

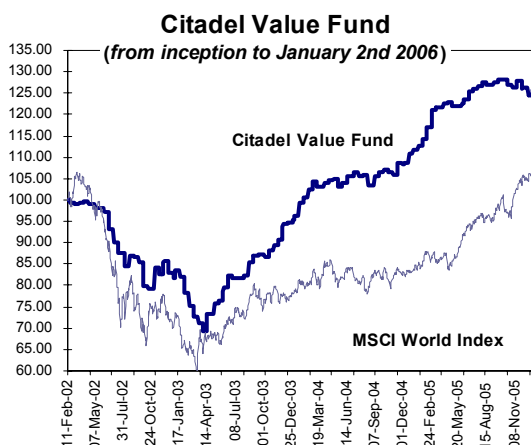


## 2005 Annual Review

**NAV/share (02/01/06): EUR 125.66**

**ISIN code: LU0141953439**

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



**Citadel Value Fund Performance**  
(as of January 2nd, 2006)

	Since inception (11/02/02)	3 year	1 year	2006* YTD
<b>Citadel Value Fund</b>	25.7%	54.0%	12.4%	0.4%
<b>MSCI World Index</b>	5.9%	45.8%	26.9%	0.1%

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

\* annual returns are based on estimated NAV as of Dec. 31, 2002/03/04 & 05

source: European Fund Administration, MSCI

### Top 10 holdings

Lambert Howarth PLC	6.4%
Heineken Holding NV	6.0%
Bristol-Myers Squibb Co.	5.5%
Merck & Co.	4.7%
Zwack Unicum Rt	4.3%
Wegener NV	4.0%
Wolters Kluwer NV	3.9%
Nedschroef Holding NV	3.9%
Telegraaf Media Groep NV	3.6%
Natuzzi SpA	3.3%

### COMMENTARY

The Fund ended the year with an estimated NAV of EUR 125.20 (EUR 111.78 31-Dec-04) which represented a gain of 12.0%. This was a decent absolute return (vs. the long-term 7-8% earned in equities) but behind the MSCI World Index which rose by 26.8%. Since inception, the Fund continues to outpace the index with a gain of 25.7% vs. 5.9%.

2005 was a year of contrasts, with the bulk of the Fund's performance coming in the first months of the year when global markets stagnated. In the second half (H2), when markets took off, the Fund did little. Two factors played a role in this meagre H2 return. A large cash position, arising from new inflows and a scarcity of cheap stocks in which to invest, dampened returns in the summer. Fortunately, going into the Fall we were able to find a surprisingly large number of new ideas in which to invest. However, as is often the case when buying cheap out-of-favour stocks, buying at the absolute bottom is almost impossible. And true to form, many of these new stakes performed poorly immediately after their purchase. This is in no way reflects their potential as investments which we think is excellent. Nevertheless, these new stakes negated the positive returns on the rest of the portfolio. As it happened, this coincided with a period in which European & Asian markets soared. Stocks were lapped up last year - in a complete reversal to 2002/03 - virtually irrespective of valuation or fundamentals. This will not always be so. Therefore, as we wrote in the recent semi-annual letter, we remain focused on making superior long-term returns, not on tracking the market in the short-term. The new ideas in the Fund provide the fuel for future returns, and the portfolio has clearly more potential than it did only 6 months ago.

**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.