

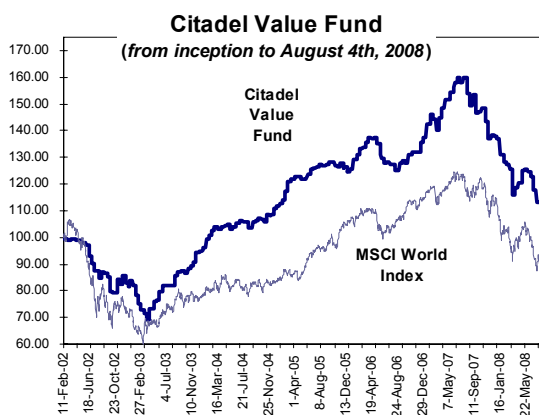


## August 2008 Update

**NAV/share (04/08/08): EUR 113.82**

**ISIN code: LU0141953439**

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



**Citadel Value Fund Performance**  
(as of August 4th, 2008)

	Since inception (11.02.02)	2008 YTD	2007	2006	2005	2004	2003	2002
<b>Citadel Value Fund</b>	13.8%	-16.8%	-0.5%	9.7%	12.0%	17.2%	17.0%	-18.4%
<b>MSCI World Index</b>	-9.3%	-19.6%	-1.2%	7.9%	26.8%	6.9%	11.3%	-29.9%

note: MSCI World Index based on total returns (gross dividends) in Euro's  
\* annual returns are based on Citadel's estimated NAV as of Dec. 31st  
source: European Fund Administration, MSCI

### Top 10 holdings

Zwack Unicum	5.3%
Cia Paranaese de Energia, ADR	5.3%
SK Telecom, ADR	5.0%
Grupo Continental SA	4.6%
Ozeki Corp. Ltd.	4.4%
Daekyo Co. Ltd, preferred	4.4%
GS Home Shopping	4.4%
Signaux Girod SA	4.2%
Batenburg Beheer NV	4.1%
Village Supermarket Inc, A	3.9%

### COMMENTARY

In July equity markets continued to decline, albeit at a slower rate than in June: the MSCI World Index declined 3.5% in the period from July 1<sup>st</sup> to August 4<sup>th</sup>, while Citadel was down 3.4%. Since inception Citadel is up by 13.8% whilst the Index has declined by 7.1%.

Markets continue to be driven by emotions, with the fear for a worsening macro environment the apparent dominant one. At Citadel we try hard not to be distracted by all this and focus on the one question that has proven to be really important in stock investing: what is a company worth as determined by its long term cash flow generating capacity ?

Following the recent decline in stock markets, Citadel has a longer buy list than it has seen in a long time. Consequently, we are selectively putting in buy orders for the most compelling investment ideas. In doing that, there is one issue we can't control and that is timing. Since we are in no position to accurately forecast the bottom of the current emotion-driven market decline (others try, but with little apparent success), we might well be investing prematurely. However, there is no easy fix to this timing-issue: as we discussed in last month's update, staying too long in cash will hurt returns in the long run. The only strategy that currently makes sense to us is slowly building up positions in the most compelling ideas over an extended period. When markets decline further, Citadel will suffer in the short term as well, but use the lower prices to add further to positions. The only comfort that we have in such an environment is that money has been invested in some of the best ideas that we've encountered in many years, no matter how low emotions will drive the markets.

**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.