

# Semi-annual Report

June 2014

**Publication date**

This report was released for publication on 19 August 2014.

The subsequent event note in the financial statements has been updated to 19 August 2014.

Amounts in this report are stated in USD thousands (TUSD) unless otherwise stated.

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## Castle Alternative Invest AG in the second quarter of 2014

		Quarter to June 2014	Quarter to March 2014
<b>Net asset value increased 2.8% year to date</b>	Castle Alternative Invest AG's ("Castle" or the "Company") net asset value increased by 1.8% (USD +0.34 per share) during the second quarter of 2014.	USD 19.50 per share TUSD 238,513	USD 19.16 per share TUSD 239,109
<b>Share price up 4.2% to USD 15.00 on SIX, year to date</b>	During the second quarter of 2014, the price in USD increased by 1.7%.	USD 15.00 per share	USD 14.75 per share
<b>Discount increased marginally during the quarter</b>	At the end of June 2014 the shares (USD) were trading on SIX at a discount of 23.1% to NAV.	(23.1%)	(23.0%)
<b>Share buy back programme (second line)</b>	<p>On 6 June 2013 the Company started the fourth share buyback for cancellation on the second trading line. The Annual General Meeting on 13 May 2014 approved a prolongation of the share buyback programme in order to achieve a maximum of 10 per cent of the share capital.</p> <p>By 19 August 2014, 1,231,000 shares had been purchased on the second line. A further 82,500 shares were purchased for cancellation in the previous second line buyback programme which ended on 5 June 2013.</p> <p>At the AGM on 13 May 2014 the shareholders approved the cancellation of 993,500 shares. The cancellation duly took place on 13 August 2014.</p>		

## Performance during the second quarter 2014

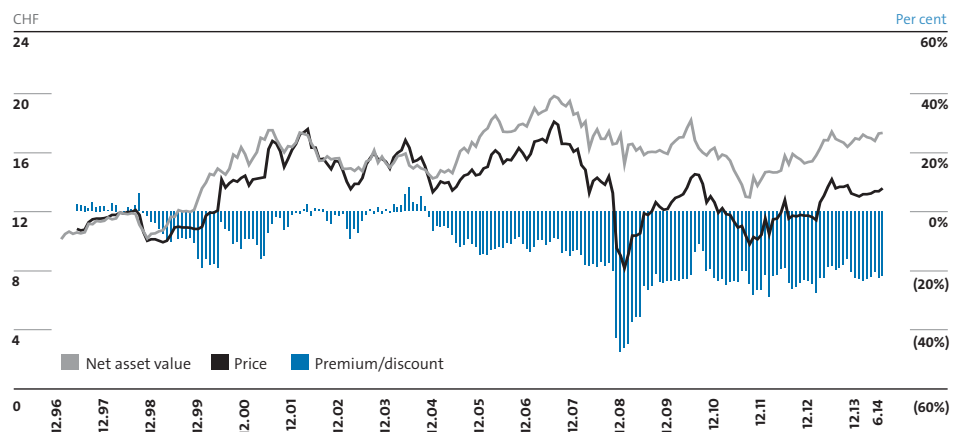
### Overview

The second quarter of the year was positive, in developed and emerging markets, for both equities and fixed income markets. Global equities were supported by the accommodative monetary policy from central banks and expectations for strengthening GDP growth, in particular in the US. Fixed income markets posted positive results across different sectors (government, corporate) and also holding low-quality credits rewarded investors, with the global high yield index up almost 3 per cent. Geopolitical tensions, including the risk of a conflict escalation in Iraq, pushed oil prices higher, while soft commodities suffered price reversals interrupting the upwards trends observed earlier this year.

### Macro backdrop

The macro environment is characterised by low and declining volatility across asset classes. The VIX hit a seven-year low on June 18, corporate spreads tightened and US-rate volatility remained mute. The pace of economic growth remained subdued leading to continued accommodating monetary policies. Over the quarter the demand for yield grew, leading investors to the emerging markets. Rising geopolitical tensions are becoming a more important factor but investors so far didn't seem to have re-gauged their risk appetite.

Net asset value, price and premium/discount SIX listing to June 2014 in CHF



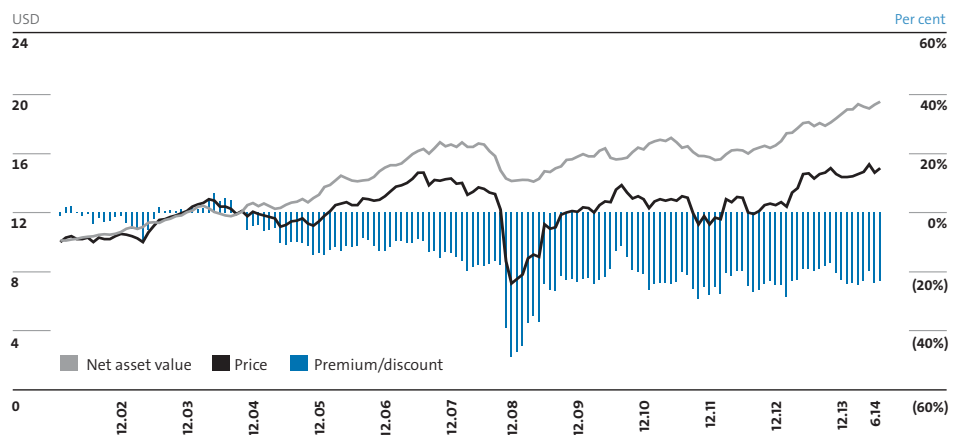
### Ten largest holdings

Fund name	Style	Allocation as of 30 June 2014
Crown Managed Futures Master Segregated Portfolio	CTA/Macro	10.18%
Crown/NJ Segregated Portfolio	Long/Short	6.57%
Discovery Global Opportunity Fund Ltd.	CTA/Macro	6.12%
Zebedee Focus Fund Ltd.	Long/Short	5.93%
Latigo Ultra Fund Ltd.	Event Driven	5.40%
Third Point Ultra Ltd.	Event Driven	5.31%
Crown/Capeview Segregated Portfolio	Long/Short	4.87%
Tyrus Capital Opportunities Fund Ltd.	Event Driven	4.87%
HBK Multi-Strategy Offshore Fund Ltd.	Relative Value	4.62%
Indus Pacific Opportunities Fund Ltd.	Long/Short	4.40%
<b>Total net assets</b>		<b>100.00%</b>

### Performance comparison

Fund	Value 30 June 2014	Performance 2 <sup>nd</sup> quarter 2014	Performance year to date
CAI net asset value (USD)	19.50	1.77%	2.79%
CAI net asset value (CHF)	17.30	2.13%	2.61%
CAI closing price (USD)	15.00	1.69%	4.17%
CAI closing price (CHF)	13.55	2.65%	4.23%

Net asset value, price and premium/discount SIX listing to June 2014 in USD



**Equities**

US equities continued to move higher in the second quarter, with large cap outperforming small cap stocks. Main European indices were positive for the quarter but a wide country dispersion could be observed (Portugal: -10.6 per cent, Norway: +11.0 per cent). Japan bounced back but remains in negative territory for the year. After a turbulent start to 2014, emerging market equities posted a good second quarter with Indonesia, India and Turkey (>10 per cent) leading the YTD table, while China is flat (-0.5 per cent).

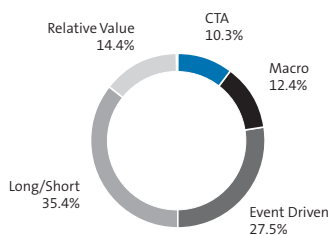
**Fixed income**

Fixed income markets were positive across all sectors and geographies and a benign low-volatility environment persisted. The US yield curve further flattened over the quarter and the 10 year Treasury yield continued to fall, ending the quarter at 2.5 per cent. Within corporate bonds, both investment grade and high yield gained in excess of 2.4 per cent according to the Barclays Indices. Also Emerging market debt ended the quarter higher, finally recovering from the tapering sell-off that began in May 2013.

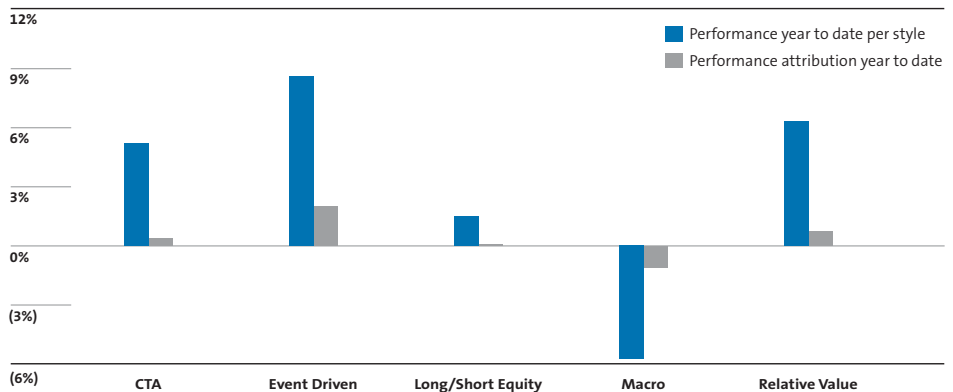
**Commodities**

Stronger than expected harvests led to falling prices for many agricultural and soft commodities. A combination of geopolitical tensions and strengthening growth prospects supported positive price action within energy, precious metals and industrial commodities.

**Style allocation as of 30 June 2014**



**Estimated performance of styles before costs in USD from 31 December 2013 to 30 June 2014**



## Hedge fund strategies

**Event driven** added 0.9 per cent to Castle's returns with profits generated across the board and all managers ending the quarter in positive territory. The strongest contribution came from a manager focusing on catalyst value trades, whose portfolio capitalised on positions in Spain. The manager remains very active sourcing interesting deals, lately focusing on an opportunity in Cyprus. The second largest contribution came from a US based manager, who is playing a corporate change strategy in some of its top portfolio positions.

**CTA/macro** strategies as a group added 0.5 per cent to Castle's returns. CTAs generated the bulk of their gains from long interest rates positions. Additionally, systematic strategies were able to exploit trends which emerged within equities, currencies and soft commodities. Global macro managers had a difficult start to the quarter but they managed to partially recoup their losses by mid-year. In June, short positions in soybeans helped a discretionary commodity manager to post its strongest result in the last 12 months.

**Long/short equity** strategies had a mixed quarter, resulting in a contribution to Castle's returns of only 0.1 per cent. Best results were achieved by two strategies focusing on Japan but implemented in two different ways: one seeking a market neutral profile, the other allowing for more market directionality. Both approaches were profitable and overall contributed 40 bps to portfolio performance. The largest detractor came from a European manager running a low net exposure strategy. The manager was hit by a market rotation which saw the losers of the last 12 months outperforming the winners. Both books were negatively impacted by this market dynamic, in particular during April and May, leading to a quarterly contribution of -0.2 per cent.

All **relative value** managers were able to end each month of the quarter in positive territory and added 0.5 per cent to Castle's returns. The largest contribution came from a manager focusing on convertible bond arbitrage, who is profiting from the new issue market and from idiosyncratic situations like trades in the capital structure of Italian banks.

## Castle Alternative Invest

The net asset value per share of Castle Alternative Invest AG in US Dollars increased by 1.8 per cent in the second quarter of 2014. Converted into Swiss Francs, it gained 2.1 per cent over the same period. At the end of June, Castle's shares in US Dollars were trading at a discount of 23.1 per cent to net asset value. The portfolio was invested in 37 different managers and the level of investment was 99 per cent.

**Unaudited consolidated statement of comprehensive income**

For the period ended 30 June 2014 (All amounts in USD thousands unless otherwise stated)

	Note	1 April – 30 June 2014	1 April – 30 June 2013	1 January – 30 June 2014	1 January – 30 June 2013
<b>Income</b>					
<b>Net gain on investments designated at fair value through profit or loss</b>	4	<b>4,863</b>	<b>2,129</b>	<b>7,532</b>	<b>15,337</b>
<b>Income from current assets:</b>					
Loss on foreign exchange, net		(3)	(1)	(2)	(2)
Interest income		—	1	2	13
Other income		2	—	2	20
<b>Total (loss)/income from current assets</b>		<b>(1)</b>	<b>2,129</b>	<b>2</b>	<b>31</b>
<b>Total income</b>		<b>4,862</b>	<b>2,129</b>	<b>7,534</b>	<b>15,368</b>
<b>Expenses</b>					
Management and performance fees	8	(1,287)	(1,128)	(2,419)	(2,691)
Other operating expenses		(323)	(320)	(620)	(650)
<b>Total operating expenses</b>		<b>(1,610)</b>	<b>(1,448)</b>	<b>(3,039)</b>	<b>(3,341)</b>
<b>Operating profit</b>		<b>3,252</b>	<b>681</b>	<b>4,495</b>	<b>12,027</b>
Finance costs		(7)	—	(7)	—
<b>Profit for the period</b>		<b>3,245</b>	<b>681</b>	<b>4,488</b>	<b>12,027</b>
<b>Total comprehensive income for the period</b>		<b>3,245</b>	<b>681</b>	<b>4,488</b>	<b>12,027</b>
<b>Profit attributable to:</b>					
Shareholders		3,115	199	4,489	10,758
Non-controlling interest	2 (d)	130	482	(1)	1,269
		<b>3,245</b>	<b>681</b>	<b>4,488</b>	<b>12,027</b>
<b>Total comprehensive income attributable to:</b>					
Shareholders		3,115	199	4,489	10,758
Non-controlling interest	2 (d)	130	482	(1)	1,269
		<b>3,245</b>	<b>681</b>	<b>4,488</b>	<b>12,027</b>
<b>Earnings per share (in USD) attributable to equity holders</b>					
Weighted average number of shares outstanding during the period		12,478,707	13,232,072	12,478,707	13,232,072
Basic profit per share		USD 0.25	USD 0.02	USD 0.36	USD 0.81
Diluted profit per share		USD 0.25	USD 0.02	USD 0.36	USD 0.81

The accompanying notes on pages 12 to 22 form an integral part of these consolidated financial statements.



## Unaudited consolidated balance sheet

As of 30 June 2014 (All amounts in USD thousands unless otherwise stated)

	Note	30 June 2014	31 March 2014	31 December 2013
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents		6,761	6,494	6,718
Other current assets		6,658	179	7,762
<b>Total current assets</b>		<b>13,419</b>	<b>6,673</b>	<b>14,480</b>
<b>Non-current assets:</b>				
Investments designated at fair value through profit or loss	4	245,059	247,449	245,696
<b>Total assets</b>		<b>258,478</b>	<b>254,122</b>	<b>260,176</b>
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Due to banks: loan		7,550	—	380
Accounts payable and accrued liabilities		3,978	4,111	6,030
<b>Total current liabilities</b>		<b>11,528</b>	<b>4,111</b>	<b>6,410</b>
<b>Equity</b>				
<b>Shareholders' equity:</b>				
Share capital		49,581	49,581	49,581
Additional paid-in capital		59,693	59,693	59,693
Less treasury shares 2 <sup>nd</sup> line at cost (bought for cancellation)	7	(16,961)	(13,250)	(9,291)
Retained earnings		146,200	143,085	141,711
<b>Total shareholders' equity</b>		<b>238,513</b>	<b>239,109</b>	<b>241,694</b>
Non-controlling interest		8,437	10,902	12,072
<b>Total equity</b>		<b>246,950</b>	<b>250,011</b>	<b>253,766</b>
<b>Total liabilities and equity</b>		<b>258,478</b>	<b>254,122</b>	<b>260,176</b>
<b>Net asset value per share (in USD)</b>				
Number of shares issued as at the period end		13,371,710	13,371,710	13,371,710
Number of treasury shares 2 <sup>nd</sup> line (bought for cancellation) as at the period end		(1,138,500)	(893,500)	(628,500)
Number of shares outstanding net of treasury shares as at the period end		12,233,210	12,478,210	12,743,210
<b>Net asset value per share</b>		<b>19.50</b>	<b>19.16</b>	<b>18.97</b>

The accompanying notes on pages 12 to 22 form an integral part of these consolidated financial statements.

## Unaudited consolidated statement of cash flows

For the period ended 30 June 2014 (All amounts in USD thousands unless otherwise stated)

	1 April – 30 June 2014	1 April – 30 June 2013	1 January – 30 June 2014	1 January – 30 June 2013
<b>Cash flows from/(used in) operating activities:</b>				
Purchase of investments	(13,500)	(10,180)	(17,000)	(17,145)
Proceeds from sales of investments	14,257	19,718	26,232	146,094
Interest received	1	2	2	14
Operating expenses paid	(3,291)	(1,645)	(5,057)	(1,958)
<b>Net cash (used in)/from operating activities</b>	<b>(2,533)</b>	<b>7,895</b>	<b>4,177</b>	<b>127,005</b>
<b>Cash flows from/(used in) financing activities:</b>				
Proceeds from bank borrowings	7,550	—	7,550	—
Repayments of bank borrowings	—	—	(380)	—
Non-controlling interest capital transactions, net	(1,039)	(2,595)	(3,634)	(136,089)
Purchase of treasury shares 2 <sup>nd</sup> line (bought for cancellation)	(3,711)	(6,429)	(7,670)	(10,477)
<b>Net cash from/(used in) financing activities</b>	<b>2,800</b>	<b>(9,024)</b>	<b>(4,134)</b>	<b>(146,566)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>267</b>	<b>(1,129)</b>	<b>43</b>	<b>(19,561)</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>6,494</b>	<b>9,326</b>	<b>6,718</b>	<b>27,758</b>
<b>Cash and cash equivalents, end of the period</b>	<b>6,761</b>	<b>8,197</b>	<b>6,761</b>	<b>8,197</b>
<b>Cash and cash equivalents consist of the following as at 30 June:</b>				
Cash at banks	6,761	8,350	6,761	8,350
Overdraft	—	(153)	—	(153)
<b>Total</b>	<b>6,761</b>	<b>8,197</b>	<b>6,761</b>	<b>8,197</b>
<b>Non-cash transactions:</b>				
Capital transaction in-kind:				
Redemption in-kind <sup>1)</sup>	—	1,475	—	1,475
Treasury shares used for redemption in-kind <sup>1)</sup>	—	(1,475)	—	(1,475)
<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

<sup>1)</sup> These two lines show the non-cash movements that occurred in 2012 and 2013 when Swiss Life AG received redemptions in-kind using treasury shares.

The accompanying notes on pages 12 to 22 form an integral part of these consolidated financial statements.

## Unaudited consolidated statement of changes in equity

For the period ended 30 June 2014 (All amounts in USD thousands unless otherwise stated)

	Share capital	Additional paid-in capital	Less treasury shares	Retained earnings	Non-controlling interest	Total equity
<b>1 January 2013 (as previously published)</b>	<b>56,182</b>	<b>63,137</b>	<b>(33,912)</b>	<b>144,393</b>	<b>24,719</b>	<b>254,519</b>
Adjustment due to change in accounting policy <sup>1)</sup>	4,453	755	—	(5,208)	—	—
<b>1 January 2013 (restated)<sup>1)</sup></b>	<b>60,635</b>	<b>63,892</b>	<b>(33,912)</b>	<b>139,185</b>	<b>24,719</b>	<b>254,519</b>
Total comprehensive income for the period	—	—	—	10,758	1,269	12,027
Purchase of treasury shares 2 <sup>nd</sup> line (bought for cancellation)	—	—	(10,477)	—	—	(10,477)
Non-controlling interest transactions:						
Treasury shares used for redemption in-kind	—	—	1,232	243	(1,475)	—
Capital transactions	—	—	—	—	(2,788)	(2,788)
<b>30 June 2013<sup>1)</sup></b>	<b>60,635</b>	<b>63,892</b>	<b>(43,157)</b>	<b>150,186</b>	<b>21,725</b>	<b>253,281</b>
<b>1 January 2014</b>	<b>49,581</b>	<b>59,693</b>	<b>(9,291)</b>	<b>141,711</b>	<b>12,072</b>	<b>253,766</b>
Total comprehensive income for the period	—	—	—	4,489	(1)	4,488
Purchase of treasury shares 2 <sup>nd</sup> line (bought for cancellation)	—	—	(7,670)	—	—	(7,670)
Non-controlling interest transactions:						
Capital transactions	—	—	—	—	(3,634)	(3,634)
<b>30 June 2014</b>	<b>49,581</b>	<b>59,693</b>	<b>(16,961)</b>	<b>146,200</b>	<b>8,437</b>	<b>246,950</b>

<sup>1)</sup> The previous year's figures were adjusted in the 2013 year-end consolidated financial statements 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 12 to 22 form an integral part of these consolidated financial statements.

## Notes to the unaudited consolidated financial statements for the period ended 30 June 2014

### 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.

### 2. Basis of preparation

The accompanying consolidated interim financial statements of Castle Alternative Invest AG, Pfäffikon (the “Company”) and its subsidiaries as listed in note 3 (together the “Group”) have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” and comply with Swiss Law and the accounting guidelines laid down in the SIX Swiss Exchange’s Directive on Financial Reporting (DFR) for investment companies.

In years previous to 2013 the US Dollar amounts for the formation of reserves for treasury shares and the cancellation of treasury shares on the Company’s 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. In the 2013 year-end consolidated financial statements adjustments were made to the opening figures per 1 January 2012 and to the 2012 comparative figures. The resulting differences between the two different exchange rates were 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 13. This change in accounting policy did not lead to changes to the net asset values of previous periods.

The consolidated interim financial statements of the Group have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss. The principles of accounting applied in the interim consolidated financial statements as per 30 June 2014 correspond to those in the annual report 2013, unless otherwise stated. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards (IFRS) formulated by the International Accounting Standards Board (IASB).

**a) Standards and amendments to published standards that are mandatory for the financial year beginning on or after 1 January 2014**

- Amendment 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 did not have an impact on the Group’s consolidated interim 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 2014 that would be expected to have a material impact on the Group.

**b) Standards and amendments to published standards effective after 1 January 2014 that have not been early adopted**

- 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.

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) 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.

**d) Non-controlling interest**

Non-controlling interests in the consolidated financial statements are presented as a component of equity and measured at fair value. 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.

### 3. Basis of consolidation

The consolidated interim financial statements per 30 June 2014 are based on the financial statements of the individual Group companies prepared using the same accounting principles applied in the consolidated financial statements for the year ended 31 December 2013.

The consolidated interim financial statements include all assets and liabilities of Castle Alternative Invest AG and its direct and indirect subsidiaries:

- Castle Alternative Invest (Overseas) Ltd., Grand Cayman (the “Cayman Subsidiary”)
- Castle Alternative Invest (International) plc, Dublin (the “Ireland Subsidiary”)

### 4. Investments designated at fair value through profit or loss

A detailed list of the investments can be found on pages 16 and 17.

### 5. Tax expense

General: Taxes are provided based on reported income. Capital taxes paid are recorded in other operating expenses.

Castle Alternative Invest AG, Pfäffikon

For Schwyz cantonal and communal tax purposes, the Company is taxed as a holding company and is as such only liable for capital taxes. All relevant income of the Company, including the dividend income and capital gains from its investments, is exempt from taxation at the cantonal and communal level.

For Swiss federal tax purposes, an income tax is levied. However, there is a participation exemption on dividend income and capital gains on qualifying participations. The result of the participation exemption relief is that dividend income and capital gains are almost fully excluded from taxation.

Castle Alternative Invest (Overseas) Ltd., Grand Cayman

The activity of the Cayman Subsidiary is not subject to any income, withholding or capital taxes in the Cayman Islands. However it does invest in securities and subsidiaries whose dividends may be subject to nonrefundable foreign withholding taxes.

Castle Alternative Invest (International) plc., Dublin

The activity of the Ireland Subsidiary is not subject to any income, withholding or capital taxes in Ireland. However, it does invest in securities and subsidiaries whose dividends may be subject to non-refundable foreign withholding taxes.

Reconciliation of income tax calculated with the applicable tax rate:

Tax expense	30.6.2014 TUSD	30.6.2013 TUSD
Profit for the period before income tax	4,488	12,027
Applicable tax rate	7.8%	7.8%
Income tax	350	938
Effect from non-taxable income	(350)	(938)
<b>Total</b>	—	—

## 6. Due to banks

As of 30 June 2014, the Subsidiaries have a credit line of TUSD 15,000 (31 December 2013: TUSD 15,000).

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

Until 31 December 2013, the Ireland Subsidiary had a credit line of TUSD 4,000 in order to service potential capital calls within the share class RI of the Ireland Subsidiary. The credit line was granted by Swiss Life AG, Zurich.

As of 30 June 2014 the Ireland Subsidiary had borrowed TUSD 7,550 (31 December 2013: TUSD 380) from LGT Bank (Ireland) Ltd. As of 30 June 2013, the Company had an overdraft of TUSD 153 with Zuercher Kantonalbank.

Due to banks – fixed advance	Interest rate	Maturity	Amounts TUSD
As of 30 June 2014	2.1750% (USD)	15 July 2014	7,550
Total			7,550

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

## Investments designated at fair value through profit or loss<sup>1)</sup>

As of 30 June 2014 (All amounts in USD thousands unless otherwise stated)

Amounts in TUSD	Geography	Shares as at 1.1.2014	Shares as at 30.6.2014	Total net paid in as at 1.1.2014	Invest- ments 2014	Redemp- tions 2014	Realised gain/(loss) 2014	Total net paid in as at 30.6.2014	Unrealised gain/(loss) accumulat- ed 2014	Fair value as at 30.6.2014	% of invest- ments
<b>CTA</b>											
Crown Managed Futures Master Segregated Portfolio	Global	10,209	9,613	16,824	—	(742)	758	16,082	9,060	25,142	10.3%
<b>Total CTA</b>				<b>16,824</b>	<b>—</b>	<b>(742)</b>	<b>758</b>	<b>16,082</b>	<b>9,060</b>	<b>25,142</b>	<b>10.3%</b>
<b>Macro</b>											
Caxton Global Investments Ltd. Class SI	Global	58,483	58,483	1,519	—	(180)	—	1,338	232	1,570	0.6%
Crown/Koppenberg Segregated Portfolio	Global	4,282	5,706	4,580	1,590	—	—	6,170	319	6,489	2.6%
Discovery Global Opportunity Fund Ltd.	Global	18,571	18,571	8,394	—	—	—	8,394	6,708	15,102	6.2%
The Rohatyn Group Global Opportunity Fund Ltd.	Global	1	1	425	—	(27)	11	398	108	506	0.2%
Tudor BVI Global Fund Ltd. Class B	Global	54	54	5,598	—	—	—	5,598	872	6,470	2.6%
Tudor BVI Global Fund Ltd. Legacy Class	Global	270	197	269	—	(72)	35	196	102	298	0.1%
<b>Total Macro</b>				<b>20,785</b>	<b>1,590</b>	<b>(281)</b>	<b>47</b>	<b>22,094</b>	<b>8,340</b>	<b>30,434</b>	<b>12.4%</b>
<b>Event Driven</b>											
Bennelong Asia Pacific Multi Strategy Equity Fund Ltd.	Asia	7,632	7,632	872	—	—	—	872	(274)	598	0.2%
Cerberus Asia Partners L.P.	Asia	1	1	—	—	—	73	—	451	451	0.2%
Crown/Capeview Recovery Segregated Portfolio	Europe	7,000	8,923	7,000	2,000	—	—	9,000	770	9,770	4.0%
Crown Distressed Credit Opportunities plc <sup>2)</sup>	Global	32,096	24,235	2,795	—	(685)	671	2,110	2,317	4,428	1.8%
Crown/GLG Segregated Portfolio	Europe	7,478	7,478	7,500	—	—	—	7,500	1,737	9,237	3.8%
Greywolf Capital Overseas Fund	America	1	1	893	—	—	—	893	(737)	156	0.1%
Headstart Fund Ltd.	Asia	1	—	855	—	(855)	(617)	—	—	—	0.0%
Highland Crusader Fund II Ltd.	America	1	1	694	—	—	—	694	2,557	3,250	1.3%
Latigo Ultra Fund Ltd.	America	9,613	9,613	10,254	—	—	—	10,254	3,075	13,330	5.4%
OZ Asia Overseas Fund Ltd.	Asia	1	1	761	—	(2)	—	759	(160)	600	0.2%
OZ Overseas Fund Ltd. Tranche C shares	Global	2	2	412	—	(151)	(25)	261	(72)	189	0.1%
SerVertis Fund I Ltd. <sup>2)</sup>	America	8,211	8,211	714	—	(714)	3,275	—	209	209	0.1%
Third Point Ultra Ltd.	Global	7,610	2,720	7,610	—	(552)	397	7,058	6,059	13,117	5.4%
Tyrus Capital Opportunities Fund Ltd.	Global	86,627	86,627	8,516	—	—	—	8,516	3,503	12,019	4.9%
Winston Partners PE Investment Ltd.	Global	7,615	7,615	3,662	—	—	—	3,662	(3,662)	—	0.0%
<b>Total Event Driven</b>				<b>52,538</b>	<b>2,000</b>	<b>(2,959)</b>	<b>3,773</b>	<b>51,579</b>	<b>15,774</b>	<b>67,353</b>	<b>27.5%</b>



Amounts in TUSD	Geography	Shares as at 1.1.2014	Shares as at 30.6.2014	Total net paid in as at 1.1.2014	Invest- ments 2014	Redemp- tions 2014	Realised gain/(loss) 2014	Total net paid in as at 30.6.2014	Unrealised gain/(loss) accumulat- ed 2014	Fair value as at 30.6.2014	% of invest- ments
<b>Long/Short</b>											
Crown/Capeview Segregated Portfolio	Europe	9,340	9,340	9,454	—	—	—	9,454	2,578	12,032	4.9%
Crown/Japan Opportunities Segregated Portfolio	Asia	5,901	5,120	6,000	—	(781)	219	5,219	1,723	6,941	2.8%
Crown/Tyrian Segregated Portfolio	Global	8,280	8,280	9,000	—	—	—	9,000	513	9,513	3.9%
Crown/Marshall Wace Segregated Portfolio	America	5,869	—	7,000	—	(7,000)	773	—	—	—	0.0%
Crown/NJ Segregated Portfolio	Asia	6,789	10,441	8,500	5,500	—	—	14,000	2,223	16,223	6.6%
Crown/Sandler Segregated Portfolio	America	3,779	3,779	3,749	—	—	—	3,749	312	4,061	1.7%
Galleon Technology Offshore Ltd.	America	57	57	1,278	—	—	—	1,278	(597)	681	0.3%
Indus Pacific Opportunities Fund Ltd.	Asia	4,687	4,687	8,115	—	—	—	8,115	2,740	10,854	4.4%
Nevsky Fund plc	Global	—	3,772	—	5,000	—	—	5,000	108	5,108	2.1%
Polo Fund	America	41,403	41,403	8,117	—	—	—	8,117	(1,509)	6,608	2.7%
Raptor Private Holdings Ltd.	America	552	552	378	—	—	—	378	(95)	284	0.1%
Zebedee Focus Fund Ltd.	Europe	61,853	61,853	11,471	—	—	—	11,471	3,175	14,646	6.0%
<b>Total Long/Short</b>				<b>73,062</b>	<b>10,500</b>	<b>(7,781)</b>	<b>992</b>	<b>75,781</b>	<b>11,171</b>	<b>86,952</b>	<b>35.4%</b>
<b>Relative Value</b>											
Blue Mountain Credit Alternative Fund Ltd.	Global	77,520	38,760	7,752	—	(3,876)	1,029	3,876	1,225	5,101	2.1%
Crown/Linden Segregated Portfolio	Global	4,687	4,687	5,480	—	—	—	5,480	2,934	8,414	3.4%
D.E. Shaw Composite International Ltd.	Global	1	1	—	—	—	9	—	425	425	0.2%
D.E. Shaw Composite International Ltd.											
Side Pocket Series	Global	1	1	1,270	—	(12)	—	1,258	578	1,836	0.7%
Double Black Diamond Ltd.	Global	17,984	17,984	6,284	—	—	—	6,284	1,565	7,848	3.2%
Drake Absolute Return Fund Ltd.	Global	96	96	198	—	—	—	198	(65)	133	0.1%
HBK Multi-Strategy Offshore Fund Ltd. <sup>3)</sup>	Global	20,941	10,926	6,520	—	—	—	6,520	4,901	11,421	4.7%
<b>Total Relative Value</b>				<b>27,503</b>	<b>—</b>	<b>(3,888)</b>	<b>1,038</b>	<b>23,615</b>	<b>11,563</b>	<b>35,178</b>	<b>14.4%</b>
<b>Total</b>				<b>190,712</b>	<b>14,090</b>	<b>(15,652)</b>	<b>6,608</b>	<b>189,151</b>	<b>55,908</b>	<b>245,059</b>	<b>100.1%</b>

<sup>1)</sup> Numbers may not fully add up due to rounding.

<sup>2)</sup> The Company has made the following commitment to an investment fund:

– Crown Distressed Credit Opportunities plc – USD 16.5 million (USD 4.1 million not yet paid in)

<sup>3)</sup> HBK Multi-Strategy Offshore Fund Ltd. was formerly known as HBK Offshore Fund Ltd.

## 7. Shareholders' equity

### Shareholders' equity

As of 30 June 2014 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 2013 to TCHF 66,859 (TUSD 49,581) consisting of 13,371,710 (2013: 13,371,710) 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 246,950 as of 30 June 2014 (2013: TUSD 253,766).

During the period from 21 June 2010 to 30 June 2014 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 30 June 2014 Swiss Life AG's holding in the remaining Class RI shares comprised 3.46 per cent (2013: 4.81 per cent) of the net asset value of the Ireland Subsidiary. The Cayman Subsidiary's holding in Class O and Class RO comprised 96.54 per cent of the net asset value of the Ireland Subsidiary (2013: 95.19 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 for the redemptions in-kind of the Class RI shares of the Ireland Subsidiary. As at 30 June 2014, the Ireland Subsidiary no longer held any treasury shares (31.12.2013: Nil).

## 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 2<sup>nd</sup> line (bought for cancellation)**

Programs	From	To	Cancelled	Number	Cost TUSD
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
Additions 2012	1.1.2012	17.4.2012	20.8.2012	573,199	7,109
Additions 2012	18.4.2012	5.6.2012	23.8.2013	573,170	7,513
<b>Total</b>				<b>1,701,949</b>	<b>21,204</b>
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
Additions 2013	1.1.2013	2.5.2013	23.8.2013	611,356	8,431
Additions 2013	21.5.2013	5.6.2013	—	82,500	1,219
<b>Total</b>				<b>1,617,356</b>	<b>21,182</b>
Program initiated on 6 June 2013, decided on 14 May 2013					
Additions 2013	6.6.2013	31.12.2013	—	546,000	8,072
Additions 2014	1.1.2014	30.6.2014	—	510,000	7,670
<b>Total on 30 June 2014</b>				<b>1,056,000</b>	<b>15,742</b>
<b>Movement of treasury shares 2<sup>nd</sup> line (bought for cancellation)</b>					
<b>Shares held as of 1 January 2013</b>				<b>1,496,670</b>	<b>19,045</b>
Additions 2013				1,239,856	17,722
Cancellation on 23 August 2013				(2,108,026)	(27,476)
<b>Shares held as of 31 December 2013</b>				<b>628,500</b>	<b>9,291</b>
Additions 2014				510,000	7,670
<b>Shares held as of 30 June 2014</b>				<b>1,138,500</b>	<b>16,961</b>

## 8. Significant transactions with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise 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	Transaction type	30.6.2014 TUSD	31.12.2013 TUSD	30.6.2013 TUSD
Castle Alternative Invest AG	LGT Bank Ltd./ Administrative Services Agreement/direct	Administration fee	8	22	11
	LGT Capital Partners Ltd./ Domicile Agreement/direct	Cash at banks	13	139	150
	Directors/direct	Domicile fee	5	11	5
		Directors' fee	119	233	115
Castle Alternative Invest (Overseas) Limited	LGT Swiss Life Non Traditional Advisers AG/ Investment Management Agreement/direct	Investment management fee	—	98	81
		Investment management fee payable	—	—	49
	LGT Capital Partners (Ireland) Ltd./Investment Management Agreement/direct	Investment management fee	2	2	—
		Investment management fee payable	1	2	—
	LGT Bank Ltd./Administrative Services Agreement and Loan Agreement/direct	Cash at banks	48	156	38
	Directors/indirect	Directors' fee	10	11	1
Castle Alternative Invest (International) plc	LGT Swiss Life Non Traditional Advisers AG/ Investment Management Agreement/direct	Investment management fee	—	2,941	1,987
		Investment management fee payable	—	—	323
		Performance fee	—	766	623
		Performance fee payable	—	766	623
	LGT Bank (Ireland) Ltd./ Loan Agreement/direct	Due to banks: loan	7,550	380	—
		Credit facility standby fee	26	55	26
		Credit facility standby fees payable	9	12	11
		Interest expense	7	—	—
	LGT Capital Partners (Ireland) Ltd./ Investment Management Agreement/direct	Investment management fee	1,874	956	—
		Investment management fee payable	312	322	—
		Performance fee	544	1,169	—
		Performance fee payable	544	1,169	—
	Directors/indirect	Directors' fee	1	—	—
	LGT Capital Partners Ltd./ Advisory Agreement/indirect	Advisory fee (no direct fees)	—	—	—
	LGT Fund Managers (Ireland) Ltd./ Management Agreement/indirect	Secretarial Services (no direct fees)	—	—	—

LGT Group Foundation, Vaduz, is the controlling shareholder of the investment manager, LGT Capital Partners (Ireland) Ltd., 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 Ltd., Vaduz, acts as custodian for the Company. Cash was deposited with LGT Bank Ltd., Vaduz, at market conditions.

LGT Bank Ltd., Vaduz acts as administrator of the Cayman Subsidiary.

The Ireland Subsidiary is invested in the below mentioned Segregated Portfolios, which are all advised by LGT Capital Partners Ltd., an affiliate of Castle's investment manager.

Crown Managed Futures Master Segregated Portfolio, Crown Distressed Credit Opportunities plc, Crown/Capeview Recovery Segregated Portfolio, Crown/Capeview Segregated Portfolio, Crown/GLG Segregated Portfolio, Crown/Japan Opportunities Segregated Portfolio, Crown/Koppenberg Segregated Portfolio, Crown/Linden Segregated Portfolio, Crown/NJ Segregated Portfolio, Crown/Sandler Segregated Portfolio and Crown/Tyrian Segregated Portfolio.

## 9. Segment reporting

The sole operating segment of the Group reflects the internal management structure and is evaluated on an overall basis. Revenue is derived by investing in a portfolio of hedge fund investments with a view to achieving significant value growth and to help shareholders maximise long-term returns. The following results correspond to the sole operating segment of investing in hedge funds.

The income/(loss) is geographically allocated as follows:

	America TUSD	Asia TUSD	Europe TUSD	Global TUSD	Total TUSD
<b>As of 30 June 2014</b>					
<b>Income</b>					
Net gain on investments designated at fair value through profit or loss	1,396	413	1,340	4,383	7,532
Other income	—	—	—	2	2
<b>Total income</b>	<b>1,396</b>	<b>413</b>	<b>1,340</b>	<b>4,385</b>	<b>7,534</b>
<b>As of 30 June 2013</b>					
<b>Income</b>					
Net gain on investments designated at fair value through profit or loss	2,882	2,520	2,202	7,733	15,337
Other income	—	—	11	20	31
<b>Total income</b>	<b>2,882</b>	<b>2,520</b>	<b>2,213</b>	<b>7,753</b>	<b>15,368</b>

The assets are geographically allocated as follows:

	30.6.2014 TUSD	in %	31.12.2013 TUSD	in %
<b>Assets</b>				
America	28,581	11%	39,882	15%
Asia	35,667	14%	31,083	12%
Europe	52,604	20%	51,063	20%
Global	141,626	55%	138,148	53%
<b>Total assets</b>	<b>258,478</b>	<b>100%</b>	<b>260,176</b>	<b>100%</b>

## 10. Subsequent events

During the period from 1 July to 19 August 2014, the Company purchased 175,000 of its own shares on its second trading line for a total consideration of TUSD 2,704. As of 19 August 2014 the Company held a total of 320,000 such shares in treasury.

At the annual meeting on 13 May 2014, a share capital reduction was approved by way of cancellation of 993,500 shares held in treasury. The cancellation took place in August 2014.

On 24 June 2014, the Company announced that following the AGM of 13 May 2014 an issue had arisen with regard to the counting of the votes for agenda items VIII, IX, and X. After carefully reviewing the AGM documents, the board of directors confirmed that the counting of the votes was properly executed. However, the board also understood that there might have been room for misunderstanding as to how to process a vote in favour or against these three agenda items when giving instructions to the independent proxy. Being aware of its responsibility towards all shareholders, the board decided to call an extraordinary shareholders meeting to re-confirm the voting on the three resolutions. At the extraordinary general meeting held on 18 July 2014, a substantial majority of the votes represented were cast in favour of the board's proposals regarding these resolutions.

Since the balance sheet date of 30 June 2014, there have been no material events that could impair the integrity of the information presented in the consolidated interim financial statements.

## Share information

Exchange rate CHF/USD 0.8871

	2009	2010	2011	2012	2013	June 2014	Since inception
<b>Share information</b>							
Number of bearer shares at year-end	38,501,000	19,707,060	17,481,596	16,352,817	13,371,710	13,371,710	
CAI Net asset value (USD)	15.95	16.66	15.60	16.83	18.97	19.50	
CAI Net asset value (CHF)	16.50	15.56	14.64	15.39	16.86	17.30	
CAI Closing price (USD)	12.35 <sup>3)</sup>	12.30 <sup>3)</sup>	11.65 <sup>3)</sup>	12.70 <sup>3)</sup>	14.40 <sup>3)</sup>	15.00 <sup>3)</sup>	
CAI Closing price (CHF)	12.60	11.90	11.50	11.60	13.00	13.55	
<b>Share performance</b>							
CAI Net asset value (USD)	12.56%	4.45%	(6.40%)	7.88%	12.70%	2.79% <sup>1)</sup>	202.71%
CAI Net asset value (CHF)	8.63%	8.12%	(5.90%)	5.12%	9.60%	2.61% <sup>2)</sup>	73.00%
CAI Closing price (USD)	64.67% <sup>3)</sup>	(0.40%) <sup>3)</sup>	(5.30%) <sup>3)</sup>	9.01% <sup>3)</sup>	13.40% <sup>3)</sup>	4.17% <sup>3)</sup>	50.00%
CAI Closing price (CHF)	54.60%	(5.60%)	(3.40%)	0.87%	12.10%	4.23%	35.50%

<sup>1)</sup> 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).

<sup>2)</sup> CHF 2.61 write-off of incorporation costs due to accounting principle changes (IAS).

<sup>3)</sup> 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"

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Dr Konrad Bächinger (deputy chairman)

Dr André Lagger

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