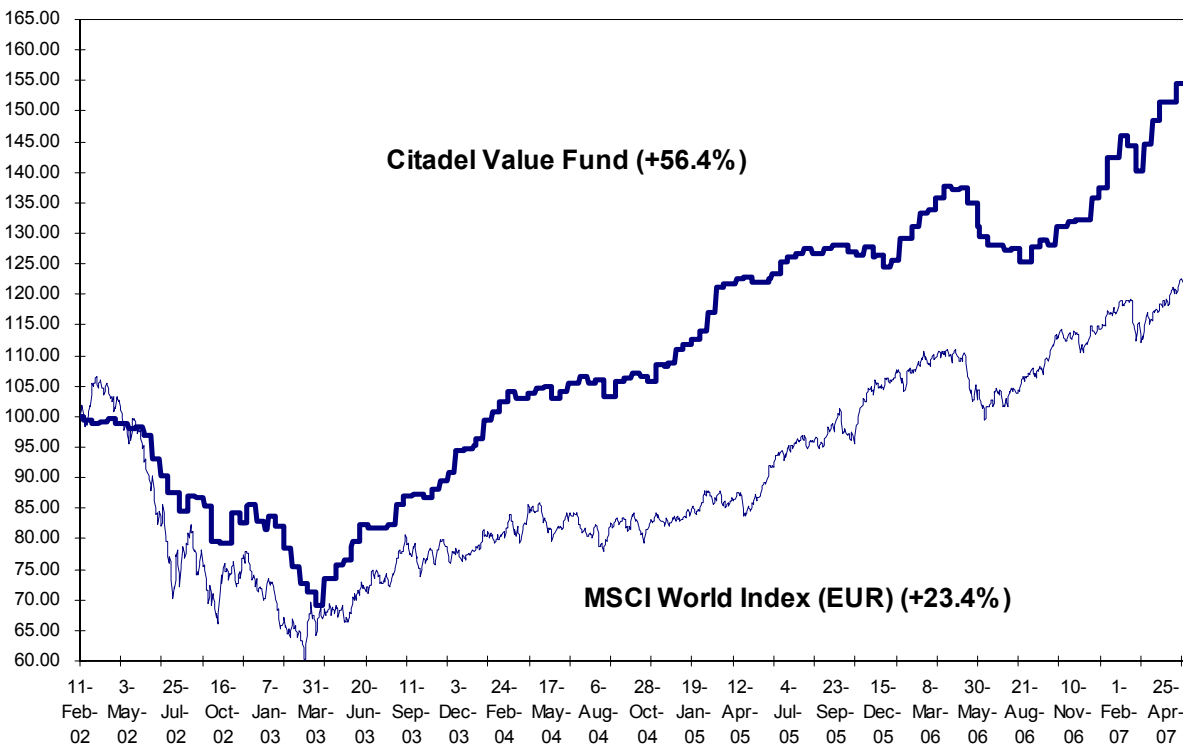




Dear Shareholders,

Your Fund ended its fifth fiscal year on May 31st, 2007 with a Net Asset Value per share of EUR 156.37 versus EUR 130.99 last year. The correction that began in May 2006 carried on into June, and the Fund's NAV did little for much of the summer and early fall. However positive developments at many portfolio companies led to a decent performance in the last couple of months of 2006, and this continued into this year. Year-to-date (to May 31st) the NAV is ahead by 13.8%.¹ Since inception on February 11th 2002 Citadel's performance stands at +56.4% while that of global equity markets generally is +23.4% (MSCI World Index in Euros incl. gross dividends). After a retrenchment in 2005, the Fund's long-term outperformance versus the index is again widening.

Citadel Value Fund
(performance since inception to May 31st, 2007)



¹ Based on an estimated but unofficial NAV as of Dec. 31st 2006 of EUR 137.40.

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.

Citadel Value Fund Performance (as of May 31st, 2007)									
	Cumulative returns			Annual returns					
	Since inception	3 year	1 year	2007* YTD	2006*	2005*	2004*	2003*	2002*
Citadel Value Fund	56.4%	50.2%	19.4%	13.8%	9.7%	12.0%	17.2%	17.0%	-18.4%
MSCI World Index (Euro)	23.4%	51.0%	19.4%	8.1%	7.9%	26.8%	6.9%	11.3%	-29.9%
Out/under-performance	33.0%	-0.8%	-0.1%	5.7%	1.8%	-14.8%	10.2%	5.7%	11.5%

* annual returns based on estimated (but not official) NAV on Dec. 31st of each year; first NAV Feb. 11th 2002
source: European Fund Administration, MSCI

Portfolio news

One of the topics in the last letter to shareholders (for the half year ended November 30th 2006) described the uneven distribution of news and stock price changes over time (lumpiness we called it). That has certainly proved true in the past six months. After an extended dry spell corporate merger & acquisition activity impacted the portfolio with a vengeance shortly after that letter was written. **Sasa Industrie** – the French producer of non-stick baking trays, one of the sexier industries represented in the portfolio! – saw a joint management and private equity bid. While most minority shareholders (including Citadel) did not tender their shares due to the meagreness of the bid, the stock price has remained at or above the offer price. We think this reflects the likelihood that a more generous follow-up offer will eventually come. The Dutch manufacturer of bolts and other fasteners, **Nedschroef**, was also the target of a buy-out offer. The price was decent and this offer will be completed. The Fund's shares were tendered for cash on June 1st (explaining why the shares are still in the portfolio at year-end) and Citadel realised a rather spectacular return of more than 400%. Likewise Dutch regional newspaper firm **Wegener** was the subject of a proposed acquisition. This stake was undoubtedly one of the most controversial in the portfolio. The Fund originally purchased shares in June 2002 and added to the position numerous times in the past five years, most recently in August last year. All in all it has been a very successful investment (125% return) notwithstanding considerable price swings in the interim. The holding was sold in the market at slightly more than the cash offer, in line with our original intrinsic value estimate.

Portfolio Changes November 30th 2006 to May 31st 2007
New holdings bought Companhia Paranaense de Energia (COPEL), ADR GS Home Shopping Hanil Cement Nongshim SK Telecom, ADR
Holdings sold or acquired Nedschroef NV (pending) Wegener NV VLT AB

The rest of the portfolio performed well in the past six months on the back of positive earnings and other announcements, but we were still able to add to a number of smaller existing stakes at attractive prices. These included **Reesink, Bull, Pioneer Natural Resources, Molins** and **Dewhurst**. Other than the acquisition targets mentioned earlier, the only other sales transaction involved the Swedish regional newspaper chain **VLT** which was sold at the end of December at close to our intrinsic value estimate resulting in a roughly 90% return. Some shareholders may recall that this was the object of a takeover offer in 2004. Fortunately that offer didn't succeed as the company's earnings subsequently improved dramatically, dividends were increased and the share price responded accordingly.

Portfolio Holdings
(as of May 31st, 2007)

company	activity	% of portfolio
Apache Corp.	energy (oil & gas exploration & production)	2.8%
Batenburg Beheer NV	business services (technical installation)	3.4%
Belgacom NV	telecommunication services (fixed & mobile)	2.6%
Bristol-Myers Squibb Co.	pharmaceuticals	3.5%
Bull SA	information technology (computers, services)	2.3%
Carclo PLC	industrial goods (plastic components)	3.9%
Clinton Cards PLC	speciality retail (card shops)	2.7%
Companhia Paranaense de Energia (COPEL), ADR	utilities (hydro-electric power)	3.8%
Continental (Grupo) SA	consumer goods (soft-drink bottling)	3.2%
Dewhurst PLC. -A- Non Voting	industrial goods (lift panels & controls)	2.4%
GS Home Shopping	speciality retail (TV home shopping network)	2.8%
Hanil Cement	materials (cement production)	2.0%
Heineken Holding NV	consumer goods (brewing)	5.0%
Lambert Howarth Group PLC	business services (clothing supply & distr.)	1.1%
LandAmerica Financial Group Inc.	insurance (title insurance)	2.4%
Metall Zug AG	consumer durables (appliances)	0.7%
Molins PLC	industrial goods (tobacco machinery)	3.4%
Natuzzi SpA	consumer durables (furniture)	2.4%
Nedschroef NV (acquisition pending)	industrial goods (fasteners)	4.3%
Nongshim Co. Ltd.	consumer goods (food & beverages)	3.6%
Pioneer Natural Resources	energy (oil & gas exploration & production)	3.1%
Reesink NV (CVA)	wholesale and trade	1.7%
Sasa Industrie SA	industrial goods (baking utensils)	1.5%
Signaux Girod SA	industrial goods (traffic signs)	2.8%
SK Telecom, ADR	telecommunication services (mobile)	3.8%
Springer (Axel) Verlag AG	media (newspapers, magazines)	1.2%
Tamedia AG Reg.	media (newspapers, magazines, radio, TV)	2.0%
Telegraaf Media Groep NV	media (newspapers, magazines, radio, TV)	4.2%
Village Super Market Inc	retail (supermarkets)	3.8%
Wolters Kluwer NV	media (professional publishing)	3.1%
Zehnder Holding AG	industrial goods (radiators)	2.5%
Zwack Unicum	consumer goods (spirits)	3.5%
Cash and other assets and liabilities		8.9%
		100.0%

note: as percentages are rounded to 1 decimal point the sum of the percentages shown may differ from 100

Perhaps the most significant news in the portfolio is that five new holdings were bought. This is a fairly substantial number in a six month period, particularly at a time when bargains are not easy to find. While we are not averse to carrying cash in the absence of investment opportunities that meet our value criteria, this is clearly not our preference. With new cash inflows and sizeable proceeds from stock sales/acquisition offers the Fund's cash position could have swelled substantially. Fortunately we've been able to find a better home for these funds than a low yielding bank account. **Copel** is a medium sized hydro-electric utility operating in the Brazilian state of Parana and realises good margins and returns at low single digit multiples of EBIT and EBITDA. The other four additions to the portfolio all stem from South Korea and are extraordinarily undervalued we believe. **GS Home Shopping** (described below) is the leading TV home shopping network. **Hanil Cement** is the number five domestic cement company while **Nongshim** is one of the country's largest food companies with huge market shares in noodles, snacks and water. Finally, **SK Telecom** is the leading mobile telephone company in the country.

Looking for fish where fish are – the global search for value

The broad rise in global equity markets in the past several years has benefited the Fund's NAV, but has not made the task of identifying new investments any easier. This is always the less pleasant side-effect of rising share prices. It

is somewhat astonishing at how quickly bargains are being swept up. Numerous times in the past year a stock we had begun to research suddenly surged in price. More often than not it quickly reached a level where its undervaluation had shrunk enough to make it unworthy of further investigation. The causes of this lie in a variety of factors which have been well documented including the growth of private equity and hedge funds, and a healthy appetite for equities in general. We are determined however to maintain a strict price discipline. In a rising market the odds that most stocks will at least beat cash returns are fairly high. We are very conscious though that sentiment can change quickly. A big margin of safety between value and price is particularly important when markets are buoyant. As we have written numerous times in the past we think, along with other value investors, that a very favourable price/value relationship is the surest precondition to good returns and, importantly, capital preservation.

In the two regions where the overwhelming bulk of the Fund's portfolio has been located in the past five years, North America and Western Europe, deeply undervalued companies are extremely scarce. Not that undervalued companies can't be found, they can. We have found countless stocks which look to us to be undervalued, but just not by enough to meet the Fund's criteria. The margin of safety is simply insufficient. For instance a stock which may appear to be 20% undervalued would on the face of it appear attractive. However, an unexpected setback (and most setbacks tend to be unexpected) such as a decline in demand or a rise in costs could very quickly erode that company's intrinsic value. Even a fairly modest 10% decline in its value would leave little potential, or protection. Therefore we continue to comb the world for those rare stocks which, after a thorough but cautious appraisal, appear to be so undervalued that even setbacks in their operations or in the general economic environment will not eliminate their investment potential.

In the past several years European equities performed well. Furthermore an investor in European equities didn't encounter the negative effects of translating other currencies back into a seemingly ever stronger Euro. The merits of having a global mandate though are becoming increasingly evident in recent months. Our recent stock selection work in European and North American markets has generated only scanty results, and we have begun to focus our efforts in Asia, notably in Korea and Japan (the two Asian markets where, aside from ADRs, the Fund is permitted to invest). The results have been very rewarding as can be seen from the preceding table, and all without diluting our standards. In fact the valuations paid are amongst the most attractive we have encountered in the past five odd years.

While most shareholders undoubtedly know otherwise, some may wonder whether this represents a bet on South Korea, and with it a shift in investment strategy. It is not. It is simply a logical extension of our search for undervalued securities, all selected individually based on their own merits. That four of the five new holdings in the portfolio (out of 32 holdings, or 31 once Nedschroef shares are exchanged for cash) share the same home country is only a reflection of where good values can be found. For diversification and other reasons we are wary about growing the percentage of Citadel's assets in South Korean companies to outsized proportions. Nevertheless it is probable that we will put some modest additional funds to work, either in new or existing positions. Furthermore we see potential for new holdings in Japan where there is considerable value to be found, particularly outside of the largest best known companies.

GS Home Shopping

We naturally thought that it would be interesting for shareholders to read about one of these new holdings in more detail and chose **GS Home Shopping (GSHS)**. Like many of the Fund's holdings GS Home Shopping is hardly a household name. That is, everywhere but in South Korea. In South Korea GSHS is very much a household name, operating the top TV home shopping network in one of the largest home shopping markets in the world after the United States. In fact only two American companies (QVC and the Home Shopping Network) are larger players in this industry.

In addition to broadcasting daily to 14m people the company runs a large catalogue operation as well as two sizeable internet operations; comprised of the number 3 shopping site, and an internet marketplace. It also holds valuable stakes in several cable TV operators and a large TV home shopping network in China.

The economics of TV home shopping are rather attractive. There is little to no capital employed as the fixed assets are modest consisting largely of broadcasting facilities and some cable investments. Consumers order by telephone

goods shown on television.² These sales provide it with a continual source of working capital financing. The company's take of these sales is a margin or sales commission of 35-40% of gross sales. Costs are comprised primarily of commissions to cable operators (for access to their systems), broadcasting expenses, advertising, transport, and minimal administration costs. GSHS realised operating margins of between 12 and 14% on its net sales in the past three years, and this includes the impact of strongly growing, but lower margin, internet sales. With low capital requirements the company is highly cash generative. We draw further comfort from the fact that even in the recessionary period of 2003/04 when sales fell fairly sharply, the company remained well in the black.

At the end of 2006 the company had net cash of KRW 130bn and investments totalling KRW 260bn for a total of 390bn. By way of contrast the company's market capitalisation at the time of purchase was approximately 500bn. Thus for a net investment (after deducting cash & investments) of some 110bn you could purchase a business which last year had EBIT of 70bn and a free cash flow of 45bn; multiples of 1.6X and 2.4X respectively. Even after making a number of adjustments (including marking down the value of one of its cable stakes as the purchase price appeared too high to us) GSHS's valuation is amongst the lowest we have ever seen.

While there are a number of issues confronting the company none appear anywhere near significant enough to justify such a valuation. Undoubtedly the modest valuations of other Korean companies as well as GSHS's relative obscurity are factors explaining the company's rock bottom multiples. Another explanation may be that some financial databases for professional investors neglect to take account of investments or even cash when calculating valuations, a major oversight which many analysts also appear to be guilty of. As always we have few convictions about when this undervaluation will disappear but think the odds are very good that it eventually will. In the meantime the margin of safety is large and growing. The market position is solid, the market will likely grow over time, and the cash keeps piling up quarter after quarter. As we wait for a revaluation, a c. 4% dividend yield will provide Citadel with at least a modest ongoing cash return.

We look forward to updating you in more detail on your Fund's progress after the end of the first half year in November and, of course, regularly in the monthly updates (should you not receive these please drop us a line at info@citadelfund.com and we'd be pleased to add you to the list). Thank-you for your investment in the Fund.

Kind regards,

The Board of Directors
Citadel Value Fund SICAV

June 15th, 2007

² In future the rollout of inter-active television will allow consumers to purchase products using only their television remote control.