Semi-annual Report
June 2012

castle
ALTERNATIVE INVEST

Publication date

This report was released for publication on 20 August 2012.

The subsequent event note in the financial statements has been updated to 20 August 2012.

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

Castle Alternative Invest AG in the second quarter of 2012

		Quarter to June 2012	Quarter to March 2012
Net asset value decreased 1.3%	Castle Alternative Invest AG's ("Castle", "CAI" or the "Company") net asset value decreased by 1.3% (USD -0.21 per share or, USD 14.5 million overall) during the second quarter of 2012. Of this, USD 9.0 million were used to buy back shares in the second line.	USD 15.99 per share USD 238 million	USD 16.20 per share USD 252 million
Share price down 5.5% in the quarter to USD 12.00 per share on SIX		USD 12.00 per share	USD 12.70 per share
Discount widens during the quarter	At the end of June 2012 the shares (USD) were trading on SIX at a discount of 25.0% to NAV.	25.0%	21.6%
Share buy back programme (second line)	On 22 June 2012 the Company announced a third share buyback for cancellation on the second trading line and trading commenced on 28 June. By 20 August 2012, 227,500 shares had been purchased on the second line. A further 1,701,949 shares were purchased for cancellation in the previous second line buyback programme which ended on 5 June 2012. The Company's AGM held on 15 May 2012 approved the cancellation of 1,128,779 of these shares. This is expected to take place during this month (August 2012). The company also held 1,519,487 shares in treasury. The total number of shares in issue (excluding all of the above purchases) amounted to 14,032,660 shares.		

Performance during the second quarter 2012

Overview

Reversing the optimism that prevailed during the first three months of the year, the second quarter saw a return to a "risk-off" environment where macroeconomic concerns – in particular the fear of a Euro breakup – dominated the headlines. Risk assets including equities and commodities declined and experienced significant mark-to-market volatility. Fixed income benefitted from safe haven flows and rallied to historically low yields.

Most hedge fund strategies suffered in this environment and gave up part of their first-quarter gains in the second quarter, despite having reduced their overall risk and exposures.

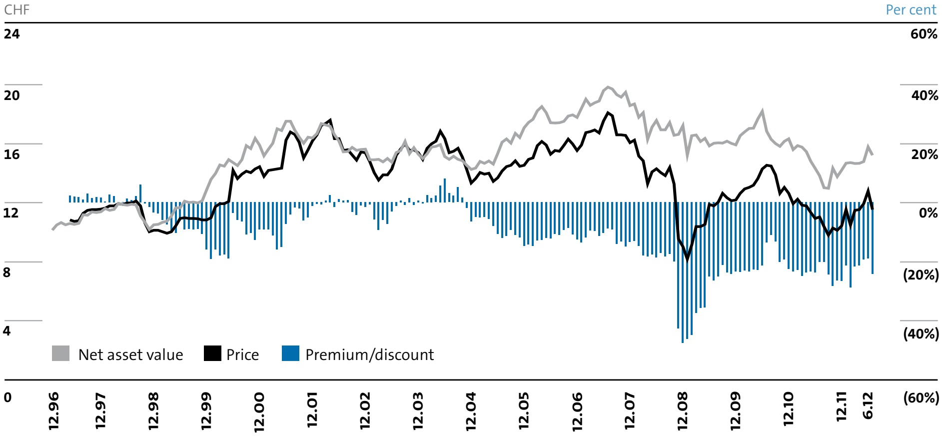
Macro backdrop

The second quarter was marked by heighted global economic uncertainty. Europe faced the risk of a potential unraveling of the European Monetary Union. Until the pro-bailout coalition government in Greece was elected, there were persistent fears over whether the country would exit the Euro. The continent continued to deleverage and Spain teetered on the brink of collapse.

In the U.S., several data releases did not meet consensus expectations especially in regards to unemployment. The Federal Reserve cut its 2012 GDP forecast by half a percent to 1.9 – 2.4 per cent, extended its "Operation Twist" programme (due to expire in June) through year-end and stated that it would keep rates low till at least late 2014.

There was a marked slowdown in China as well, which reported second quarter GDP growth of 7.6 per cent (the lowest in over 3 years) and cut interest rates for the first time since 2008.

Net asset value, price and premium/discount SIX listing to June 2012 in CHF



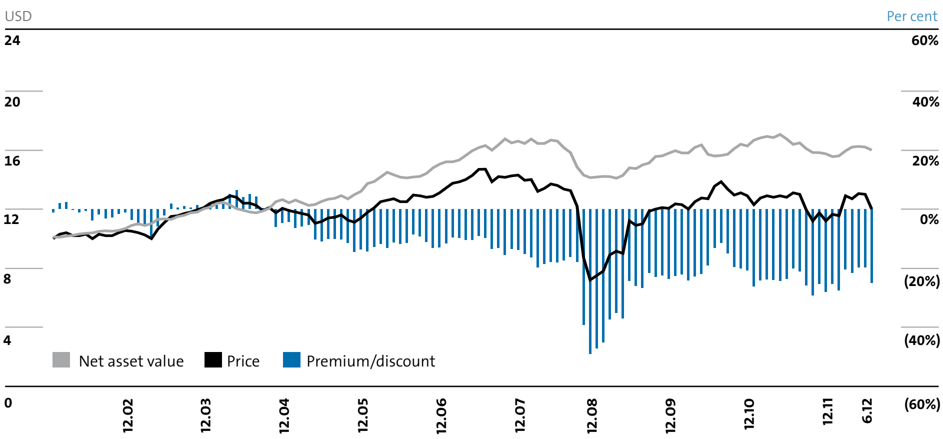
Ten largest holdings

Fund name	Style	Allocation as of 30 June 2012
Crown Managed Futures Master Segregated Portfolio	CTA	12.35%
Discovery Global Opportunity Fund, Ltd.	Macro	5.97%
HBK Offshore Fund, Ltd.	Relative Value	5.04%
Zebedee Focus Fund Limited	L/S Equity	4.85%
Amiya Global Emerging Opportunities Fund Limited	L/S Equity	4.30%
Latigo Ultra Fund, Ltd.	Event Driven	3.75%
Third Point Ultra Ltd.	Event Driven	3.67%
Crown/Linden Segregated Portfolio	Relative Value	3.64%
Oceanwood Global Opportunities Fund	Event Driven	3.60%
Crown/KC Segregated Portfolio	L/S Equity	3.41%
Total net assets		**100.00%**

Performance comparison

Fund	Value 30 June 2012	Performance 2nd quarter 2012	Performance year to date
CAI net asset value (USD)	15.99	(1.3%)	2.5%
CAI net asset value (CHF)	15.18	3.8%	3.7%
CAI closing price (USD)	12.00	(5.5%)	3.0%
CAI closing price (CHF)	11.50	0.0%	0.0%

Net asset value, price and premium/discount SIX listing to June 2012 in USD



Equities

After three months of positive performance, equity markets retreated during the second quarter with the MSCI World declining by almost 5 per cent. Fears over the global slowdown and the "fiscal cliff" in the U.S. led the S&P 500 to a 3 per cent decline, with the defensive, low-beta sectors outperforming the cyclicals.

Despite a sharp rebound in late June, European equities declined by 5 per cent on the back of the deepening debt crisis, persistent fear of an imminent Greek Eurozone exit and problems within the banking system in Spain. The declines have left valuations of European equities at multi-decade lows.

Asia was down 7 per cent. The emerging markets were not insulated from the turmoil and fears of slowing growth in Brazil, China and India led to a 10 per cent loss in the second quarter.

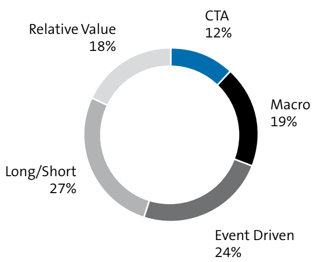
Fixed income

Treasuries rallied and flight to safety flows brought 10-year Treasury yields to a record low of 1.5 per cent. German Bunds also rallied with 10-year yields falling to 1.2 per cent at the end of the second quarter from 1.8 per cent at end March. Investors turned to corporate bonds to search for yield: investment grade corporates were positive while their high yield counterparts were flat. Within high yield, the higher quality issues outperformed the lower quality CCC-rated bonds. According to Moody's, the trailing 12-month global speculative grade default rate slightly increased to 2.7 per cent at end June (up from 2.5 per cent at end March).

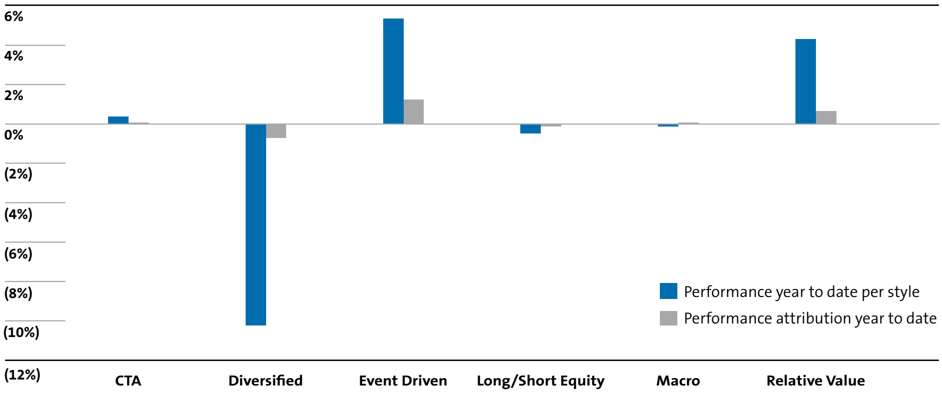
Commodities

Almost all commodities sectors declined and the DJ UBS Commodity Index fell by 5 per cent. Brent oil was the largest loser, down 20 per cent on the back of slowing global growth and a stronger dollar. The softs sector fell due to an uptick in supply with cotton prices declining by 23 per cent. Gold was not the safe haven of choice and fell 4 per cent as investors preferred US Treasuries (which boosted the dollar and hurt the bullion). Industrial metals fell 9 per cent in sync with weak forecast for global economic growth. The only exception was grains which rose due to a heat wave across the U.S.

Style allocation as of 30 June 2012



Estimated performance of styles before costs in USD from 31 December 2011 to 30 June 2012



Hedge fund strategies

Relative value managed to preserve capital as a group mainly due to their hedged approach and conservative positioning. A large part of the returns was driven by credit arbitrage specifically in off-the-run index arbitrages, relative value index trades and volatility positions. Relative value distressed positions in the U.S. and bank capital trades in Europe also contributed to returns. Part of the gains were offset by losses incurred in convertible arbitrage.

Event Driven experienced the largest reversal compared with the first quarter and detracted 0.6 per cent from Castle. The equity market sell-off in particular, but also spread widening (high yield spreads widened to 670 bps in June from 620 bps at end March) created a difficult investment environment. Long positions in equities accounted for the bulk of the losses, some attributable to beta and others to company-specific events. Over the course of the quarter, managers opportunistically added to sold-off names, refocused on catalyst-driven positions, repositioned their hedges to reduce basis risk and decreased their sensitivity to macroeconomic themes.

Long/short equity reduced Castle's returns by 0.7 per cent. In light of the heightened market volatility and high correlations, most managers reduced their gross and net exposures with the exception of two. The top performer within the long/short space was an emerging market manager that was bearish on China and maintained a significant net short stance. The manager that suffered the most within the group was a Latin America-focused manager that maintained high gross exposures and suffered price declines due to idiosyncratic, stock-specific issues. Some of the developed market managers traded around their core positions opportunistically during whipsawing markets, which not only reduced portfolio volatility but added to the bottom line as well.

CTA/macro detracted 0.8 per cent from Castle's returns with CTA's largely flat and global macro responsible for the bulk of the losses. Many managers had cut or reversed positions in risk assets early in the quarter. Systematic managers (particularly those on the shortest end of the parameter spectrum) outperformed the fundamentally-based approaches as they were quicker to react to the changing market environment. Positions in global fixed income were particularly profitable as global bond yields hit record lows. Trading in equities and energies was challenging due to sharp price reversals. One commodities-focused global macro manager delivered double-digit returns in May (when all risk assets were sharply negative) as they maintained a net short stance across the energy complex and profited from the dramatic price declines.

Castle Alternative Invest

The net asset value per share of Castle Alternative Invest AG in US Dollars decreased by 1.3 per cent in the second quarter of 2012. Converted into Swiss Francs, it gained 3.8 per cent over the same period. At the end of June, Castle's shares in US Dollars (SIX price) were trading at a discount of 25 per cent to net asset value. The portfolio was invested in 43 different managers and the level of investment was 97.8 per cent.

Unaudited consolidated statement of comprehensive income

For the period ended 30 June 2012 (All amounts in USD thousands unless otherwise stated)

	Note	1 April – 30 June 2012	1 April – 30 June 2011	1 January – 30 June 2012	1 January – 30 June 2011
Income					
Net (loss)/gain on investments designated at fair value through profit or loss	4	**(6,523)**	**(9,802)**	**7,937**	**(130)**
Income from current assets:					
(Loss)/gain on foreign exchange, net		(8)	(2)	(6)	2
Interest income		2	8	3	12
Other income		—	—	31	90
Total (loss)/income from current assets		**(6)**	**6**	**28**	**104**
Total (loss)/income		**(6,529)**	**(9,796)**	**7,965**	**(26)**
Expenses					
Management and performance fees	8	(1,555)	(1,515)	(3,147)	(4,154)
Other operating expenses		(309)	(430)	(665)	(871)
Total operating expenses		**(1,864)**	**(1,945)**	**(3,812)**	**(5,025)**
Operating (loss)/profit		**(8,393)**	**(11,741)**	**4,153**	**(5,051)**
Finance costs	8	**(2)**	**(11)**	**(2)**	**(14)**
(Loss)/profit for the period		**(8,395)**	**(11,752)**	**4,151**	**(5,065)**
Total comprehensive (loss)/income for the period		**(8,395)**	**(11,752)**	**4,151**	**(5,065)**
(Loss)/profit attributable to:					
Shareholders		(4,804)	(7,951)	2,051	(5,360)
Non-controlling interest		(3,591)	(3,801)	2,100	295
		(8,395)	**(11,752)**	**4,151**	**(5,065)**
Total comprehensive (loss)/income attributable to:					
Shareholders		(4,804)	(7,951)	2,051	(5,360)
Non-controlling interest		(3,591)	(3,801)	2,100	295
		(8,395)	**(11,752)**	**4,151**	**(5,065)**
Earnings per share (in USD) attributable to equity holders					
Weighted average number of shares outstanding during the period		14,679,372	35,251,692	14,679, 372	35,251,692
Basic (loss)/profit per share		USD (0.33)	USD (0.23)	USD 0.14	USD (0.15)
Diluted (loss)/profit per share		USD (0.33)	USD (0.23)	USD 0.14	USD (0.15)

Unaudited consolidated balance sheet

As of 30 June 2012 (All amounts in USD thousands unless otherwise stated)

	Note	30 June 2012	31 March 2012	31 December 2011
Assets				
Current assets:				
Cash and cash equivalents		9,551	5,928	8,517
Other current assets		654	3,925	547
Total current assets		**10,205**	**9,853**	**9,064**
Non-current assets:				
Investments designated at fair value through profit or loss	4	380,157	397,566	394,552
Total assets		**390,362**	**407,419**	**403,616**
Liabilities				
Current liabilities:				
Due to banks: overdraft	6, 8	345	83	789
Accounts payable and accrued liabilities		1,484	1,212	1,379
Total current liabilities		**1,829**	**1,295**	**2,168**
Equity				
Shareholders' equity:				
Share capital		62,394	62,394	62,394
Additional paid-in capital		63,137	63,137	63,137
Less treasury shares at cost	7	(18,562)	(19,794)	(19,794)
Less treasury shares 2nd line at cost (bought for cancellation)	7	(21,572)	(12,376)	(6,582)
Retained earnings		143,479	148,105	141,250
Total shareholders' equity		**228,876**	**241,466**	**240,405**
Non-controlling interest		159,657	164,658	161,043
Total equity		**388,533**	**406,124**	**401,448**
Total liabilities and equity		**390,362**	**407,419**	**403,616**
Net asset value per share (in USD)				
Number of shares issued as at the period end		17,481,596	17,481,596	17,481,596
Number of treasury shares as at the period end		(1,627,487)	(1,735,487)	(1,735,487)
Number of treasury shares 2nd line (bought for cancellation) as at the period end		(1,731,949)	(1,028,779)	(555,580)
Number of shares outstanding net of treasury shares as at the period end		**14,122,160**	**14,717,330**	**15,190,529**
Net asset value per share		**16.21**	**16.41**	**15.83**
Adjustment from allocating treasury shares proportionately to non-controlling interest				
Total shareholders' equity before adjustment		228,876	241,466	240,405
Adjustment to shareholders' equity		9,053	10,953	10,047
Total shareholders' equity after adjustment		**237,929**	**252,419**	**250,452**
Number of treasury shares allocated to non-controlling interest		754,406	862,406	862,406
Number of shares outstanding after adjustment		**14,876,566**	**15,579,736**	**16,052,935**
Net asset value per share (in USD) after allocating treasury shares proportionately to non-controlling interest		**15.99**	**16.20**	**15.60**

Unaudited consolidated statement of cash flows

For the period ended 30 June 2012 (All amounts in USD thousands unless otherwise stated)

	1 April – 30 June 2012	1 April – 30 June 2011	1 January – 30 June 2012	1 January – 30 June 2011
Cash flows from/(used in) operating activities:				
Purchase of investments	(3,108)	(26,379)	(14,599)	(53,570)
Proceeds from sales of investments	17,216	133,115	36,826	185,116
Interest received	2	8	3	12
Operating expenses paid	(1,551)	(2,065)	(3,684)	(4,718)
Net cash from operating activities	**12,559**	**104,679**	**18,546**	**126,840**
Cash flows from/(used in) financing activities:				
Interest paid	(2)	(8)	(2)	(10)
Proceeds from bank borrowings	18,500	18,500	—	18,500
Repayments of bank borrowings	(18,500)	(136,130)	—	(136,130)
Non-controlling interest capital transactions, net	—	—	(2,076)	—
Purchase of treasury shares 2nd line (bought for cancellation)	(9,196)	—	(14,990)	—
Net cash used in financing activities	**(9,198)**	**(117,638)**	**(17,068)**	**(117,640)**
Net increase/(decrease) in cash and cash equivalents	**3,361**	**(12,959)**	**1,478**	**9,200**
Cash and cash equivalents, beginning of the period	**5,845**	**18,096**	**7,728**	**(4,063)**
Cash and cash equivalents, end of the period	**9,206**	**5,137**	**9,206**	**5,137**
Cash and cash equivalents consist of the following as at 30 June:				
Cash at banks	9,551	5,137	9,551	5,137
Overdraft	(345)	—	(345)	—
Total	**9,206**	**5,137**	**9,206**	**5,137**
Non-cash transactions:				
Switching of share classes:				
Purchase of investments[1]	—	5,486	—	(24,253)
Proceeds from sales of investments[1]	—	(5,486)	—	24,253
Capital transaction in-kind:	—	—	—	—
Redemption in-kind[2]	1,410	—	1,410	—
Treasury shares used for redemption in-kind[2]	(1,410)	—	(1,410)	—
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.

Unaudited consolidated statement of changes in equity

For the period ended 30 June 2012 (All amounts in USD thousands unless otherwise stated)

	Share capital	Additional paid-in capital	Less treasury shares	Retained earnings	Non-controlling interest	Total equity
1 January 2011	**73,072**	**63,137**	**(51,323)**	**180,226**	**309,130**	**574,242**
Total comprehensive (loss)/income for the period	—	—	—	(5,360)	295	(5,065)
Capital transactions non-controlling interest	—	—	—	—	(136,130)	(136,130)
30 June 2011	**73,072**	**63,137**	**(51,323)**	**174,866**	**173,295**	**433,047**
1 January 2012	**62,394**	**63,137**	**(26,376)**	**141,250**	**161,043**	**401,448**
Total comprehensive income for the period	—	—	—	2,051	2,100	4,151
Purchase of treasury shares 2nd line (bought for cancellation)	—	—	(14,990)	—	—	(14,990)
Non-controlling interest transactions:						
Treasury shares used for redemption in-kind	—	—	1,232	178	(1,410)	—
Capital transactions	—	—	—	—	(2,076)	(2,076)
30 June 2012	**62,394**	**63,137**	**(40,134)**	**143,479**	**159,657**	**388,533**

Notes to the unaudited consolidated financial statements for the period ended 30 June 2012

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.

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 Directive on Financial Reporting (DFR) of the SIX Swiss Exchange as well as the guidelines set out by the United Kingdom Listing Authority.

The consolidated 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 2012 correspond to those in the annual report 2011, 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 2011, 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 2012

The following standard amendment is mandatory for the first time for the financial year beginning 1 January 2012, but has had no or limited impact for the Group.

– Amendment to IFRS 7, "Financial instruments: Disclosures" (effective 1 July 2011). These amendments arise from the IASB's review of off-balance-sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

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

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

- IFRS 12, “Disclosure of Interests in Other Entities”, (effective 1 January 2013) applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. The Group decided for early adoption in 2011.

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

- IFRS 9, “Financial instruments”, (effective 1 January 2015). This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace IAS 39, “Financial instruments: Recognition and measurement”. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group has yet to assess the full impact of this standard and has not yet decided when to adopt it;
- IFRS 13, “Fair value measurement”, (effective 1 January 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group has yet to assess the full impact of this standard and has not yet decided when to adopt it; and
- Amendment to IAS 1, “Financial statement presentation” regarding other comprehensive income (effective 1 July 2012). The main change resulting from these amendments is a requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially recycled to profit or loss (reclassification adjustments). The amendments do not address which items are presented in OCI. The Group has yet to assess the full impact of this standard and has not yet decided when to adopt it.

d) 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.

e) 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.

Under the accounting provisions of IFRS, treasury shares held by Group entities must be deducted from equity and eliminated from the Group's number of outstanding shares. For the Group this also includes the treasury shares held for and on behalf of the non-controlling interest. In order to arrive at the true economic value of the Group, the non-controlling interest's portion of the treasury shares has been adjusted for. On the consolidated balance sheet the cost value (2012: TUSD 9,053, 2011: TUSD 10,047) for these shares has been added back to shareholders' equity and the number of shares (2012: 754,406, 2011: 862,406) has also been added back to the number of outstanding shares. These adjustments result in an economic net asset value per share of USD 15.99 (2011: USD 15.60).

3. Basis of consolidation

The consolidated interim financial statements per 30 June 2012 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 2011.

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 expenses, whereas non-accrued refunds are recognised in other income.

Castle Alternative Invest AG
Taxes are provided based on reported income. Capital taxes paid are recorded in other expenses, whereas non-accrued refunds are recognised in other income.

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

Reconciliation of income tax calculated with the applicable tax rate:

Tax expense	**30.6.2012 TUSD**	**30.6.2011 TUSD**
Profit/(loss) for the period before income tax	4,151	(5,065)
Applicable tax rate	7.8%	7.8%
Income tax	324	—
Effect from non-taxable income	(324)	—
Total	—	—

6. Due to banks

As of 30 June 2012, the Subsidiaries have a credit line of TUSD 15,000 (31 December 2011: TUSD 15,000). Since 1 April 2011, the Subsidiaries have a further credit line of TUSD 4,000 (31 December 2011: TUSD 4,000) in order to service potential capital calls within the share class RO of the Ireland Subsidiary. The credit lines are granted by LGT Bank (Ireland) Limited, Dublin and are secured by the participating shares of the Ireland Subsidiary as well as the voting participating redeemable ordinary shares of the Cayman Subsidiary. The pledged assets are deposited with LGT Bank in Liechtenstein Ltd., Vaduz and pledged in favour of the lender. Since 1 April 2011, the Ireland Subsidiary also has a further credit line of TUSD 4,000 (31 December 2011: TUSD 4,000) in order to service potential capital calls within the share class RI of the Ireland Subsidiary. The credit line is granted by Swiss Life AG, Zurich.

As of 30 June 2012 the credit lines were not used. As of 30 June 2011, the Ireland Subsidiary had borrowed TUSD 18,500 from LGT Bank (Ireland) Limited.

Due to banks – fixed advance	**Interest rate**	**Maturity**	**Amount in TUSD**
As of 30 June 2011	1.7750% (USD)	5 July 2011	18,500
Total			**18,500**

As of 30 June 2012, the Company had an overdraft of TUSD 345 with Zuercher Kantonalbank (31 December 2011: TUSD 789).

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

As of 30 June 2012 (All amounts in USD thousands unless otherwise stated)

Amounts in TUSD	Geography	Shares as at 1.1.2012	Shares as at 30.6.2012	Total net paid in as at 1.1.2012	Investments 2012	Redemptions 2012	Realised gain/loss 2012	Total net paid in as at 30.6.2012	Unrealised gain/(loss) accumulated 2012	Fair value as at 30.6.2012	% of investments
CTA											
Crown Managed Futures Master Segregated Portfolio	Global	18,571	18,571	27,972	–	–	–	27,972	18,988	46,960	12.4%
Total CTA				**27,972**	**–**	**–**	**–**	**27,972**	**18,988**	**46,960**	**12.4%**
Macro											
Blenheim Global Markets Fund Ltd.	Global	996	996	10,048	–	–	–	10,048	287	10,335	2.7%
Caxton Global Investments Ltd. Class A	Global	17,405	17,405	1,846	–	–	–	1,846	10,911	12,757	3.4%
Caxton Global Investments Ltd. Class SI	Global	41,650	41,650	1,247	–	(25)	–	1,222	122	1,344	0.4%
Clive Fund Ltd.	Global	79,647	79,647	10,290	–	–	–	10,290	1,787	12,077	3.2%
Crown Koppenberg Segregated Portfolio	Global	–	2,828	–	3,000	–	–	3,000	7	3,007	0.8%
Discovery Global Opportunity Fund Ltd.	Global	36,481	36,481	16,169	–	–	–	16,169	6,533	22,702	6.0%
The Rohatyn Group Global Opportunity Fund Ltd.	Global	1	1	470	–	–	–	470	209	679	0.2%
Tudor BVI Global Fund Ltd. Class B	Global	87	87	5,423	3,611	–	3,612	9,036	38	9,074	2.4%
Tudor BVI Global Fund Ltd. Legacy Class	Global	484	354	482	–	(129)	33	352	78	430	0.1%
Wexford Offshore Spectrum Fund Ltd.	Global	1,556	–	9,144	–	(9,144)	577	–	–	–	0.0%
Total Macro				**55,120**	**6,612**	**(9,298)**	**4,223**	**52,434**	**19,971**	**72,405**	**19.0%**
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	(54)	886	0.2%
Cerberus Asia Partners L.P.	Asia	1	1	–	–	–	28	–	861	861	0.2%
Crown Distressed Credit Opportunities plc[2]	Global	98,520	94,347	8,574	–	(358)	138	8,216	3,254	11,470	3.0%
Greywolf Capital Overseas Fund	America	1	1	1,012	–	–	–	1,012	(507)	504	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	–	(1,364)	–	6,901	953	7,855	2.1%
Latigo Ultra Fund Ltd.[3]	America	14,911	14,911	14,911	–	–	–	14,911	(664)	14,247	3.7%
Latigo Ultra Access Fund Ltd.	America	64	64	64	–	–	–	64	(6)	58	0.0%
Oceanwood Global Opportunities Fund	Europe	145,000	145,000	14,500	–	–	–	14,500	(820)	13,680	3.6%
OZ Asia Overseas Fund Ltd.	Asia	1	1	975	–	(5)	3	971	(9)	962	0.3%
OZ Overseas Fund Ltd. Tranche C shares	Global	2	2	795	–	(63)	(17)	733	(140)	592	0.2%
Plainfield 2009 Liquidation Ltd.[4]	Global	96,646	10,414	9,665	–	(8,623)	(6,030)	1,041	(719)	322	0.1%
SerVertis Fund I Ltd.[2]	America	8,193	8,193	8,250	–	–	–	8,250	1,242	9,492	2.5%
Third Point Ultra Ltd.	Global	14,000	14,000	14,000	–	–	–	14,000	(37)	13,963	3.7%
Tyrus Capital Opportunities Fund Ltd.	Global	101,721	101,722	10,000	–	–	–	10,000	169	10,169	2.7%
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	–	(1,384)	–	2,283	4,087	6,370	1.7%
Total Event Driven				**108,435**	**–**	**(20,097)**	**(4,350)**	**88,338**	**3,383**	**91,721**	**24.1%**

Amounts in TUSD	Geography	Shares as at 1.1.2012	Shares as at 30.6.2012	Total net paid in as at 1.1.2012	Investments 2012	Redemptions 2012	Realised gain/loss 2012	Total net paid in as at 30.6.2012	Unrealised gain/(loss) accumulated 2012	Fair value as at 30.6.2012	% of investments
Long/Short											
Amiya Global Emerging Opportunities Fund Ltd.	Global	57,639	73,045	12,000	3,620	(231)	(112)	15,388	949	16,337	4.3%
Capeview Azri 2X Fund[5]	Europe	39,153	39,153	4,169	—	—	—	4,169	324	4,493	1.2%
Capeview Azri Fund Ltd.[5]	Europe	38,555	35,540	5,078	10	—	10	5,088	130	5,218	1.4%
Crown Amazon Segregated Portfolio	Asia	8,679	8,679	9,000	—	—	—	9,000	1,344	10,344	2.7%
Crown KC Segregated Portfolio	America	11,998	11,998	12,165	—	—	—	12,165	817	12,982	3.4%
Dabroes Offshore Investment Fund Ltd.	Europe	10,955	10,955	11,144	—	—	—	11,144	(938)	10,206	2.7%
Galleon Technology Offshore Ltd.	America	57	57	1,292	—	—	—	1,292	(346)	946	0.2%
Indus Pacific Opportunities Fund Ltd.	Asia	7,437	7,437	12,354	—	—	—	12,354	286	12,640	3.3%
Polo Fund	America	54,318	54,318	11,484	—	—	—	11,484	(2,373)	9,110	2.4%
Raptor Private Holdings Ltd.	America	2,189	2,044	1,501	—	(99)	(14)	1,402	(197)	1,205	0.3%
Zebedee Focus Fund Ltd.	Europe	98,333	98,333	17,993	—	—	—	17,993	426	18,419	4.8%
Total Long/Short				**98,179**	**3,631**	**(332)**	**(116)**	**101,478**	**423**	**101,901**	**26.8%**
Relative Value											
Arrowgrass International Fund Ltd.	Global	66,297	66,297	6,984	—	—	—	6,984	1,961	8,945	2.4%
Blue Mountain Credit Alternative Fund Ltd.	Global	49,130	103,930	6,037	4,356	—	4,356	10,393	1,165	11,558	3.0%
Crown Linden Segregated Portfolio	Global	12,132	9,907	13,250	—	(2,225)	776	11,025	2,808	13,833	3.6%
D.E. Shaw Composite International Ltd.	Global	1	1	—	—	—	63	—	806	806	0.2%
D.E. Shaw Composite International Ltd. Side Pocket Series	Global	1	1	1,465	—	(27)	—	1,437	630	2,067	0.5%
Double Black Diamond Ltd.	Global	26,730	26,730	9,340	—	—	—	9,340	182	9,521	2.5%
Drake Absolute Return Fund Ltd.	Global	903	903	1,867	—	—	—	1,867	(583)	1,284	0.3%
HBK Offshore Fund Ltd.	Global	40,883	40,883	12,728	—	—	—	12,728	6,428	19,156	5.0%
Total Relative Value				**51,670**	**4,356**	**(2,252)**	**5,195**	**53,774**	**13,396**	**67,170**	**17.7%**
Total				**341,376**	**14,599**	**(31,979)**	**4,952**	**323,996**	**56,161**	**380,157**	**100.0%**

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

7. Shareholders' equity

Shareholders' equity

As of 30 June 2012 the authorised, issued and fully paid up share capital of the Company amounts to TCHF 87,408 (TUSD 62,394) (31.12.2011: TCHF 87,408 (TUSD 62,394)) consisting of 17,481,596 (2011: 17,481,596) registered shares with a par value of CHF 5. The translation into US Dollar has been done at the corresponding historical foreign exchange rate. Each share entitles the holder to participate in any distribution of income and capital. The Group regards shareholders' equity as the capital that it manages. Shareholders' equity, including non-controlling interests, amounts to TUSD 388,533 as of 30 June 2012 (2011: TUSD 401,448).

Non-controlling interest

As of 20 December 2010, pursuant to the agreement between the Company and Swiss Life AG, Swiss Life AG entered as a direct investor in the Ireland Subsidiary. As of 30 June 2012 Swiss Life AG holds 946,456 Class I shares and 241,649 Class RI shares (31.12.2011: 946,456 Class I shares and 266,945 Class RI shares) of the Ireland Subsidiary. A small portion of the assets held in the side pockets has been successfully realised and distributed on 3 January 2012 and 1 May 2012. As of 30 June 2012, Swiss Life AG holds 39.1 per cent of the Ireland Subsidiary. The fair value of the non-controlling interest amounts to TUSD 159,657 as of 30 June 2012 (31.12.2011: TUSD 161,043).

Treasury shares

During the period from 1 January to 30 June 2012 Castle Alternative Invest (International) plc used 108,000 treasury shares to the value of USD 1,410 for the redemption in-kind which took place in May 2012 (2011: 80,000 treasury shares sold to the value of TUSD 1,040). As at 30 June 2012 the Ireland Subsidiary held in total 1,627,487 (31.12.2011: 1,735,487) treasury shares. Treasury shares are treated as a deduction from the consolidated shareholders' equity using cost values of TUSD 18,562 (31.12.2011: TUSD 19,794).

Share buyback second line

During the period from 1 January to 5 June 2012 Castle Alternative Invest AG purchased 1,146,369 treasury shares on its second trading line to the amount of TUSD TUSD 14,622. The Company has completed the second line share buyback programme initiated on 18 July 2011.

On 22 June 2012, the Company announced the opening of a further second trading line for the Company's shares commencing on 28 June 2012. During the period from 28 June to 30 June 2012 Castle Alternative Invest AG purchased 30,000 treasury shares on this second trading line to the amount of TUSD 368.

As at 30 June 2012 the Company held in total 1,731,949 (2011: 555,580) treasury shares on the second trading lines. These treasury shares are treated as a deduction from the consolidated shareholders' equity using cost values of TUSD 21,572 (2011: TUSD 6,582).

Altogether the Group holds 3,359,436 treasury shares as at 30 June 2012 (31.12.2011: 2,291,067).

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 and on an at arm's length basis.

Related party transactions

Entity	Related party Relationship/Agreement(s) Direct/indirect	Transaction type	30.6.2012 TUSD	31.12.2011 TUSD	30.6.2011 TUSD
Castle Alternative Invest AG	LGT Bank in Liechtenstein AG/ Administrative Services Agreement/direct	Administration fee	11	22	11
		Cash at banks	5	65	258
	LGT Capital Partners AG/ Domicile Agreement/direct	Domicile fee	5	10	5
	Directors/direct	Directors' fee	116	237	121
Castle Alternative Invest (Overseas) Limited	LGT Swiss Life Non Traditional Advisers AG/ Investment Management Agreement/direct	Investment management fee	4	11	7
		Investment management fee payable	2	2	3
	LGT Bank in Liechtenstein AG/ Administrative Services Agreement and Loan Agreement/direct	Administration fee	4	15	10
		Administration fee payable	3	2	3
		Cash at banks	13	9	28
	LGT Bank (Ireland) Limited/ Loan Agreement/direct	Interest expense	—	1	—
	Directors/indirect	Directors' fee	10	5	4
Castle Alternative Invest (International) plc	LGT Swiss Life Non Traditional Advisers AG/ Investment Management Agreement/direct	Investment management fee	3,143	7,269	3,978
		Investment management fee payable	589	539	1,055
		Performance fee	—	92	169
		Performance fee payable	—	—	79
	LGT Bank (Ireland) Limited/ Loan Agreement/direct	Due to banks: loan	—	—	18,500
		Credit facility standby fee	28	56	31
		Credit facility standby fees payable	16	12	15
		Interest expense	—	32	14
	LGT Bank in Liechtenstein AG/ Administrative Services Agreement/direct	Cash at banks	—	—	77

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

LGT Bank in Liechtenstein AG, Vaduz, acts as custodian for the Company. Cash was deposited with LGT Bank in Liechtenstein AG, Vaduz, at market conditions.

LGT Bank in Liechtenstein AG, Vaduz acts as administrator of the Cayman Subsidiary.

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

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. Items which can not be directly contributed to the operating segment are listed as "other".

	30.6.2012 TUSD	30.6.2011 TUSD
Income		
Net gain/(loss) on investments designated at fair value through profit or loss	7,937	(130)
Other income	28	104
Total income/(loss)	**7,965**	**(26)**
Expenses		
Other expenses	(3,812)	(5,025)
Total operating expenses	**(3,812)**	**(5,025)**
Operating profit/(loss)	**4,153**	**(5,051)**

	30.6.2012 TUSD	31.12.2011 TUSD
Assets		
Investments designated at fair value through profit or loss	380,157	394,552
Other assets	10,205	9,064
Total assets	**390,362**	**403,616**
Liabilities		
Other liabilities	1,829	2,168
Total liabilities	**1,829**	**2,168**

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

	America TUSD	Asia TUSD	Europe TUSD	Global TUSD	Other TUSD	Total TUSD
As of 30 June 2012						
Income						
Net gain/(loss) on investments designated at fair value through profit or loss	1,177	(644)	664	6,740	—	7,937
Other income	—	—	(3)	31	—	28
Total income/(loss)	**1,177**	**(644)**	**661**	**6,771**	**—**	**7,965**
As of 30 June 2011						
Income						
Net gain/(loss) on investments designated at fair value through profit or loss	1,953	(993)	689	(1,809)	30	(130)
Other income	—	—	14	90	—	104
Total income/(loss)	**1,953**	**(993)**	**703**	**(1,719)**	**30**	**(26)**

The assets are geographically allocated as follows:

	30.6.2012 TUSD	in %	31.12.2011 TUSD	in %
Assets				
America	56,399	14%	56,671	14%
Asia	26,149	7%	27,163	7%
Europe	61,593	16%	59,869	15%
Global	246,221	63%	259,913	64%
Total assets	**390,362**	**100%**	**403,616**	**100%**

10. Subsequent events

During the period from 1 July to 20 August 2012 Castle Alternative Invest AG purchased 197,500 treasury shares on its second trading line to the amount of TUSD 2,396. As at 20 August 2012 the Company held in total 1,929,449 treasury shares on its second trading line.

At the annual general meeting on 15 May 2012, a share capital reduction was approved by way of cancellation of 1,128,779 shares being the number of shares purchased in the second line buyback programme decided on in May 2011. The share cancellation will take place in August 2012.

Since the balance sheet date of 30 June 2012, 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 0.9494

	2004	2005	2006	2007	2008	2009	2010	2011	June 2012	Since inception
Share information										
Number of bearer shares at year-end	38,501,000	38,501,000	38,501,000	38,501,000	38,501,000	38,501,000	19,707,060	17,481,596	17,481,596	
CAI Net asset value (USD)	12.64	13.20	15.04	16.60	14.17	15.95	16.66	15.60	15.99	
CAI Net asset value (CHF)	14.31	17.40	18.36	18.65	15.19	16.50	15.56	14.64	15.18	
CAI Closing price (USD)	12.05[3]	11.40[3]	13.10[3]	14.30[3]	7.50[3]	12.35[3]	12.30[3]	11.65[3]	12.00[3]	
CAI Closing price (CHF)	13.60	14.90	15.87	16.20	8.15	12.60	11.90	11.50	11.50	
Share performance										
CAI Net asset value (USD)	5.2%	4.5%	13.9%	10.3%	(14.6%)	12.6%	4.5%	(6.4%)	2.5%	148.2%[1]
CAI Net asset value (CHF)	(4.3%)	21.6%	5.6%	1.6%	(18.6%)	8.6%	8.1%	(5.9%)	3.7%	51.8%[2]
CAI Closing price (USD)	(0.4%)[3]	(5.4%)[3]	14.9%[3]	9.2%[3]	(47.6%)[3]	64.7%[3]	(0.4%)[3]	(5.3%)[3]	3.0%[3]	20.0%[3]
CAI Closing price (CHF)	(8.7%)	9.6%	6.5%	2.1%	(49.7%)	54.6%	(5.6%)	(3.4%)	0.0%	15.0%

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>” (SIX), USD “CAI LN <Equity>” (LSE)
Investdata: CHF “509275,4”, USD “509275,349”

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