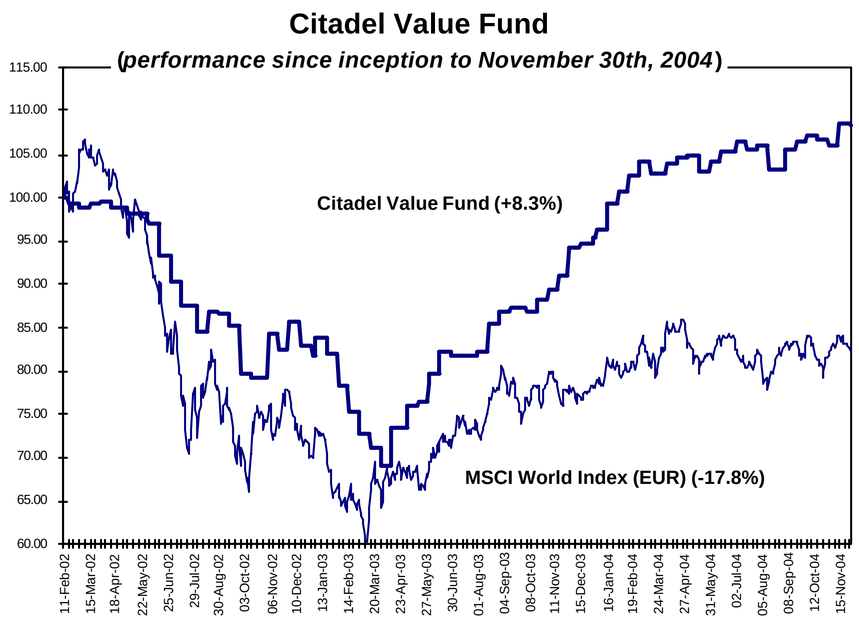
Dear Shareholders,

In the first six months of its 2004 fiscal year to November 30th your Fund rose modestly (+4.0%) to EUR 108.25 per share. This was a better performance than world markets (MSCI World) which eked out only a 0.3% advance. Year-to-date your Fund is up by 13.5% and by 8.3% since inception.[1] While the absolute performance since inception is hardly breath-taking, we are not displeased as world markets fell by 17.8% in the same period, and many competing global equity funds fared even worse. To put that in perspective, an investment of EUR 10,000 in the Fund at the beginning of February 2002 would have risen to EUR 10,825 after all fees and expenses. A corresponding investment in the basket of stocks represented by the MSCI World would be worth only EUR 8,220 before transaction, custody and other costs. For some of the reasons we describe later in this letter, we think your Fund will be able to continue to improve on both its absolute and relative performance in the years ahead.



Citadel Value Fund SICAV
Performance Overview as of Nov. 30th, 2004

	Since Inception (11/02/02)	1 Year	2002*	2003*	2004* YTD
Citadel Value Fund	8.3%	14.7%	-18.4%	17.0%	13.5%
MSCI World	-17.8%	4.9%	-29.9%	11.3%	5.3%
Out/(under)-performance	26.1%	9.8%	11.5%	5.7%	8.1%

N.B.: MSCI World Index is based on total returns in Euro's
* annual returns are based on estimated NAV as of Dec. 31, 2002 & 2003

Source: European Fund Administration, Datastream

[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. 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.

Portfolio news

Although overall stock prices moved only slightly since May 31st, there was a great deal of news surrounding the companies held by the Citadel Value Fund, and a number of changes to the portfolio. **Aventis** shares were tendered in the cash & shares offer from Sanofi, and the Fund sold its stake in **Colruyt**, the first sale since inception. Immediately after the end of the first half, the Fund also disposed of **Syms** as it too had reached our estimate of intrinsic value. Both Colruyt and Syms generated more than 100% returns (Syms' return translated back into Euros was c. 40% due to the havoc wrought by the US dollar). **Havas** launched an ill-advised rights issue at a large discount to reduce debt and the Fund participated.[2] This led the weighting in the portfolio to rise. Your Fund also added to positions in **Bristol-Myers Squibb, Nedschroef, Telegraaf, Tamedia, Carclo, Wegener, Altria, Merck** and **VLT**. In most instances we were able to boost the Fund's holdings at even lower prices. In the case of VLT the timing provided fortuitous as immediately afterwards an offer was made for the company. That offer (at an atrocious price, albeit 25% more than what Citadel paid for its most recent tranche) has since expired with few shares being tendered. Another offer is probable at some time, although with the company beginning to see a profit recovery we are confident that the market will eventually re-value the shares further upwards anyhow. Finally, Merck was hit by the withdrawal of a key product and its shares plummeted by 55% at one point. This was thankfully a very small position for the Fund, but it has since been bolstered by new purchases. We are convinced that the market's panic reaction is warranted neither by the loss of the product, nor by the threat of massive legal damages.

Citadel Value Fund Portfolio (as of November 30th, 2004)

company	activity	% of portfolio
Aldeasa SA	retail (airport shops)	1.6%
Altria Group Inc.	food & tobacco	2.0%
API Group PLC	packaging	1.5%
Batenburg Beheer NV	technical installation services	3.3%
Bristol-Myers Squibb Co.	pharmaceuticals	6.7%
Brunel International NV	temporary employment	0.8%
Canadian Natural Resources Ltd	oil & gas exploration & development	3.1%
Carclo PLC	plastic components production	3.0%
Continental (Grupo) SA	soft-drink bottling	0.7%
Grolsch (Koninklijke) NV	brewing	0.4%
Havas SA	advertising	4.6%
Heineken Holding NV	brewing	4.1%
Merck & Co., Inc.	pharmaceuticals	2.8%
Merck KGaA	pharmaceuticals & speciality chemicals	3.6%
Metall Zug AG (part. Scheine)	consumer durables (appliance production)	1.4%
Molins PLC	industrial goods (tobacco machinery)	2.6%
Nedschroef Holding NV (Koninklijke)	industrial goods (fastener production)	4.7%
Nexans SA	cable production	0.5%
OCA Inc. (Orthodontic Centers of America)	health services (business services)	1.4%
Reesink NV	wholesale and trade	1.1%
Richemont (Compagnie Financiere) AG	luxury goods	1.4%
Sasa Industrie SA	industrial goods (baking utensils)	3.4%
Signaux Girod SA	industrial goods (traffic signs)	2.5%
Southern Energy Homes Inc.	manufactured housing	0.2%
Springer (Axel) Verlag AG	newspapers	3.6%
Syms Corp.	retail (clothing)	1.5%
Tamedia AG	newspapers	5.7%
Telegraaf (Holdingmaatschappij de) NV	newspapers	3.2%
Unilabs SA	health services (laboratories)	2.1%
VLT AB	newspapers	3.9%
Wegener NV	newspapers	9.1%
Wolters Kluwer NV	professional publishing	1.9%
Cash and other assets and liabilities		11.7%
		100.0%

Significantly, we were able to add 5 new companies to the portfolio (**Heineken Holding, Sasa Industrie, Signaux Girod, Molins, Batenburg**), at very attractive prices. In part these replaced the holdings which were disposed of. The

[2] Although displeased at the rock-bottom level which management decided to issue new equity and thereby dilute existing shareholders, the low price of the offering was so compelling that your Fund added to its holdings.

number of companies in the portfolio grew slightly to 32, although this has since shrunk to 31 with the sale of Syms. With some companies being harvested (either through acquisitions or sales), and others in the portfolio moving closer to their target prices, the return potential of the portfolio had declined. These new holdings, though, restored this potential. Much as farmers seed before harvesting, so too with a stock portfolio. We are therefore enthusiastic that we have able been to replenish the portfolio with so many quality ideas.

Value investing; a common-sense approach to dealing with risk

It is often seductive when discussing investments to concentrate on returns. But how an investor views and manages risk is probably the most crucial element in successful investing. Many professional investors equate risk with stock price volatility, using complex terms like beta, alpha, sharpe ratio's and the like to describe it. Simply put, a stock whose price is more volatile than another is seen as riskier. This is not a view we share. Short-term share price movements are not a risk for the long-term investor, as the Fund is. In fact, as we have written in the past, short-term volatility can actually provide opportunities for the long-term investor. The true risks, we argue, lie in the fundamental factors determining a company's value combined with the purchase price. These factors ultimately drive the level of a share price in the long-term and include, among others; individual company fundamentals, interest rates, currencies, and economic growth.

It will come as no surprise to shareholders that the Citadel Value Fund focuses on company-specific dynamics. In contrast many other professional investors expend unbelievable amounts of time and resources assessing a whole range of macro-economic and political factors and their associated risks, before proceeding to select individual stocks. While at first blush this might seem logical, it is easier said than done. For one, there are simply too many of these 'macro' variables - any one of which can influence a company and often to an unforeseeable degree – to have any hope of getting it right. Indeed, we know of very few investors with good long term track records who invest in such a fashion.

How **Canadian Natural Resources** came to be a Fund holding, is illustrative of the differences between how Citadel and many other professional investors approach risk. Clearly the impact of oil prices and currencies (to name but two key variables) are critical in determining both the value and the associated risks of the company. However, analysing future oil and currency prices seems to us to be an exercise in futility. Both oil and currencies are influenced by a multitude of other variables. Should any one of these variables be different than one predicts, (imagine for instance that Chinese growth unexpectedly slows dramatically), than an oil price or currency forecast is apt to be wrong. And any investment based on that forecast is not likely to turn out well! When we analysed Canadian Natural - given that we had no particular wisdom what the oil price will be in a year, or in five - we built a measure of conservatism into the investment case. We calculated a value for the company based on what it would be worth if oil prices were only $25/barrel, not $40. Secondly we demanded, as we always do, that the share price be roughly half this value before investing. A risk still exists that oil prices will plummet. Nevertheless, should this happen the Fund's investment ought to be protected to a large extent due to 1) a value determined on the basis of far lower oil prices, and 2) a purchase price that is far less than even this cautious estimate warrants. Therefore, whether Canadian Natural proves to be an investment success will depend largely (although obviously not entirely as a rising oil price lifts all boats) on how accurate our estimate of its value is. This estimate, in turn, depends on the perceptiveness of our analysis of the business.

The most important tool for your Fund in managing risk is establishing a margin-of-safety in the purchase price - paying much less than what a company's value is conservatively calculated to be. This topic was described at length in previous letters, and is illustrated in the example above. A complementary aid in assessing company-specific factors is research. We look to pick out the critical elements which influence a company's value, and thereby identify potential risks. Company specific risks obviously differ but they can include the level of competition, government regulation, a company's cost structure, pricing power, debt levels, derivatives positions and many others. Our thinking is that if we can determine the most important factors impacting a company's value, we can make a reasoned judgement about the probability of a risk occurring, and quantify the potential impact. For example, when the Fund first invested in **Aldeasa**, the Spanish duty-free retailer, the single most important risk was that the company's concession at 2 airports would not be renewed. Before investing we therefore tried to assess two things; how likely was a renewal, and what would be the impact if the business were lost. This analysis showed that even if this major business were lost, and we thought the chances of that were slim, the company's value still exceeded the share price.

Some potential investments (undervalued or not) don't make the grade simply because the financial position is too precarious. As investments these can be spectacular successes if a company's financial health stabilises or improves. However, for every success there are numerous other examples (many recent) of companies plunging into bankruptcy. And more still that while avoiding bankruptcy, have finances that will take years to mend. Obviously the consequences for their stock prices are disastrous. By taking a cautious approach to debt your Fund has missed spectacular returns in at least two instances. All the same, missing the occasional success but avoiding the inevitable blow-ups is ultimately the sounder and certainly the least stressful path to generating good returns.

Heineken Holding - brewing up value for Citadel

Heineken Holding is one of the latest additions to Citadel's portfolio. Heineken Holding is the majority owner of the well-known beer brewer, whose name-sake brand is the leading international premium beer. Heineken's record is one of superlatives with a decades-long progression in sales, volumes and cash flows. Since 1985 the company's operating profits grew at a compound annual rate of almost 11%. While modest levels of debt were employed, this growth was funded without diluting existing shareholders by the issuance of new shares. At the same time, returns on capital have expanded and they are now amongst the highest in the global brewing sector, testifying to the company's stringent if not outright stingy capital allocation.

Currently, investors seem preoccupied with a handful of short-term negatives, and are erroneously extrapolating these to the more distant future. When purchased, the stock market valued the firm at less than 7X current EBITDA (a common yardstick in the industry), yet vastly inferior businesses are regularly being sold for even up to twice that in industry transactions. The company is exceptionally profitable and cash generative, possesses arguably two of the world's best beer brands *Heineken* and *Amstel*, has strong market shares in many of the largest global beer markets, and operates an ever more efficient production and distribution infrastructure. To top it off, we see solid reasons why the company should be able to continue growing its business and along with that its value for shareholders. Even if Heineken were to simply stand still – unlikely as we think this is – it is worth a fair bit more than your Fund paid! One doesn't often find this quality of business in a firesale, and so we are very pleased that it is now a holding in the portfolio.

Despite a lamentable shortage of deeply undervalued stocks around the world, we remain very enthusiastic about the potential in Citadel's portfolio. As always we will endeavour to keep you well informed of your Fund's progress (please sign up for regular e-mails at www.citadelfund.com should you not already have done so.). To conclude, we want to we wish you all the best in the holiday season, and the year ahead!!

Kind regards,

The Board of Directors December 10th, 2004
Citadel Value Fund SICAV