Quarterly Report
March 2012

castle
ALTERNATIVE INVEST

Publication date

This report was released for publication on 21 May 2012.

The subsequent event note in the financial statements has been updated to 21 May 2012.

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

Castle Alternative Invest AG in the first quarter of 2012

		Quarter to March 2012	Quarter to December 2011
Net asset value increased 3.85%	Castle Alternative Invest AG's ("Castle" or the "Company") net asset value increased by 3.85% (USD +0.60 per share) during the first quarter of 2012.	USD 16.20 per share TUSD 252,419	USD 15.60 per share TUSD 250,452
Share price up 9.0% to USD 12.70 per share in SIX		USD 12.70 per share	USD 11.65 per share
Discount narrowed during the quarter	At the end of March 2012 the shares (USD) were trading on SIX at a discount of 21.6% to NAV.	(21.6%)	(25.3%)
Share buy back programme (second line)	On 14 June 2011 the Company announced a second share buyback for cancellation on the second trading line and trading commenced on 19 July 2011. By 21 May 2012, 1,353,779 shares had been purchased on the second line, the Company held 1,627,487 shares in treasury and the total number of shares in issue (excluding these) amounted to 14,500,330 shares. At the AGM on 15 May 2012 the shareholders approved the cancellation of 1,128,779 shares which were the shares bought back by the Company under the 2011 – 2012 share buyback programme.		

Performance during the first quarter 2012

Overview

The first quarter of 2012 was marked by increased central bank liquidity across the globe that led to a rally in risk assets. Most notably, the LTRO (Long-Term Refinancing Operation) by the ECB greatly reduced the risk of a systematic meltdown in Europe. The momentum faded somewhat in March when concerns over the sovereign debt of Spain re-emerged.

Receding tail risk in Europe led to a shift in investor focus away from macroeconomic issues (which were the over-riding drivers of risk in 2011) to the micro picture. Fundamentals were important again and correlations fell, both among asset classes and within asset classes. This allowed most hedge fund strategies to generate alpha as security selection was again in the forefront.

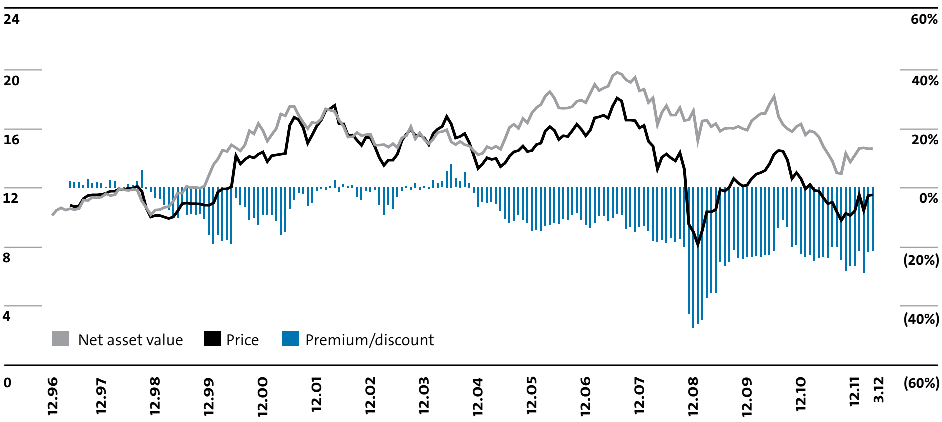
Macro backdrop

The quantitative easing initiative of the ECB was echoed across the globe. In the U.S., the Fed announced that it will remain accommodative until at least late 2014. Japan injected liquidity into the system on the back of its surprise decision to set an explicit inflation target.

There were signs of economic recovery in the U.S., where GDP growth came in at 3 per cent for Q4 2011, up from 1.8 per cent in the previous quarter. This was supported by a recovering labor market and healthy consumer spending. In Germany, unemployment fell to record lows and industrial activity reached multi-year highs. Recovery in Europe remained fragile, however, given record unemployment in the peripheral countries. In Spain, unemployment reached 24 per cent.

China recorded growth of 8.1 per cent in the first quarter which was the lowest in the past three years, and lowered its GDP growth target to 7.5 per cent, down from 8 per cent (which had been in place since 2005).

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



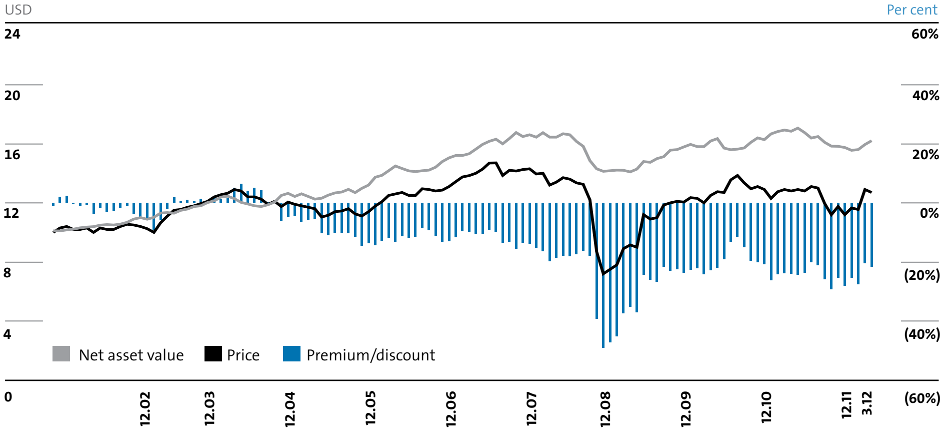
Ten largest holdings

Fund name	Style	Allocation as of 31 March 2012
Crown Managed Futures Master Segregated Portfolio	CTA	11.58%
Discovery Global Opportunity Fund Ltd.	Macro	5.97%
HBK Offshore Fund Ltd.	Relative Value	4.72%
Zebedee Focus Fund Ltd.	Long/Short	4.56%
Latigo Ultra Fund Ltd.	Event Driven	3.61%
Third Point Ultra Ltd.	Event Driven	3.57%
Crown Linden Segregated Portfolio	Relative Value	3.52%
Oceanwood Global Opportunities Fund	Event Driven	3.47%
Crown KC Segregated Portfolio	Long/Short	3.30%
Caxton Global Investments Ltd. Preference Shares	Macro	3.29%
Total net assets		**100.00%**

Performance comparison

Fund	Value 31 March 2012	Performance 1st Quarter 2012	Performance year to date
CAI net asset value (USD)	16.20	3.85%	3.85%
CAI net asset value (CHF)	14.63	(0.07%)	(0.07%)
CAI closing price (USD)	12.70	9.01%	9.01%
CAI closing price (CHF)	11.50	0.00%	0.00%

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



Equities

After a difficult 2011, the equity markets started the new year with a bang. The MSCI World Price index advanced 11 per cent in the first three months. The S&P 500 closed up 12 per cent to the highest level since May 2008 and finished its best quarter since 1998. Volatility fell to the lowest in nearly a year, with the VIX index declining to 16 per cent in end-March from 23 per cent in end-December.

Despite economic weakness in the periphery, European equities also closed up 8 per cent. The emerging markets rallied 14 per cent as a group led by those countries that benefitted from easing monetary policy. Asia was up 11 per cent.

Fixed income

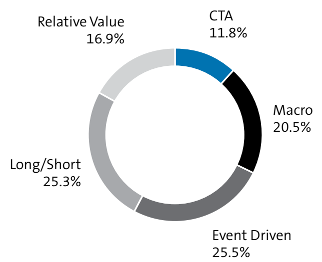
After an almost year-long flight to quality in 2011, high grade sovereigns traded sideways in early 2012 but spiked in March as Eurozone concerns re-emerged. The 10-year US Treasury ended the quarter at 2.2 per cent, up from 1.9 per cent in end-December. German 10-year Bunds remain relatively unchanged at 1.8 per cent.

Corporations took advantage of the re-opening of the capital markets to either extend their maturities or reduce leverage. Risk assets outperformed, led by emerging debt and high yield, which hit a quarterly record in new issuance. Spreads narrowed to 620 bps in end-March from 730 bps in end-December.

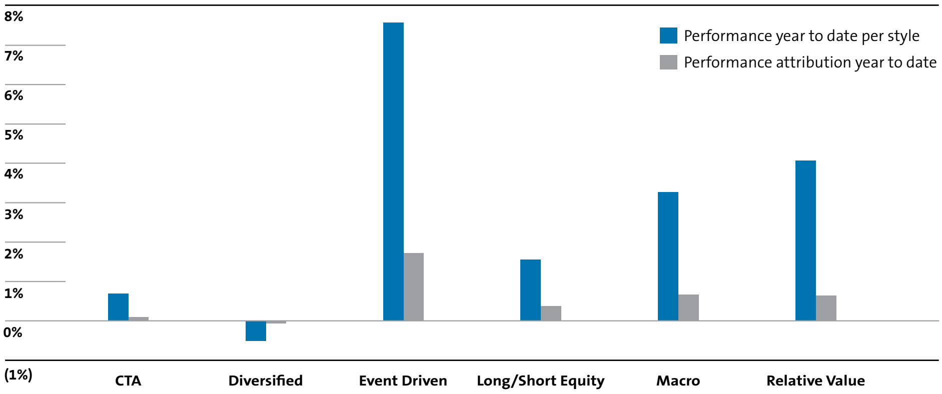
Commodities

Commodities were mixed as a group and were unchanged on the quarter. Geopolitical tensions associated with Iran and its nuclear program led to higher oil prices, with WTI crude up 4 per cent and Brent crude up 15 per cent. On the other hand, natural gas prices in the U.S. fell almost 30 per cent to a 10-year low due to oversupply from shale gas discoveries, high inventories (50 per cent more than normal levels) and a mild winter. Precious metals attracted ample demand again, with gold up 7 per cent and silver up 16 per cent.

Style allocation as of 31 March 2012



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



Hedge fund strategies

Gains were broad-based during the first quarter and all the main strategies were in positive territory.

The best performing strategy was **Event driven** which added 1.7 per cent to Castle's returns. Renewed activity in the restructuring of bank balance sheets led to European bank hybrid positions gradually appreciating towards fair value. These holdings detracted from the portfolio's returns last year, but accounted for a large portion of the profits in the first quarter of 2012.

Merger arbitrage added to returns despite low deal volumes. Distressed debt also performed well, as discounts narrowed as the economy came out of the recession.

CTA/macro was responsible for 0.7 per cent of Castle's returns. Managed Futures was up in the quarter even though losses were incurred in March. The trend-following managers suffered the most when equity and commodity markets reversed. The largest positive contributions came from longs in equity futures (particularly the S&P and the NASDAQ) and from energies (short natural gas and long Brent crude). This was offset by losses incurred in currencies (particularly the Japanese Yen) and in long-term interest rates. Within global macro, the top performer derived the most profits from the G-20 countries and from U.S. equity futures in particular. Trading in commodities delivered profits in the first quarter which reversed some of the losses incurred in 2011.

Relative value added 0.7 per cent to Castle's bottom line. All the managers were positive and gains were generated across a broad array of sub-strategies. Credit relative value was profitable especially within the financials, so was convertible arbitrage which was supported by rising equity markets and tightening credit spreads. Fixed income arbitrage benefitted from debt purchases by various central banks.

Long/short equity added 0.4 per cent to Castle's returns. The top three managers specialise in the U.S., Asia and Europe respectively. Most of the long/short equity managers increased their exposures over the quarter and were able to take advantage of the equity market tailwind, though not all. The first quarter saw a renewed focus on company fundamentals which, along with a sharp drop in correlations, yielded a fertile backdrop for stock-pickers.

Castle Alternative Invest

The net asset value per share of Castle Alternative Invest AG in US Dollars increased by 3.9 per cent in the first quarter of 2012. Converted into Swiss Francs, it lost 0.1 per cent over the same period. At the end of March, Castle's shares in US Dollars (LSE price) were trading at a discount of 22 per cent to net asset value. The portfolio was invested in around 49 different funds and the level of investment was 98 per cent.

Unaudited consolidated statement of comprehensive income

For the period ended 31 March 2012 (All amounts in USD thousands unless otherwise stated)

	Note	1 January – 31 March 2012	1 January – 31 March 2011
Income			
Net gain on investments designated at fair value through profit or loss	4	**14,460**	**9,672**
Income from current assets:			
Gain on foreign exchange, net		2	4
Interest income		1	4
Other income		31	90
Total income from current assets		**34**	**98**
Total income		**14,494**	**9,770**
Expenses			
Management and performance fees	8	(1,592)	(2,639)
Other operating expenses		(356)	(441)
Total operating expenses		**(1,948)**	**(3,080)**
Operating profit		**12,546**	**6,690**
Finance costs	8	–	(3)
Profit for the period		12,546	6,687
Total comprehensive income for the period		12,546	6,687
Profit attributable to:			
Shareholders		6,855	2,591
Non-controlling interest		5,691	4,096
		12,546	**6,687**
Total comprehensive income attributable to:			
Shareholders		6,855	2,591
Non-controlling interest		5,691	4,096
		12,546	**6,687**
Earnings per share (in USD) attributable to equity holders			
Weighted average number of shares outstanding during the period		14,942,822	35,251,692
Basic profit per share		USD 0.46	USD 0.07
Diluted profit per share		USD 0.46	USD 0.07

Unaudited consolidated balance sheet

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

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

Unaudited consolidated statement of cash flows

For the period ended 31 March 2012 (All amounts in USD thousands unless otherwise stated)

	31 March 2012	31 March 2011
Cash flows from/(used in) operating activities:		
Purchase of investments	(11,491)	(27,191)
Proceeds from sales of investments	19,610	52,001
Interest received	1	4
Operating expenses paid	(2,133)	(2,653)
Net cash from operating activities	**5,987**	**22,161**
Cash flows from/(used in) financing activities:		
Interest paid	—	(2)
Non-controlling interest capital transactions, net	(2,076)	—
Purchase of treasury shares 2nd line (bought for cancellation)	(5,794)	—
Net cash used in financing activities	**(7,870)**	**(2)**
Net (decrease)/increase in cash and cash equivalents	**(1,883)**	**22,159**
Cash and cash equivalents, beginning of the period	**7,728**	**(4,063)**
Cash and cash equivalents, end of the period	**5,845**	**18,096**
Cash and cash equivalents consist of the following as at 31 March:		
Cash at banks	5,928	18,096
Overdraft	(83)	—
Total	**5,845**	**18,096**
Non-cash transactions:		
Switching of share classes:		
Purchase of investments[1]	—	(29,739)
Proceeds from sales of investments[1]	—	29,739
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.

Unaudited consolidated statement of changes in equity

For the period ended 31 March 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 income for the period	—	—	—	2,591	4,096	6,687
31 March 2011	**73,072**	**63,137**	**(51,323)**	**182,817**	**313,226**	**580,929**
1 January 2012	**62,394**	**63,137**	**(26,376)**	**141,250**	**161,043**	**401,448**
Total comprehensive income for the period	—	—	—	6,855	5,691	12,546
Purchase of treasury shares 2nd line (bought for cancellation)[1]	—	—	(5,793)	—	—	(5,793)
Non-controlling interest transactions:						
Capital transactions	—	—	—	—	(2,076)	(2,076)
31 March 2012	**62,394**	**63,137**	**(32,169)**	**148,105**	**164,658**	**406,124**

[1] Numbers do not fully add up due to rounding.

Notes to the unaudited consolidated financial statements for the period ended 31 March 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 31 March 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 10,953, 2011: TUSD 10,047) for these shares has been added back to shareholders´equity and the number of shares (2012: 862,406, 2011: 862,406) has also been added back to the number of outstanding shares. These adjustments result in an economic net asset value per share of USD 16.20 (2011: USD 15.60).

3. Basis of consolidation

The consolidated interim financial statements per 31 March 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 non-refundable 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 non-refundable foreign withholding taxes.

Reconciliation of income tax calculated with the applicable tax rate:

Tax expense	**2012 TUSD**	**2011 TUSD**
Profit for the period before income tax	12,546	6,687
Applicable tax rate	7.8%	7.8%
Income tax	979	522
Effect from non-taxable income	(979)	(522)
Total	—	—

6. Due to banks

As of 31 March 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 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 Ireland Subsidiary. The credit line is granted by Swiss Life AG, Zurich.

As of 31 March 2012 the credit lines were not used (31 December 2011: not used).

As of 31 March 2012, the Company had an overdraft of TUSD 83 with Zuercher Kantonalbank (31 December 2011: TUSD 789).

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

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

Amounts in TUSD	Geography	Shares as at 1.1.2012	Shares as at 31.3.2012	Total net paid in as at 1.1.2012	Investments 2012	Redemptions 2012	Realised gain/loss 2012	Total net paid in as at 31.3.2012	Unrealised gain/(loss) accumulated 2012	Fair value as at 31.3.2012	% of investments
CTA											
Crown Managed Futures Master Segregated Portfolio	Global	18,571	18,571	27,972	—	—	—	27,972	19,070	47,042	11.8%
Total CTA				**27,972**	**—**	**—**	**—**	**27,972**	**19,070**	**47,042**	**11.8%**
Macro											
Blenheim Global Markets Fund Ltd.	Global	996	996	10,048	—	—	—	10,048	1,336	11,384	2.9%
Caxton Global Investments Ltd. Preference Shares	Global	17,405	17,405	1,846	—	—	—	1,846	11,503	13,349	3.4%
Caxton Global Investments Ltd. Class SI	Global	41,650	41,650	1,247	—	—	—	1,247	62	1,309	0.3%
Clive Fund Ltd.	Global	79,647	79,647	10,290	—	—	—	10,290	841	11,131	2.8%
Discovery Global Opportunity Fund Ltd.	Global	36,481	36,481	16,169	—	—	—	16,169	8,070	24,239	6.1%
The Rohatyn Group Global Opportunity Fund Ltd.	Global	1	1	470	—	—	—	470	224	694	0.2%
Tudor BVI Global Fund Ltd. Class B	Global	87	87	5,423	3,613	—	3,614	9,037	291	9,328	2.3%
Tudor BVI Global Fund Ltd. Legacy Class	Global	484	354	482	—	(129)	33	352	100	452	0.1%
Wexford Offshore Spectrum Fund Ltd.	Global	1,556	1,556	9,144	337	—	337	9,481	245	9,725	2.4%
Total Macro				**55,120**	**3,950**	**(129)**	**3,984**	**58,941**	**22,671**	**81,612**	**20.5%**
Event Driven											
Alden Global Distressed Opportunities Fund	Global	1	1	5,700	—	(3,960)	1,248	1,740	622	2,362	0.6%
Alden Global Value Recovery Fund	Global	2,600	2,600	2,600	—	—	—	2,600	(34)	2,566	0.6%
Bennelong Asia Pacific Multi Strategy Equity Fund Ltd.	Asia	9,400	9,400	940	—	—	—	940	597	1,537	0.4%
Cerberus Asia Partners L.P.	Asia	1	1	—	—	—	—	—	923	923	0.2%
Crown Distressed Credit Opportunities plc[2)]	Global	98,520	98,726	8,574	23	—	—	8,597	3,077	11,674	2.9%
Greywolf Capital Overseas Fund	America	1	1	1,012	—	—	—	1,012	(510)	502	0.1%
GS Special Opportunities (Asia) Offshore Fund Ltd.	Asia	1	1	—	—	—	—	—	35	35	0.0%
Headstart Fund Ltd.	Asia	1	1	855	—	—	—	855	(598)	256	0.1%
Highland Crusader Fund II Ltd.	America	1	1	8,265	—	(715)	—	7,550	1,119	8,669	2.2%
Latigo Ultra Fund Ltd.[3)]	America	14,911	14,911	14,911	—	—	—	14,911	(230)	14,681	3.7%
Latigo Ultra Access Fund Ltd.	America	64	64	64	—	—	—	64	(3)	61	0.0%
Oceanwood Global Opportunities Fund	Europe	145,000	145,000	14,500	—	—	—	14,500	(414)	14,086	3.5%
OZ Asia Overseas Fund Ltd.	Asia	1	1	975	—	—	—	975	7	982	0.2%
OZ Overseas Fund Ltd. Tranche C shares	Global	2	2	795	—	(6)	5	790	(140)	650	0.2%
Plainfield 2009 Liquidation Ltd.[4)]	Global	96,646	20,278	9,665	—	(7,637)	(5,336)	2,028	(1,420)	608	0.2%
SerVertis Fund I Ltd.[2)]	America	8,193	8,193	8,250	—	—	—	8,250	1,083	9,333	2.3%
Third Point Ultra Ltd.	Global	14,000	14,000	14,000	—	—	—	14,000	498	14,498	3.6%
Tyrus Capital Opportunities Fund Ltd.	Global	101,721	101,721	10,000	—	—	—	10,000	215	10,215	2.6%
Winston Partners PE Investment Ltd.	Global	7,615	7,615	3,662	—	—	—	3,662	(3,662)	—	0.0%
Zais Matrix VI-F Ltd.	Global	1	1	3,667	—	—	—	3,667	4,044	7,711	1.9%
Total Event Driven				**108,435**	**23**	**(12,318)**	**(4,083)**	**96,140**	**5,209**	**101,349**	**25.5%**

Amounts in TUSD	Geography	Shares as at 1.1.2012	Shares as at 31.3.2012	Total net paid in as at 1.1.2012	Invest-ments 2012	Redemp-tions 2012	Realised gain/loss 2012	Total net paid in as at 31.3.2012	Unrealised gain/(loss) accumulat-ed 2012	Fair value as at 31.3.2012	% of invest-ments
Long/Short											
Amiya Global Emerging Opportunities Fund Ltd.	Global	57,639	57,095	12,000	—	(112)	(112)	11,887	643	12,531	3.2%
Capeview Azri 2X Fund[5]	Europe	39,153	39,153	4,169	—	—	—	4,169	339	4,508	1.1%
Capeview Azri Fund Ltd.[5]	Europe	38,555	35,540	5,078	10	—	10	5,088	143	5,231	1.3%
Crown Amazon Segregated Portfolio	Asia	8,679	8,679	9,000	—	—	—	9,000	1,555	10,555	2.7%
Crown KC Segregated Portfolio	America	11,998	11,998	12,165	—	—	—	12,165	1,257	13,422	3.4%
Dabroes Offshore Investment Fund Ltd.	Europe	10,955	10,955	11,144	—	—	—	11,144	(569)	10,575	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	789	13,143	3.3%
Polo Fund	America	54,318	54,318	11,484	—	—	—	11,484	(1,631)	9,852	2.5%
Raptor Private Holdings Ltd.	America	2,189	2,189	1,501	—	—	—	1,501	(234)	1,267	0.3%
Zebedee Focus Fund Ltd.	Europe	98,333	98,333	17,993	—	—	—	17,993	514	18,506	4.7%
Total Long/Short				**98,179**	**10**	**(112)**	**(102)**	**98,077**	**2,458**	**100,535**	**25.3%**
Relative Value											
Arrowgrass International Fund Ltd.	Global	66,297	66,297	6,984	—	—	—	6,984	1,932	8,916	2.2%
Blue Mountain Credit Alternative Fund Ltd.	Global	49,130	103,930	6,037	4,356	—	4,356	10,393	489	10,882	2.7%
Crown Linden Segregated Portfolio	Global	12,132	9,907	13,250	—	(2,225)	776	11,025	3,262	14,287	3.6%
D.E. Shaw Composite International Ltd.	Global	1	1	—	—	—	53	—	863	863	0.2%
D.E. Shaw Composite International Ltd. Side Pocket Series	Global	1	1	1,465	—	(17)	—	1,447	572	2,019	0.5%
Double Black Diamond Ltd.	Global	26,730	26,730	9,340	—	—	—	9,340	271	9,610	2.4%
Drake Absolute Return Fund Ltd.	Global	903	903	1,867	—	—	—	1,867	(596)	1,271	0.3%
HBK Offshore Fund Ltd.	Global	40,883	40,883	12,728	—	—	—	12,728	6,451	19,179	4.8%
Total Relative Value				**51,670**	**4,356**	**(2,242)**	**5,185**	**53,784**	**13,244**	**67,028**	**16.9%**
Total				**341,376**	**8,339**	**(14,801)**	**4,984**	**334,914**	**62,652**	**397,566**	**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 31 March 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 406,124 as of 31 March 2012 (2011: TUSD 401,448).

Non-controlling interest

As of 20 December 2010, pursuant the agreement between the Company and Swiss Life AG, Swiss Life AG entered as a direct investor in the Ireland Subsidiary. As of 30 March 2012 Swiss Life AG holds 946,456 Class I shares and 251,568 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. As of 31 March 2012, Swiss Life AG holds 38.5 per cent of the Ireland Subsidiary. The fair value of the non-controlling interest amounts to TUSD 164,658 as of 31 March 2012 (31.12.2011: TUSD 161,043).

Treasury shares

As at 31 March 2012 the Ireland Subsidiary held in total 1,735,487 (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 19,794 (31.12.2011: TUSD 19,794).

Share buyback second line

During the period from 1 January to 31 March 2012 Castle Alternative Invest AG purchased 473,199 (2011: 555,580) treasury shares on its second trading line to the amount of TUSD 5,794 (2011: TUSD 6,582). As at 31 March 2012 the Company held in total 1,028,779 (2011: 555,580) treasury shares on the second trading line. These treasury shares are treated as a deduction from the consolidated shareholders’ equity using cost values of TUSD 12,376 (2011: TUSD 6,582).

Altogether the Group holds 2,764,266 treasury shares as at 31 March 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	31.3.2012 TUSD	31.12.2011 TUSD	31.3.2011 TUSD
Castle Alternative Invest AG	LGT Bank in Liechtenstein AG/ Administrative Services Agreement/direct	Administration fee	5	22	5
		Cash at banks	60	65	84
		Interest income	—	—	—
		Interest expense	—	—	—
	LGT Capital Partners AG/ Domicile Agreement/direct	Domicile fee	2	10	2
	Directors/direct	Directors' fee	58	237	67
		Directors' fee payable	—	—	9
Castle Alternative Invest (Overseas) Limited	LGT Swiss Life Non Traditional Advisers AG/ Investment Management Agreement/direct	Investment management fee	2	11	4
		Investment management fee payable	2	2	4
	LGT Bank in Liechtenstein AG/ Administrative Services Agreement and Loan Agreement/direct	Administration fee	2	15	8
		Administration fee payable	1	2	8
		Cash at banks	17	9	30
		Interest income	—	—	—
	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	1,590	7,269	2,238
		Investment management fee payable	544	539	770
		Performance fee	—	92	397
		Performance fee payable	—	—	397
	LGT Bank (Ireland) Limited/ Loan Agreement/direct	Credit facility standby fee	16	56	15
		Credit facility standby fees payable	4	12	30
		Interest expense	—	32	2
	LGT Bank in Liechtenstein AG/ Administrative Services Agreement/direct	Cash at banks	—	—	70
	LGT Capital Partners Limited/ Advisory Agreement/indirect	Advisory fee (no direct fees)	—	—	—
	LGT Capital Partners (Ireland) Limited/ Advisory Agreement/indirect	Advisory fee (no direct fees)	—	—	—
	LGT Fund Managers (Ireland) Limited/ Investment Management Agreement/ indirect	Investment management fee (no direct fees)	—	—	—

LGT Group Foundation, Vaduz, is the controlling shareholder of the investment manager, LGT Swiss Life Non Traditional Advisers AG, Vaduz. The investment manager is entitled to a management fee from the Subsidiaries (1.5 per cent of net assets in 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 Penta Segregated Portfolio, Crown Linden Segregated Portfolio and Crown Amazon 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".

	31.3.2012 TUSD	31.3.2011 TUSD
Income		
Net gain on investments designated at fair value through profit or loss	14,460	9,672
Other income	34	98
Total income	**14,494**	**9,770**
Expenses		
Other expenses	(1,948)	(3,080)
Total operating expenses	**(1,948)**	**(3,080)**
Operating profit	**12,546**	**6,690**

	31.3.2012 TUSD	31.12.2011 TUSD
Assets		
Investments designated at fair value through profit or loss	397,566	394,552
Other assets	9,853	9,064
Total assets	**407,419**	**403,616**
Liabilities		
Other liabilities	1,295	2,168
Total liabilities	**1,295**	**2,168**

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

	America TUSD	Asia TUSD	Europe TUSD	Global TUSD	Other TUSD	Total TUSD
As of 31 March 2012						
Income						
Net gain on investments designated at fair value through profit or loss	2,777	769	1,554	9,360	—	14,460
Other income	—	—	3	31	—	34
Total income	**2,777**	**769**	**1,557**	**9,391**	**—**	**14,494**
As of 31 March 2011						
Income						
Net gain/(loss) on investments designated at fair value through profit or loss	3,519	(189)	(111)	6,423	30	9,672
Other income	—	—	8	90	—	98
Total income/(loss)	**3,519**	**(189)**	**(103)**	**6,513**	**30**	**9,770**

The assets are geographically allocated as follows:

	31.3.2012 TUSD	in %	31.12.2011 TUSD	in %
Assets				
America	58,733	14%	56,671	14%
Asia	27,932	7%	27,163	7%
Europe	58,834	15%	59,869	15%
Global	261,920	64%	259,913	64%
Total assets	**407,419**	**100%**	**403,616**	**100%**

10. Subsequent events

During the period from 1 April to 21 May 2012 Castle Alternative Invest AG purchased 325,000 treasury shares on its second trading line to the amount of TUSD 4,309. As at 21 May 2012 the Company held in total 1,353,779 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 program decided in May 2011. Furthermore, the Company has been authorised to conduct share purchases up to a maximum of 10 per cent of the share capital for cancellation (second line) and to sell shares from treasury for a price not below the purchase price until 2018 without first offering them to existing shareholders.

Since the balance sheet date of 31 March 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 0.9029

	2004	2005	2006	2007	2008	2009	2010	2011	March 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	16.20	
CAI Net asset value (CHF)	14.31	17.40	18.36	18.65	15.19	16.50	17.84	14.64	14.63	
CAI Closing price (USD)	12.05[3]	11.40[3]	13.10[3]	14.30[3]	7.50[3]	12.35[3]	12.30[3]	11.65[3]	12.70[3]	
CAI Closing price (CHF)	13.60	14.90	15.87	16.20	8.15	12.60	11.90	11.50	11.50	
Share performance										
CAI Net asset value (USD)	5.2%	4.5%	13.9%	10.3%	(14.6%)	12.6%	4.5%	(6.4%)	3.9%	151.5%[1]
CAI Net asset value (CHF)	(4.3%)	21.6%	5.6%	1.6%	(18.6%)	8.6%	8.1%	(5.9%)	(0.1%)	46.3%[2]
CAI Closing price (USD)	(0.4%)[3]	(5.4%)[3]	14.9%[3]	9.2%[3]	(47.6%)[3]	64.7%[3]	(0.4%)[3]	(5.3%)[3]	9.0%[3]	27.0%[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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