

## December 2003 Update

**NAV/share (01/12/03): EUR 94.39**

**ISIN code: LU0141953439**

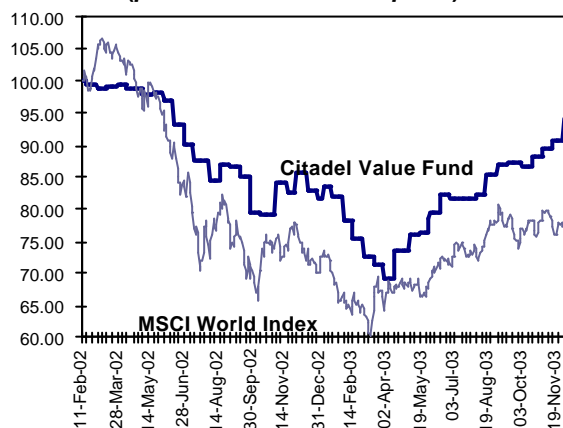
**website: [www.citadelfund.com](http://www.citadelfund.com)**

### COMMENTARY

Despite a strong head-wind from currencies (US\$ & £) and weak stock markets, the Fund had a good November and was up by 5.6% to Dec 1. This was in large measure, although not exclusively, thanks to a bid for **Weetabix** which was the 4<sup>th</sup> largest holding of the Fund. Citadel's performance since inception is -5.6%, well ahead of the -21.6% of the MSCI World in the same period.

Versus the Fund's average purchase price the Weetabix bid is at a stunning 119% premium – but less in Euro's due to £ weakness. While it has yet to be approved, we think that the probability of the deal being consummated is high. There was a torrent of news from the Fund's other holdings which was largely positive if not extremely noteworthy. One exception to this was the news from **Merck** (1.6% of NAV) that two high potential drugs were cancelled in a late stage of development. While this can in no way be construed as good news, the stock is down by c. 26% this year (-\$33bn). The stock price implies that the company's free cash flow will cease to grow, or even crimp slightly – despite having grown at double digit rates for more than a decade. The short-term future is clouded by the 2006 US patent expiry of its largest product. Still, we estimate that existing products and several recent new drugs alone should create cash flow growth, albeit modest. After several high profile failures this hardly seems the moment to extoll Merck's new product pipeline, but it will almost certainly deliver more (perhaps much more) than investors expect today. Merck, and the other 3 pharma firms in the portfolio, appear exceptionally undervalued, and should provide good returns in future.

**Citadel Value Fund**  
(performance since inception)



Citadel Value Fund Performance  
(as of 01/12/03)

	Since inception (11/02/02)	1 year	2002 from 11/02	2003 YTD
<b>Citadel Value Fund</b>	-5.6%	10.2%	-18.4%	15.7%
<b>MSCI World Index</b>	-21.6%	1.0%	-29.9%	11.8%

note: MSCI World Index is based on total returns in Euro's  
source: European Fund Administration, Datastream

### Top 10 Holdings

Weetabix Ltd.	10.2%
Merck KgaA	7.7%
Springer (Axel) Verlag AG	7.7%
Bristol-Myers Squibb	6.5%
Tamedia AG	6.1%
Wolters Kluwer NV	4.5%
Wegener NV	4.4%
Aventis SA	3.8%
Colruyt NV	3.7%
Richemont (Co. Financiere) AG	3.5%

**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.**