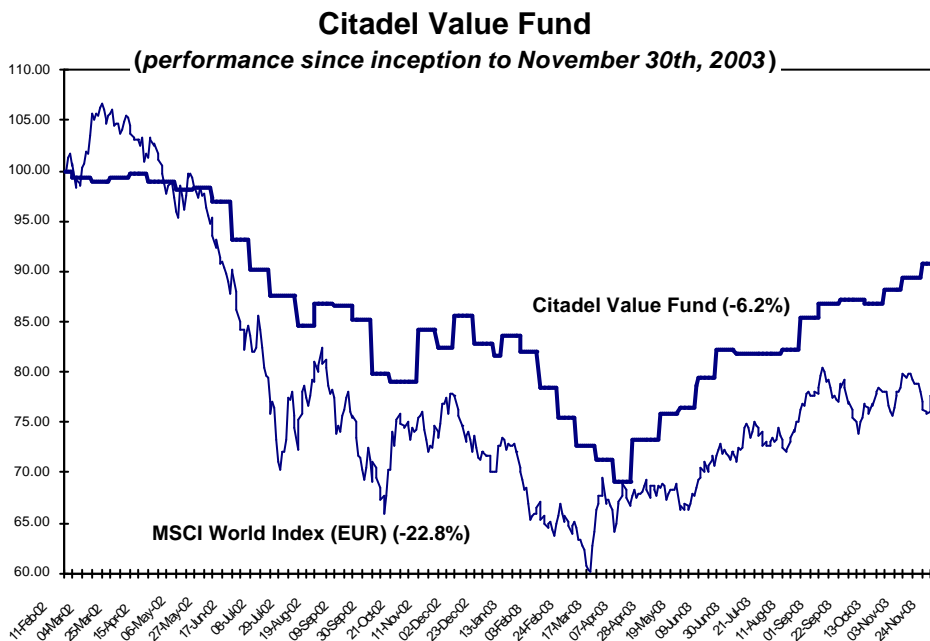




Dear Shareholders,

Since the last letter to shareholders at the end of the Fund's fiscal year on May 31st, there has been a dramatic change in investor sentiment and stock prices. Your Fund, after a dismal beginning to the calendar year as markets tumbled, saw its Net Asset Value per share rise by 19% since the end of May. As of November 30th it had a NAV per share of 93.85.¹ Since inception this puts the performance of the Citadel Value Fund at -6.2%, which we are pleased to report is well ahead of the MSCI World index in Euro's which fell by 22.8% in the same period. On a year-to-date, and calendar year basis, your Fund has risen in absolute terms and has also beaten the index by a significant margin.



¹ 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.

Citadel Value Fund SICAV				
Performance Comparison per 30/11/03				
	Since Inception (11/02/02)	1 Year	2002*	2003 YTD
Citadel Value Fund	-6.2%	9.8%	-21.3%	15.0%
MSCI World	-22.8%	-0.6%	-31.5%	10.2%

* for 2002 performance for all indices is from Citadel Value Fund's inception date on 11/02/02
N.B.: MSCI World Index is based on total returns, in Euro's

Source: European Fund Administration, Datastream

Why cheap stocks don't stay cheap for ever

In addition to informing shareholders about important developments at your Fund in the past six months, one of the objectives of this bi-annual letter is to delve deeper into the value philosophy and how it is applied in choosing individual stocks, and why. One of the common criticisms of value investing is that 'cheap' stocks often stay cheap. In past letters we parried this argument by suggesting that where stock prices undervalue the worth of individual companies for long periods, the likelihood of other companies bidding for these 'undervalued' businesses increases. In other words, we put forward the case that what we call a company's intrinsic value is not actually determined by stock markets, but rather by a company's assets and cash generating ability. The stock market puts a price on a company daily, but this price setting should be seen for what it is - an ongoing vote by investors to either buy, sell or hold their shares. Often stock market prices fairly accurately reflect companies' intrinsic values, but not always. Firms in the business of acquiring others are by their very nature more focused on the value of a company's assets to them, and not what other investors think they are worth. They may therefore step in when stock markets materially undervalue a business. Of course this may sound nice in theory but what about real-life practice?

Fortunately, we can now present a timely example to illustrate these points. As shareholders will be aware, a venture capital firm has made a bid at a sizeable premium for **Weetabix**, one of the larger stakes in the Fund. Weetabix shares sold for years at prices far below what was justified on the basis of its prolific cash generation, or relative to acquisition prices of other breakfast cereal producers. When your Fund purchased Weetabix it was with the conviction that the value of its share would increase steadily in the years ahead, that its dividend would rise as profits did, and that eventually this strong 'fundamental' performance and undervaluation would be reflected in the share price. As it now turns out, this re-valuation is coming not from the stock market, but from another company which apparently sees the true value of the Weetabix company.

Weetabix offers up another lesson. That is that predicting *when* companies will be re-valued by the stock market or through acquisition is an impossible game. In the case of Weetabix, we did not predict that it would be acquired. In fact, if we had have been asked which of the Fund's holdings would be acquired, we likely would have put Weetabix pretty close to the bottom of the list of the 26 stakes in portfolio. The only rational way that we can see to address the issue of timing is to very selectively pick shares and seek out those which are extremely undervalued, and then wait. This is admittedly not a high adrenaline approach, but ultimately a profitable one we think.

In the last letter to shareholders we presented "the case for stocks" in which we opined that shares in many countries and sectors were markedly undervalued. Six months later, our enthusiasm has waned considerably. There are far fewer examples of egregiously undervalued shares, and good investment ideas are noticeably harder to find. However, we remain very pleased with the values in the portfolio, notwithstanding the rise in the share prices of many companies. Consequently, the portfolio has not changed materially in composition. We have added to several positions where the discount to our estimate of intrinsic value was very high, but have added no new holdings to the portfolio.

Citadel Value Fund Portfolio (as of November 30th, 2003)

company	activity	% of portfolio
Aldeasa SA	retail (airport shops)	3.5%
Altria Group Inc.	food & tobacco	2.9%
API Group PLC	packaging	0.3%
Aventis SA	pharmaceuticals	3.8%
Bristol-Myers Squibb Co.	pharmaceuticals	6.4%
Brunel International NV	temporary employment	1.6%
Carclo PLC	plastics production	2.5%
Colruyt (Etabl. Fr.) SA (Halle)	retail (food)	3.9%
Continental (Grupo) SA	beverages (soft-drink bottling)	1.9%
Grolsch (Koninklijke) NV	beverages (beer)	3.1%
Havas SA	advertising	2.0%
Merck & Co.	pharmaceuticals	1.5%
Merck KGaA	pharmaceuticals & chemicals	7.6%
Metall Zug AG	consumer durables (appliance production)	3.3%
Nexans SA	cable production	1.2%
Reesink NV	wholesale and trade	2.9%
Richemont (Compagnie Financiere) AG	luxury goods	3.5%
Southern Energy Homes Inc.	manufactured housing	0.4%
Springer (Axel) Verlag AG	newspapers	7.7%
Syms Corp	retail (clothing)	2.6%
Tamedia AG Reg.	newspapers	6.1%
Telegraaf (Holdingmaatschappij de) NV	newspapers	2.2%
VLT AB B	newspapers	3.2%
Weetabix Ltd. (A non-voting)	food	10.2%
Wegener NV	newspapers	4.4%
Wolters Kluwer NV	professional publishing	4.5%
Cash and other assets		7.2%
		100.0%

A neglected Swiss gem: Metall Zug

One of the better performers in the portfolio (up 64% in local currency terms) is **Metall Zug**. This Swiss company is unlikely to ring many bells with readers. Its annual report is published only in German, and even in Switzerland the firm is hardly a household name, although its products are. It has four main activities; manufacturing and selling kitchen appliances like ovens, dishwashers, etc. for the Swiss market (75% of sales), manufacturing infection control products for the medical and pharma industries (19%), plastics production (6%) and real estate development including owning and operating a 110 room hotel & conference centre in Zug, Switzerland. This disparate group of businesses generates relatively modest sales of CHF 475m (EUR 307m) which leads it to fall outside the attention span of many investors and analysts. The company is managed by a group of controlling shareholders, who own fully 92% of the voting stock. Furthermore, the stock trades only sporadically and in generally low volumes.

Having summed up why most other investors were not interested in Metall Zug, we'd like to lay out our thinking in selecting the company as one of Citadel's 26 holdings. When your Fund invested, the company had a net cash position equal to 59% of the share price, while the land & buildings alone were insured for an amount equal to an additional 120% of the share price! In other words if one assumed the machinery and ongoing business had no value, and simply took the cash, added to it the insurance value (assuming that approximates market value) of the land and buildings, you came up with a value that was c. 80% higher than the share price. Furthermore, far from being worthless, Metall Zug's businesses were generating decent margins overall and had good market positions. And this despite operating in some pretty competitive markets (e.g. consumer appliances - not the easiest of businesses by any stretch). The company produced close to CHF 40m in free cash flow (FCF) in the year prior to our analysis, although that was down from one year earlier. All the same, after deducting the cash position (and adding back the interest owned by minority shareholders), the shares were priced at only 2.9X its free cash flow. Put differently, if the

company could maintain that cash flow for 2.9 years the entire investment would be paid off, which is an astonishing conclusion. You don't get investment cases much simpler than this.

While we took little account of future growth in sales, profits and cash flow when valuing the company, recent results demonstrate this was too conservative. In its most recent annual results, Metall Zug's sales grew by 1.9% and its operating earnings by 24%. Its cash position is greater than it was. As a result, the company's value is considerably higher than when your Fund first invested.

We don't expect to find many Metall Zug's each year, but fortunately we don't have to. If only a handful of the undervalued companies in Citadel's portfolio are revalued upwards each year, it can make a real difference to the Fund's returns. While the sheer level of undervaluation in the overall portfolio has shrunk materially - for the first time since inception the discount to estimated intrinsic value is less than 50% - the potential remains exceptional. We will report back to you in 2004 on how your Fund is progressing. We wish you the very best in the year ahead!!

Best wishes,

Citadel Value Fund SICAV

December 5th, 2003

the Board of Directors