

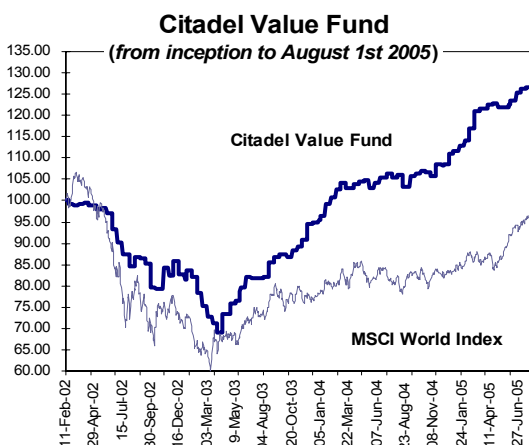


## August 2005 Update

**NAV/share (01/08/05): EUR 127.48**

**ISIN code: LU0141953439**

**website: [www.citadelfund.com](http://www.citadelfund.com)**



**Citadel Value Fund Performance**  
(as of August 1st, 2005)

	Since inception (11/02/02)	3 year	1 year	2005* YTD
<b>Citadel Value Fund</b>	27.5%	45.8%	20.7%	14.0%
<b>MSCI World Index</b>	-3.9%	27.0%	17.1%	15.2%

note: MSCI World Index is based on total returns in Euro's

\* annual returns are based on estimated NAV as of Dec. 31, 2002, 2003 & 2004

source: European Fund Administration, MSCI

### Top 10 holdings

Heineken Holding NV	6.7%
Bristol-Myers Squibb Co.	6.6%
Wegener NV	4.9%
Carclo PLC	4.3%
Zwack Unicum Ltd.	4.2%
Wolters Kluwer NV	4.2%
Telegraaf Media Groep NV	4.1%
Merck & Co.	4.0%
Ultraframe PLC	4.0%
Molins PLC	4.0%

### COMMENTARY

World stock markets continued their upwards march. Since inception the Fund's cumulative performance stands at +27.5% vs. -3.5% for the MSCI World. The Fund aims to generate attractive absolute returns which, in the long-term, should beat those of an unmanaged basket of stocks (e.g. MSCI index). In the short-term, however, it is inevitable that the Fund will at times lag. A case in point is the marginal under performance of the Fund versus the MSCI index in the first 7 months of 2005. This is due principally to two effects; a smaller US dollar exposure than the index, and a hefty cash component. As explained in the last shareholder's letter, if prices don't meet our criteria we prefer to remain in cash until new value-priced opportunities do arise. Current markets exhibit a momentum-driven character which, if it persists, could well lead to disappointments.

UK materials producer **Carclo**, saw its share price rise strongly in the past several months. Investors welcomed the sale of its remaining textile parts business and brokers became increasingly enthusiastic. **Bristol-Myers Squibb** and **Merck KGaA** both announced decent Q2 results. Merck raised its targets substantially as its ethical and generic drugs units are growing earnings strongly, while the high margin LCD chemicals division improves further. As a result the stock is up sharply and 2005 performance is now approaching 50%. Finally, **Axel Springer** announced that it is bidding for the leading private German TV group, ProSiebenSat1. The price is stiff, but there may be room for synergies with its other media businesses. Returns are excellent and there are prospects for growth over and above an eventual upturn in ad spend. It is unclear when and if the deal will close, but we intend to monitor it closely.

**IMPORTANT:** An investment in the Fund carries with it a degree of risk. The value of your investment may go down as well as up, and you could lose money on your investment. Past performance provides no guarantee for the future. Investors should read the Fund's prospectus before deciding whether to invest. The opinions and commentary expressed herein should in no way be construed as personal investment advice, they are intended solely to illustrate the Fund's investment strategy and performance.