

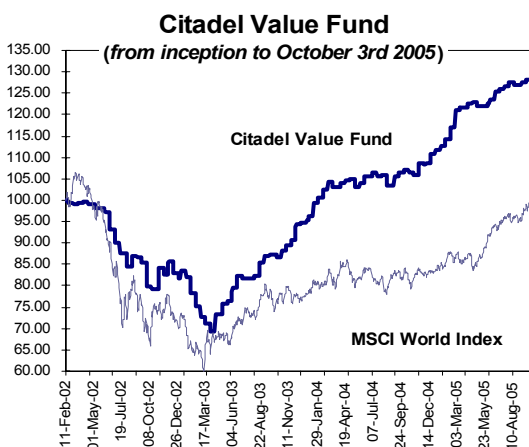


October 2005 Update

NAV/share (03/10/05): EUR 128.07

ISIN code: LU0141953439

website: www.citadelfund.com



Citadel Value Fund Performance
(as of October 3rd, 2005)

	Since inception (11/02/02)	3 year	1 year	2005* YTD
Citadel Value Fund	28.1%	60.7%	20.3%	14.6%
MSCI World Index	1.3%	45.7%	22.3%	21.4%

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 & 2004

source: European Fund Administration, MSCI

Top 10 holdings

Heineken Holding NV	6.7%
Bristol-Myers Squibb Co.	6.4%
Wegener NV	4.7%
Zwack Unicum Rt	4.6%
Telegraaf Media Groep NV	4.5%
Merck & Co.	4.5%
Carlo PLC	4.1%
Molins PLC	4.1%
Ultraframe PLC	4.0%
Wolters Kluwer NV	4.0%

COMMENTARY

The Fund rose slightly last month, bringing the performance since inception to +28.1%. We sold two more portfolio holdings (**Nexans**, **Richemont**) recently as they had risen to their estimated intrinsic value, resulting in returns (EUR) of 84%, and 85%, respectively.

In a departure from the typical format of these updates, we thought it a good moment to reflect on capital preservation. There is a stock market adage which says, "Be fearful when others are greedy and greedy only when others are fearful". We certainly see little fear in stock markets today which have sprinted higher this year, notably in Europe. From our own work searching out undervalued companies it is clear that there are few stocks that are undervalued, and considerably more that are overvalued. 'Macro' factors don't play a role in the Fund's investment process; however, it surprises us that markets have ignored a proliferating array of 'red flags'. In addition to many of the worries of three years ago (terrorism, house bubbles, etc.), oil and other commodity prices have soared, and interest rates are rising inexorably (in the US & perhaps soon in the EU). Meanwhile, reminiscent of the internet bubble, valuations of companies like Google are at absurd levels (19X sales!) while the prices of deals such as E-Bay/Skype verge on sheer insanity.

After selling several fairly valued stakes, and making selective additions, the Fund's portfolio is more undervalued than it has been for some time. This should provide welcome downside protection in the event of a pullback. Furthermore, the portfolio companies are all financially healthy with only modest debt. Any opportunity to add new or increase existing holdings, at sensible prices, would ultimately be good news for Citadel.

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.