



## January 2011 Update

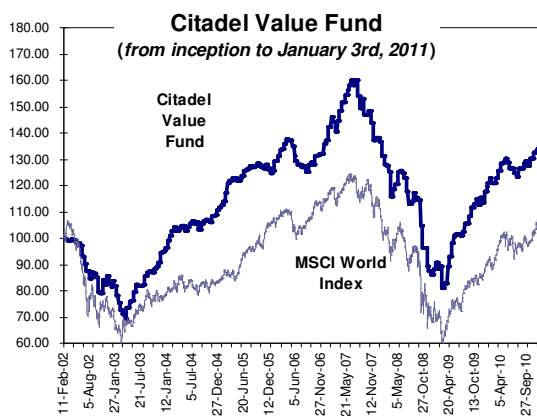
**NAV/share (03/01/11): EUR 135.14**

**ISIN code: LU0141953439**

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

### COMMENTARY

Broadly speaking 2010 was another year of recovery in global equity markets. Returns varied from market to market, with some up sharply, while others treaded water or fell. Citadel ended the year up 12.9% with an NAV of EUR 134.97 at Dec. 31<sup>st</sup>. The MSCI World Index (in EUR & incl. pre-tax dividends) rose by 20.1% of which almost exactly half was due to rising share prices and dividends, and the other half currencies. The weakness of the Euro versus most other currencies also helped the Fund's performance although the impact was noticeably less favourable than for the global index. At Dec. 31<sup>st</sup> the Fund's return since inception was +35.0% and the MSCI World +7.8%.



**Citadel Value Fund Performance**  
(as of January 3rd, 2011)

	Since Inception (11/02/02)	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Citadel Value Fund</b>	35.0%	12.9%	36.2%	-35.8%	-0.5%	9.7%	12.0%	17.2%	17.0%	-18.4%
<b>MSCI World Index</b>	7.8%	20.1%	26.7%	-37.2%	-1.2%	7.9%	26.8%	6.9%	11.3%	-29.9%
<b>+/- vs. Index</b>	27.2%	-7.2%	9.5%	1.4%	0.7%	1.8%	-14.8%	10.2%	5.7%	11.5%

note: MSCI World Index based on total returns (including gross dividends excluding dividend withholding tax) in Euro's  
\* annual returns are based on Citadel's estimated NAV as of Dec. 31st, out/underperformance figures may differ due to rounding  
source: European Fund Administration, MSCI Barra

### Top 10 holdings

Cia Paranaense de Energia, ADR	5.4%
GS Home Shopping	5.2%
Aeropostale, Inc.	4.6%
SK Telecom, ADR	4.5%
Grupo Continental SA	4.2%
Pronexus	4.2%
Toyota Industries	3.4%
BAE Systems PLC	3.2%
Bristol-Myers Squibb Co.	3.2%
Bijou Brigitte Mod. Accessoires AG	3.1%

At the beginning of 2011 Citadel's portfolio is rather diversified with 35 holdings, even if several stakes are quite small. Share prices rose substantially in more than a few cases but the overall valuation of the portfolio continues to look extremely attractive at only 5.5X trailing EBIT. All the companies in which the Fund is invested are profitable (the avg. margin in 2009 was 9% and this will be higher in 2010) and most are very cash generative. Dividend yields average 3.5%. Furthermore only 7 firms have any debt while most of the others are sitting on large cash piles. This is a healthy starting point for 2011. As long as Citadel's companies continue to rack up profits and cash their values will grow. And the odds of this happening are high we think. Most companies are not highly geared to economic recovery but they do have a certain predictability and resilience as a result of their business models, market shares, brands, etc. Whether this growth in value will be rewarded by the stock market in 2011 is an open question. If not then already cheap valuations will fall further thereby only increasing the odds that their stock prices rise sharply.

**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.**