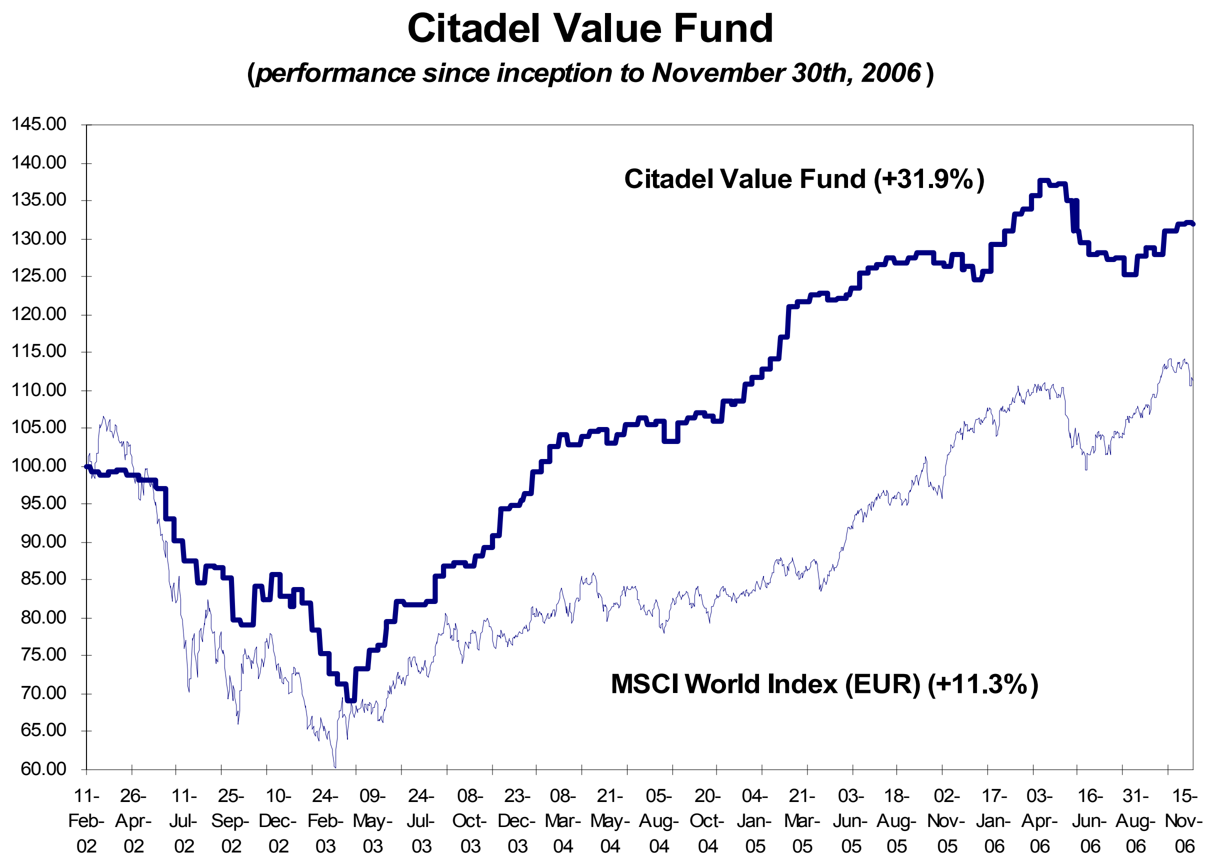
Dear Shareholders,

As of November 30th, 2006 – the end of the first half of the fiscal year – your Fund had a NAV per share of EUR 131.89. 2006 has been a relatively volatile year with a sharp rise in the NAV in the first quarter. This was followed by a weak May and June as equity markets world-wide tumbled, a relatively uneventful summer in terms of share price performance at least, and a decent autumn. As of November 30th, the Citadel Value Fund was up by 5.3% year-to-date, roughly in line with the MSCI World Index. It is worth mentioning that in the first couple of weeks of December, your Fund has seen an acceleration in its performance as good company news is slowly filtering through into stock prices. Since inception on February 11th 2002 Citadel has realized a performance of +31.9% to November 30th. Global equities, as represented by the MSCI index, are ahead by 11.3% over 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, 2006)								
	Cumulative returns			Annual returns				
	Since inception	3 year	1 year	2006* YTD	2005*	2004*	2003*	2002*
Citadel Value Fund	31.9%	40.5%	4.7%	5.3%	12.0%	17.2%	17.0%	-18.4%
MSCI World Index (Euro)	11.3%	44.1%	5.7%	5.2%	26.8%	6.9%	11.3%	-29.9%
Out/under-performance	20.6%	-3.6%	-1.0%	0.1%	-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

During the past six months, there have been a fair number of changes to the portfolio as can be seen in the accompanying chart. Other then **Ultraframe**, which was acquired and the proceeds received in June, the other four holdings were sold in the open market. All delivered a positive return ranging from 40% or more in the cases of **Altria, Grolsch** and **Unilabs** to just more than 3% at **Havas,** the latter which clearly did not meet our expectations. In all cases the decision to sell was driven by the consideration that while none was over-valued, their investment potential was limited compared to new ideas we were generating. Moreover the stakes were quite small.

Portfolio Changes May 31st to November 30th 2006
New holdings bought
Apache Corp.
Belgacom NV
Bull SA
Pioneer Natural Resources Ltd.
Holdings sold
Altria Group Inc.
Grolsch NV
Havas SA
Ultraframe PLC
Unilabs SA

The market down-turn that began in May was helpful from the point of view of both finding new investments, and adding to existing ones. We bought stakes in the Belgian telephone company **Belgacom**, the US oil & gas producers **Apache Corp** and **Pioneer Natural Resources,** and made an initial commitment in French computer manufacturer **Bull**. We believe that these holdings hold a great deal of promise, and several have already performed well (both in business and share price terms). We were pleased at being able to add substantially to the Fund's stake in Mexican *Coca-Cola* bottler **Grupo Continental** at low prices in mid-June, and to **Signaux Girod** – the French traffic sign manufacturer – in October. Other additions include **Dewhurst, Wegener** (after take-over speculation ebbed and the share price sank), **Reesink**, and **Natuzzi**.

Characteristics of a value portfolio and some thoughts on Citadel's current portfolio

In past letters we concentrated on explaining in detail the most important aspects of Citadel's stock selection process. We also provided numerous examples of how the Fund's deep value philosophy applied to a number of individual investments. For a change we thought you would find it interesting if we were to share our views on the portfolio, what the characteristics of this value portfolio are, and what this implies for the Fund's performance.

Portfolio Holdings
(as of November 30th, 2006)

company	activity	% of portfolio
Apache Corp.	energy (oil & gas exploration & production)	3.5%
Batenburg Beheer NV	business services (technical installation)	3.7%
Belgacom NV	telecommunication services	3.5%
Bristol-Myers Squibb Co.	pharmaceuticals	4.1%
Bull SA	information technology (computers, services)	2.3%
Carclo PLC	industrial goods (plastic components)	4.0%
Clinton Cards PLC	speciality retail (card shops)	3.3%
Continental (Grupo) SA	consumer goods (soft-drink bottling)	3.9%
Dewhurst PLC	industrial goods (lift panels & controls)	2.9%
Heineken Holding NV	consumer goods (brewing)	5.8%
Lambert Howarth Group PLC	business services (clothing supply & distr.)	2.4%
LandAmerica Financial Group Inc.	insurance (title insurance)	2.3%
Metall Zug AG (part. Scheine)	consumer durables (appliances)	0.7%
Molins PLC	industrial goods (tobacco machinery)	2.4%
Natuzzi SpA	consumer durables (furniture)	3.2%
Nedschroef Holding NV (Koninklijke)	industrial goods (fasteners)	4.6%
Pioneer Natural Resources Ltd.	energy (oil & gas exploration & production)	2.1%
Reesink NV	wholesale and trade	1.5%
Sasa Industrie SA	industrial goods (baking utensils)	1.6%
Signaux Girod SA	industrial goods (traffic signs)	3.8%
Springer (Axel) Verlag AG	media (newspapers)	1.5%
Tamedia AG	media (newspapers)	2.3%
Telegraaf Media Group NV	media (newspapers)	6.2%
Village Super Market Inc.	retail (supermarkets)	4.5%
VLT AB	media (newspapers)	1.5%
Wegener NV	media (newspapers)	4.3%
Wolters Kluwer NV	media (professional publishing)	3.8%
Zehnder Group AG	industrial goods (radiators)	2.8%
Zwack Unicum Rt.	consumer goods (spirits)	3.4%
Cash and other assets and liabilities		8.4%
		100.0%

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

It is common practice in the fund industry to evaluate funds through the looking-glass of some arbitrary division of their holdings; either by market capitalisation, or industry, and so forth. However, we don't think this offers many insights into either past or future performance. In Citadel's case this is simply because it is not how we invest. Stocks are not chosen on the basis of market cap, or sector, or country, but on their 'value'. We think that individual stock picking based on deep-value criteria is a repeatable process. By contrast we wouldn't have a clue how to consistently pick the hottest performing sector, country or market capitalisation. Needless to say sharing with you the Fund's industry or geographic breakdown wouldn't be particularly informative. What we do think is important is that you keep close tabs on whether we are "sticking to our knitting", i.e. not deviating from Citadel's deep-value investment philosophy. This is why we regularly communicate exactly *how* and *why* individual companies are selected for the portfolio, and will continue to do so.

There are a number of characteristics which stem from this value investment strategy that are worthwhile to keep in mind when evaluating the Fund's development. We describe three of the most important below, and close with some thoughts on the current portfolio.

1) long-term focus It won't surprise you that we continue to think that long-term returns (at least 3-4 years and preferably longer) are the best performance indicator. When averaged out a good long-term return translates into attractive annual returns. Still, this is very different than saying we aim to shoot the lights out every year. And, quite frankly, long-term returns would almost surely be less were we trying to do so.

This long-term focus stems from the fact that we take at least a 3 to 4 year time horizon into consideration when assessing the intrinsic value of a company. Many if not most market participants take a markedly shorter view. The advantage of a multi-year investment horizon is that it almost always provides a better backdrop against which to assess a company's intrinsic value. Companies do not turn on a dime. Restructuring programmes, new investments, asset sales and the like are almost never realised immediately. They usually take several years before they bear fruit. Additionally it is often misleading to value a company on an 'as is' basis'. A company in a cyclical industry may be in the midst of a downturn or an upswing and current profitability would be a poor gauge to future profitability. But in examples like these the latent potential is usually obvious after some deep digging; it really is only a question of when and how it will be realised.

We don't attempt to predict when a company's undervaluation will be corrected because that is usually more a question of good luck than good judgement. However assuming our conclusions about the intrinsic value are correct, a revaluation eventually occurs. It could occur gradually, spread over many years, or it could occur the day after a stake is purchased in the event of a take-over offer. The portfolio's performance in any given period though is impacted when such a revaluation takes place. It is therefore helpful to keep in mind that the Fund's returns can be lumpy as a result.

2) performance of individual holdings driven by company-specific news Further contributing to the lumpiness of the Fund's returns is the fact that many companies in the portfolio move primarily due to company-specific developments, and not macro-economic or other events. This is accentuated by the fact that there are a limited number of companies in the portfolio (currently 29, and no more than 40).

The share prices of **Reesink**, **Signaux Girod**, **Village Super Market** and **Molins** are examples of portfolio companies which tend to move predominantly on company-related news. Important developments (which happen only occasionally) can lead to sharp changes in share prices, and this can be felt in the entire portfolio. Sometimes, though, even major news can take considerable time before filtering into the stock price – a phenomenon which has been very prevalent in recent months. This is due to the fact that some firms are poorly followed by analysts, or not at all, and are virtually unknown to most investors. Through these letters, and monthly updates, we aim to keep you abreast of the most significant developments at the portfolio companies as this gives one of the best indicators of the health of the portfolio.

3) lower than average correlation to stock market movements Another attribute of the Fund's portfolio that you may have noticed is that while it tends to follow large moves in equity markets, it does so less sharply and often with a lag.

Our focus on 'deep-value' stocks, combined with a long investment horizon, often leads to stocks which are well out of the investment mainstream. In fact, a fairly substantial portion of the portfolio is invested in stocks whose prices tend not to follow, or at least not quickly, movements in overall stock prices. One reason for this is that their low valuations tend to act as a buffer, at least at times of falling prices. Another reason is that they are less liquid. They are more difficult to buy and sell in any volume, and certainly not quickly. For size and trading reasons therefore these stocks are of little interest to many investors. Accordingly, their stock prices tend to lag sharp market movements. While it is useful to point this out to better understand how the Fund may perform in any short-term period, it is irrelevant to *long-term* absolute and relative performance. In the long-term share prices are driven by business fundamentals. This explains our focus on tracking the intrinsic values of companies rather than attempting to predict stock prices.

Some thoughts on the current portfolio The period since the end of May has been a rewarding one in terms of the individual businesses Citadel owns a stake in. Of particular note are a number of the UK-based firms like **Molins, Carclo** and **Clinton Cards** which have seen a stream of positive announcements – in contrast to last year when many were still struggling. This has yet to be fully recognised in their respective stock prices, although we certainly expect that to occur, and sooner rather than later if the news flow continues to be as uplifting as in recent months.

As of November 30th the portfolio consisted of 29 stocks, and many have been holdings for years. At any point in time the portfolio is apt to be a mix of companies in various stages of investment maturity. Some, after experiencing good profit development or having realised value through asset sales etc., have already seen much of their undervaluation disappear. These are usually divestiture candidates in the short to medium term. After selling a number of holdings in the past year, there are only a couple of companies in the portfolio which fall into this category. Another group of companies are performing relatively well (the businesses that is), and/or are experiencing positive news such as the beginnings of a profit turn-around, the acceleration of sales growth, etc. And despite this, it is not reflected (or not sufficiently reflected) in their share prices. These holdings are still very undervalued. Currently this constitutes the largest group of companies in the portfolio, and is growing due to favourable company news. Finally, there is a last category composed of those companies which are extremely undervalued, but where business improvements and/or other catalysts will be required to unlock this value. A longer-term horizon is usually required for such companies. Last year at the same time this latter group of companies was more important; all were cheap, but many were still wrestling with various internal and external factors which obfuscated their value.

We are quite satisfied with the Fund's current portfolio. Almost all the individual companies in the portfolio are very-to-extremely undervalued as few holdings trade close to their estimated intrinsic value. Furthermore, the cash position is not unreasonably high at 8.5%. It is particularly encouraging that the business performance of so many companies – many bought a year or so ago - is good or improving.

Village Super Market

Village Super Market is one of those stocks that we wish we could find in great enough numbers to fill an entire portfolio. We added to the Fund's position in February and that, combined with an excellent share performance year-to-date, has made this one of Citadel's larger holdings (4.5%).

Village Super Market is a relatively small food retailer based in the US state of New Jersey. Its 23 supermarkets generated sales last year of more than U$1bn. The company is a family business and has a superb track record. As an aside a surprising number of the Fund's holdings are family enterprises, and they include some of the best companies Citadel owns.

The US market is fiercely competitive, as a number of large grocery chains can attest. Yet, despite this, same-store sales grew last year by 3.3% (and by the same again in the first quarter of this year), margins increased, and operating profits rose by 7.5%. In the past 8 years same-store sales increased at an average rate of 3.6%. A key to the company's success is its everyday low pricing, combined with large, efficient stores offering a whole range of products and such extras as sushi bars and coffee corners. Margins are low due to the firm's pricing policy but this has driven steady sales growth, and high capital turns, leading to after-tax returns on capital of more than 15%. Good cash generation has translated into a sizeable net cash position and steadily rising dividends.

Citadel first purchased shares at just less than $41 per share. At the time that equated to a valuation of 12% of sales and 3.3X EBITDA. Relative to industry transactions, most of which were done at 7-8X EBITDA or more, this was demonstrably cheap. Furthermore, as referred to earlier the company had both an excellent operational track record, and a history of sensibly allocating shareholder's capital. We ascribed the company's low valuation to its family ownership, low liquidity, and the fact that it was generally unknown.

While the stock has performed exceptionally (as of Nov. 30th the share price was $70.50), the business has as well. As a result, even at these higher levels the valuation remains very cheap at less than 5X last year's EBITDA. Thus the Fund is benefiting from the narrowing of the discount to intrinsic value, <u>and</u> a growing intrinsic value.

On a practical note we will be e-mailing an update in early January with the NAV at the end of the year along with a performance review. We want to wish you and your families all the best for a happy and healthy 2007!! Thank-you for your investment in the Fund and your continuing support.

Kind regards,

The Board of Directors December 21st, 2006
Citadel Value Fund SICAV