

# Simplified Prospectus



investment company with  
variable capital

**Dated December 2011**

## **SHORT PRESENTATION**

The CITADEL VALUE FUND SICAV (“the Fund”) is an investment company incorporated under the laws of the Grand Duchy of Luxembourg (“Société d’Investissement à Capital Variable”) on January 3rd, 2002 for an indefinite duration. It qualifies as an Undertaking for Collective Investment in Transferable Securities (“UCITS”) pursuant to Part I of the Act of 17 December 2010 on Undertakings for Collective Investment, as amended. The Fund is registered with the Register referred to in Section 1:107 of the Dutch Financial Supervision Act (Wet op het financieel toezicht, “Wft”). In accordance with Section 2:66 and 2:73 of the Wft, the Fund has notified the Netherlands Authority for the Financial Markets (Stichting Autoriteit Financiële Markten (“AFM”) of its intention to offer shares of the Fund in the Netherlands.

Its articles of Association were published in the Mémorial C, Recueil Spécial des Sociétés et Associations du Grand-Duché de Luxembourg (“the Mémorial”) of January 31st, 2002. The modifications to the Articles dated November 4, 2005 were published in the Mémorial C on January 26<sup>th</sup>, 2006. The Fund is registered in the Luxembourg Commercial and Companies Register, under number B 85.320.

### **Investment Advisor**

Citadel Value Advisory S.A. (B 85.319)  
10-12 rue de Medernach, L-7619 Larochette, Luxembourg.

D&F Financial Services B.V.  
Van Hengellaan 2, NL-1217 AS Hilversum, the Netherlands.

### **Custodian**

KBL European Private Bankers S.A. (KBL)  
43, Boulevard Royal, L-2955 Luxembourg, Luxembourg.

### **Administrator, Registrar & Transfer agent**

Kredietrust Luxembourg S.A. (KTL)  
11, rue Aldringen, L-1118 Luxembourg, Luxembourg.  
KTL employs the services of the European Fund Administration (EFA), Luxembourg.

### **Legal Advisor**

Cabinet d’avocat Marleen Watté-Bollen,  
117, val des Bons Malades, L-2121 Luxembourg, Luxembourg.

### **External Auditor**

HRT Révision S.A., Réviseurs d’Entreprises  
Val Fleuri 23, L-1526 Luxembourg, Luxembourg.

### **Promotor**

Suxeskey S.A..  
10-12 rue de Medernach, L-7619 Larochette, Luxembourg.

## INVESTMENT INFORMATION

### Investment objective

The main objective of the Fund is to protect against capital loss, and to realise superior long term returns.

### Investment policy

The Fund will mainly invest in a diversified portfolio (between 20 - 40 companies) of transferable securities and money market instruments that are officially listed on a stock exchange of a member State of the EU or OECD or traded on regulated markets in these countries.

The investment policy of the Fund is based on a value philosophy. The Fund will seek to establish a 'margin-of-safety' both to protect against the risk of capital loss, and to provide substantial appreciation potential over the long-term. It will do that by investing in companies whose share are deeply undervalued, where cash flows can be reasonably predicted and which have healthy balance sheets.

The value of a company's shares is ultimately derived from adding up future cash flows that are discounted back to today's money. However, for a variety of reasons, a company's 'intrinsic' value can often be dramatically different than its stock market value.

An important part of the Fund's philosophy is that by thoroughly understanding a particular business, it can better determine what its value would be in a private market transaction, break-up, etc. By investing in companies where the intrinsic value is *much* higher than the stock market value, the Fund can achieve its twin goals of protecting against capital loss, and providing a good return. The investment policy of the Fund involves:

- *Bottom-up, Fundamental analysis* - The Fund's focus is to select the stocks of companies that are selling at a large discount to its estimate of their 'intrinsic' value. It will therefore not attempt to predict overall stock market trends, interest or exchange rates. The Fund will determine its estimates of intrinsic value through a combination of detailed fundamental research (including financial modelling, and analysing individual companies, industry research) and discussions with industry and financial contacts including company managements.

- *"Buy and Hold" approach* - The Fund will take a long-term view to investing. While the intrinsic value of a company's stock is almost always eventually reflected in its stock market price, the timing can be unpredictable. Therefore the average holding period for a stock in the portfolio will tend to be around 2 1/2 years, or longer. With a high level of undervaluation in the portfolio, a sufficient number of different stocks (any one of which can move to its intrinsic value at a given time), and an appropriately long investment horizon, the Fund can reasonably expect to generate an attractive long-term return.

- *Global scope* - The Fund will have the flexibility to invest world-wide as this offers the largest possible pool of companies from which to select undervalued stocks. Due to the size, variety and sophistication of European and North American markets, the majority of the Fund's holdings will be listed in those markets.

- *Focused portfolio* - The Fund will typically hold between 20-40 stocks. This number of holdings will allow the Fund to strike a balance between acquiring a deep understanding of each company in which it invests, and providing sufficient diversification. The Fund is restricted by law such that no single equity will account for more than 10% of the Fund's

net assets and, the aggregate of individual holdings of 5% or more will amount to no more than 40% of the Fund's total net assets.

- *Small & mid-cap bias* - The Fund's holdings will have a bias towards small and mid-sized companies where the chances of finding beaten down or overlooked companies, and thus cases of substantial undervaluation, are greater. With these companies there will be an even stronger focus on healthy balance sheets.

- *Dedicated to equities* - The Fund will invest exclusively in publicly listed equities and in equity linked instruments like convertible bonds and may hold cash or government securities for liquidity reasons. It will not invest in derivatives like options or futures, other than for the purpose of hedging in order to reduce risks, and will make no use of leverage.

The first stage of the investment decision process will involve extensive quantitative and qualitative screening on the basis of a number of key parameters and proprietary valuation models. This method will allow the Fund to examine and filter a large number of shares and quickly identify potential investment ideas. Ideas will then be thoroughly researched and analysed to determine whether they meet the Fund's value criteria. In addition to quantitatively appraising a company's prospects, the Fund will make extensive use of qualitative techniques such as management interviews in order to test key assumptions. This will further reduce uncertainty before an investment decision is made.

## Past Performance

### CITADEL VALUE FUND PERFORMANCE (as of May 31<sup>st</sup>, 2011)<sup>1</sup>

|                         | Cumulative returns |        |        | Annual returns |       |       |        |
|-------------------------|--------------------|--------|--------|----------------|-------|-------|--------|
|                         | Since inception    | 3 year | 1 year | 2011* YTD      | 2010* | 2009* | 2008*  |
| Citadel Value Fund      | 35.7%              | 8.2%   | 7.4%   | 0.5%           | 12.9% | 36.2% | -35.8% |
| MSCI World Index (Euro) | 7.9%               | 5.6%   | 9.9%   | 0.1%           | 20.1% | 26.7% | -37.2% |
| Out/under – performance | 27.8%              | 2.6%   | -2.5%  | 0.4%           | -7.2% | 9.5%  | 1.4%   |

\* based on the estimated NAV/share at the end of each calendar year; first NAV calculation took place on February 11<sup>th</sup>, 2002.

### Total Expense Ratio (for the year to May 31<sup>st</sup> 2011)

1.46% (excl. incentive fee), 2.80% (incl. incentive fee)

### Portfolio Turnover Ratio (for the year to May 31<sup>st</sup> 2011)

17.56%

### Risk Profile

The assets of the Fund are in principle fully invested and consequently subject to general and market risks. An overall decline in share prices may result in a decrease in the net asset

### <sup>1</sup> Notes

*An investment in the Fund carries with it a degree of risk. The value of an investment can go up or down, and you could lose money on your investment. Past performance provides no guarantee for the future. A detailed description of the risks outlined in this Simplified Prospectus is made in the Full Prospectus.*

value of the Fund's shares.

Apart from an overall decline in share prices, the risk exists that in spite of careful and professional selection, the shares of one or more listed companies belonging to the portfolio will fall in price due to negative events in the company or its industry.

The Fund's accounting currency is the Euro. In so far that the Fund invests in shares denominated in currencies other than the Euro, the Fund's shares will be directly impacted by currency movements. The Fund may decide to hedge part of these currency risks.

### **Profile of the typical investor**

The Fund is suitable for investors who are comfortable with and understand the risks of investing in the stock market and who have an investment horizon of at least three to five years. The Fund's strict and consistent application of the 'value' investment strategy makes it particularly suitable for long-term investors seeking capital preservation and appreciation.

## **ECONOMIC INFORMATION ON THE FUND**

### **Fees and expenses**

The Fund bears without restriction, the following general expenses and charges:

- the incorporation expenses and the cost of amendments to Articles of Association,
- the fees and expenses payable to the investment advisors, accountant, custodian bank and correspondent agent(s), registrar, transfer agent, domiciliary agent, administration agent, listing agent, paying agent or other authorized agents and employees of the Fund, including representatives in countries where it is subject to registration,
- the costs of legal assistance and audit of the Fund's annual reports,
- the promotion costs, the publication of annual and interim financial reports, the costs associated with other communications to shareholders, marketing, stock exchange listings, registration costs, particularly related to the *Autoriteit Financiële Markten* (Dutch securities regulator) and if deemed necessary registration and supervisory costs in other jurisdictions,
- the costs of shareholders' and Board of Managing Directors' meetings, the reasonable travelling expenses of Directors and managers,
- all taxes and duties charged by governmental authorities and stock exchanges, costs of publishing issue and redemption prices, as well as any other running costs, including financial, banking and brokerage expenses incurred when buying or selling assets or otherwise, & all other administrative costs relating to the Fund's activities.

The custodian bank, the administrator, the registrar and transfer agent receive an annual commission at commercial rates calculated on the Fund's net assets, payable on a monthly basis. In addition, they also receive reimbursement from the Fund for certain third party expenses incurred in the execution of their duties.

### **Advisory fees**

Investment advisory fee: 0.75% per annum

Incentive fee: 20% of the return, if any, in excess of 1 year EURIBOR

### **Tax status of the Fund**

The Fund is subject to Luxembourg tax legislation. In accordance with current law and practice in Luxembourg, the Fund is not subject to any Luxembourg corporate tax. Nor are dividends that might be paid by the Fund subject to any Luxembourg withholding tax. However, the Fund is subject in Luxembourg to a *taxe d'abonnement* (registration tax) of 0.05% per annum for Class "P" and "MP" shares and 0.01% per annum for Class "I" and

“MI” shares. Income collected by the Fund on securities in its portfolio may be subject to withholding tax.

#### **Tax status of shareholders**

According to legislation and current practice in Luxembourg, shareholders, other than those domiciled, residing or permanently established in Luxembourg, are not subject to any Luxembourg tax on income, capital gains, donations or legacies.

However, it is incumbent upon any purchasers of shares in the Fund to inform themselves about the relevant legislation and tax regulations applicable to the acquisition, holding and sale of shares with regard to their place of residence and nationality.

#### **EU tax considerations**

The Fund falls in principle outside the scope of the Council Directive 2003/48EC on the taxation of savings income in the form of interest payments. This is due to it being an investment company which issues only capital growth shares, as well as to its investment policy which is limited to investments in equity securities and to investments in “debt claims” less than 40% of its net assets. As an exception, the Directive would only apply in relation to redemption proceeds paid to shareholders of the Fund were it to invest more than 40% of its net assets in “debt claims“ meaning any kind of interest bearing security or instrument as well as cash.

### **COMMERCIAL INFORMATION**

#### **Capitalisation and form of the shares**

|            |   |
|------------|---|
| Type:      | capital growth (dividends are not issued)   |
| Class “P”  | issued solely to private investors in bearer or registered form                             |
| Class “I”  | issued solely to institutional investors in bearer or registered form                       |
| Class “MP” | issued solely to Citadel’s investment advisors and immediate family, registered form only   |
| Class “MI” | issued solely to Citadel’s investment advisors who are institutionals, registered form only |

Physical shares are not issued.

|                   |              |
|-------------------|--------------|
| ISIN number “P”:  | LU0141953439 |
| ISIN number “I”:  | LU0141952894 |
| Bloomberg symbol: | CITVALU LX   |

#### **NAV/share price publication date**

Twice per month on the first and third Tuesday provided that day is a banking business day in Luxembourg. These are known as Valuation Dates.

#### **NAV/share price publication**

The share price will be published in the *Côte Officielle de la Bourse de Luxembourg*, on the website [www.citadelfund.com](http://www.citadelfund.com) and in newspapers the Board of Directors deem appropriate.

#### **Issue and repurchase of shares**

Twice monthly. Requests must be received at or before 17:30 Luxembourg time on the day preceding a Valuation Date. The price applied will be that of the next calculated NAV. Requests for the issue or repurchase of shares must be addressed to the registered office of the Fund, or of KBL European Private Bankers S.A. in Luxembourg or directly to EFA.

**Entry and exit fees**

Subscription fee: 0%

Redemption fee: 1% accruing solely and in full to the Fund

**Minimum initial and subsequent investment**

€ 10,000 per private investor (class “P” and “MP”) and € 100,000 per institutional investor (class “I” and “MI”).

**SUPPLEMENTARY INFORMATION****Regulator**

Commission de Surveillance du Secteur Financier (CSSF)

**Information**

Copies of the complete prospectus and the annual and semi-annual reports are available on request free of charge.

**Prospectus publication**

The first prospectus was published in January 2002.

**Contact information**

Luxembourg:

Citadel Value Fund SICAV

Representative for the Netherlands:

D&F Financial Services BV

Van Hengellaan 2, NL-1217 AS Hilversum

Tel. +31 (0)35 582 1650

Further information:

Citadel Value Fund SICAV

11, rue Aldringen, L-1118 Luxembourg

tel. +352 47 97 37 59

[info@citadelfund.com](mailto:info@citadelfund.com)

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