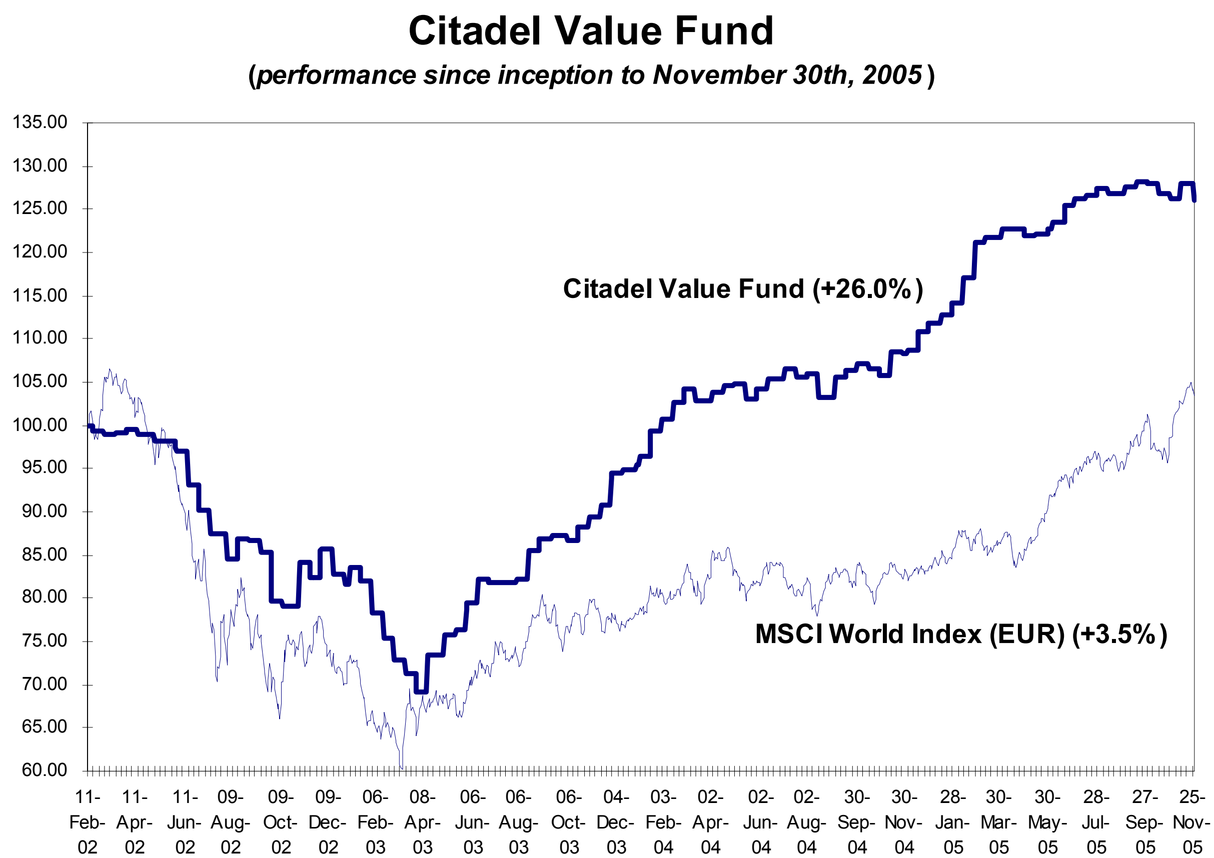
CITADEL
VALUE FUND SICAV

Dear Shareholders,

In the first half of your Fund's fiscal year from May 30th to November 30th 2005, the NAV per share edged higher to EUR 126.01 (+2.7%). Since the beginning of the year the Fund is ahead by 12.7%, and is up by 26.0% since inception. After a good start to the year Citadel's performance has lagged that of the MSCI World Index in 2005 which rose by 24.1% year-to-date. Critically, since inception (a time frame now approaching 4 years), the Fund's return remains well ahead of the 3.5% rise in the World Index realised in the same period.



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 November 30th, 2005)							
	Cumulative returns			Annual returns			
	Since inception	3 year	1 year	2005* YTD	2004*	2003*	2002*
Citadel Value Fund	26.0%	47.1%	16.4%	12.7%	17.2%	17.0%	-18.4%
MSCI World Index (Euro)	3.5%	33.4%	26.0%	24.1%	6.9%	11.3%	-29.9%
Out/under-performance	22.5%	13.7%	-9.6%	-11.3%	10.2%	5.7%	11.5%

* annual returns based on estimated NAV on Dec. 31, 2002, '03 & '04; first NAV Feb. 11th 2002
source: European Fund Administration, MSCI

Pursuing the 'yellow jersey'

World markets, led by those in Europe and Asia, have had an impressive run in the past 6 months or so. In comparison your Fund's return thus far in 2005 seems modest notwithstanding the fact that it is, in absolute terms, well above the historical average earned in equities. After three successive years of beating the world index one could think that it was perhaps inevitable that the index would at some point return the favour! Yet that misses the point to some extent. Over any short-term period of time (and calender years and half-years do happen to be fairly common time frames) performance relative to an index says little we believe. The vagaries of the market, chance, sentiment and a whole variety of other factors can all play a role in short-term performance.

This is the reason that one of the two main objectives of your Fund is to generate superior returns in the *long-term* (defined as three years or longer - the other goal being the preservation of invested capital). In the long-term, in addition to a good absolute return, an outperformance relative to an unmanaged index *is* important. Short-term performance (relative and absolute) can be influenced by all sorts of reasons, but the passage of time has the welcome effect of ironing these out. Concentrating on the fundamental factors, (and valuation is high on this list), which lead shares to appreciate in the long term is the most solid basis from which to work on achieving investment success.

In some ways you can liken successful investing to the *Tour de France* cycling event. The ultimate goal of that race is to cross the finish line in Paris wearing the famous yellow jersey with the fastest time after 20 odd days of cycling. In each day of the Tour a winner emerges, but winning a stage or even several, is no guarantee of winning the race. Every rider would surely love to win the event and every stage along the road. Yet that is a feat that even Lance Armstrong hasn't matched, nor does he attempt it! In investing the cumulative track record over the longer term is what really counts, not the short-term results, and certainly not those versus an index.

The analogy of 'winning the race' in the Tour de France, and winning the race in investing is not a perfect one. The most obvious problem with this analogy is that investing is not a race; there is no single winner, and no defined finish. Moreover, where the winner in the Tour wins so long as he bests the competition, irregardless of whether his performance is 1/100th of a second, or an hour faster, *how* one performs matters in investing. The only real measure of 'winning' in investing is how much money you've made. The higher the return the better. This is particularly true if returns over long periods are compared; a seemingly modest 3% higher annual average return, for example, leads to 34% more money after 10 years, 81% more after 20 years and 143% more after 30 years. In that respect, it doesn't particularly matter in investing whether you've 'beaten' another investor, but it does matter what your absolute return is. There is one caveat though. Over a number of years an investment should match and preferably beat the return of the broader market (which can be bought through an index fund). There is little point to active management, and the accompanying fees and costs, if the return can't at least match that of a relevant unmanaged index.

Because investing, unlike the Tour, doesn't have a fixed start or finish, it is often difficult to measure or compare results. The choice of a particular time frame in presenting results can sometimes be dramatic. By 'cherry-picking' the investment period results can be presented in their most favourable light. Currently many funds have taken to advertising their 'excellent' 3 year returns (a period that nicely coincides with a market trough to peak), while neglecting to mention that over 4 or 5 years their returns are negative. We think that the best and the fairest time horizon over which to measure investment success is a long-term one. It should preferably take account of different market cyles, and be at least 3 years or longer.

At Citadel we are focused on generating the best possible absolute returns, while minimizing the risks of permanent capital loss on this three year or longer time horizon. That being said, we won't have achieved our objective if your Fund doesn't outperform the overall global market over that long-term period. Fortunately the record of the Fund in the almost four years that it has been operational has been positive in that regard.

We are convinced that superior long-term returns can only be achieved by substantially deviating from the composition of stock market indices. Mirroring an index guarantees results in line with the market but no better. Add in costs and even matching an unmanaged index is extremely difficult. Many professionals therefore deviate somewhat from the index, buying stocks in greater or less proportion to those held in an index, and adding non-index stocks. All the same the performance over time of many, if not most, funds generally lags the index, simply because the differences in holdings are minor.

As shareholders know, Citadel's strategy to generate superior long-term returns is based on finding, buying and holding a focused portfolio of deeply undervalued shares. However, as we wrote in the Fund's "Investment Philosphy" brochure (available on the website www.citadelfund.com);

> Buying cheaply often requires patience. Prices can, and often do, remain low for a long time…therefore, we'll concentrate on identifying shares whose intrinsic value is so much higher than the share price that even after a wait of several years a good return is possible.

One implication of this is that returns are unlikely to be realised in a smooth even fashion. At times a number of shares will suddenly, within a short period, and for various reasons, rise substantially. Other times months will past with little change. To return to our Tour de France analogy, this makes setting out to win every stage impractical if not impossible. We think the best long term return will come from concentrating on the 'yellow jersey', buying shares where the undervaluation is extreme, and waiting. The Fund's success in future ultimately depends on success at finding these undervalued shares, and there the news is rather good.

Portfolio News

Portfolio changes
Bought
Clinton Cards PLC
Lambert Howarth PLC
Natuzzi SpA
Zehnder Group AG
Zwack Unicum Rt.
Sold
Canadian Natural Resources Ltd.
Nexans SA
OCA Inc.
Richemont, compagnie financiere
Southern Energy Homes Inc.

Since the end of May, there have been quite a number of changes to the portfolio. As can be seen in the accompanying table a sizeable number of longstanding holdings were sold. These investments generated excellent returns ranging from 84% to just shy of 200%, in line with our appraisals of their value when they were bought. The sole exception to this was **OCA** which was sold for a loss after we concluded that we could no longer trust the reliability of their financial accounts. This proved to be a reasonable decision as fundamentals at the company deteriorated and the stock slid further.

The scarcity of undervalued shares in global markets has not abated. Actually, it worsened as stocks rose steadily in past months. Nevertheless we made good progress in finding new investments. In addition to adding to several existing stakes, Citadel made 5 new investments. The portfolio now contains stakes in 31 companies. Where cheap stocks are tough to find in many markets, and particularly amongst the larger better known companies, we have found bargains in the ranks of lesser known firms, and in countries such as the UK. The net cash position which had surpassed 20% of net assets at the end of May fell to just under 13% by the end of November despite disposing of five holdings, and net inflows into the Fund.

Portfolio Holdings
(as of November 30th, 2005)

company	activity	% of portfolio
Altria Group Inc.	food & tobacco	1.2%
Batenburg Beheer NV	technical installation services	3.2%
Bristol-Myers Squibb Co.	pharmaceuticals	5.2%
Carclo PLC	industrial goods (plastic components)	3.1%
Clinton Cards PLC	speciality retailing (card shops)	2.0%
Continental (Grupo) SA	soft-drink bottling	3.0%
Dewhurst PLC	industrial goods (lift panels & controls)	1.5%
Grolsch (Koninklijke) NV	brewing	0.2%
Havas SA	advertising	1.7%
Heineken Holding NV	brewing	6.0%
Lambert Howarth PLC	supply & distribution (clothing)	7.0%
Merck & Co., Inc.	pharmaceuticals	4.4%
Merck KGaA	pharmaceuticals & speciality chemicals	2.3%
Metall Zug AG (part. Scheine)	consumer durables (appliances)	0.8%
Molins PLC	industrial goods (tobacco machinery)	3.1%
Natuzzi SpA	consumer durables (sofas)	3.5%
Nedschroef Holding NV (Koninklijke)	industrial goods (fasteners)	3.8%
Reesink NV	wholesale and trade	0.6%
Sasa Industrie SA	industrial goods (baking utensils)	1.9%
Signaux Girod SA	industrial goods (traffic signs)	1.3%
Springer (Axel) Verlag AG	newspapers	1.8%
Tamedia AG	newspapers	2.7%
Telegraaf Media Groep NV	newspapers	3.7%
Ultraframe PLC	consumer durables (conservatories)	3.4%
Unilabs SA	health services (laboratories)	1.0%
Village Super Market Inc.	food retailing	2.7%
VLT AB	newspapers	1.4%
Wegener NV	newspapers	4.0%
Wolters Kluwer NV	professional publishing	3.8%
Zehnder Group AG	building products (radiators)	2.7%
Zwack Unicum Rt.	spirits	4.2%
Cash and other assets and liabilities		12.8%
		100.0%

It is impossible we think to give any justified prediction as to what the future will bring, at least in the short-term. The extent of stock market gains this year does surprises us somewhat given that there are enough reasons for caution. However, one indicator for Citadel specifically, which we think is very positive, is the large undervaluation of the portfolio in its entirety. We calculate this by adding up our intrinsic value estimates for each of the companies held, weight them according to their share of the total portfolio, and thereby generate an estimate of the Fund's intrinsic value. We compare this with the Fund's NAV which is based on the current market prices of its holdings. A good run in the portfolio and a growing cash position had led the difference between the Fund's NAV and this estimated intrinsic value to shrink in the course of 2004 and mid 2005. With new purchases replacing holdings which had appreciated significantly and less cash, the level of undervaluation in the Fund grew steadily in the past six months. This deep undervaluation suggests to us that the the odds for superior returns in the coming years are good.

Lambert Howarth – Citadel's most recent investment

We always take the opportunity in these semi-annual letters to shareholders to describe in detail the investment case behind one of the Fund's holdings. We do this as a number of companies will be unfamiliar to shareholders. We hope as well that this contributes to a deeper insight into the workings of your Fund, and the process behind its investment policy. **Lambert Howarth** is the latest addition to Citadel's portfolio and is currently the largest position.

This UK firm acts as a supplier of shoes, accessories and homewares to retailers in the UK and elsewhere. It designs products, arranges for their manufacture in for example China, and supplies them when, and as needed, to its clients. In past years the company's sales have grown steadily as have its profits. At the same time developments in the fashion and retail businesses are forcing changes. Lambert's retail clients are demanding ever lower prices, driven by growing consumer price consciousness and the resulting fierce price competition among suppliers. As a result the company has completely shuttered its own manufacturing facilities, and outsourced production to manufacturers in Asia. This will increasingly bring benefits in terms of increased flexibility, and lower product costs.

The company's stock was hit hard in 2005. Falling consumer spending at its retail clients and an increased discount on private label sales to its largest client (60% of sales), department store Marks & Spencers (M&S), will hurt profitability this year. Unsurprisingly the concentration of sales at one client also contributes to a lower valuation than would otherwise be the case.

A particular focus of our analysis was on Lambert's relationship with M&S. Profitability on that business is less than at its other branded and homewares units, but the volumes are huge. Reassuringly, Lambert appears to have very solid ties to M&S. It benefits from its long history as a supplier, a product niche which is small and diverse enough for M&S to warrant using an external private label supplier, and a successful track record of well selling products and efficient cost-effective supply. The other units enjoy better margins and have decent longer term prospects. The results over many years indicate the company is well run, and is very cash generative. In fact it is getting more so now that it has no manufacturing plants of its own. Finally, the balance sheet is healthy with no net debt or other large liabilities such as pension deficits.

After searching in vain for an acquisition at the right price, management intelligently decided to return the surplus cash to shareholders and the company purchased a fifth of its outstanding shares. The shares were cheap to begin with, but this action added more than 50p per share (market price of c. 225p) to the estimated intrinsic value of the remaining shares. Even assuming a substantial fall in profits this year due to some of the issues referred to earlier, the shares trade at extremely low levels (e.g. 4X EBITA and 6X Free Cash Flow). This last figure is particularly remarkable. It indicates that even were profits to remain depressed, enough cash (over and above that needed to run the business) would be generated by Lambert to equal the current share price after only 6 odd years. Yet at the end of this 6 year period the chances are good that the company will be worth at least as much as it is today, and possibly more. Thus with no recovery or growth in profits the shares could rise by c. 10.5% annually and still leave the company at its current deep undervaluation. It would not surprise us though were the shares to rise substantially once the worst of today's dark clouds have passed.

We will return to you in 2006 with updates on ongoing performance and developments in the portfolio. To conclude we want to wish you a happy holiday season and a good start to the New Year!

Kind regards,

The Board of Directors December 12th, 2005
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