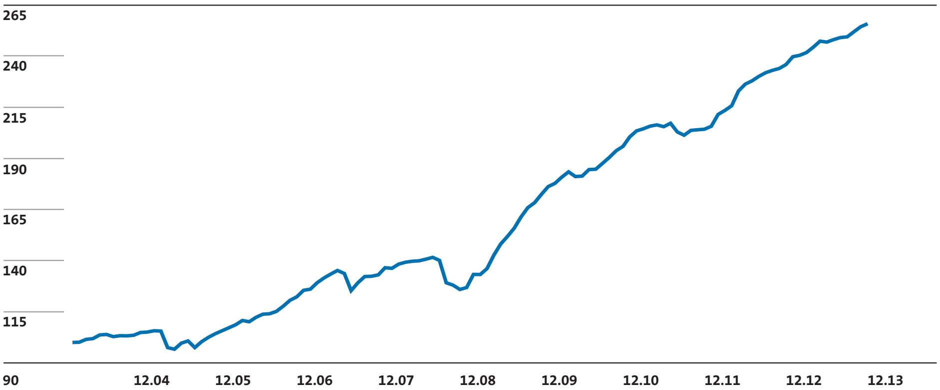
Management company
Blue Mountain Capital Management, L.L.C.

Manager
Andrew T. Feldstein

Inception of the fund
November 2003

Date of initial investment
April 2004

Performance



Corporate governance compliance disclosure

1. 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.

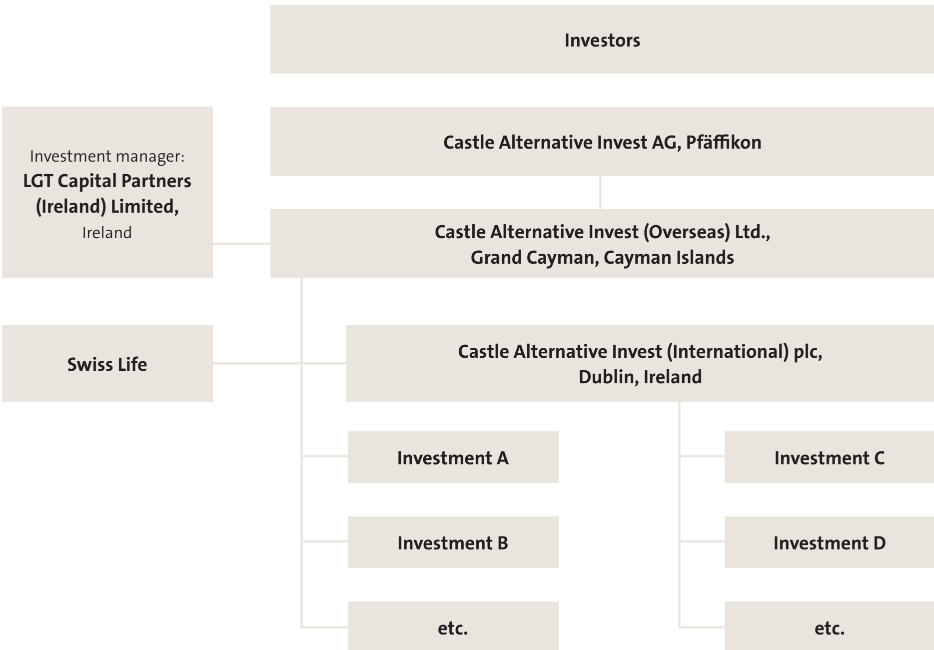
1.1 Significant shareholders

The shareholding structure of the Company as of 31 December 2013 is shown in the table below:

– Reporting group represented by LGT Capital Invest (SC2) Limited, Cayman Islands, reported a holding of 3,179,772 shares.
– Ironside Partners LLC, Boston, MA, USA, reported a holding of 1,094,074 shares.
– Stiftung Fürst Liechtenstein II, Liechtenstein, reported a holding of 590,000 shares.

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

1.2 Group structure



As at 31 December 2013, the Group no longer held any treasury shares. The Group has not entered into any cross-shareholdings that exceed 5 per cent of the capital shareholding as voting rights on either side.

2. Capital structure

2.1 Capital

The Company's share capital consists of 13,371,710 registered shares with a par value of CHF 5 each. The shares are listed in USD and CHF at the SIX Swiss Exchange in Zurich with ISIN CH0005092751 and valor number 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 6 of the Company financial statements.

The Company completed a 2012 – 2013 share buyback programme with the purchase of 1,602,356 shares in June 2013. These shares were cancelled on 22 August 2013. The annual general meeting of Castle Alternative Invest AG on 14 May 2013 approved a programme to buy back up to 10 per cent own shares for cancellation and it was initiated on 6 June 2013. On 25 July 2013 Castle Alternative Invest AG announced that it had received an exemption from the Swiss Takeover Board for its second line share buyback programme initiated on June 6, 2013. Under the exemption granted, after a period of 10 trading days following the publication of the buyback advertisement on CAI's homepage, the daily volume limit was increased to 37.5 per cent which amounted to 5,000 shares per day. As of 31 December 2013, the Company held 628,500 shares purchased on the second line for cancellation, 546,000 of these were purchased in the 2013 – 2014 buyback programme and 82,500 were purchased in the 2012 – 2013 programme. Otherwise there were no shares held in treasury.

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 2013 annual report.

The market capitalisation of the Company (ISIN: CH0005092751 / Valor: 509275) per year end 2013 amounted to approx. TUSD 192,553. 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 2013.

3. Board of directors

As of 31 December 2013, 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 Lager is affiliated to 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.

Tim Steel was elected at the general meeting held on 29 October 2008 and was re-elected at the general meeting held in May 2013 for a term ending at the 2014 annual shareholder meeting.

Dr Konrad Bächinger, deputy chairman

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

Dr Bächinger was elected to the board of directors in 1997 and was re-elected at the general meeting held on May 2013 for a term ending at the 2014 annual shareholder meeting.

Dr André Lagger, director

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

André Lagger was elected at the general meeting held in May 2013 for a term ending at the 2014 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 2013 for a term ending at the 2014 annual shareholder meeting.

Kevin Mathews, director

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

Kevin Mathews was elected at the general meeting held on 29 October 2008 and was re-elected at the general meeting held in May 2013 for a term ending at the 2014 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, in which all directors are members. The audit committee is chaired by Reto Koller.

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.

3.2 Organisation

The board of directors has delegated the operational management of the Company to Mark White 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 four 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 2013, four board meetings and four 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 Mark White as general manager.

Mark White

(British citizen, 1955) has 37 years' experience in investment management, 13 of which were spent in Asia. In March 2005, he joined KGR Capital (Europe) Ltd., part of an Asian Fund of Hedge Funds Group, which was acquired by LGT Capital Partners in September 2008. He was subsequently appointed general manager of LGT Capital Partners (UK) Ltd. Previously, he was CEO of JPMorgan Fleming Asset Management (UK) Ltd, responsible for its international institutional businesses. He is a non-executive director of Ellis Brady Absolute Return Fund Ltd., F&C Global Smaller Companies Plc, Impax Asset Management Group Plc and Standard Life Equity Income Trust Plc.

The general manager of the Company does not receive any compensation for his services to the Company.

There are no other activities and vested interests of the members of the management.

4.2 Investment management

LGT Capital Partners (Ireland) Limited, Dublin, has been appointed investment manager. The investment manager is responsible for the management of the Company's assets in accordance with the investment policy and guidelines. The 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 will terminate on 30 April, 2014. However, these agreements shall remain in force and effect thereafter unless and until terminated by one of the parties giving not less than 6 months' notice in writing to the other party. The compensation of the investment manager is shown in note 7 and 18 of the consolidated financial statements.

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

The fees paid to the investment manager include payment for the services of Mark White 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 remuneration of the board of directors is as follows:

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

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

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

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 13 May 2014 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 5 May 2014 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 5 May 2014 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. Guido Andermatt, the auditor in charge, took up office in 2008.

Total audit fees charged by PricewaterhouseCoopers for the 2013 audit amounted to TUSD 191 (2012: TUSD 173).

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 a board meeting or by means of a phone discussion.

9. Information policy

The Company publishes an annual report per 31 December, a semi-annual report per 30 June and quarterly reports per 31 March and 30 September. 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: 0.8886

	2005	2006	2007	2008	2009	2010	2011	2012	2013	Since inception
Share information										
Number of bearer shares at year-end	38,501,000	38,501,000	38,501,000	38,501,000	38,501,000	19,707,060	17,481,596	16,352,817	13,371,710	
CAI Net asset value (USD)	13.20	15.04	16.60	14.17	15.95	16.66	15.60	16.83	18.97	
CAI Net asset value (CHF)	17.40	18.36	18.65	15.19	16.50	15.56	14.64	15.39	16.86	
CAI Closing price (USD)	11.40[3]	13.10[3]	14.30[3]	7.50[3]	12.35[3]	12.30[3]	11.65[3]	12.70[3]	14.40[3]	
CAI Closing price (CHF)	14.90	15.87	16.20	8.15	12.60	11.90	11.50	11.60	13.00	
Share performance										
CAI Net asset value (USD)	4.5%	13.9%	10.3%	(14.6%)	12.6%	4.5%	(6.4%)	7.9%	12.7%	194.5%[1]
CAI Net asset value (CHF)	21.6%	5.6%	1.6%	(18.6%)	8.6%	(5.7%)	(5.9%)	5.1%	9.6%	68.6%[2]
CAI Closing price (USD)	(5.4%)[3]	14.9%[3]	9.2%[3]	(47.6%)[3]	64.7%[3]	(0.4%)[3]	(5.3%)[3]	9.0%[3]	13.4%[3]	28.4%[3]
CAI Closing price (CHF)	9.6%	6.5%	2.1%	(49.7%)	54.6%	(5.6%)	(3.4%)	0.9%	12.1%	30.0%

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

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

Listing
SIX Swiss Exchange: 509.275 (Swiss security number)

Market maker
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Dr Konrad Bächinger (deputy chairman)
Dr André Lagger
Reto Koller (audit committee chairman)
Kevin Mathews

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