

October 2004 Update

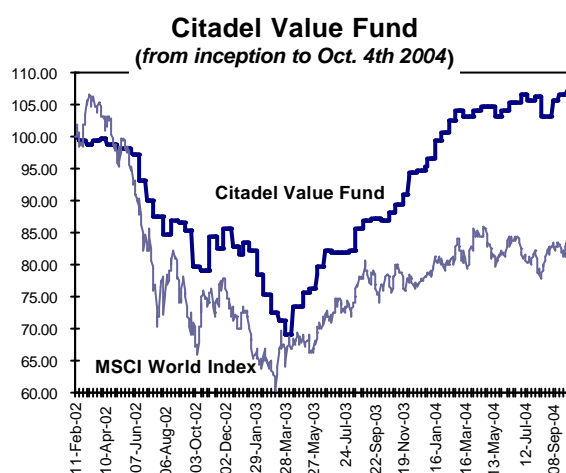
NAV/share (04/10/04): EUR 107.13

ISIN code: LU0141953439

website: www.citadelfund.com

COMMENTARY

Many shareholders will have read about the withdrawal of **Merck's** blockbuster medicine *Vioxx* due to health concerns arising from a new clinical study the company undertook. On the news the shares fell steeply, plunging by 26%. As the Fund's holding prior to this announcement was a modest 0.66% of assets, the NAV impact was negligible. *Vioxx's* sales of c. \$2.6bn made the product one of Merck's most profitable. The withdrawal also casts doubt on a promising follow-up product, *Arcoxia*, which belongs to the same class of medicines. Finally, within hours of the announcement the first lawsuits had already been filed, and more will follow. Still, for all the bad news, the market's reaction looks overdone. We calculate, (assuming *Arcoxia* doesn't make it to market), that this reduces the company's intrinsic value by roughly \$15bn. That compares to the \$27 billion fall in Merck's market value. This suggests that the market has over-reacted, even considering the inevitable legal costs.



Citadel Value Fund Performance (as of October 4th, 2004)

	Since inception (11/02/02)	1 year	2003*	2004* YTD
Citadel Value Fund	7.1%	22.7%	17.0%	12.3%
MSCI World Index	-16.0%	9.3%	11.3%	7.7%

note: 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

Top 10 holdings

Wegener NV	8.3%
Bristol Myers-Squibb Co.	7.7%
Tamedia AG	5.5%
Heineken Holding NV	4.3%
Nedschroef Holding	4.2%
Merck KGaA	4.0%
VLT AB	3.8%
Springer (Axel) Verlag	3.7%
Sasa Industrie SA	3.4%
Havas SA	3.4%

The other most significant news in the portfolio was the running offer for Swedish newspaper company **VLT**. While the bidding consortium has garnered more than 50% of the votes, another newspaper group has weighed in buying roughly 10% of the capital at a 36% premium to the existing offer. In combination with the shares of the dissenting shareholders this effectively blocks a merger. The consortium is therefore under increasing stress. It would not surprise us if a new offer emerged eventually, at hopefully much better terms than the current rock-bottom bid now being made. As always, we will keep you informed of developments.

Year-to-date the Fund is up by 12.3% and it rose by 1.4% since September 6th.

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.