

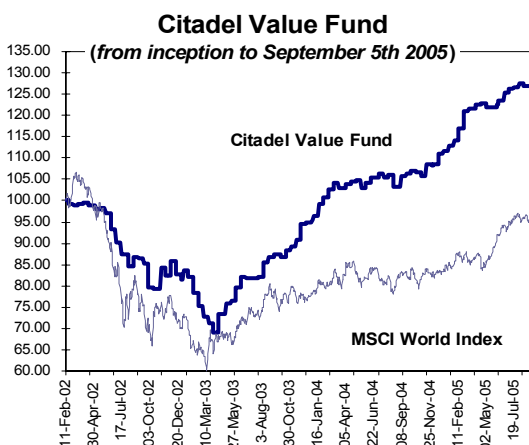


## September 2005 Update

**NAV/share (05/09/05): EUR 127.55**

**ISIN code: LU0141953439**

**website: [www.citadelfund.com](http://www.citadelfund.com)**



**Citadel Value Fund Performance**  
(as of September 5th, 2005)

	Since inception (11/02/02)	3 year	1 year	2005* YTD
<b>Citadel Value Fund</b>	27.6%	47.3%	23.4%	14.1%
<b>MSCI World Index</b>	-4.6%	28.6%	15.0%	14.3%

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.	6.2%
Merck & Co.	4.6%
Wegener NV	4.4%
Zwack Unicum Rt	4.3%
Telegraaf Media Groep NV	4.3%
Carclo PLC	4.1%
Molins PLC	4.1%
Ultraframe PLC	4.0%
Wolters Kluwer NV	3.9%

### COMMENTARY

The Fund ended the month essentially unchanged belying what was an eventful few weeks. The Fund sold one holding, **Southern Energy Homes**, after it rose well past our estimate of its value. While returning 223% in USD & 143% in EUR the position was far smaller than we would have wished. Since inception Citadel's performance is +27.6%.

The most noteworthy company news was the \$253m verdict against **Merck** in the first trial regarding its troubled *Vioxx* drug. *Vioxx* was found to have contributed to a man's heart attack and that Merck knowingly kept this 'defective' product on the market. The venue is notoriously pro-plaintiff but the verdict was still a shocking one. There was actually no clear evidence that the man had actually even died of a heart attack. Furthermore, he had used *Vioxx* for 6 months while clinical trials had shown that increased risk of heart problems was only evident after 18 months of usage. Even then an attack could easily have occurred naturally. Nor was the conclusion that *Vioxx* was defective, that Merck knew this to be the case and that it subsequently continued selling it clearly supported by the evidence. The case will be appealed and the maximum award will, in any event, be slashed to \$25m. Investors fear this will set a precedent for future cases and lead to new ones. The vagaries of the US legal system can surprise at times (particularly in lower courts & jury trials) but blatant injustices are almost always corrected in higher courts where decisions are based more on evidence than emotion. We believe that Merck's defences are considerably more robust than this loss suggests. Even were the firm to lose large numbers of cases, it is financially healthy enough to pay billions and remain a lot more valuable than stock prices indicate.

**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.