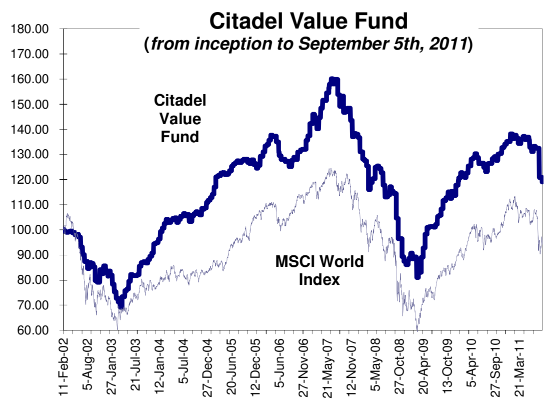
CITADEL
VALUE FUND SICAV

September 2011 Update

NAV/share (05/09/11): EUR 119.04
ISIN code: LU0141953439
website: www.citadelfund.com



Citadel Value Fund Performance
(as of September 5th, 2011)

	Citadel Value Fund	MSCI World Index	+/- vs. index
Since inception	19.0%	-5.8%	24.9%
YTD	-11.8%	-12.6%	0.8%
2010	12.9%	20.1%	-7.2%
2009	36.2%	26.7%	9.5%
2008	-35.8%	-37.2%	1.4%
2007	-0.5%	-1.2%	0.7%
2006	9.7%	7.9%	1.8%
2005	12.0%	26.8%	-14.8%
2004	17.2%	6.9%	10.2%
2003	17.0%	11.3%	5.7%
2002	-18.4%	-29.9%	11.5%

notes: MSCI World Index is in EUR and includes gross (pre-tax) dividends
annual returns based on Citadel's estimated NAV as of Dec. 31st
source: European Fund Administration, MSCI Barra

Top 10 holdings

GS Home Shopping	6.7%
Tessi SA	4.6%
Ahold, (Koninklijke) NV	4.6%
Pronexus	4.3%
SK Telecom, ADR	4.1%
Bijou Brigitte	3.8%
BAE Systems PLC	3.7%
Nongshim Holdings	3.6%
Toyota Industries	3.3%
Daekyo, pref.	3.3%

COMMENTARY

The usual format of these monthly letters is built around highlighting the most significant developments at the portfolio companies; the real bread and butter of the Fund. This month we want to deviate a bit due to the turmoil in the markets in August and early September and discuss our view of the situation, what we've been doing, and how the Fund stands. Needless to say the picture from the past month or so is not pretty and the NAV fell by 10.2% since August 1st. Citadel's performance since inception is now +19% and the MSCI World Index (in EUR incl. pre-tax/taxed dividends) is -5.8% & -10.4% respectively.

There were more than a few days in August when the depth of investors' fear was palpable. The sheer anxiety evident in the past month is undoubtedly coloured by the fact that today's macro-economic mess comes so soon after the global financial crisis. One of the ironies of this angst is that assets such as US treasuries, gold, Swiss Francs, etc. which are *perceived* to be safe, have risen to such lofty levels that they seem, at least to us, to be distinctly unsafe. At the same time investors fled from stocks in an apparent attempt to avoid risk. Yet in so doing quite a few shares which were not really expensive to begin with are now downright cheap. Stocks may carry the label of being riskier than certain other assets, but some at least appear far better placed in the mid- to long-term to preserve and grow an investor's capital than the so-called 'safe-havens'.

It is also worthwhile to remember that while a recession can bite, companies are adaptive. They cut costs and cash outflows, introduce new products, and generally work hard to mitigate the impact of less demand. Furthermore certain firms are inherently more resilient to economic distress than others.

This is due to the nature of the products or services they sell, and sometimes to how their company-specific business models work. Another aspect that can work in favour of stocks is that many companies enjoy pricing power. This is always a positive attribute and doubly so were inflation to rise as some predict.

During the past several months we've spent considerable time revisiting the investment cases for many of the companies in the portfolio. And it is always reassuring to do so. In fact its remarkable when you shut out the stream of doom and gloom surrounding the Euro crisis, the US debt downgrade or double-dip worries, and simply concentrate on one company, you see just how ridiculous the wild fluctuations in stock prices really are. Fear is a potent emotion though and it doesn't mix with sound, rational, decision making. Little wonder then that the precipitous fall in stock prices appears unjustified in more than a few cases.

Take **Ahold** as an example. Ahold is a fairly recent addition to the portfolio. It is a Dutch grocer with two main operations; one in the Netherlands and another in the North-East of the United States. As a business there is a lot to like in food retailing. Demand doesn't generally change by more than a few percent even when times are tough. There is only modest capital employed as products are sold well before suppliers are paid, and returns and cash flows are generally high. Ahold's retail formulas are solid as are its market positions. Finally food retailers traditionally enjoy a reasonable degree of pricing power. Perhaps this latter point explains why the stock dropped sharply after H1 results; obviously not helped by a weak stock market to begin with. The company noted that it was difficult in the US to fully pass on higher input prices. The market read this as a signal that its business model was deteriorating and that margins and profits would structurally decline. It seems to us a bit presumptuous to assume on the basis of two quarters of data that this is so. Far more likely we believe, Ahold will regain its historical pricing power and the current challenges will seem a mere blip in its long-term earnings development.

To put the stock in perspective; Ahold had pre-tax operating earnings of EUR 1.14 per share last year. Its balance sheet is strong with only modest debt and a slew of valuable financial assets which together are worth EUR 1.04 per share (based on book values, we think they're worth more). Related to a share price of less than EUR 8 where it recently traded, the company looks very undervalued. If, for instance, we assume that earnings remain roughly stable (despite new store openings, some price inflation, market share gains, etc.) the company's prolific cash generation will lead to at least EUR 3/share in extra cash by 2013. All other things being equal the stock price will have to rise by almost 40% if the stock is to maintain its current measly multiple. Furthermore the firm has stepped up its share buy-back plan, buying in huge amounts of shares at low prices thereby adding a lot of value for shareholders. The macro-economic crystal ball may be as cloudy as ever, but the attractiveness of Ahold's stock is clear. We added to the position.

While still scanning for new opportunities, much of our time in the past month has been spent on reassessing the existing portfolio. And where we felt confident that stock prices were truly out of whack with the underlying companies we bought more. In addition to Ahold we added to both **Bijou Brigitte** and **Mediaset Espana**. Despite these purchases the Fund's cash position at around 16% is more or less where it was at the beginning of August due to the sale of **Bristol-Myers Squibb**. The company and the stock had a very good year. Although it was still undervalued, Bristol's potential was simply much less than that of other companies in the portfolio, or indeed versus new portfolio candidates. Furthermore, the outlook for 2012-13 is not pretty due to upcoming patent expiries.

We admit to being less than thrilled at falling stock prices. But rather than being captive to markets we work on keeping a close eye on the 30 odd companies in the portfolio and, at the same time, trying to capitalise on a few of the most compelling opportunities. Inevitably some of the most attractive risk/reward situations arise not when the world is ticking along but rather when fear is running high. It is no coincidence that when others lose their appetite for risk the potential for returns increase. Although we are moving systematically, and by no means rushing to deploy the Fund's cash, we think Citadel's prospects are improving with each purchase we make. And we expect that once this malaise passes we'll be able to look back in satisfaction at the returns generated from decisions made in the midst of it all.